



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

MINUTES OF THE
March 20-21, 2014
CBA MEETING

Hilton Pasadena
 168 South Los Robles Avenue
 Pasadena, CA 91101
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Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 2:00 p.m. on Thursday, March 20, 2014 at the Hilton Pasadena. The meeting recessed at 4:43 p.m. President Savoy reconvened the meeting at 9:01 a.m. on Friday, March 21, 2014 and the meeting adjourned at 11:22 am.

CBA Members

March 20, 2014

Michael Savoy, President	2:00 p.m. to 4:43 p.m.
Jose Campos, Vice President	2:05 p.m. to 4:43 p.m.
Katrina Salazar, Secretary-Treasurer	2:00 p.m. to 4:43 p.m.
Sarah (Sally) Anderson	2:00 p.m. to 4:43 p.m.
Diana Bell	2:00 p.m. to 4:43 p.m.
Alicia Berhow	2:00 p.m. to 4:43 p.m.
Herschel Elkins	2:00 p.m. to 4:43 p.m.
Laurence (Larry) Kaplan	2:00 p.m. to 4:43 p.m.
Louise Kirkbride	2:00 p.m. to 4:43 p.m.
Kay Ko	2:00 p.m. to 4:43 p.m.
Leslie LaManna	Absent
K.T. Leung	2:00 p.m. to 4:43 p.m.
Manuel Ramirez	2:00 p.m. to 4:43 p.m.
Mark Silverman	2:00 p.m. to 4:43 p.m.

CBA Members

March 21, 2014

Michael Savoy, President	9:01 a.m. to 11:22 a.m.
Jose Campos, Vice President	9:01 a.m. to 11:22 a.m.
Katrina Salazar, Secretary-Treasurer	9:01 a.m. to 11:22 a.m.
Sarah (Sally) Anderson	9:01 a.m. to 11:22 a.m.
Diana Bell	9:01 a.m. to 11:22 a.m.
Alicia Berhow	9:41 a.m. to 11:22 a.m.
Herschel Elkins	9:01 a.m. to 11:22 a.m.
Laurence (Larry) Kaplan	9:01 a.m. to 11:22 a.m.
Louise Kirkbride	9:01 a.m. to 11:22 a.m.
Kay Ko	9:01 a.m. to 11:22 a.m.
Leslie LaManna	Absent
K.T. Leung	9:01 a.m. to 11:22 a.m.
Manuel Ramirez	9:01 a.m. to 11:22 a.m.
Mark Silverman	9:01 a.m. to 11:22 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer
 Rich Andres, Information Technology Staff
 Paul Fisher, Enforcement Supervising ICPA
 Dominic Franzella, Chief, Licensing Division
 Rafael Ixta, Chief, Enforcement Division
 Vincent Johnston, Enforcement Analyst
 Sara Narvaez, Enforcement Manager
 Nicholas Ng, Administration Manager
 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, Legislation Analyst

Committee Chairs and Members

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

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
 Michael Morphew, Center for Public Interest Law (CPIL)
 Pilar Onate-Quintana, KP Public Affairs
 Joseph Petito, The Accountants Coalition
 Jon Ross, KP Public Affairs
 Hal Schultz, CalCPA
 Aram Stepanian

I. Report of the President.

A. Resolution for Retired CBA Member Marshal Oldman.

It was moved by Mr. Savoy, seconded by Mr. Leung and unanimously carried by those present to approve the resolution for retired CBA member, Marshal Oldman, Esq. Mr. Campos was temporarily absent.

B. Resolutions for Retiring Qualifications Committee Members Brian Cates and Lewis Fisher.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to approve the resolutions for retiring Qualifications Committee members Brian Cates and Lewis Fisher.

C. Announcement of Appointments to the Mobility Stakeholder Group (MSG).

Mr. Savoy stated the appointments for the MSG were previously announced and the inaugural meeting was held prior to the CBA meeting.

D. National Association of State Boards of Accountancy (NASBA)/ American Institute of Certified Public Accountants (AICPA) Committee Interest Form.

Ms. Riordan stated that members interested in serving on a NASBA committee should submit an online application by April 23, 2014. She further stated AICPA is currently accepting applications for the 2014-2015 volunteer year.

E. Proposed 2015 CBA Meeting Dates.

It was moved by Mr. Elkins, seconded by Mr. Ramirez and unanimously carried by those present to adopt the 2015 meeting dates and locations.

F. Educational Presentation—Enforcement Division Overview.

Mr. Ixta, Mr. Fisher and Ms. Narvaez provided an overview of the disciplinary process.

Mr. Ramirez inquired about the number of staff assigned to reviewing individuals who state they are not subject to peer review.

Mr. Ixta stated that the CBA does not have an individual that is assigned to the task but we utilize many staff including clerical, Investigative CPAs

and other staff, on an as needed basis.

Ms. Ko inquired about the percentage of complaints received by external sources.

Mr. Ixta reviewed Table 1.1 and stated that approximately 10% of complaints are from external sources.

Mr. Silverman inquired about when a licensee is notified of a third parties complaint.

Mr. Fisher stated the licensee is notified after the board's jurisdiction is determined.

Ms. Ko inquired if the licensees clearly understand the discipline process.

Mr. Ixta stated that once a complaint is filed, the licensee receives a letter describing the process. He further stated that the At-a-Glance section of the CBA's UPDATE publication educates professionals on enforcement actions.

Mr. Ramirez suggested staff include case studies in a future issue of UPDATE.

Mr. Ixta stated that discipline cases are currently published in every UPDATE.

Ms. Ko inquired if the licensee is obligated to inform their clients of disciplinary matters.

Mr. Ixta stated licensees are required, if specified in the order.

Mr. Ramirez stated that in the interest of consumer protection, that Ms. Bowers evaluate the appropriateness of having more resources applied to looking at individuals that indicate they are not subject to peer review.

Ms. Bowers agreed and noted that staff is actively pursuing the matter.

Mr. Kaplan inquired if the CBA informs the Investigative Revenue Service (IRS) regarding disciplinary actions.

Mr. Ixta stated we currently inform the IRS.

Mr. Ramirez requested staff investigate what the IRS does with the information.

Ms. Kirkbride inquired if the system or set of measurements established

could be changed to more accurately reflect how the organization is performing, what would the CBA change.

Mr. Ixta stated that we are currently meeting all of the measurements set by the Department of Consumer Affairs (DCA), except the average number of days to complete the entire process for cases resulting in formal discipline. He further stated that staff is working with the Attorney General's (AG) Office to reduce the timeframe of investigations.

Ms. Bowers stated that after the conclusion of the work with the AG's Office, the CBA may request adjustments be made to the measurements.

G. DCA Director's Report.

There was no report for this item.

II. Report of the Vice President.

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

It was moved by Mr. Campos, seconded by Ms. Berhow and unanimously carried by those present to appoint Dale Best to the EAC.

It was moved by Mr. Campos, seconded by Mr. Ramirez and unanimously carried by those present to reappoint Mary Rose Caras to the EAC.

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

It was moved by Mr. Campos, seconded by Ms. Anderson and unanimously carried by those present to appoint David Evans, Tracy Garone and David Papotta to the QC.

It was moved by Mr. Campos, seconded by Mr. Ramirez and unanimously carried by those present to reappoint Charles Hester to the QC.

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

There was no report on this item.

III. Report of the Secretary/Treasurer.

A. Fiscal Year 2013–2014 Mid–Year Financial Statement, Including

Information on Anticipated Loan Repayment Dates.

Ms. Salazar provided an overview of the mid-year financial statement. She stated the current Fiscal Year (FY) budget has been reduced by approximately \$16,000 from the \$11,574,000 previously reported in the first-quarter financial statement, mainly due to the \$160,000 deferral of expenses related to BreEZe and an increase in employee compensation. She further stated that the revenue was \$5.6 million, which was an increase of eight percent over last FY.

Ms. Anderson inquired about the loan interest amount.

Mr. Ng stated that the dollar amount could be provided at next meeting.

Mr. Leung inquired about details regarding the \$8 million negative cash flow for the next two years.

Mr. Ramirez stated that a five-year projection showing the actual deficits and using the loan repayments as a supplement may provide Mr. Leung the information he is requesting.

Ms. Bowers stated this could be provided in the next report.

B. Discussion of Governor's Budget.

Ms. Salazar provided an overview of this item. She stated the preliminary budget is set at \$13,413,000.

IV. Report of the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (EAC).

1. Report of the January 30, 2014 EAC Meeting.

Ms. Gerhardt reported that the EAC reviewed six investigations and 28 open cases and provided input to staff.

B. Qualifications Committee (QC).

There was no report on this item.

C. Peer Review Oversight Committee (PROC).

1. Report on the January 31, 2014 PROC Meeting.

Ms. Corrigan reported the PROC reviewed AICPA's oversight reports of five states and each state's own reports and did not have any

findings or concerns. She stated the PROC will continue to the review other states as an annual process. She further stated that the PROC reviewed AICPA's Annual Report Regarding Peer Review which was issued on September 27, 2013.

2. 2013 PROC Annual Report.

Ms. Corrigan presented the 2013 PROC Annual Report to the CBA members.

Mr. Savoy complimented Ms. Corrigan and the PROC on the report. He further stated the report was incredible and would assist staff with preparing the report to the Governor.

V. Report of the Executive Officer (EO).

A. Update on the Relocation of the CBA Principal Office.

Ms. Bowers provided an overview of this item. She stated the CBA is currently waiting on the Department of Finance for approval of the cost and space estimates. Ms. Bowers further stated the next step will be to release an advertisement for bids for the relocation. She noted the area of the search has been narrowed to the current principal location, Natomas and Del Paso.

B. Update on Staffing.

There was no report for this item.

C. Update on the CBA 2013–2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

VI. Committee Reports.

A. Mobility Stakeholder Group (MSG).

1. Overview of the Purpose and Roles of the MSG.

Ms. Salazar provided an overview of this item.

2. Adoption of Policies and Procedures for the MSG.

Ms. Salazar provided an overview of this item. She stated the MSG meeting will be held in conjunction with the CBA's March, July and November meetings. She further stated the committee will issue a report to the CBA at least once per calendar year. Lastly, she stated

the MSG will issue a final report to the CBA.

3. Discussion Regarding Proposed Agenda Items for the Next Meeting.

Ms. Salazar stated the MSG approved the meeting topics proposed by staff, including the following additional topics:

- Overview of the new mobility law and how it compares with the previous practice privilege law
- A review of the consumer protection provisions in the mobility law
- Define the objectives of the stakeholders
- A review of Licensing and Enforcement Divisions' statistics for mobility
- Exploration of issues encountered by other states regarding mobility
- Discussion on how mobility has been implemented in CA
- A summary of the difference in other states mobility laws
- How other states have handled discipline related to the context of mobility

B. Committee on Professional Conduct (CPC).

1. Report of the March 20, 2014 CPC Meeting.
2. Discussion Regarding National Data Collection on Other State Boards of Accountancy Attest Requirements.

Mr. Campos provided an overview of this item. Mr. Campos stated the CPC recommended the inclusion of additional information/questions, as follows:

- To establish the board of accountancy jurisdiction and request for the name and title of the individual completing the survey
- An open-ended question to provide additional information
- A question for boards that had an attest requirement, but no longer do, whether they have noticed any issues or problems stemming from its elimination

It was moved by Mr. Campos, seconded by Ms. Bell and unanimously carried by those present to approve the survey using the online tool and approve the suggested questions proposed by CBA staff and the CPC. Ms. Berhow was temporarily absent.

It was moved by Mr. Elkins, seconded by Ms. Anderson and unanimously carried by those present to add a question

regarding the rationale as to why attestation was removed for those states that previously had a requirement.

3. Discussion Regarding Business and Professions Code Section 5087–Reciprocity of License from Another State; Waiver of Examination Requirements.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to discontinue seeking the amendment to BPC section 5087, with the exception of changing the wording to “current, active, and unrestricted,” and direct staff to seek its inclusion in the omnibus bill. Ms. Berhow was temporarily absent.

C. Enforcement Program Oversight Committee (EPOC).

1. Report of the March 20, 2014 EPOC Meeting.
2. Discussion Regarding Probation Monitoring of Out-of-State Certified Public Accountants.

Mr. Fisher reported that Mr. Johnston provided a presentation regarding the probation monitoring of out-of-state certified public accountants.

3. Discussion of Recommended Changes to the Disciplinary Guidelines and Model Orders Regarding Changes to Business and Professions Code Section 5096(e)(10)–Notification of Pending Criminal Charges for Practice Privilege Holders.

Mr. Fisher provided an overview of this item. He stated that the EPOC approved staff’s suggested changes to the Disciplinary Guidelines regarding notification of pending criminal charges for practice privilege holders. Mr. Fisher noted that the changes will be incorporated in the Disciplinary Guidelines that are currently in the rulemaking process.

It was moved by Mr. Ramirez, seconded by Ms. Anderson and unanimously carried by those present to accept the EPOC’s recommendation to add the suggested changes into the Disciplinary Guidelines to the current regulatory proposal. Ms. Berhow was temporarily absent.

D. Legislative Committee (LC).

1. Report of the March 20, 2014 LC Meeting.
2. Update on Legislation on Which the CBA Has Taken a Position (AB

186, SB 176).

Mr. Kaplan provided an overview of this item. He stated the CBA's current position on AB 186 is support if amended and the current position on SB 176 is support.

He stated the CBA approved four proposals in January for inclusion in the annual omnibus bill. These proposals would correct a drafting error regarding disclosure of SEC and PCAOB information at least every six months for mobility purposes; place a 30 day timeframe on the requirement that practice privilege holders report pending criminal charges to the CBA; allow for the collection of email addresses from licensees; and allow for the acceptance of experience in academia as qualifying for CPA licensure. He also observed that the Senate Business and Professions Committee made changes to the email collection language to remove the word "require."

Mr. Kaplan stated that the LC recommends approving the changes to the email collection language made by the Senate Business, Professions and Economic Development Committee. He further stated, if approved by the CBA, the changes to the email collection language will be included in the omnibus bill, with the four proposals approved by the CBA in January.

It was moved by Mr. Kaplan, seconded by Ms. Anderson and unanimously carried by those present to accept the LC's recommendation to approve the email collection language changes made by the Senate Business, Professions and Economic Development Committee for inclusion in the omnibus bill. Ms. Berhow was temporarily absent.

3. Consideration of Positions on Newly Introduced Legislation.

a. AB 1702 – Professions and vocations: incarceration.

It was moved by Mr. Kaplan, seconded by Ms. Anderson and carried by those present to adopt a "Support" position on AB 1702. Mr. Elkins abstained. Ms. Berhow was temporarily absent.

b. AB 2058 – Open meetings.

It was moved by Mr. Ramirez, seconded by Ms. Bell and unanimously carried by those present to adopt an "Oppose" position on AB 2058 and direct staff to schedule a meeting with the author. Ms. Berhow was temporarily absent.

c. AB 2147 – Privacy: personal information: agency disclosure.

It was moved by Mr. Campos, seconded by Ms. Bell and unanimously carried by those present to adopt a “Watch” position and direct staff to communicate our concern regarding enforcement and BreEZe implementation. Ms. Berhow was temporarily absent.

- d. AB 2165 – Professions and vocations: licenses.

It was moved by Mr. Elkins, seconded by Ms. Bell and unanimously carried by those present to adopt an “Oppose Unless Amended” position. Ms. Berhow was temporarily absent.

- e. AB 2507 – Public Records Act: exemptions: pending litigation.

It was moved by Mr. Elkins, seconded by Mr. Campos and unanimously carried by those present to adopt a “Support” position. Ms. Berhow was temporarily absent.

- 4. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

There was no report on this item.

VII. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item. He stated that the Examination Unit staff performed a secret shopper visit, which included applying for the exam, scheduling the exam, taking the exam and completing a questionnaire regarding their experience and the overall process. Mr. Franzella further noted that the Initial Licensing Unit has seen a considerable decrease in the number of initial licensure applicants since December, due to the new education requirements, which took effect January 1, 2014. Lastly, Mr. Franzella highlighted the new table in the licensing report which provides the top license renewal-related deficiencies.

VIII Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of this item. He stated the Enforcement Division had received 2,538 complaints and assigned 2,415 cases. He noted that the internal complaints other than peer review has exceeded last year and is mainly due to the criminal conviction referrals and

unlicensed practices. He further stated 2,223 cases were closed, 710 are pending, with 68 at the Attorney General's Office (AG).

Mr. Campos inquired what drives the date of aging for the cases at the AG's office and the date of pending investigations.

Mr. Ixta stated the date for the cases at the AG's office is the date of referral and the investigations pending is the date in which the complaint is received.

Mr. Silverman inquired why there is a decrease in the citations total fines assessed in comparison to the number of citations issued.

Mr. Ixta stated staff would provide more information at the next meeting.

Ms. Bowers noted that the increase in citations issued was due to failure to report peer review which was a \$250 fine.

IX. Acceptance of Minutes

A. Draft Minutes of the November 21-22, 2013 CBA Meeting.

B. Draft Minutes of the January 23-24, 2014 CBA Meeting.

C. Minutes of the January 23, 2014 CPC Meeting.

D. Minutes of the January 23, 2014 EPOC Meeting.

E. Minutes of the January 23, 2014 LC Meeting.

F. Minutes of the December 12, 2013 EAC Meeting.

G. Minutes of the November 1, 2013 PROC Meeting.

H. Minutes of the September 26, 2013 Taskforce Meeting.

It was moved by Mr. Ramirez, seconded by Ms. Bell and unanimously carried by those present to accept the minutes of agenda items IX.A–IX.H.

X. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

There was no report on this item.

B. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

Ms. Bowers provided an overview of this agenda item. She stated that the Accountancy Licensee Database (ALD) presently has 46 states participating. She further noted that CPAVerify allows public access to the database.

b. Board Relevance & Effectiveness Committee.

There was no report on this item.

C. Proposed Responses to NASBA Focus Questions.

It was moved by Mr. Ramirez, seconded by Mr. Campos and unanimously carried by those present to approve the NASBA Focus Questions. Mr. Leung was temporarily absent.

XI. Closing Business.

A. Public Comments.

Mr. Stepanian provided a summary regarding his concerns regarding the accounting profession. He expressed his concern regarding peer review, criminal background checks, the certified public accounting designation, continuing education, and the qualification of the non-CPAs serving as board members.

B. Agenda Items for Future CBA Meetings.

Mr. Savoy requested a future agenda item to address the composition of the CBA.

Mr. Ramirez stated he would like a committee to review the continuing education requirements.

C. Press Release Focus.

Ms. Pearce suggested the PROC Annual Report as the topic of the Press Release Focus.

XII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, Reconsideration of Board's Decision, and Decision after Non-Adoption).

President Savoy adjourned the meeting at 11:22 a.m. on Friday,
March 21, 2014.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, 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.