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.dca.ca.gov/cba*

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE November 17-18, 2005 BOARD MEETING

Delta King
1000 Front Street
Sacramento, CA 95815
Telephone: (916) 444-5464
Facsimile: (916) 444-5314

I. Call to Order.

President Renata M. Sos called the meeting to order at 2:33 p.m. on Thursday, November 17, 2005, at the Delta King in Sacramento and the meeting adjourned at 3:45 p.m. The Board was again called to order at 9:40 a.m. on Friday, November 18, 2005, and ALJ Robert Walker and the Board heard Agenda Item XII.A and then convened into closed session to deliberate and to discuss Agenda Items XII.B-F. The Board went into open session at 11:38 a.m. and adjourned at 12:40 p.m.

Board Members	November 17, 2005
Renata M. Sos, President	2:33 p.m. to 3:45 p.m.
Ronald Blanc, Vice President	2:33 p.m. to 3:45 p.m.
Sally Flowers, Secretary-Treasurer	2:33 p.m. to 3:45 p.m.
Richard Charney	2:33 p.m. to 3:45 p.m.
Ruben Davila	2:33 p.m. to 3:45 p.m.
Donald Driftmier	2:33 p.m. to 3:45 p.m.
Charles Drott	Absent
Sara Heintz	2:33 p.m. to 3:45 p.m.
Gail Hillebrand	2:33 p.m. to 3:45 p.m.
Thomas Iino	2:33 p.m. to 3:45 p.m.
Clifton Johnson	2:33 p.m. to 3:45 p.m.

Bill MacAloney	2:33 p.m. to 3:45 p.m.
Olga Martinez	2:33 p.m. to 3:45 p.m.
David Swartz	2:33 p.m. to 3:45 p.m.
Stuart Waldman	2:33 p.m. to 3:45 p.m.

Board Members	November 18, 2005
Renata M. Sos, President	9:40 a.m. to 12:40 p.m.
Ronald Blanc, Vice President	9:40 a.m. to 12:40 p.m.
Sally Flowers, Secretary-Treasurer	9:40 a.m. to 12:40 p.m.
Richard Charney	9:40 a.m. to 12:40 p.m.
Ruben Davila	9:43 a.m. to 12:40 p.m.
Donald Driftmier	9:40 a.m. to 12:40 p.m.
Charles Drott	Absent
Sara Heintz	9:40 a.m. to 12:40 p.m.
Gail Hillebrand	9:40 a.m. to 12:40 p.m.
Thomas Iino	9:40 a.m. to 12:40 p.m.
Clifton Johnson	9:40 a.m. to 12:40 p.m.
Bill MacAloney	9:40 a.m. to 12:40 p.m.
Olga Martinez	9:40 a.m. to 12:40 p.m.
David Swartz	9:40 a.m. to 12:40 p.m.
Stuart Waldman	9:40 a.m. to 12:40 p.m.

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Dominic Franzella, Renewal and Continuing Competency Analyst (November 18, 2005)
Michael Granen, Deputy Attorney General, Board Liaison
Greg Newington, Chief, Enforcement Program
Victoria Osborn, Executive Officer's Secretary (November 17, 2005)
Daniel Rich, Administration Manager (November 17, 2005)
George Ritter, Legal Counsel
Cynthia Rust, Administrative Assistant (November 18, 2005)
Michele Santaga, Enforcement Analyst (November 18, 2005)
Theresa Siepert, Executive Analyst
Carol Sigmann, Executive Officer
Aronna Wong, Legislation Analyst

Committee Chairs and Members

Roger Bulosan, Vice Chair, Qualifications Committee (November 18, 2005)
Harish Khanna, Chair, Administrative Committee

Other Participants

Mo Blasko, Ernst & Young LLP
Tom Chenowith
Julie D'Angelo Fellmeth, Center for Public Interest Law (CPIL)
Mike Duffey, Ernst & Young LLP
Kenneth Hansen, KPMG LLP (November 18, 2005)
Bobbie Jarvis, California Society of Accounting Tax Professionals (CSATP)
Gregory Kelly
Art Kroeger, Society of California Accountants (SCA)
Richard Robinson, Big 4 Accounting Firms
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)
Rob Troncoso, Center for Public Interest Law (CPIL)

II. Board Minutes.

A. Draft Board Minutes of the September 15-16, 2005, Board Meeting.

There was a correction to the minutes of the September 16, 2005, Board meeting (Board Agenda Item II.A). On page 22, paragraph four, "true and false questions" was replaced with "multiple choice questions."

It was moved by Ms. Hillebrand, seconded by Mr. Waldman, and unanimously carried to approve the change to the Board's minutes.

III. Report of the President.

Ms. Sos introduced the Board's new legal counsel, Mr. George Ritter, and indicated that he was a Senior Staff Counsel at DCA. Ms. Sos welcomed him to the team and indicated that she looked forward to working with him. She noted that she had a message from Ms. Powell that indicated that she had enjoyed working with the Board and she sent her regards.

Ms. Sos introduced and welcomed Ms. Victoria Osborn, Ms. Sigmann's Executive Secretary, Ms. Cynthia Rust, Ms. Crocker's assistant, and Mr. Dominic Franzella, Renewal and Continuing Competency Analyst. Ms. Sos thanked them for their great work.

A. Adoption of the Strategic Plan.

Ms. Sos reported that at its last meeting, the Board looked at the redraft of the Strategic Plan. She indicated that there were a few issues raised, principally directed at putting the Board's Enforcement Program as the first goal of the Strategic Plan to underscore its importance.

This agenda item was deferred until the next Board meeting.

2. IQAB Mutual Recognition Agreement with the Institute of Chartered Accountants in Ireland.

   This agenda item was deferred until the next Board meeting.

C. Dissolution of the Practice Privilege and Peer Review Task Forces.

Ms. Sos reported that she was officially disbanding both the Practice Privilege and Peer Review Task Forces. She indicated that the Practice Privilege Task Force had been chaired very ably and with great commitment by Ms. Hillebrand. She thanked the Task Force members and the interested parties for their involvement in the work. She noted that it was a truly remarkable amount of work completed in a short period of time.

Ms. Sos reported that the Peer Review Task Force had been chaired by Mr. Drott and had also taken on a large task by working through the issues and presenting its report to the Legislature. She indicated that the Board would need to appear at a legislative hearing on December 7, 2005. Ms. Sos thanked Mr. Drott, the members of the Task Force, and the interested members of the public for their work.

Ms. Hillebrand extended her personal thanks to the former Chair of the Task Force, Ms. Sos, the members of the Task Force and representatives from the industry who brought forward their ideas. She also thanked the staff.

D. Information Regarding the Psychometric Review of CBT Examination Questions.

Ms. Sos reported that at the last meeting, Mr. O'Krent raised questions about the psychometric review of CBT examination questions. She indicated that Mr. O'Krent had been put in touch with Mr. Mills of the AICPA and the issue was being addressed. Ms. Sigmann reported that there had been some miscommunication as to what questions Mr. O'Krent was receiving, and he had not been fully informed as to the process.

IV. Report of the Vice-President.

A. Committee Appointments.

B. Report on the Status of the Practice Privilege Regulations.

Ms. Wong reported that the practice privilege regulations have been at the Office of Administrative Law (OAL) since October 21, 2005, receiving a final review. She noted that part of the rulemaking file consists of a fiscal analysis that needed to be reviewed and approved by DCA, State and Consumer Services Agency (Agency) and the Department of Finance. There was concern that there would not be enough time to complete the process in order to meet the January 1, 2006, implementation deadline, and if not approved, out-of-state CPAs would have no legal way to practice in California. Ms. Wong reported that DCA arranged for Board staff to meet directly with Agency to discuss the regulation package and its fiscal impact statement. She noted that this was an unusual event that had not previously occurred.

Ms. Wong reported that the Board was represented by Ms. Sigmann, Ms. Franz, Mr. Granen and herself. DCA was represented by the Director, Chief Deputy Director, and the Deputy Director for Legislation. The parties met with Agency's Special Assistant to the Agency Secretary and the Chief Legal Counsel. Ms. Wong indicated that it was a very successful meeting and she complimented Ms. Franz and her staff for being prepared with answers to all potential implementation questions. At the end of the meeting, the Agency representatives asked DCA to forward the fiscal impact statement to them for approval and they volunteered to expedite it through the Department of Finance.

On behalf of the Board, Ms. Sos thanked Ms. Sigmann, Ms. Franz, Ms. Wong, Ms. Crocker and any staff involved in this effort for the creativity and tenacity they displayed.

C. NASBA CPA Examination Review Board (ERB) Management Letter.

Ms. Crocker reported that the agenda item provided was for the 2004 CBT examination. She indicated that further inquiry was necessary to understand the technical security concerns that were expressed in the document and the scope of those concerns. Ms. Crocker noted that upon receiving additional information, it may or may not be necessary to bring it back to the Board at a subsequent meeting.

D. National Proposed Rules or Standards Regarding Professional Practice.

No report was given.

VII. Report of the Enforcement Chief.

A. Report on Status of Enforcement Cases.

BILL NUMBER: AB 1868 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Bermudez

JANUARY 17, 2006

An act to amend, repeal, and add Section 5050 of the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1868, as introduced, Bermudez Accountancy: licensure.
Existing law provides for the licensing and regulation of accountants by the California Board of Accountancy, in the Department of Consumer Affairs. Existing law requires a person engaging in the practice of public accountancy in this state to hold either a valid permit issued by the board or a practice privilege, as specified.
This bill would, until January 1, 2009, provide that this requirement does not apply to a certified public accountant or public accountant licensed and lawfully practicing in another state or a foreign country to the extent that he or she is temporarily practicing in this state incident to his or her regular practice.
Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 5050 of the Business and Professions Code is amended to read:
5050. (a) No person shall engage in the practice of public accountancy in this state unless ~~the person~~ *he or she* is the holder of a valid permit to practice public accountancy issued by the board or ~~a~~ *is the* holder of a practice privilege pursuant to Article 5.1 (commencing with Section 5096). *Nothing in this chapter shall prohibit a certified public accountant or public accountant licensed in either another state or a foreign country, and lawfully practicing therein, from temporarily practicing in this state incident to his or her regular practice in the state or country in which he or she is licensed.*
(b) ~~This section shall become operative on January 1, 2006.~~ *This section shall remain in effect only until January 1, 2009, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2009, deletes or extends that date.*
SEC. 2. Section 5050 is added to the Business and Professions Code, to read:
5050. (a) No person shall engage in the practice of public accountancy in this State unless he or she is the holder of a valid permit to practice public accountancy issued by the board or is the holder of a practice privilege pursuant to Article 5.1 (commencing with Section 5096).
(b) This section shall become operative on January 1, 2009.