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DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
MAY 23, 2013
TASKFORCE TO EXAMINE EXPERIENCE FOR CPA LICENSURE
(TASKFORCE) MEETING

Hilton Pasadena
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The meeting of the Taskforce was called to order at approximately 9:07 a.m. on May 23, 2013 by Chair, Manuel Ramirez.

Taskforce Members

Manuel Ramirez, Chair
 Sarah (Sally) Anderson
 Dan Dustin
 Ed Howard
 Laurence (Larry) Kaplan
 Kris Mapes
 Gary McBride
 Marshal Oldman
 Hal Schultz

April 24, 2013

9:07 a.m. to 11:20 a.m.
 Absent
 9:07 a.m. to 11:20 a.m.
 9:07 a.m. to 11:20 a.m.

Staff and Legal Counsel

Rich Andres, Information Technology Staff
 Patti Bowers, Executive Officer
 Andrew Breece, Legislative Analyst
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Chief, Licensing Division
 Rafael Ixta, Chief, Enforcement Division
 Kathryn Kay, Licensing Coordinator
 Nicolas Ng, Manager, Administrative Services

Kari O'Connor, Board Relations Analyst
Deanne Pearce, Assistant Executive Officer
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Regulation Analyst

CBA Members and Committee Chairs

Jose Campos, CBA Member
Nancy Corrigan, Peer Review Oversight Committee (PROC), Chair
Herschel Elkins, CBA Member
Leslie LaManna, CBA President
Katrina Salazar, CBA Member
Michael Savoy, CBA Vice President

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
Michael Hass, Qualifications Committee (QC) member
Jeannie Tindel, CalCPA
Jon Ross, KP Public Affairs

I. Introduction of Members Selected to the Taskforce.

Members provided brief introductions.

II. Discussion Regarding the Taskforce Purpose and Goal.

Mr. Ramirez provided members with an overview of the primary purpose and goal of the Taskforce, which is to provide the CBA with possible recommendations related to the requirements for CPA licensure. Mr. Ramirez noted that as the Taskforce embarks on its activities, it will be gaining a fuller understanding of why the CBA maintains its general accounting and attest experience requirements and, most importantly, paying close attention to the CBA's primary responsibility to protect consumers.

III. Overview of Taskforce-Related Resource Materials.

Ms. Kay provided members an overview of the Taskforce-Related Resource Binder that contained CBA experience-related statutes and regulations, CBA-required experience forms, statistical information on the number of licenses issued under California's present pathway system, licensure requirements (including experience) of all fifty-five states and jurisdictions, the most recent version of the Uniform Accountancy Act (UAA) and Model Rules, and previous CBA-and committee-related

discussions on the topic of experience.

Ms. Kay highlighted the pertinent sections of the UAA related to the requirements for licensure. Ms. Kay noted that most states look to the UAA in establishing some of their core licensure requirements, especially those related to what is commonly known as the three Es: Education, Examination, and Experience.

Ms. Kay stated that for the overview of the other state boards of accountancy's licensure requirements, staff provided information obtained from the National Association of State Boards of Accountancy (NASBA) Accountancy Licensing Library (ALL), which serves as a forum for the fifty-five states and jurisdictions to share present and emerging licensure requirements. Ms. Kay highlighted some of the variances staff found while reviewing the requirements.

IV. History and Overview of the Present CPA Licensure Requirements.

Mr. Franzella provided an overview of this item, focusing primarily on the evolution of the CBA requirements for CPA licensure, how an applicant for licensure satisfies the experience requirement, and how staff evaluates whether an applicant has satisfactorily completed the experience requirement.

Ms. Anderson inquired whether general accounting experience is reviewed by the CBA's Qualifications Committee (QC). Mr. Franzella stated that this is not something the QC typically evaluates.

Mr. Ramirez inquired whether eliminating Pathway 1 would enhance California's substantial equivalency. Mr. Franzella stated that the CBA is on that path with the new educational requirements, which are set to take effect January 1, 2014.

Mr. Dustin provided additional clarification for members on NASBA's substantial equivalency list and stated that substantial equivalency is weighted toward the 150 semester unit requirement.

Ms. Anderson inquired if other states have a committee similar to the QC, to review general experience. Mr. Dustin stated that many times boards will have a subcommittee that reviews experience, other times it is delegated to board staff. Mr. Dustin further stated that many boards require an attestation by a CPA to ascertain the experience.

Mr. Dustin stated that there is a nationwide trend to shift toward a general experience requirement as outlined in the UAA.

Mr. Ramirez stated that the CPA profession is the only profession in the

United States licensed to issue an opinion on the accuracy of financial statements. Mr. Ramirez stated he understands the profession changes; however, maybe there should be some higher level of standard for CPAs that don't provide audit services. Mr. Ramirez questioned whether the CBA should follow the other states or if there is value in the 500-hour requirement. Mr. Ramirez further questioned what is in the best interest of consumers.

Mr. Schultz stated it is important that there be assurance to consumers that a CPA who is providing audit services is qualified to provide such service.

Mr. Howard stated that movement away from an attest experience requirement raises questions about the CPA license. Mr. Howard further stated the difficult task before the CBA is to balance any change in the experience requirement, while maintaining the assurance of consumer protection.

Mr. Dustin stated other states have adopted requirements that allow for a broad general experience for licensure provision, then peer review, continuing education, and firm registration would be measures to address concerns regarding whether a CPA is qualified to perform attest services.

Mr. Ramirez stated that while the Taskforce evaluates the 500-hour attest requirement, it should keep in mind that peer review is a measure in place to ensure consumer protection.

Mr. Howard stated that CPIL's position is to try and retain the attest experience requirement; however, he is open to other solutions. Mr. Howard reiterated that the emphasis should be on consumer protection. Mr. Howard further stated that it is important to describe the downsides and to figure out ways to replicate the advantages for the public and the profession.

Mr. Schultz stated that CalCPA's opinion is that the requirements for licensure more closely align with the UAA.

Mr. Savoy shared a recent experience in which a partner from his firm applied for licensure in another state. His partner was unable to obtain licensure because he did not meet the state's 150 semester unit requirement, although all other requirements were met.

Mr. Savoy added he did not believe the 500 attest hours are sufficient for qualifying an individual for licensure because during those first 500 attest hours, the individual does not supervise others. He stated that supervising and managing others is a key component of experience and gives an individual more knowledge than education alone.

Ms. LaManna noted her mixed feelings on the issue. She expressed to members that she had a difficult time obtaining her 500 hours for attest licensure, however, she felt the 500 hours made her more knowledgeable. She stated that although she holds an attest license, she would decline doing an audit for a client for ethical reasons as audits do not fall into her area of expertise.

Ms. LaManna proposed adding disclosure information on the continuing education licensees have met to the CBA Website License Lookup so that consumers can have more information when evaluating the selection of a CPA.

Ms. Shellans added that the rules of professional conduct is in the law and members could consider further defining ethical standards to ensure licensees take continuing education related to their area of practice. Mr. Fisher directed members to CBA Regulation section 58, which addresses compliance with professional standards.

Mr. Oldman stated that the barrier for entry is a balancing matter. Mr. Oldman stated the 500-hour requirement is not particularly meaningful for those who want to perform audits. Mr. Oldman further stated he does not believe that the consumer is informed of anything by the fact that an individual has an "A" next to his/her license as a result of having 500-hours of attest experience.

Ms. Anderson stated that the best thing the CBA has done for consumer protection has been securing the passage of peer review. Ms. Anderson further stated that she could go either way regarding this matter and, that in the long run, the requirement does not designate someone as an audit expert.

Mr. Ramirez stated if the CBA did eliminate the 500-hour attest requirement, then a practical solution could be to require experience in the area of practice.

Mr. Howard questioned what the CPA license means when it comes to attest and is the person who attains a CPA license allowed to perform the attest function on the basis of what qualifications. Mr. Howard stated that his preference for qualification is experience. Mr. Howard further stated that moving away from experience to purely education is not in the best interest of consumers.

Mr. Schultz noted that Section 5(f) of the UAA outlines that the one year general experience requirement allows academic experience to qualify toward licensure, while California does not allow this type of experience.

Ms. Mapes stated she is not convinced that eliminating the 500-hour attest requirement would be effective in qualifying applicants for CPA licensure.

Mr. Haas expressed concern over potential elimination of the current 500-hour attest requirement because it may be harmful to consumers.

V. Discussions on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Codes sections 5092, 5093, and 5095 and Title 16 California Code of Regulations sections 12 and 12.5.

Mr. Franzella provided an overview of this item. Mr. Franzella outlined next steps that the Taskforce may wish to consider, such as the Taskforce could begin identifying additional options not previously considered by the CBA or its various committees. Mr. Franzella further stated that with additional clarification and direction, staff will be better equipped to begin evaluating how certain recommendations may impact the CBA and its stakeholders, provide a timeline to achieve the various recommendations, and assess how the various recommendations align with the CBA's priorities regarding consumer protection.

Members directed staff to perform additional research in the following areas for discussion at the next meeting:

- For those states with a general accounting experience requirement, determine if they employ a committee similar to the QC to assist in evaluating experience for licensure.
- Provide a fuller understanding of other states' definitions for experience.
- Provide the Taskforce with information showing how the CBA and other states display information to consumers regarding the types of services a licensee can perform.
- Provide information on which states allow for applicants to obtain qualifying experience via academia.
- Provide the percentage of California licensees in public practice versus non-public.
- What specialization certifications exist within the CPA profession whether regulated by governmental or non-governmental bodies.
- Provide enforcement-related statistics, especially those on complaints received regarding licensees with general accounting experience performing attest services.

- Provide court cases regarding the use of the term “accountant,” including the Bonnie Moore case.

VI. Future Meeting Dates.

The committee was presented a meeting calendar for 2013. It was noted that Taskforce meetings will be held concurrently with CBA meetings.

VII. Agenda Items for Next Meeting.

None.

VIII. Public Comments.

None.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 11:20 a.m.

The next meeting of the Taskforce will be held on July 24, 2013.