CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: http://www.cba.ca.gov

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

CBA Agenda Item VII.G.
May 19-20, 2011

Draft

ECC Agenda Item I
May 18, 2011

MINUTES OF THE
April 6, 2011
ETHICS CURRICULUM COMMITTEE (ECC) MEETING

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 958151
Telephone: (916) 263-3680

Roll Call and Call to Order

Donald Driftmier, Chair, called the meeting of the ECC to order at 12:32 p.m. on Wednesday, April 6, 2011 at the California Board of Accountancy. Mr. Driftmier indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

ECC Members

Donald Driftmier, Chair	12:32 p.m. to 3:00 p.m.
Gary McBride	12:32 p.m. to 3:00 p.m.
Jon Mikkelsen	12:32 p.m. to 3:00 p.m.
Steven M. Mintz	12:32 p.m. to 3:00 p.m.
Gary Pieroni	12:32 p.m. to 3:00 p.m.
Robert Yetman	12:32 p.m. to 3:00 p.m.
Michael Ueltzen	12:32 p.m. to 3:00 p.m.
Michael Shames	12:32 p.m. to 3:00 p.m.
Dave Cornejo	Not Present
Gonzalo Freixes	Not Present

Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Chief, Licensing Division
Dominic Franzella, Manager, Licensing Division
Cindi Fuller, Licensing Coordinator
Kari O'Connor, Licensing Analyst
Rich Andres, Information Technology Staff

Other Participants
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)
Jason Fox, CalCPA
Pilar Onate-Quintana, KP Public Affairs
Chrislynn Freed, California Society of CPAs, Accounting Education Committee
Ramona Farrell, Ueltzen & Company, LLP
Suzanne M. Ogilby, California State University, Sacramento (CSUS)
Charles Davis, CSUS
Maria Nondorf, University of California, Berkeley

I. Approve Minutes of the January 26, 2011 ECC Meeting

It was moved by Mr. Mintz, seconded by Mr. Pieroni, and carried by those present to approve the minutes (Attachment #1). Mr. Shames abstained.

II. Update on Accounting Education Committee Activities

Ms. Pearce provided an oral report for this item. She reported the AEC is recommending a specified master's degree in taxation or accounting be accepted to meet the 20 units of accounting study. Further discussions will be held at the upcoming AEC meeting to determine if additional master degrees should also be accepted and whether a Master of Law (LL.M) degree should count towards meeting the 20 units of accounting study. For those individuals without a master's degree, the AEC is presently recommending that all units be completed at an upper division level, a minimum of six units be completed in accounting subjects, a maximum of 14 units be completed in business related subjects or other academic work relevant to accounting or business, and a maximum of four units be counted for internships for independent study. The committee is working on defining the definition of "other academic work relevant to accounting or business."

III. Letters Received from Stakeholders Regarding the Composition of the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014 and the Results of External Ethics Study Survey

Mr. Driftmier presented the memorandum for this item (**Attachment #2**). He reported that numerous letters were received from stakeholders with the letters all being the same general tenor, concern regarding the 10 units of ethics.

IV. Report of the Subcommittee's February 22, 2011 Meeting and Proposal for the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014

Mr. Yetman presented the memorandum for this item (**Attachment #3**). When considering this proposal, he stated the subcommittee took into account stakeholders, students, universities, the people of the State of California, the spirit of the law, and the practical application by the CBA. He provided an overview of the original idea of allowing embedded ethics and why the subcommittee selected

to abandon the idea specifically because of the CBA's reliance on certified course transcripts to confirm eligibility. The subcommittee considered how to document the option of an embedded ethics course in a way that would be consistent with institutions across the country. The subcommittee determined this was unfeasible, and therefore, to allow embedded ethics courses could not be an option.

Mr. McBride stated that the subcommittee believed its proposal met the spirit and intent of Senate Bill (SB) 819. The subcommittee proposed that three of the 10 units be in accounting ethics, accounting fraud, or accountants' professional responsibilities. He further stated that colleges would have until 2016 to develop a course(s) for this specific requirement.

Mr. Mintz stated he did not believe accounting fraud fell in the same category as accounting ethics. He stated that SB 819 called for the framework in ethical reasoning and that an accounting fraud course was generally more procedural in nature. He stated that an accounting fraud course would better be placed in the third category of the proposal. Mr. Ueltzen concurred.

Mr. McBride stated that the remaining seven units could be taken from one or both of the uncapped and capped categories. He reiterated that there could be no "double dipping" of courses. Courses taken in the capped category would be limited to three units in one discipline. Mr. Yetman stated the theory behind this limit was that students were more likely to take the introductory course for that discipline which would be more related to the foundations of ethical study. No limit was placed on the uncapped category as these courses were either related directly to ethics or established a business framework.

Mr. Shames suggested that the regulatory language for capped disciplines be modified to specify these courses be introductory courses. If introductory courses could not be identified, he had concerns with including Sociology, Psychology, and Religion in the capped disciplines.

Mr. Mikkelsen suggested placing a limit on the total units allowed for those disciplines listed under the capped category.

Mr. Yetman clarified there could be no double counting of courses but the subcommittee's proposal allows for one unit of an auditing course be applied to ethics to provide flexibility to those applicants earning education at a semester unit college/university.

Mr. McBride clarified the three units of accounting ethics must be an upper division or higher course, while the remaining seven units had no such requirement.

Mr. McBride suggested that the word "solely" be removed from the proposed regulatory language as it pertained to the required three units of accounting

ethics. He believed the word “solely” may be too restrictive. Mr. Mintz suggested using the language of the law that addresses ethical reasoning, professional values, and professional skepticism.

Discussions were held on whether regulatory language should state that the capped courses be taken at a lower division level. Mr. Franzella explained that most transcripts include a numeric numbering system which identifies upper and lower division courses on four-year institutions; however, this is not clearly identified on two-year institutions. Ms. Bowers clarified that presently the CBA does not identify courses by lower or upper division.

Mr. Ueltzen believed a business ethics course should be included in the accounting ethics requirement. He stated a business ethics course provides a general framework in how business is conducted in an ethical manner.
Mr. Yetman stated that the subcommittee took into account the legislative intent of the law when designing this requirement.

Mr. Mintz stated that while some ethical reasoning would be included in a business ethics course often times less a third of the course would be consistent with what the law wants.

Mr. Mintz suggested that the wording framework of ethical reason, professional skepticism, and other behavior not be included in the regulatory language for the uncapped discipline language. He suggested this language be used for the accounting ethics regulatory language.

Mr. Mikkelsen suggested the language should be amended to read: Courses in the following subjects that provide applicants with a fundamental basis and framework of ethical reasoning and other foundations that are in the best interest of the investing and consuming public, and the profession.

Mr. Driftmier requested the subcommittee meet with CBA staff before the next ECC meeting to finalize the proposal and address the concerns shared by members.

Mr. Pieroni suggested that, in order to be consistent, the last sentence of the draft language which states “may not be claimed in conjunction with the 20 semester units of accounting study” be added to the other sections. Members also agreed that “subject” be changed to “discipline.”

V. Future Agenda Items

Staff was requested to explore with stakeholders a hybrid accounting and business ethics course. Mr. Driftmier asked to have Matthew Stanley contact stakeholders to determine if they believe business ethics is within the intent of the legislation.

VI. Public Comments

Mr. Davis stated that in conjunction with Ms. Ogilby and Ms. Farrell they were involved in a research study pertaining to the ethics study requirement and their findings were in tandem with the subcommittee's proposal. Ms. Ogilby stated California State University, Sacramento has an ethics and society business course but does not have an accounting ethics course. She believed a business ethics course should be included for the three units of accounting ethics. She had concerns about barriers that could exist for many students in the CSU system due to a specific accounting course.

Ms. Nondorf stated there was a sense of urgency in informing students of the defined requirements which is also impacting students who are already in the process of obtaining their degrees.

Ms. Freed stated she believed an accounting fraud and a business ethics course should be included with the required three units of accounting ethics. She requested the committee reconsider some of the disciplines as she had concerns how some of the disciplines related to the spirit of the law.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 3:00 p.m. on Wednesday, April 6, 2011.

_____

Donald A. Driftmier, Chair

Prepared by Cindi Fuller, Licensing Coordinator