Attachment 6

Minutes of June 2011 AEC/ECC Meeting

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

CBA Agenda Item X.H.
July 21, 2011

MINUTES OF THE June 7, 2011 ACCOUNTING EDUCATION COMMITTEE (AEC) and ETHICS CURRICULUM COMMITTEE (ECC) MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, CA 95814
Telephone: (916) 446-0100

Roll Call and Call to Order.

CBA President Sally Anderson called the joint meeting of the AEC and ECC to order at 1:04 p.m. on Tuesday, June 7, 2011 at the Holiday Inn Capitol Plaza in Sacramento, CA. President Anderson stated 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.

AEC Members	
Ruben Davila, Chair	1:04 p.m. to 5:20 p.m.
Donald Driftmier, CBA Member	1:04 p.m. to 5:20 p.m.
Sherry Anderson	Not Present
Betty Chavis	Not Present
Thomas Dalton	1:04 p.m. to 5:20 p.m.
Michael Moore	1:04 p.m. to 5:20 p.m.
Gary Pieroni	1:04 p.m. to 5:20 p.m.
Sara Seyedin	1:04 p.m. to 5:20 p.m.

ECC Members	
Donald Driftmier, Chair	1:04 p.m. to 5:20 p.m.
Gary McBride	1:04 p.m. to 5:15 p.m.
Jon Mikkelsen	1:04 p.m. to 5:20 p.m.
Steven M. Mintz	1:04 p.m. to 5:20 p.m.
Gary Pieroni	1:04 p.m. to 5:20 p.m.
Robert Yetman	1:04 p.m. to 5:20 p.m.

Michael Ueltzen	Not Present
Dave Cornejo	1:04 p.m. to 5:20 p.m.
Gonzalo Freixes	Not Present

CBA Members
Sally Anderson, President

Staff and Legal Counsel
Rich Andres, Information Technology Staff
Patti Bowers, Executive Officer
Dominic Franzella, Manager, Licensing
Cindi Fuller, Licensing Coordinator
Suzanne Gracia, Licensing Coordinator
Deanne Pearce, Chief, Licensing Division
Jenny Sheldon, Licensing Coordinator
Kristy Shellans, Legal Counsel, DCA

Other Participants
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)
Jason Fox, CalCPA
Bruce Allen, CalCPA
Ellen Glazerman, Ernst & Young
Ed Howard, Center for Public Interest Law
Kathryn Hansen, California State University, Los Angeles
Susan Parker, Santa Clara University
Christopher G. Jones, California State University, Northridge (CSU-Northridge)
Will Snyder, San Diego State Universtiy
Catherine Jeppson, CSU-Northridge, AEC Member of CalCPA
Randolph P. Beatty, University of Southern California, Leventhal School of Accounting
Annhenrie Campbell, California State University, Stanislaus (CSU, Stanislaus)
David Lindsay, CSU, Stanislaus
Chrislynn Freed, University of Southern California
John Angelo, CalCPA
Chris Wardell, San Joaquin Delta College
Monica Jones, Deloitte & Touche
Shanna Stein, Sacramento City College
Kathleen Schaim
Molly Isbell, KP Public Affairs
Michael Haas, Morton Alan Haas & Co.
Frank Pasacreta, Frank Rimerman & Co. LLP
Amber Buck, Frank Rimerman & Co. LLP
Jason Wolins, Humphreys College
Suzanne Ogilby, California State University, Sacramento
Robert Diamond, American River College

I. Welcome and Introductions.

President Anderson welcomed all members of the public in attendance and viewing the webcast. President Anderson expressed her appreciation of the work of each committee and asked that each member provide a brief introduction of themselves.

II. Purpose of the Joint AEC/ECC Meeting.

President Anderson provided a brief background on Senate Bill (SB) 819. She reported the Legislature believed a need existed to define the additional 30 units with an increased emphasis on ethics education. The Legislature, therefore, established two committees charged with providing recommendations and guidelines to the CBA regarding the allocation of 20 units of accounting study and 10 units of ethics study.

III. Roles and Background of the Educational Committees Established Pursuant to Business and Professions (B&P) Code Section 5094.5, 5094.6, and 5094.7.

A. AEC.

Mr. Davila provided a brief overview of the composition and charge of the AEC explaining that the Legislature's broad definition of accounting study left the AEC with considerable latitude to determine the specific coursework that will fulfill the 20 units of accounting study. Mr. Davila emphasized that the CBA only has until January 1, 2012 to adopt regulations for the 20 units of accounting study.

B. ECC.

Mr. Driftmier provided a brief overview of the composition and appointing authorities of the ECC. He explained the committee was tasked with establishing the framework for the 10 units of ethics study. Mr. Driftmier stated the committee has until June 1, 2012 to recommend to the CBA the ethics study guidelines and the CBA must adopt these recommendations without substantive changes no later than January 31, 2013.

IV. Overview of the Proposed Education Requirements to Obtain CPA Licensure Beginning January 1, 2014.

A. Information on Availability of Upper Division Courses at California Community Colleges.

Ms. Pearce presented the memorandum for this item (**Attachment #1**). Ms. Pearce also provided an addendum (**Attachment #2**) to the first memorandum which included additional information received from the

California Community Colleges Chancellor's Office on the availability of upper division courses at community colleges. The information received from the Chancellor's Office provided suggested language which they believed would allow students to obtain the requisite education at community colleges.

B. Presentation of the AEC Recommendations for 20 Units of Accounting Study and the ECC Ethics Study Guidelines for the 10 Units of Ethics Study Required Pursuant to B&P Code Section 5094.

Mr. Franzella presented the memorandum and PowerPoint presentation for this item (**Attachment #3**). Mr. Franzella briefly explained the present education requirements and the proposal of each committee.

C. Testimony and Questions from Stakeholders Regarding the AEC and ECC Proposals.

Mr. Allen commended the AEC and ECC and staff on their work. Mr. Allen had originally intended to support the AEC proposal before noting the upper division issue. He urged the AEC to reconsider requiring upper division courses as he believed this requirement could present a problem to future candidates.

Mr. Howard questioned why the AEC required so many units be taken at the upper division level. His concerns regarding the ECC proposal were twofold. First, prior to 2017 all 10 units could be taken in the ethical foundation area without taking any units in the ethics in business area. Second, after implementation of the mandated three unit accounting ethics requirement, the remaining seven units could be taken in the ethical foundation area thereby again avoiding any units in the ethics in business area. His preference would be to eliminate the ethical foundation area as he believed courses taken in the ethics in business area were more likely to provide an ethical education relevant to accounting. He also believed course work in auditing was sufficiently related to ethics and would fit better in the ethics in business area.

Members asked clarifying questions of Mr. Howard to ensure his comments were understood.

Mr. Jones and Ms. Jeppson commended the ECC on its work. They raised concern over the specified terms required in the course titles for ethic foundation area. Mr. McBride clarified any course with ethics in the course title would qualify under Recommendation #2.

In regard to the upper division AEC requirement, Ms. Jeppson pointed out SB 1440 only allows colleges to accept 60 units from community colleges. She stated this would impact students transferring without a degree as colleges could only accept those courses at the freshman and sophomore level.

Ms. Parker pointed out a course may originally qualify but if the course title was changed down the road it may no longer qualify. She also urged the ECC to keep in mind the time contrains posed on students.

Ms. Buck echoed Ms. Parker's statements and also questioned how a person from out of state would qualify for initial licensure. Ms. Bowers explained out-of-state accredited education would be accepted. Ms. Buck pointed out out-of-state schools may not have a mandated ethics course and this would then impact the applicant. Mr. Davila stated out-of-state applicants would need to meet California requirements.

Mr. Rollins had concerns regarding units as it pertained to colleges on a semester or quarter unit system especially when transferring between semester and quarter unit colleges.

Mr. Haas inquired if the 150 units could come from any point in time and if the master's degree was a free ride toward the 30 units. Mr. Davila clarified a baccularеate degree was required and the required 30 units could be part of the 150 units or in addition to the 150 units.

Ms. Ogilby complimented the committees on the proposals and stated her support of the requirement that all units be completed at the upper divison level. Ms. Ogilby opined that the nature of the upper division education ensures a level of discipline-based rigor and quality that will result in the kind of accounting profession that is intended, and also stated that the educational stage that the student would be at when taking an upper division class increases the likelihood that the student will be able to assimilate the information from the course in the context needed.

Mr. Diamond commented that he would welcome a study comparing the quality of community college courses and four-year universities to determine if there is evidence to support that community college courses are inferior. Mr. Diamond expressed concern that hundreds of students at his college alone will have the door to CPA licensure closed if they are unable to complete their education at the community college level.

V. Written Comments Received Regarding the Recommendations for 20 Units of Accounting Study and the ECC Ethics Study Guidelines for the 10 Units of Ethics Study Required Pursuant to B&P Code Section 5094.

President Anderson stated no written comments were received.

VI. Integration and Implementation of the Additional 30 Units of Education Required to Obtain CPA Licensure Beginning January 1, 2014.

A. Presentation on Staff's Initial Plans for Including the Proposed Education Requirements into the Initial Licensing Unit's Business Processes.

Ms. Pearce presented the memorandum for the agenda item (**Attachment #4**), which outlined the CBA's present transcript review process. Ms. Pearce stated that the new education requirements will increase the review time involved with the transcript review process, but she did not anticipate a need to change the present process.

Mr. Davila inquired about the CBA's policy regarding college and university extension programs. Ms. Pearce responded that it is the opinion of legal counsel that courses completed through extension programs are acceptable as long as the program is a nationally or regionally accredited institution.

Ms. Anderson inquired how many other states require upper division courses as part of their education requirements. Ms. Pearce was unable to immediately recall, which states, if any, had an upper division requirement.

Mr. Yetman inquired if staff knew whether community colleges outside of California have the ability to offer upper division courses. Ms. Pearce stated that is not something staff have researched.

B. Testimony and Questions from Stakeholders Regarding Staff's Proposal to Include the Proposed Education Requirements into the Initial Licensing Unit's Business Processes.

Ms. Buck questioned if candidates could sit for the exam prior to completing the additional 30 units of education. Ms. Pearce confirmed that the education requirements to sit for the exam will remain unchanged.

VII. Next Steps

A. Timeline of Activities Related to Implementing the 20 Units of Accounting Study and 10 Units of Ethics Study.

Mr. Franzella presented the memorandum for the agenda item (**Attachment #5**). Mr. Franzella briefly explained the rulemaking process including the requirements to notice the proposed regulatory language, hold a 45-day public comment period, and hold a public hearing prior to submitting the proposed regulations to the Department of Consumer Affairs, Secretary of State and Consumer Services Angency, Department of Finance, and Office and Administrative Law. Mr. Franzella also provided approximate dates for each step of the rulemaking process for each committee.

B. CBA's Initial Plans for Providing Information and Resources to Assist Stakeholders in Understanding the New Education Requirements.

Ms. Pearce presented the memorandum for the agenda item (**Attachment #6**). Ms. Pearce reported that staff had begun to provide targeted outreach for the new education requirements by creating a dedicated page on the CBA Web site. Additional outreach activities will include the use of social media, e-mail, the CBA's Wikipedia article, possible webinar technology, professional CPA journals, newspapers, and the CBA's ambassador program. Ms. Pearce encouraged members and stakeholders to provide any ideas they have for outreach opportunities.

VIII. AEC Approval of Minutes of the May 9, 2011 AEC Meeting.

It was moved by Mr. Driftmier, seconded by Mr. Dalton, and unanimously carried by those present to approve the minutes of the May 9, 2011 AEC meeting (Attachment #7).

IX. Discussions Regarding Possible Modifications to the Recommendations for the 20 Units of Accounting Study Required Pursuant to B&P Code Section 5094.

Mr. Davila asked members to begin discussions by addressing public comments and information received regarding the ability of community colleges to offer courses that are identifiable as upper division.

Ms. Shellans stated it is her legal opinion that members cannot require coursework be completed at the upper division level if the education is not available at community colleges because Section 5094(b) of the B&P Code permits applicants to obtain education at the community college level.

Mr. McBride expressed his disagreement with Ms. Shellans interpretation of the statute. President Anderson asked Ms. Shellans to research the matter further.

Mr. Moore questioned how much of a barrier would actually exist if the AEC maintained its present recommendation. He suggested further research is needed to determine how serious the barrier to entry would be and whether there is a solution that could be reached with the community colleges to designate "professionally qualified" courses, which could be determined equivalent to upper division. Mr. Davila suggested that staff research Mr. Moore's suggestion.

Ms. Seyedin proposed removing the language requiring all courses be completed at the upper division level. Members discussed the merits of continuing with or removing the upper division requirement.

It was moved by Ms. Seyedin and seconded by Mr. Pieroni to remove the words "upper division" from the education requirement. Ms. Seyedin, Mr. Pieroni, and Mr. Dalton approved, while Mr. Driftmier, Mr. Davila, and Mr. Moore opposed. The motion failed.

Mr. Mikkelson suggested adding language to state “or a course with a formal articulation agreement.”

Ms. Freed commented that Florida and Texas both require upper division courses as part of the 150 hour requirement. She further commented that the requirement does not have to be all 20 units at the upper division level and she believes the six units of accounting should be at the upper division level.

Mr. Diamond commented that upper division units are not necessarily at the professional level because there are independent and work study courses offered for upper division credit. He believes the stakeholders would be better served to have the qualifying courses specified.

Mr. Davila asked for another motion.

Mr. Moore suggested that members need to look at other potential solutions such as working with the community colleges to have upper division courses identified on the college transcripts. He further stated his belief that the community colleges need to accommodate the need to have upper division equivalent courses identified on transcripts.

It was moved by Ms. Seyedin, seconded by Mr. Driftmier to establish a requirement that six units of the 20 units of accounting study be compeleted at the upper division level and the remaining 14 units to be without the label of upper division.

Mr. Jones commented that the issue is too important to rush and suggested that one of the committee members make a motion to table the motion until there is further study.

Mr. Moore moved to table the motion. Ms. Seyedin stated her desire to move forward with the motion.

Ms. Seyedin, Mr. Pieroni, Mr. Dalton, and Mr. Driftmier voted to approve, while Mr. Davila and Mr. Moore opposed, motion passed.

It was moved by Mr. Driftmier, seconded by Ms. Seyedin and unanimously carried by those present to defer approval of the minutes for the June 7, 2011 Joint AEC/ECC meeting to be approved by Mr. Davila.

X. ECC Approval of Minutes of the May 18, 2011 ECC Meeting.

It was moved by Mr. McBride, seconded by Mr. Yetman, and carried by those present to approve the minutes of the May 18, 2011 ECC meeting (Attachment #8). Mr. Cornejo abstained.

XI. Discussions Regarding Possible Modifications to the Ethics Study Guidelines for the 10 Units of Ethics Study Required Pursuant to B&P Code Section 5094.

Based on earlier discussions and public comments, Mr. Driftmier suggested the committee clarify some of the language to the proposal. He proposed during the three-year period from 2014 and 2017 the three units of mandated accounting ethics be limited to courses in the ethics and business category.

It was moved by Mr. McBride, seconded by Mr. Mintz, to amend Recommendation #1 to clarify during the three-year interim period the three units of accounting ethics be limited to courses in the ethics and business area.

Prior to a vote on this motion, Mr. Howard requested clarification on the proposed recommendation. Ms. Shellans also requested clarification. Mr. McBride stated that prior to 2017 to meet the mandated ethics requirement applicants would meet the requirement by completing courses in the ethics and business area.

A friendly amendment to the motion was made by Mr. Mikkelsen and accepted by Mr. McBride to refer to the courses listed in Recommendation #1 as to what is currently known as ethics in business.

Upon accepting Mr. Mikkelsen's friendly amendment, Mr. McBride modified his original motion.

It was moved by Mr. McBride, seconded by Mr. Mintz, and unanimously carried by those present to amend Recommendation #1 to state that prior to January 1, 2017 the three units of accounting ethics or accountants' professional responsibilities can be met by only those courses taken in what is currently known as ethics in business (Recommendation #2).

Mr. Driftmier proposed amending Recommendation #3 by limiting the number of semester units to three.

It was moved by Mr. Mikkelsen, seconded by Mr. Bride, and unanimously carried by those present to amend Recommendation #3 to a maximum of three semester units be completed from courses taken in the ethical foundation disciplines.

After the vote, Mr. Howard suggested audits be included in the ethical foundation area. Additionally, he suggested limiting the disciplines to just philosophy, religion, theology, and cultural, ethnic, or diversity studies. He believed the other disciplines listed were least likely to have ethical components.

Mr. Driftmier asked Mr. Mikkelsen if he wished to amend his motion based on Mr. Howard's suggestions. Mr. Mikkelsen declined to amend the motion.

It was moved by Mr. McBride to move financial statement auditing to the ethics in business area. The motion failed due to a lack of a second.

It was moved by Mr. Yetman, seconded by Mr. Mintz, and unanimously carried by those present, that the proposal be amended to reference quarter units wherever semester units were listed.

It was moved by Mr. Mikkelsen, seconded by Mr. Cornejo to amend the wording in Recommendation #2 to read: "A maximum of seven semester units may be completed from courses containing the following terms."

Prior to a vote on this motion, Mr. Walls inquired if course titles must have the exact terms as listed in Recommendation #2. Ms. Shellans suggested Recommendation #2 could be revised to state "the following terms or words or any combination of those terms or words." As a friendly amendment, Mr. McBride suggested using "terms or words" for the ethics, morals, or fraud courses and "subjects" for the remaining courses. Mr. Franzella pointed out course subject matter was not identifiable on course transcripts. The committee clarified the core terms listed in Recommendation #2 must be contained in the course title. Upon considering the committee's input and explanations, Mr. McBride withdrew his friendly amendment. Ms. Anderson suggested the committee direct staff to wordsmith the language for clarity.

Mr. Mintz made a friendly amendment to change "business leadership" to "leadership." Mr. Mikkelsen accepted the friendly amendment.

Upon accepting Mr. Mintz's friendly amendment, Mr. Mikkelsen modified his original motion.

It was moved by Mr. Mikkelsen, seconded by Mr. Cornejo, and unanimously carried by those present, to amend the wording in Recommendation #2 to read: "A maximum of seven semester units may be completed from courses containing the following terms" and to change business leadership to "leadership."

At this time, Mr. Moore requested the AEC revisit the final vote made under Agenda Item IX as he believed a vote on his motion to table Ms. Seyedin's motion was required before the committee could move forward with the vote on Ms. Seyedin's motion.

Mr. Jones commented that Mr. Moore was correct in that a motion to table has to be voted on as a procedural point of order prior to voting on the motion.

It was moved by Mr. Moore to table Ms. Seyedin's motion, the motion failed due to a lack of a seconded.

It was moved by Ms. Seyedin, seconded by Mr. Driftmier and carried by those present to require six units be compeleted at the upper division level and the remaining 14 units to be without the label of upper division. Mr. Davila and Mr. Moore opposed.

XII. Public Comments for Items Not On the Agenda.

Mr. Haas suggested the committees or the CBA consider grandfathering under the existing rules individuals who have already obtained their degrees.

Ms. Bowers acknowledged Ms. Pearce and staff for putting together the joint meeting.

Ms. Anderson thanked all committee members for their work.

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 5:20 p.m. on Tuesday, June 7, 2011.

_____
Ruben Davila, AEC Chair

_____
Donald Driftmier, ECC Chair

Prepared by
Cindi Fuller, Licensing Coordinator
Jenny Sheldon, Licensing Coordinator.

State of California
Department of Consumer Affairs

Attachment 1

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

AEC/ECC Agenda Item IV.A.
June 7, 2011

To : AEC Members
ECC Members

Date : May 27, 2011

Telephone : (916) 561-1740
Facsimile : (916) 263-3675
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : Information on Availability of Upper Division Courses at California Community Colleges

Over the course of several meetings, the Accounting Education Committee (AEC) discussed the merits of requiring the 20 units of accounting study be completed in courses at a level of upper division or higher. As documented in the proposals before members today, at its May 2011 meeting, the AEC did adopt a proposal with such a requirement. Additionally, the Ethics Curriculum Committee (ECC) adopted as part of its proposal that for courses to meet the mandated accounting ethics requirement courses must be completed at a level of upper division or higher.

The AEC based its decision to require courses be completed at a level of upper division or higher for the 20 units of accounting study on the following:

- Over the course of several meetings discussions were held that indicated that California community colleges offered courses at an upper division level.
- Completion of coursework at an upper division level ensures a higher degree of rigor.
- By requiring upper division coursework most of the units that will be applied to the 20 units of accounting study will not come from students' general education requirements needed as part of their baccalaureate degree, thus ensuring that the AEC is providing units that work to address the "hollow 30."

During discussion on this issue, AEC members representing community colleges did indicate that presently the courses that would be considered upper division may be difficult to identify. Based on this information, the AEC requested staff review this matter further.

At its February 2011 meeting, staff reported that when it reviewed a select number of community college transcripts, staff saw nothing on the transcripts course numbering system sections that indicated those courses which would qualify as upper division. To get further clarification on this issue, the AEC directed staff to

contact the Board of Governors of the California Community Colleges regarding documentation of upper division courses on college transcripts. (**See Attachment**.)

On May 25, 2011, staff received important information from the California Community Colleges Chancellor's Office in response to staff's inquiry. According to the Chancellor's Office, California Education Code Section 66010.4 states, in part, "Public community colleges shall offer instruction through but not beyond the second year of college." Based on this statute, it appears that California community colleges do not offer coursework that should be considered at an upper division level.

Although this information was originally requested by the AEC, and does have a more significant impact on the present AEC proposal, it does also impact the ECC proposal specific to the mandated accounting ethics requirement. Based on this information and public comment received under **Agenda Item IV.C**, should either committee decide to consider modifications to their respective proposal, the AEC will have an opportunity to do so under **Agenda Item IX**, and the ECC under **Agenda Item XI**.

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
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April 28, 2011 **Attachment**

Scott Himelstein, President
Board of Governors of the
California Community Colleges
1102 Q Street, 4th Floor
Sacramento, CA 95811

Dear Mr. Himelstein:

As you are aware, Senate Bill 819 (Chapter 308, Statutes of 2009) significantly changed the education requirements for obtaining a Certified Public Accountant (CPA) license effective January 1, 2014. The bill also created two committees under the jurisdiction of the California Board of Accountancy (CBA) for the purpose of defining the new education requirements.

The Ethics Curriculum Committee (ECC), to which the Board of Governors made two appointments – Gary Pieroni, Department Chair and Professor of Accounting at Diablo Valley College and Mr. Jon Mikkelson, Business Instructor at Monterrey Peninsula College – is charged with developing ethics study guidelines for 10 semester units of ethics education. The Accounting Education Committee (AEC), charged with developing guidelines for an additional 20 semester units of accounting study, also has two members representing California community colleges – Professor Gary Pieroni and Dr. Sara Seyedin, Accounting Department Chair and Professor of Accounting and Business at Foothill College.

The purpose of this letter is to obtain clarification on a key point presently under consideration by the AEC. The AEC is considering recommending that the CBA require all 20 semester units of accounting study be completed at the upper division level or higher. In performing a cursory review of community college transcripts and course catalogs staff noted that no distinction is made between upper and lower division courses though both Professor Pieroni and Dr. Seyedin have stated that upper division courses are offered by most community colleges.

California's community colleges play an important role in providing accessible and affordable education to help students obtain the education required for CPA licensure. It is unclear how students are able to identify which courses are offered at the upper division level. Additionally, when assessing applicants' educational qualifications, the CBA relies solely on certified transcripts from the colleges and universities. Therefore, if the recommendation to require the additional 20 semester units of accounting study be completed at the upper division level becomes law, it may become very important for

community college students that upper division courses be clearly identified on their transcript.

It is the intention of the CBA to ensure that obtaining the education necessary for entry into the profession is as accessible as possible, which includes ensuring applicants are able to complete at least a portion of the additional 20 semester units of accounting study at a community college. To this end the AEC respectfully requests any information you are able to provide regarding the ability of community colleges to implement a process to identify upper division courses on the college transcript and course catalog.

The next AEC meeting will be held at the CBA office in Sacramento on Monday, May 9, 2011. I realize the meeting date is less than two weeks away; however, any information you could provide would be very much appreciated. Please feel free to contact me by telephone at (916) 561-1740 or by e-mail at dpearce@cba.ca.gov.

Sincerely,

Deanne Pearce

Deanne Pearce, Chief
Licensing Division

c: Dr. Jack Scott, Chancellor

State of California
Department of Consumer Affairs

Attachment 2

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

AEC/ECC Agenda Item IV.A.
June 7, 2011

To : AEC Members
ECC Members

Date : June 3, 2011

Telephone : (916) 561-1740
Facsimile : (916) 263-3675
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : Information on Availability of Upper Division Courses at California Community Colleges

As identified in the first memo for this agenda item, the California Board of Accountancy (CBA) received information from the California Community Colleges Chancellor's Office that California community colleges do not offer coursework that should be considered at an upper division level. This is pursuant to California Education Code Section 66010.4 which states, in part, "Public community colleges shall offer instruction through but not beyond the second year of college."

On June 1, 2011, the CBA received the attached letter from the California Community Colleges Chancellor's Office, providing additional information on the availability of upper division courses at community colleges. The letter provides the following suggested language, which they believe would allow students to obtain the requisite education at community colleges: "20 units of upper level or appropriate second year courses offered at an accredited community college."

Following receipt of this letter, CBA staff sought further clarification on how "second year" courses are documented in course catalogs and on transcripts. Below is the information staff received, which may assist members during their deliberations.

Course Catalogs

Question

Is there language in the course catalogs that denotes which courses are "second year" so students would know that the education could qualify?

Response

Each college develops their own catalog language and method of notating items on the transcript so there probably is not necessarily an easy way to make this happen. There is a possibility that a "best practice" guidance letter could be sent to curriculum committees to identify specific courses which may meet the CPA standards. There could be a common statement on the courses such as "This course meets the CPA licensure eligibility requirements." or something similar. This would allow students to be informed and CBA staff to have a common standard on which to base their evaluations.

Transcripts

Question

Are “second year” courses identified as such on the transcripts, as the transcripts are the only documentation the CBA can use to very educational requirements?

Response

Each college designates first year and second year courses in different ways, either by their numbering system or by language in the course title or description. This would be difficult (but not impossible) to standardize across the system.

Agenda Item IX. and **XI.** provides an opportunity for each committee to further discuss and make modifications to their respective proposals. At that time it would be appropriate for members to make suggestions or to further discuss the suggestion offered by the California Community Colleges.

Attachment

STATE OF CALIFORNIA **JACK SCOTT, CHANCELLOR**

CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE
1102 Q STREET
SACRAMENTO, CA 95811-6549
(916) 445-8752
http://www.cccco.edu

June 1, 2011

Deanne Pearce, Chief
Licensing Division
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Dear Ms. Pearce:

The purpose of this letter is to clarify a position by the California Community College Chancellor's Office. It is our understanding that there is a question concerning the availability of "upper division" courses within the community college system as well as whether we support a recommendation of 20 semester units of accounting studies, which will be required for the CPA licensure starting in 2014.

On the first question, community colleges in California must limit their credit instruction to the freshman and sophomore level. This precludes the ability of community colleges to offer "upper division" courses as a matter of practice. However, there are many situations where universities have completed agreements with community colleges to accept "lower division" units in lieu of "upper division" requirements as matter of articulation. Where these articulation practices are in place, there is the assumption that community college classes are being taught with a rigor and content level consistent with an "upper division" course.

The California Community College Chancellor's Office understands that some of the Accountancy Education Committee members want to stipulate that the 20-units must be upper level and our community college faculty representatives object to the language because it limits students to only university-level courses. We agree with our community college representatives and suggest that the language included in the requirement should read "20 units of upper level or appropriate second year courses offered at an accredited community college." This would provide the best option for students and maintain the high standards associated with the CPA licensure.

Furthermore, the California Community College Chancellor's Office confirms its support of the work being done by the two faculty members representing community colleges, Dr. Sara Seyedin, Accounting Department Chair and Professor of Accounting and Business at Foothill College and Professor Gary Pieroni, Department Chair and Professor of Accounting at Diablo Valley College. Their input represents the faculty position for the California community colleges. If you should need assistance past their expert input, please feel free to contact me.

Sincerely,

Barry A. Russell, Ph.D.
Vice Chancellor of Academic Affairs

cc: Gary Pieroni, Diablo Valley College
Dr. Sara Seyedin Foothill College

State of California
Department of Consumer Affairs

Attachment 3

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

AEC/ECC Agenda Item IV.B.
June 7, 2011

To : AEC Members
ECC Members

Date : May 27, 2011

Telephone : (916) 561-4310
Facsimile : (916) 263-3672
E-mail : dfranzella@cba.ca.gov

From : Dominic Franzella, Manager
Licensing Division

Subject : Presentation of the AEC Recommendations for 20 Units of Accounting Study and the ECC Ethics Study Guidelines for the 10 Units of Ethics Study Required Pursuant to B&P Code Section 5094

As members are aware, during the 2009 legislative year, the California Legislature passed Senate Bill (SB) 819. SB 819 affects many Department of Consumer Affairs boards and bureaus, but as it relates to California Board of Accountancy (CBA) educational requirements, it had two major impacts. First, as of January 1, 2014, the bill sunsets Pathway 1 (conferral of a baccalaureate degree, 24 semester units in accounting subjects, 24 semester units in business-related subjects, and two years of general experience) thus no longer allowing individuals to apply for CPA licensure under its requirements. This assures that California will maintain its National Association of State Boards of Accountancy (NASBA) designation as a "substantially equivalent" state. In maintaining the substantially equivalent designation, California CPAs' ability to obtain licensure via reciprocity in other jurisdictions will continue to be greatly simplified.

Second, SB 819 requires that the CBA further define the additional 30 semester units of education required for Pathway 2 (conferral of a baccalaureate degree, with completion of 150 semester units, 24 semester units in accounting subjects, 24 semester units in business-related subjects, and one year of general experience). SB 819 established two new committees to assist the CBA in defining the 20 units of accounting study, the Accounting Education Committee (AEC), and the 10 units of ethics study, the Ethics Curriculum Committee (ECC).

The bill defines the overall content courses must have to meet the accounting and ethics study, but left considerable latitude with both committees in determining what areas of college and university studies meet the definitions. For the 20 units of accounting study, SB 819 requires that the units be made up of independent study or other academic work in accounting, business, ethics, business law, or other academic work relevant to accounting and business. The bill further requires that the 10 units of ethics study come from a program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for

exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession. At a minimum this includes academic work or independent study and shall include a foundation for ethical reasoning and the core values of integrity, objectivity, and independence consistent with the International Education Standards-4 of the International Accountants Education Standards Board, the International Federation of Accountants Code of Ethics, and the American Institute of Certified Public Accountants Code of Professional Conduct.

Over the past several months both committees have worked independently toward meeting their respective legislative charge. This joint meeting represents the first time both committees' proposals for the additional 30 units of education will be presented in tandem. **Attachment #1** is the AEC's recommendation for the 20 units of accounting study, while **Attachment #2** is the ECC's proposal for the ethics study guidelines for the 10 units of ethics study. Since part of the AEC's recommendation draws on definitions presently used in the 24 units of accounting subjects and 24 units of business-related subjects, **Attachment #1A** is provided to outline those requirements.

With the added specificity of these 30 units applicants for licensure will now have 78 units of the 150-unit requirement being prescribed.

Attachments

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
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Attachment #1

ACCOUNTING EDUCATION COMMITTEE PROPOSAL FOR THE 20 UNITS OF ACCOUNTING STUDY

RECOMMENDATION #1 – LEVEL OF COURSEWORK

- All 20 units of accounting study shall be completed at an upper division level or higher.

RECOMMENDATION #2 – OPTIONS FOR COMPLETING THE 20 UNITS OF ACCOUNTING STUDY

- A minimum of six units shall be completed in accounting subjects as defined by Section 9.2(b) of the CBA Regulations.
- A maximum of 14 units may be completed in business-related subjects, as defined by Section 9.2(c) of the CBA Regulations.
- A maximum of nine units may be completed in other academic work relevant to accounting and business as outlined below.
  - A maximum of three semester units in skills-based courses, which includes courses completed in the following disciplines: English, Communications, Journalism, and the Physical, Life, Natural, and Social Sciences.
  - A maximum of three semester units in courses in foreign language, to include sign language, or courses with the terms culture, cultural, or ethnic in the title.
  - A maximum of three semester units in industry-based courses, which includes courses with the words “industry” or “administration” in the course title or courses completed in the following disciplines: Engineering, Architecture, and Real Estate.
- A maximum of four units may be completed in internships or independent studies.

RECOMMENDATION #3 – EQUIVALENT DEGREES

- Completion of a Master of Accounting, Master of Taxation, or Master of Laws in Taxation (LL.M.) shall be deemed equivalent to the completion of the 20 units of accounting study.

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Attachment #1A

24 Semester Units of Accounting Subjects And 24 Semester Units of Business-Related Subjects Presently Required for CPA Licensure

Accounting Subjects Required Pursuant to Section 9.2(b) of the CBA Regulations

For an applicant to receive credit for the accounting units, the course subject matter must pertain to the following:

- Accounting
- Financial Reporting
- Financial Statement Analysis
- Auditing
- External or Internal Reporting
- Taxation

Business-Related Subjects Required Pursuant to Section 9.2(c) of the CBA Regulations

For an applicant to receive credit for the business-related units, the course subject matter must pertain to the following:

- Business Administration
- Business Management
- Business Communications
- Economics
- Finance
- Business Law
- Marketing
- Statistics
- Computer Science and Information Services
- Business-related law courses offered by an accredited law school
- Any accounting subjects in excess of the 24 units needed to fulfill the accounting requirement

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Attachment #2

ETHICS CURRICULUM COMMITTEE PROPOSAL FOR THE 10 UNITS OF ETHICS STUDY

RECOMMENDATION #1 – MANDATED ACCOUNTING ETHICS

- A minimum of four quarter units or three semester units shall be completed in an upper division or higher course or courses devoted to accounting ethics or accountants' professional responsibilities.
- Applicants must meet this requirement beginning January 1, 2017. Until that time applicants can meet this requirement using the courses in Recommendation #2 or #3.

RECOMMENDATION #2 – ETHICS IN BUSINESS

- A maximum of seven semester units may be completed from the following courses:

  Ethics in Business

  Business Law
  Ethics, Morals, or Fraud
  Human Resources Management
  Business Government & Society
  Legal Environment of Business
  Corporate Social Responsibility
  Corporate Governance
  Organizational Behavior
  Management of Organizations
  Business Leadership
  Professional Responsibilities (non-Accounting)

RECOMMENDATION #3 –ETHICAL FOUNDATIONS

- A maximum of seven semester units may be completed from courses taken in the following disciplines:

  Ethical Foundations

  Philosophy
  Sociology
  Psychology
  Economics
  Cultural, Ethnic, or Diversity Studies
  Religion
  Theology
  Political Science

  – The course title must contain one of the following words or terms, or the sole name in the course title is the name of the discipline.

    Introductory
    Introduction
    Principles of
    Survey of
    General
    Fundamentals of
    Foundation of

RECOMMENDATION #4 – FINANCIAL STATEMENT AUDITING COURSE

- A maximum of one semester unit may be completed in a course devoted solely to financial statement auditing.

State of California
Department of Consumer Affairs

Attachment 4

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

AEC/ECC Agenda Item VI.B.
June 7, 2011

To : AEC Members
ECC Members

Date : May 27, 2011

Telephone : (916) 561-1740
Facsimile : (916) 263-3676
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : Presentation on Staff's Initial Plans for Including the Proposed Education Requirements into the Initial Licensure Unit's Business Processes

The information provided in this memorandum discusses two aspects of implementation for the new educational requirements. The first includes the internal review process for educational documents and the second involves the logistics of initial license application submission during the transition to the new licensure requirements.

Presently, the educational requirements for CPA licensure require staff to review transcripts and foreign credential evaluations to verify that the following have been met for licensure under Pathway 2:

- Baccalaureate degree or higher
- 24 Semester Units of Accounting Subjects
- 24 Semester Units of Business-Related Subjects
- 150 Semester Units

Prior to evaluating the courses on the transcripts, staff must verify that the college or university is regionally or nationally accredited, often times for multiple transcripts per applicant. Once the coursework evaluation begins, staff verify that prescribed units (accounting and business) and 150 semester units have been met, including converting quarter units to semester units. The review essentially focuses on the four areas identified above and, on average, staff can complete the educational review portion of the application process in approximately 10-15 minutes. This can obviously vary depending on the number of transcripts that are submitted.

Staff pulled a small sample of recently approved licensees who qualified under Pathway 2 to test both the AEC and ECC proposals.

During the test, one of the significant impediments staff faced occurred with identifying upper division courses on transcripts. This information is not always easily identified and occurred on various transcripts, including some from out-of-state institutions.

As previously mentioned, the present transcript review time averages 10-15 minutes. Under the new proposals, the review time increased to approximately 45 minutes. Some of the reasons contributing to the increase include:

- Inconsistency of transcripts amongst schools, specifically the course numbering and identification system for upper and lower division courses.
- Reviewing for upper division and lower division courses.
- Reviewing for the wide variety of courses proposed for CPA licensure, especially the proposed ethics requirement.[1]
- Ensuring courses in the specific disciplines for the proposed ethics educational requirement use key terminology (introduction, general, principles of, etc.).
- Trying to determine whether a course title is similar enough to the proposed course titles to grant credit toward the new educational requirements.

During the testing process, one of the main focuses was to determine if staff could be successful in evaluating the transcripts and identify the required courses. Although it was a limited sampling, it appears that the present proposal can be accomplished through the same internal review process that presently exists, with the understanding that the review timeframes may increase significantly based on the complexity of the education required.

An additional implementation issue that staff is in the preliminary stages of discussing involves the logistics of transitioning to a single, more prescriptive pathway. Staff have begun receiving inquiries from applicants seeking clarification on when an application must be submitted to be licensed under the present Pathway 1 or 2 requirements. Although these details will be further vetted during the regulatory process, it is presumed that an applicant must have **all** education and experience requirements completed and **all** documentation and fees submitted to the CBA by January 1, 2014 to be licensed under the present pathways. Applicants unable to meet this date should be prepared to meet the new educational licensing requirements.

In keeping with the CBA's goal of providing excellent customer service, CBA staff will take every step possible to provide a seamless transition during the move to the new educational requirements.

I will be available at the meeting to answer any questions.

[1] The proposed mandatory accounting ethics and accountants professional responsibilities course will not be required for licensure until January 1, 2017. This will allow colleges/universities sufficient time to develop and offer the course as well as allowing students time to complete the course prior to the effective date.

State of California
Department of Consumer Affairs

Attachment 5

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

AEC/ECC Agenda Item VII.A.
June 7, 2011

To : AEC Members
ECC Members

Date : May 27, 2011

Telephone : (916) 561-4310
Facsimile : (916) 263-3672
E-mail : dfranzella@cba.ca.gov

From : Dominic Franzella, Manager
Licensing Division

Subject : Timeline of Activities Related to Implementing the 20 Units of Accounting Study and 10 Units of Ethics Study

In an effort to provide both committees with information regarding the implementation of the Accounting Education Committee's (AEC) recommendation for the 20 units of accounting study and the Ethics Curriculum Committee's (ECC) ethics study guidelines for the 10 units of ethics study, staff have prepared a timeline that summarizes the rulemaking activities necessary to codify the proposals.

Staff, generally, cannot accurately predict when the Office of Administrative Law (OAL) will approve rulemaking files. Approval is based on several factors, the most significant of which relates to how long various State agencies take to review California Board of Accountancy (CBA) rulemaking files. Therefore, for the purpose of establishing the timeline below, staff have used dates corresponding to when certain activities could occur, at the latest, while still concluding the regulatory process with in the mandated one-year period.

July 21-22, 2011 The chairs of the AEC and ECC will present their respective committee's proposals for the new units of education to the CBA.

September 6, 2011 Staff submit the Notice of Proposed Rulemaking (Notice) to the OAL to publish in the *California Regulatory Notice Register*.

Submitting the Notice of Proposed Rulemaking on this date will allow the required 45-day public comment period to elapse prior to the November 17-18, 2011 CBA meeting.

September 16 – October 31, 2011	Public comment period commences with publication of the Notice in the *California Regulatory Notice Register*. *During this period, members of the public can provide written comments for the CBA's consideration regarding the proposed regulations.* *Also during this period, the ECC must convene to approve a letter for submission to the CBA regarding whether the proposed regulations noticed by the CBA met the ECC-provided ethics study guidelines.*
November 18, 2011	The CBA holds a public hearing on the regulations. *During the public hearing the CBA may hear comments received from members of the public regarding the proposed regulations. At the conclusion of the hearing, the CBA may take action to approve the text of the proposed regulations.*
November 21 – December 16, 2011	Staff finalize the rulemaking file.
December 19, 2011	Staff submit the rulemaking file to the Department of Consumer Affairs (DCA).
December 19, 2011 – September 13, 2012	The DCA, Secretary of State and Consumer Services Agency, and Department of Finance review and approve the rulemaking file.
September 14, 2012	Staff submit the rulemaking file to the OAL.
September 14 – October 26, 2012	The OAL reviews and renders a decision to approve or disapprove the rulemaking file.
November 26, 2012	The Secretary of State codifies the regulations in the California Code of Regulations (CCR). *No later than 30 days after the date the regulations are codified in the CCR, the ECC must submit to the Legislature a report that provides an opinion as to whether the regulations will implement the ECC's ethics study guidelines.*

I will be available at the meeting to answer any questions.

State of California
Department of Consumer Affairs

Attachment 6

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

AEC/ECC Agenda Item VII.B.
June 7, 2011

To : AEC Members
ECC Members

Date : May 25, 2011

Telephone : (916) 561-1740
Facsimile : (916) 263-3676
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : CBA's Initial Plans for Providing Information and Resources to Assist Stakeholders in Understanding the New Education Requirements

As with any new program, it is incumbent upon the CBA to ensure that all affected parties are aware of any statutory and regulatory changes that may impact them. Principally, how are accounting students, colleges/universities, and CPA licensure applicants going to know which classes will fulfill the new education requirements. In order to address this, staff have developed the following preliminary outreach ideas to assist stakeholders in understanding the new education requirements. It is anticipated these outreach initiatives will begin upon filing of the regulation notice, presumably in early September 2011.

Initially, staff will create a dedicated page on the CBA Web site pertaining to the new licensure requirements. The page will become a clearinghouse for all information related to the new requirements. The page will include real-time updates, the Accounting Education Committee and Ethics Education Committee proposals, the regulatory timeline, a new informative brochure, and Frequently Asked Questions (FAQs). Because it will be the most current source for information related to the changes, all additional outreach information and efforts will direct back to the new licensure requirements page.

In addition, staff will continue to use social media to inform stakeholders of the new licensure requirements. The CBA maintains an active Twitter account and Facebook page, with approximately 450 Facebook followers. As new or updated information becomes available, staff will post status updates on Twitter and Facebook, with the intent to direct stakeholders to the CBA Web site. Staff will also update the CBA Wikipedia page as necessary.

In an alternative use of social media, staff will hold multiple “Facebook events”. These events allow staff to interact directly with the public, and answer questions they may have. These events have proven beneficial, as stakeholders can pose specific questions relating to them and receive an immediate response. The events also allow other users to learn passively, from the questions of others. Further, the events allow staff to re-evaluate, update, and add FAQs to ensure it provides as complete answers as possible.

Staff is also exploring the use of online webinar technology, similar to what is used in online continuing education classes. Use of webinar technology would allow staff to interact with stakeholders from across the state and nation, without incurring travel costs. This technology, if it can be employed, would be beneficial to allow stakeholders to pose questions in a group setting as many can learn from one individual’s question.

In order to address traditional print media, staff will reach out to various CPA professional journals, newspapers, and the California Society of Certified Public Accountants’ publication *Buzz* to request placement of articles outlining the new licensure requirements.

Outreach to schools is exceedingly important. Staff have discussed creating a PowerPoint presentation that outlines the new educational requirements once they become final. This presentation will be designed to be delivered to school staff and students. The “best practice” would be for staff to go to each school as requested and deliver the presentation; however, due to current budget constraints and travel limitations that option may not be feasible. Staff will endeavor to give the presentation whenever possible, but will also place it on the Web site for use by the schools as needed.

Staff is also considering holding an “open house” in conjunction with CBA meetings. The CBA Ambassador would be requested to stay and meet attendees, and staff would be present to answer any questions stakeholders may have on licensure requirements. Staff is exploring ways to attract stakeholders to the open house, including offering preliminary transcript reviews, and providing input as appropriate.

This represents only the beginning stages of staffs’ outreach ideas. There may be other avenues for outreach that have not been discussed here, and may not have been considered by staff. Should any of the Committee members, or any interested parties, have any additional ideas for outreach please feel free to contact the CBA at the following email address: neweducationrequirements@cba.ca.gov.

I will be available at the meeting to answer any questions.

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

Draft **Draft**

MINUTES OF THE
May 9, 2011
ACCOUNTING EDUCATION COMMITTEE (AEC) MEETING

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
Telephone: (916) 263-3680

Roll Call and Call to Order.

AEC Chair Ruben Davila, called the meeting of the AEC to order at 1:00 p.m. on Monday, May 9, 2011 at the California Board of Accountancy (CBA) office. Mr. Davila stated 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.

AEC Members	
Ruben Davila, Chair	1:00 p.m. to 1:38 p.m.
Donald Driftmier, CBA Member	Not Present
Sherry Anderson	1:00 p.m. to 1:38 p.m.
Betty Chavis	Not Present
Thomas Dalton	1:00 p.m. to 1:38 p.m.
Michael Moore	Not Present
Gary Pieroni	1:00 p.m. to 1:38 p.m.
Sara Seyedin	Not Present
Xiaoli “Charlie” Yuan	1:00 p.m. to 1:38 p.m.

Staff	Other Participants
Rich Andres, Information Technology Staff	Jason Fox, CalCPA
Dominic Franzella, Manager, Licensing	Jeannie Tindel, CalCPA
Deanne Pearce, Chief, Licensing Division	
Jenny Sheldon, Licensing Coordinator	

I. Approve Minutes of the April 15, 2011 AEC Meeting.

It was moved by Mr. Dalton, seconded by Ms. Anderson, and unanimously carried by those present to approve the minutes (Attachment #1).

II. Update on Joint AEC/Ethics Curriculum Committee Meeting.

Ms. Pearce presented the memorandum for this item (**Attachment #2**). Ms. Pearce explained that the goal of the joint meeting of the AEC and Ethics Curriculum Committee (ECC) is to expose the education proposals of each committee to as many stakeholders as possible. This will allow for comments and input from stakeholders prior to making formal recommendations to the CBA at the July 2011 CBA meeting. Ms. Pearce confirmed the meeting will be held in Sacramento, but that the location is still being finalized.

III. Update on Contact with the Board of Governors of the California Community Colleges Regarding Documentation of Upper Division Courses.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #3**). Ms. Sheldon stated that staff sent a letter to the Board of Governors of the California Community Colleges requesting clarification on whether upper division courses can be identified on the community college transcripts. The letter also requested information on how students identify upper division courses if they are not specifically listed as upper division in the course catalog.

Mr. Pieroni stated that based on information received from Diablo Valley College it is possible for the community college to identify upper division courses on the college transcript but that it may require a directive or mandate from the Board of Governors for this to be implemented on a statewide basis.

IV. Consideration of Recommendation to the CBA to Adopt Regulations Clarifying the 20 Units of Accounting Study Required Pursuant to Business and Professions Code Section 5094(b).

Mr. Franzella presented the memorandum for this agenda item (**Attachment #4**). Mr. Franzella reported that, with the exception of the definition for the term “other academic work relevant to accounting and business,” the recommendations included in the attachment to the memorandum are items on which members have reached a general consensus.

Members discussed the proposed definition for “other academic work relevant to accounting and business” and asked questions of staff on how the definition would be applied in conjunction with the ethics education proposal being considered by the ECC.

Staff assured members that if similar requirements or limitations are proposed by the AEC and ECC they would remain independent of each other. Mr. Franzella stated that if the ECC proposed a three unit limit on Sociology classes to meet the ethics education requirement and the AEC proposed the same three unit limit to meet the accounting study requirement, the student would be able to complete a total of six units in Sociology.

It was moved by Mr. Pieroni to approve the proposal for the 20 units of accounting study as written in Attachment #1 to the memorandum with the addition of the word "administration" in the definition of industry-based courses. The motion was seconded by Mr. Dalton and unanimously carried by those present.

V. Public Comments.

Ms. Tindel complimented the committee for taking into consideration all of the stakeholders and doing their best to implement the statute.

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 1:38 p.m. on Monday, May 9, 2011.

_____

Ruben Davila, Chair

Prepared by Jenny Sheldon, Licensing Coordinator.

CALIFORNIA BOARD OF ACCOUNTANCY

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

Draft

AEC/ECC Agenda Item X
June 7, 2011

MINUTES OF THE
May 18, 2011
ETHICS CURRICULUM COMMITTEE (ECC) MEETING

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234

Roll Call and Call to Order

Donald Driftmier, Chair, called the meeting of the ECC to order at 12:30 p.m. on Wednesday, May 18, 2011 at the Hyatt Regency San Francisco Airport.
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	12:30 p.m. to 2:59 p.m.
Gary McBride	12:30 p.m. to 2:59 p.m.
Jon Mikkelsen	12:30 p.m. to 2:59 p.m.
Steven M. Mintz	12:30 p.m. to 2:59 p.m.
Gary Pieroni	12:30 p.m. to 2:59 p.m.
Robert Yetman	12:30 p.m. to 2:59 p.m.
Michael Ueltzen	12:30 p.m. to 2:59 p.m.
Dave Cornejo	Not Present
Gonzalo Freixes	Not Present

CBA Members
Sally Anderson, President

Staff
Patti Bowers, Executive Officer
Dan Rich, Assistant Executive Officer
Deanne Pearce, Chief, Licensing Division
Dominic Franzella, Manager, Licensing Division

Veronica Daniel, Executive Analyst
Rich Andres, Information Technology Staff

Other Participants
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, CalCPA
Pilar Onate-Quintana, KP Public Affairs
Charles Ozaki, CalCPA Accounting Education Committee
John Angelo, CalCPA
Kristine Caratan, Santa Clara University, San Francisco State University

Mr. Driftmier informed the committee that Michael Shames had resigned. He read the letter of resignation submitted by Mr. Shames into record (**Attachment #1**).

I. Approve Minutes of the April 6, 2011 ECC Meeting.

Mr. Mikkelsen requested that the statement on page 13 be amended to read "placing a limit on the total units allowed for only those disciplines listed under the capped category."

It was moved by Mr. Yetman, seconded by Mr. McBride, and carried by those present to approve the minutes (Attachment #2) as amended.

II. Update on Accounting Education Committee Activities.

Ms. Pearce provided an oral report for this item. She reported that the AEC met on May 9, 2011. She provided an overview of their proposal for the 20 units of accounting study.

III. Report of the Subcommittee's April 14, 2011 Meeting and Proposal for the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014.

Mr. McBride and Mr. Yetman presented the memorandum for this item (**Attachment #3**).

Mr. Yetman inquired if members would be open to a motion on the table prior to holding discussions. Mr. Driftmier suggested that discussions be held prior to a motion.

Mr. McBride outlined the differences the subcommittee made from the first proposal. In the revised proposal, accounting fraud was removed from Recommendation #1 – Mandated Accounting Ethics. He also stated the second bullet under this recommendation should be amended to read "until that time applicants can meet this requirement using any un-capped or capped courses." He pointed out Legal Environment and Business should actually read Legal Environment of Business which was added to Recommendation #2 – Un-Capped

Courses. Mr. McBride explained the reasoning for keeping the disciplines of religion and theology under Recommendation #3 – Capped Courses. Additionally, he stated economics and political science were added to this recommendation and the rationale for this inclusion was explained in the memorandum. When considering the disciplines for Recommendation #3, it was the subcommittee's intent to allow only introductory courses which lay the foundation for the general objective, goals, and principles these disciplines seek to instill in students. Therefore, the subcommittee recommended courses taken in these disciplines contain words or terms as outlined in the revised proposal.

Mr. Mikkelsen had concerns with including economics as one of the disciplines. Mr. Yetman explained the intent was to strike a balance to include enough categories for schools to meet this requirement and make it easier for the student to reach this goal. He believed the subcommittee was leaning more towards qualitative courses and wanted at least one quantitative course even though not all of the course may form a basis for ethical reasoning. Mr. Mintz concurred with Mr. Mikkelsen and believed qualitative courses and not quantitative courses were needed. If qualitative courses were wanted, he recommended the seven capped and un-capped units, which he objects to, be revised. He suggested the capped category be set at three units, and a new category be created to include courses and areas that address ethical issues specific to business and accounting practice to include courses like business ethics, accounting auditing and financial statement fraud, and legal business environment.

Mr. McBride encouraged the committee to proceed with a motion and then vote on specific items instead of having open discussions. Mr. Ueltzen suggested the committee address each recommendation in order for discussion purposes.

It was moved by Mr. Ueltzen, and seconded by Mr. Yetman, to adopt the proposal for ethics study guidelines as reflected in Attachment #1 of the memorandum. The motion was tabled while members considered amendments to the proposal.

Mr. McBride made a friendly amendment to include the previously stated amendments by referring to Capped or Un-Capped courses in Recommendation #1 and correcting the course title Legal Environment of Business in Recommendation #2.

Mr. Mintz did not approve of Mr. McBride's recommendation on the language in the second bullet for Recommendation #1. Additionally, he believed three years to comply with the mandated accounting ethics requirement was too long and should be changed to 2016. Mr. Schultz explained that the 2017 deadline applied to the applicant completing this requirement and was not directed at the colleges/universities. Based on this explanation, Mr. Mintz withdrew his objection.

Amendment #1 to the Motion
It was moved by Mr. Ueltzen, and seconded by Mr. McBride, to modify the last sentence of the second bullet in Recommendation #1 to read "any capped or un-capped courses."

Mr. Ueltzen suggested adding "not more than three units in capped courses" to this sentence. Mr. McBride suggested tabling the language for this sentence until the language for the un-capped and capped recommendations was addressed.

Further discussions were held regarding the mandated accounting ethics requirement and the legislative intent.

Amendment #2 to the Motion
It was moved by Mr. Ueltzen, and seconded by Mr. Yetman, to add business ethics to Recommendation #1. Mr. Driftmier, Mr. McBride, Mr. Mintz, Mr. Pieroni, and Mr. Yetman opposed. The motion failed.

Mr. Mikkelsen stated it was important to have accounting-specific ethics.
Mr. Pieroni suggested business ethics be moved under the un-capped area.

Mr. Mintz suggested that Recommendation #2 be revised to consist of business ethics, corporate social responsibility, accounting/auditing/financial statement fraud, legal environment of business, and corporate governance and removing the remaining courses.

Amendment #3 to the Motion
It was moved by Mr. Mintz to have four categories: Category 1, accounting ethics or accounting professional responsibilities; Category 2, corporate ethics and leadership to include business ethics, corporate social responsibility or business government and society, accounting/auditing/financial statement fraud, ethical leadership, corporate governance, and legal environment of business; Category 3, three or four units of capped courses with the exception of economics; and Category 4, remain as Recommendation #4 of the proposal. The motion failed due to a lack of a second.

Ms. Sally Anderson, CBA President, commended the committee on its efforts and diligence throughout this process. She encouraged a proposal that was less complicated and more practical for the students. She urged members to come up with courses which meet the legislative intent while still allowing students leeway in taking courses.

Mr. Mikkelsen suggested the committee may be overstepping its ground by defining individual course titles but understands the necessity for it. He stated it may be easier to implement if wording was included to say equivalency of topics or topics or courses like these which would thereby include courses that may not be listed in the proposal. Mr. Yetman explained the difficulty of ensuring courses

meet the intent of the law if course titles are left open ended. He was in favor of adding corporate social responsibility to the list.

Amendment #4 to the Motion
It was moved by Mr. Mikkelsen, seconded by Mr. McBride, and carried by those present, to add corporate social responsibility to the list of courses for Recommendation #2.

Mr. Ueltzen suggested removing the terms capped and un-capped and having one aggregate listing of courses. Further discussion followed regarding implications should all seven units be taken under the existing capped category.

Amendment #5 to the Motion
It was moved by Mr. Ueltzen, seconded by Mr. McBride, and carried by those present to strike the term Un-Capped Courses in Recommendation #2 and replace with Courses, strike the term Capped Courses in Recommendation #3 and replace with Disciplines, and strike the sentence which says "no more than three semester units may be applied from any one discipline." Mr. Mikkelsen and Mr. Mintz opposed.

Mr. Mikkelsen expressed concern on allowing students to take courses in general areas without having exposure to the contextual decision making within business or only focusing on accounting practice courses. Mr. Mintz concurred.

The committee had no objections or changes to Recommendation #4.

There being no further discussion, the committee revisited the motions on the table.

Final Amendment #1 to the Motion
It was moved by Mr. Ueltzen, seconded by Mr. McBride, and carried by those present to amend the motion by modifying the last sentence of the second bullet in Recommendation #1 to read: "Until that time applicants can meet this requirement using any of the following courses." Mr. Mintz opposed.

It was moved by Mr. Ueltzen, seconded by Mr. Yetman, and carried by those present to amend the proposal to include Amendments #1(final), #4, and #5 to the Motion. Mr. Mintz opposed.

Mr. Mikkelsen suggested that the un-capped and capped terms under Recommendation #2 and #3 be changed to Ethics and Business and Ethical Foundations.

IV. Update on Joint ECC/Accounting Education Committee Meeting.

Ms. Pearce presented the memorandum for this item (**Attachment # 4**).

Ms. Pearce reported extensive outreach had been done to notify stakeholders of the upcoming June 7, 2011 joint AEC/ECC meeting, with over 700 save-the-date emails, formal e-mails with a flyer and invitations being sent to colleges and universities, as well as, other stakeholders.

V. ECC Timeline and Future Agenda Items.

Mr. Franzella presented the memorandum for this item (**Attachment #5**). He reported it was anticipated the ECC would need to convene for two additional meetings after the June 7, 2011 meeting to approve the letter that must be issued during the public comment period and to approve the report to the Legislature. Mr. Yetman suggested the final report meeting be held by teleconference. The committee recommended staff draft the letter and report.

Ms. Pearce explained any minor adjustments to the proposal could be done and voted on at the June 2011 meeting in advance of the July 2011 CBA meeting.

VI. Public Comments.

No public comments were offered.

ADJOURNMENT.

There being no further business, the meeting adjourned at 2:59 p.m. on Wednesday, May 18, 2011.

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Donald A. Driftmier, Chair

Prepared by Cindi Fuller, Licensing Coordinator