



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
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CBA Item VIII.A.
 November 21-22, 2013

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
September 26-27, 2013
CBA MEETING

Sheraton Suites at Symphony Hall
 701 A. Street
 San Diego, CA 92101
 Telephone: (619) 696-9800
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Roll Call and Call to Order.

CBA President Leslie LaManna called the meeting to order at 1:32 p.m. on Thursday, September 26, 2013 at the Sheraton Suites. The meeting recessed at 3:49 p.m. President LaManna reconvened the meeting at 9:03 a.m. on Friday, September 27, 2013 and the meeting adjourned at 12:18 p.m.

CBA Members

September 26, 2013

Leslie LaManna, President	1:32 p.m. to 3:49 p.m.
Michael Savoy, Vice President	Absent
K.T. Leung, Secretary-Treasurer	1:32 p.m. to 3:49 p.m.
Sarah (Sally) Anderson	1:32 p.m. to 3:49 p.m.
Diana Bell	1:32 p.m. to 3:49 p.m.
Alicia Berhow	1:32 p.m. to 3:49 p.m.
Michelle Brough	Absent
Jose Campos	1:32 p.m. to 3:49 p.m.
Herschel Elkins	Absent
Laurence (Larry) Kaplan	1:32 p.m. to 3:49 p.m.
Louise Kirkbride	Absent
Marshal Oldman	1:32 p.m. to 3:49 p.m.
Manuel Ramirez	1:32 p.m. to 3:49 p.m.
Katrina Salazar	1:32 p.m. to 3:49 p.m.

CBA Members

September 27, 2013

Leslie LaManna, President	9:02 a.m. to 12:18 p.m.
Michael Savoy, Vice President	Absent
K.T. Leung, Secretary-Treasurer	9:02 a.m. to 12:18 p.m.
Sarah (Sally) Anderson	9:02 a.m. to 12:18 p.m.
Diana Bell	9:02 a.m. to 11:46 p.m.
Alicia Berhow	9:02 a.m. to 12:18 p.m.
Michelle Brough	9:02 a.m. to 12:18 p.m.
Jose Campos	9:02 a.m. to 12:18 p.m.
Herschel Elkins	Absent
Laurence (Larry) Kaplan	9:02 a.m. to 12:18 p.m.
Louise Kirkbride	Absent
Marshal Oldman	9:02 a.m. to 12:18 p.m.
Manuel Ramirez	9:02 a.m. to 12:18 p.m.
Katrina Salazar	9:02 a.m. to 12:18 p.m.

Staff and Legal Counsel

Rich Andres, Information Technology Staff
Patti Bowers, Executive Officer
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Kathryn Kay, Licensing Coordinator
Nicholas Ng, Administration Manager
Kari O'Connor, Enforcement Analyst
Deanne Pearce, Assistant Executive Officer
Corey Riordan, Board Relations Analyst
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)

Other Participants

Chere Davis, Court Reporter
Jason Fox, California Society of Certified Public Accountants (CalCPA)
Ed Howard, Center for Public Interest Law (CPIL)
Eric Lietzow, Petitioner
Morris Miyabara, California Society of Tax Consultants (CSTC)
Michael Mophew, CPIL

Pilar Onate-Quintana, KP Public Affairs
Joe Petito, The Accountants Coalition
Jon Ross, KP Public Affairs
Hal Schultz, CalCPA
Nelson Vinson, Petitioner

I. Petition Hearings

A. Eric Rodney Lietzow - Petition for Reinstatement of Revoked CPA Certificate.

CBA members heard the petition for reinstatement of Mr. Lietzow's revoked CPA certificate.

B. Nelson S. Vinson - Petition for Reduction of Penalty.

CBA members heard the petition for reduction of penalty for Mr. Vinson.

II. Closed Session.

Pursuant to Government Code Section 11126(c) (3), the CBA Convened into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, Petitions for Reinstatement, and Petitions for Reduction of Penalty).

III. Report of the President.

A. Announcement Regarding Annual Officer Elections.

President LaManna announced that the annual Officer Elections will be held at the November 2013 CBA meeting. Ms. LaManna stated that any CBA member interested in a leadership role should submit a statement of qualifications to CBA staff.

B. Announcement of CBA Leadership Award of Excellence

Ms. LaManna announced that the recipients of this year's CBA Leadership Award of Excellence are Tina MacGregor, Investigative CPA, in the Enforcement Division and Anna Torrecillas, Examination Analyst in the Licensing Division.

C. Report on August 29, 2013, Senate Committee on Budget and Fiscal Review Hearing.

Ms. LaManna stated that she attended a hearing with CBA staff

regarding the repayment of loans from special funded State agencies. Ms. LaManna noted that the CBA has \$31 million outstanding in loans to the General Fund and in July 2013 the Department of Finance (DOF) outlined a plan for the CBA to be repaid for the loans made to the General Fund in Fiscal Years 2014-2015 and 2015-2016. Ms. LaManna noted that repayment to the CBA will not be complete until a budget bill has passed.

D. DCA Director's Report.

There was no report for this item.

E. Guest Speaker Richard Kravitz, CPA, Director, Socially Responsible Accounting.

Mr. Kravitz presented information to the CBA regarding socially responsible accounting and protecting the public interest.

IV. Report of the Vice President.

A. Recommendations for Appointment(s)/ Reappointments(s) to the Enforcement Advisory Committee (EAC).

There was no report for this item.

B. Recommendations for Appointment(s)/ Reappointment(s) to the Qualifications Committee (QC).

There was no report for this item.

C. Recommendations for Appointment(s)/ Reappointment(s) to the Peer Review Oversight Committee (PROC).

There was no report on this item.

V. Report of the Secretary/ Treasurer.

A. Discussion of Governor's Budget.

There were no comments on this item.

B. Fiscal Year 2012-2013 Year End Financial Statement.

Mr. Leung provided an overview of the Year End Financial Statement.

Mr. Campos inquired about the fingerprint expenses noted on the Fiscal Year 2012-2013 Financial Report.

Mr. Ng stated that these expenses are for out-of-state applicants who do not have access to Live Scan service.

VI. Report of the Executive Officer (EO).

A. Update on Staffing.

Ms. Bowers introduced Ms. Riordan as the new Board Relations Analyst. Ms. Bowers stated that Ms. O'Connor has been promoted to the Non-Technical Investigation Unit in the Enforcement Division.

B. Update on 2013- 2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

C. Presentation of CBA Annual Report for Fiscal Year 2012-2013

Ms. Pearce provided an overview of this item. Ms. Pearce stated the CBA Annual Report includes an overview of the CBA Strategic Plan, budget information, statistics of processing timeframes within the Licensing and Enforcement Divisions and results from the Customer Service Satisfaction Survey.

Ms. Salazar inquired if the CBA will continue to use the Customer Satisfaction Survey.

Ms. Bowers stated that the survey is valuable and will continue to be used. She said that staff is exploring ways to increase customer feedback.

D. Discussion Regarding Change to May and September 2014 CBA Meeting Dates.

Ms. O'Connor informed CBA members that, as presently scheduled, the May and September 2014 CBA meeting dates coincide with a holiday. Ms. O'Connor proposed that the May 2014 CBA meeting date be changed to May 29-30, 2014, and the September 2014 CBA meeting date be changed to September 18-19, 2014.

It was moved by Mr. Ramirez, seconded by Mr. Campos and unanimously carried by those present to adopt the proposed changes to the May and September 2014 CBA meeting dates.

E. Discussion of Possible Comments on the Uniform Accountancy Act

Exposure Draft Regarding Revised Definitions (UAA).

Mr. Stanley provided an overview of this item. Mr. Stanley stated that the UAA exposure draft proposes a revision to the definition of “attest.”

Mr. Stanley further stated that staff has prepared a comment letter on the exposure draft and are seeking input from CBA members. He noted that presently, the CBA is neutral in its position regarding the revisions proposed by the exposure draft.

It was moved by Ms. Berhow, seconded by Ms. Bell and unanimously carried by those present to adopt the proposed comment letter.

- F. Update on Legislation Which the CBA Has Taken a Position (AB 186, AB 258, AB 291, AB 376, AB 1057, AB 1151, AB 1412, SB 176, SB 305, SB 822, SB 823).

Mr. Stanley reported that SB 822 was recently signed by the Governor and chaptered. Mr. Stanley stated that AB 1412 was amended and is no longer applicable to the CBA.

It was moved by Mr. Campos, seconded by Mr. Oldman and unanimously carried by those present that the CBA maintain its current position on all bills except AB 1412, which was amended and no longer relates to the CBA.

VII. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item. He reported that the Initial Licensing Unit staff is training for the transition to the new educational requirements for CPA licensure that are effective January 1, 2014. He stated that the CPA license renewal form is being revised to reflect recent changes to continuing education requirements, peer review reporting, and fingerprint requirements. He further stated that a letter will be sent to all licensees regarding these changes.

VIII. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of this report.

Mr. Ramirez requested that consideration be given to the report to notate large enforcement cases.

Mr. Ixta stated the CBA has submitted a Budget Change Proposal (BCP) requesting additional staff in the Enforcement Division. Mr. Ixta further stated that the BCP requests are presently undergoing review by the Department of Finance (DOF).

Ms. Bowers stated that the content of the proposals are confidential. Ms. Bowers noted that the review process for BCP requests is rigorous and includes review from DCA, Business, Consumer Services and Housing Agency, DOF and the Legislature. Ms. Bowers further stated that in recent years, the CBA has been very conservative with requesting additional staffing.

Mr. Ramirez expressed concern that the enforcement numbers may be temporarily inflated due to peer review, and he did not want to see permanent staff added to fix a temporary issue.

Ms. Bowers stated that the CBA is very conservative when requesting additional resources, and, in fact, had been very diligent about finding efficiencies and utilizing existing resources wherever possible. She stated that when a request is made, staff have thoroughly analyzed whether the need is permanent or temporary.

Mr. Ramirez stated his preference that the CBA only request temporary staff rather than commit funds to permanent staff which may result in an increase in fees. After two requests for temporary positions, the need for permanent staff will have been substantiated.

Ms. LaManna stated that the budget would be reanalyzed in March with the anticipated repayment of the General Fund loans. She further expressed her surprise that while the CBA spends 39% of its budget on enforcement, other DCA boards are spending 67-75%.

Mr. Leung stated that, since he was appointed to the CBA, there has always been a shortage of investigators and that he saw no problem with requesting additional staff.

Mr. Campos inquired whether CBA members could have an opportunity to review the BCPs if they are approved by DOF prior to filling the positions.

Ms. Bowers answered that it would be possible, and that the confidentiality of the ongoing BCP process does not preclude the CBA from exercising its ability to learn about and question the process and the status of the CBA's resources.

Mr. Campos replied that he sees this as a very important function of the CBA to monitor what it is doing with its resources, and that staff is probably in the best position to determine upcoming resource needs with a level of CBA oversight.

Ms. Anderson stated that since the fingerprinting would be a temporary demand on resources, if the decision is made to hire permanent positions for fingerprinting purposes, she would like to know the rationale for that decision.

Ms. Brough was pleased with staff's past performance in shifting existing resources to fill needs. She expressed her desire to avoid asking for more staff than needed in order to achieve a lower goal in staffing. She stated that if there is a true need to request the permanent positions we should ask, but if there is not a true need, it should be handled with temporary staff.

Mr. Ramirez requested that the CBA compare its number of enforcement personnel to the top five state boards of accountancy enforcement personnel compared to the licensees being monitored and compare the number of complaints.

Ms. Bell commended the judgment of CBA staff and commented that the Enforcement Division has worked with less staff for a long time. She stated that she would support the CBA staff's decision regarding staffing.

Ms. LaManna expressed a concern for staff burnout if the CBA continues to use existing resources to fill long term needs. She expressed interest in seeing how the CBA compares to other states in this area. She further indicated that the number of cases staff is successfully closing means that there are more licensees on probation that she does not believe the CBA has the staff to effectively monitor. More staff would allow the CBA to more effectively monitor probations.

Mr. Ixta concluded the Enforcement Division report, and Mr. Ramirez complimented the Enforcement Division for achieving enforcement processing timelines established by DCA.

IX. Committee and Taskforce Reports.

A. Taskforce.

1. Report of the September 26, 2013 Taskforce Meeting.
2. Discussion on the Taskforce to Examine Experience for CPA Licensure's Final Report to be Delivered to the California Board of Accountancy.

Mr. Ramirez stated that the Taskforce discussed conducting a subsequent meeting to review a final report and recommendation to the CBA.

3. Presentation on How Information is Presently Displayed for Consumers on the CBA Website and Staff Proposed Changes.

It was moved by Mr. Ramirez, seconded by Mr. Oldman and unanimously carried by those present to accept the staff proposed changes with some additional Taskforce requested text recommendations, and allow staff to work with legal counsel on the technical changes.

4. Discussion on Possible Recommendations by the Taskforce Regarding Acceptance of Academia as a Qualifying Experience Requirement for CPA Licensure.

Mr. Ramirez reported that the Taskforce discussed the possibility to allow academia to be accepted for qualifying experience for CPA licensure. He noted that the Taskforce discussed the added benefits of having a strong connection between the profession and academia.

It was moved by Mr. Ramirez, seconded by Ms. Berhow and unanimously carried by those present to accept the Taskforce's recommendation that the CBA explore the possibility for allowing academia to qualify as experience, with the amount of academia experience exceeding a one-to-one ratio and that the CBA explore the following areas, who can sign off on academia experience, should teaching experience be made available to academics at both two-year and four-year institutions and the institutions accreditation.

5. Discussion on Possible Recommendations by the Taskforce Regarding Modification to the General Accounting Experience for CPA Licensure.

Mr. Ramirez reported that the Taskforce considered possible options for modification to the general accounting experience requirement for CPA licensure.

It was moved by Mr. Ramirez, seconded by Mr. Campos and unanimously carried by those present to accept the Taskforce's recommendation to remain status quo regarding general accounting experience for CPA Licensure.

6. Discussion on Possible Recommendations by the Taskforce Regarding Modification to the Attest Experience Requirement for CPA Licensure.

Mr. Ramirez stated that the Taskforce discussed various post licensure requirements, including peer review, continuing education and professional standards and the effectiveness of these systems in assuring consumer protection related to the attest function. Mr. Ramirez also noted that over 40 states have adopted the Uniform Accounting Act (UAA) model that requires one year of general accountancy experience and does not include completing experience in attest.

It was moved by Mr. Ramirez, seconded by Mr. Oldman to accept the Taskforce's recommendation to eliminate the two pathways to licensure and discontinue requiring completion of the 500 hours of attest experience.

Ms. LaManna expressed her opinion that additional work still needs to be done on this topic.

Mr. Ramirez stated that if the recommendation is ultimately accepted by the CBA, it represents a starting point in the process. He further stated the CBA will need to provide convincing data and research to be successful in the legislation process. He expressed his belief that this is not something the CBA should rush into and it could take some time to finalize.

Ms. Bell inquired if the move to one pathway and the requirement for 500 attest hours could be separated to two motions.

Mr. Campos stated that he believed the motion could not be split as the previous motion was to maintain the general accounting experience. He explained that it would appear the options are to eliminate or modify the attest experience requirement.

Mr. Howard noted that a hallmark of the collaborative effort in the Legislature is that the parties come together prior to legislation being introduced and work through their respective differences. He noted when using data and research that often time areas of

compromise present themselves during the collaborative process. Mr. Howard outlined three areas of additional research that he believes should be explored prior to entering into the legislative process: what do existing licensees think about the 500-hour requirement, why do applicants for licensure complete in excess of the 500 hours, and what alternatives exist outside of the 500-hour requirement which would be comparable.

Mr. Oldman stated he believes they do not have to seek legislation next year as this issue will take time. He expressed concern if the CBA maintains the 500-hour requirement diversity of auditors would be lost, as the majority of applicants would have to work for large firms to ensure the completion of the 500-hour requirement within a one-year timeframe. He suggested the CBA could use specialized certifications to ensure the consumer that the licensee went through a rigorous and long term process.

Mr. Campos stated that he was in concurrence with Mr. Oldman as to the reasons why it is time to eliminate the 500-hour requirement. He stated he is not supportive of the current motion for two primary reasons, the board went through significant due process to establish the 500-hour attest requirement and during the mobility negotiation it required out-of-state licensees to meet the requirement. He requested information on the view point of other states without the 500-hour attest requirement.

Ms. LaManna stated it seemed the consensus was the CBA would like additional information.

After extensive deliberation the motion failed.

Mr. Ramirez suggested licensees could be sent an online survey in regards to the 500-hour attest requirement and to collect data from other states, without the requirement, to see if they saw an increase in enforcement cases.

Mr. Howard stated it is the assumption that licensees are better auditors by having the 500-hour attest requirement. He further stated the CBA's job is to protect consumers by producing licensees who do a good job. He noted enforcement data is unreliable because complaints are by consumers who are not knowledgeable in the profession and they have to know the CBA exists. He stated due to limited resources boards then assign priority to only the worst or large cases.

Mr. Ramirez stated the CBA has mandatory peer review which

results in monitoring the work by other CPAs. He noted that 47 other states have one year of experience supervised by a CPA in the absence of the 500-hour requirement. He stated we should be consistent and a CPA license should be the same in every state. He suggested the motion be split into three, whether there is consensus on one license, what should the one license look like and what is the strategic process.

Mr. Howard expressed his belief that the research and data should be completed before the proposal.

Mr. Ramirez stated as the chair of the committee he would be willing to work with Ms. Bowers to develop the questions to ask licensees.

Mr. Kaplan inquired if a decision had to be made and asked if the Taskforce could continue to work on the issue.

Ms. LaManna stated she believes the motion is to ask the Taskforce to gather additional data.

Ms. Anderson inquired if the CBA was at a point to direct staff to develop the type of questions for the surveys and come back to the board.

It was moved by Mr. Campos, seconded by Ms. Bell and unanimously carried by all those present for the CBA staff to gather research data of California licensees regarding the 500 attest hours, work with NASBA or others to obtain out-of-state data and analyze enforcement criteria.

7. Enforcement-Related Statistics from Other States That Recently Converted from an Attest Experience Requirement and Redistribution of the Bonnie Moore Case Decision and Results of Legal Cases Research (Written Report Only).

There were no comments on this item.

B. Enforcement Program Oversight Committee.

1. Report of the September 26, 2013 EPOC Meeting.
2. Discussion and Possible Action Regarding Proposed New Additions and Previously Requested Changes to the Disciplinary Guidelines and Model Orders.

Ms. Berhow reported that EPOC discussed changes to the disciplinary guidelines and model orders. She noted that legal counsel indicated “inactive” should be added to the violation of section 5071.2b of the Business and Professions Code (BPC) to read “practice with a military inactive license status” and “revocation” should not be used in the title for section 5104 of the BPC.

It was moved by Ms. Berhow, seconded by Mr. Ramirez and unanimously carried by those present to accept EPOC’s recommendation to adopt the staff proposed changes with the addition of legal counsel’s suggestion to the Disciplinary Guidelines and Model Orders.

3. Discussion and Possible Action to Recommend Initiation of a Rulemaking to Make Changes to the Disciplinary Guidelines and Model Orders at Title 16, California Code of Regulations Section 98.

Ms. Berhow provided an overview of this item.

It was moved by Ms. Berhow, seconded by Mr. Ramirez and unanimously carried by those present to accept the EPOC’s recommendation to adopt the proposed changes with legal counsels amendments, approve the proposed regulatory language and direct staff to initiate the rulemaking process to make changes to the Disciplinary Guidelines and Model Orders.

C. Peer Review Oversight Committee (PROC).

1. Report of the August 23, 2013 PROC Meeting.

Ms. Corrigan reported on various oversight events in which PROC members participated. Ms. Corrigan stated that the PROC discussed the need to determine the level of oversight necessary for out-of-state administrative entities performing peer reviews. She further stated that the PROC approved a second letter to the NASBA Compliance Assurance Committee regarding oversight of the National Peer Review Committee. She also noted that a taskforce comprised of PROC members summarized its findings regarding the voluntary peer review survey submitted by firms. The taskforce provided recommendations on how to enhance the educational process of Peer Review, and these recommendations will be incorporated into CBA website and CBA publications. Ms. Corrigan stated that the PROC will meet on November 1, 2013 in Northern California.

2. Approval of 2014 PROC Meeting Dates.

It was moved by Mr. Leung, seconded by Mr. Campos and unanimously carried by those present to adopt the 2014 PROC meeting dates.

D. Enforcement Advisory Committee (EAC).

1. Approval of 2014 EAC Meeting Dates.

It was moved by Mr. Oldman, seconded by Ms. Salazar and unanimously carried by those present to accept the 2014 EAC meeting dates.

E. Qualifications Committee (QC).

1. Report of the July 31, 2012 QC Meeting.

Mr. Franzella reported that four personal appearances were made, three were approved at the QC meeting and four out of the seven Section 69 reviews were approved. Mr. Franzella further reported that the QC conducted an internal audit of licensing files and concurred with the staff recommendation on all 100 files reviewed.

X. Acceptance of Minutes.

A. Draft Minutes of the July 25, 2013 CBA Meeting.

B. Minutes of the July 24, 2013 Taskforce Meeting.

C. Minutes of the May 2, 2013 EAC Meeting.

D. Minutes of the May 23, 2013 EPOC Meeting.

E. Minutes of the May 23, 2013 PROC Meeting.

F. Minutes of the April 24, 2013 QC Meeting.

It was moved by Mr. Leung seconded by Mr. Campos and unanimously carried by those present to accept agenda items X.A.-X.F. with an edit to the July 25, 2013 minutes to note that Mr. Oldman was present at the meeting.

XI. Other Business.

_____ Leslie J. LaManna, CPA, President

_____ K.T. Leung, CPA, Secretary-Treasurer

Corey Riordan, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.