State of California Department of Consumer Affairs

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE January 19-20, 2006 BOARD MEETING

Westin San Francisco Airport
1 Old Bayshore Highway
Millbrae, CA 94030
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I. Call to Order.

President Ronald Blanc called the meeting to order at 4:00 p.m. on Thursday, January 19, 2006, at the Westin San Francisco Airport in Millbrae and the meeting adjourned at 4:25 p.m. The Board was again called to order at 9:00 a.m. on Friday, January 20, 2006, and adjourned at 11:42 p.m.

Board Members	January 19, 2006
Ronald Blanc, President	4:00 p.m. to 4:25 p.m.
David Swartz, Vice President	Absent
Ruben Davila, Secretary-Treasurer	4:00 p.m. to 4:25 p.m.
Richard Charney	4:00 p.m. to 4:25 p.m.
Donald Driftmier	4:00 p.m. to 4:25 p.m.
Sally Flowers	Absent
Sara Heintz	4:00 p.m. to 4:25 p.m.
Gail Hillebrand	4:00 p.m. to 4:25 p.m.
Thomas Iino	4:00 p.m. to 4:25 p.m.
Clifton Johnson	Absent
Bill MacAloney	4:00 p.m. to 4:25 p.m.
Olga Martinez	4:00 p.m. to 4:25 p.m.
Renata M. Sos	4:00 p.m. to 4:25 p.m.
Stuart Waldman	Absent

Board Members	January 20, 2006
Ronald Blanc, President	9:00 a.m. to 11:42 a.m.
David Swartz, Vice President	Absent
Ruben Davila, Secretary-Treasurer	9:00 a.m. to 11:42 a.m.
Richard Charney	9:00 a.m. to 11:42 a.m.
Donald Driftmier	9:00 a.m. to 11:42 a.m.
Sally Flowers	Absent
Sara Heintz	9:00 a.m. to 11:42 a.m.
Gail Hillebrand	9:00 a.m. to 11:42 a.m.
Thomas Iino	9:00 a.m. to 11:42 a.m.
Clifton Johnson	Absent
Bill MacAloney	Absent
Olga Martinez	9:00 a.m. to 11:42 a.m.
Renata M. Sos	9:00 a.m. to 11:42 a.m.
Stuart Waldman	9:00 a.m. to 11:42 a.m.

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer
Alice Delvey-Williams, Renewal Continuing Competency Coordinator
Patti Franz, Licensing Manager
Dominic Franzella, Renewal Continuing Competency Analyst
Michael Granen, Deputy Attorney General, Board Liaison
Greg Newington, Chief, Enforcement Program
Nicholas Ng, Practice Privilege Analyst
Daniel Rich, Administration Manager
George Ritter, Legal Counsel
Theresa Siepert, Executive Analyst
Carol Sigmann, Executive Officer
Aronna Wong, Regulation/Legislation Analyst

Committee Chairs and Members

Roger Bulosan, Chair, Qualifications Committee
Harish Khanna, Chair, Administrative Committee

Other Participants

Tom Chenowith
Mike Duffey, Ernst & Young LLP
Michelle Elder, Society of California Accountants (SCA)
Kenneth Hansen, KPMG LLP
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 November 17-18, 2005, Board Meeting.

The draft Board minutes of the November 17-18, 2005, Board meeting were adopted on the Consent Agenda. (See Agenda Item XIII.B.)

III. Report of the President.

A. Board Committee Appointments.

Mr. Blanc announced the new committee structure. **(See Attachment 1.)** He thanked the members of the Board for their services.

B. Proposed Resolution for Retired Board Member Charles Drott.

It was moved by Ms. Sos, seconded by Dr. Charney, and unanimously carried to adopt the proposed resolution.

IV. Report of the Vice-President.

No report.

V. Report of the Secretary-Treasurer.

A. FY 2005/06 First Quarter Financial Report.

Mr. Davila reported that since he was elected, Ms. Sigmann arranged a meeting with staff to assist him in understanding the Board's financial information. He indicated that the staff answered his questions and he appreciated their time.

Mr. Davila indicated that the financial statement in the agenda packet **(see Attachment 2)** was for the first quarter financial reports which do not generally reflect a reliable pattern of revenues or expenditures for projection purposes, due to accounting-related delays affecting the posting of receipts and expenditures to official budget reports.
Mr. Davila indicated that the Board staff have an incredible understanding of the issues and gave credit to Mr. Rich.

VI. Report of the Executive Officer.

Ms. Franz reported that the Practice Privilege Program went into effect January 1, 2006, and as of January 18, 2006, the Board had received 1,168 notices. She indicated that not all of these notices had been approved, 884 individuals had an actual practice privilege by January 18, 2006. Ms. Franz noted that the Board was receiving an average of 50 new notices each day. The original staffing levels were based on receiving approximately 1,000 notices per year.

Mr. Robinson indicated that he believed that some of the notices received may be part of the confusion that is currently in the industry and are being submitted out of an abundance of caution. He noted that he had assured Ms. Sigmann that he would work with her to achieve the additional staff that Ms. Franz believes will be necessary to address the current workload if it continues at the same volume. Mr. Blanc indicated that the staff have been fantastic in dealing with the workload of the current program.

Ms. Sigmann reported that work has been ongoing for the educational symposium and it was intended that it occur in late October or early November. She indicated that she had been working with Mr. Duffey and that Ms. Siepert had been taking a significant lead in the planning process. Ms. Sigmann indicated that the next steps would be to identify a working group and begin to identify speakers. Mr. Blanc indicated that he had asked Mr. Swartz to work with him as the two Board liaisons to assist in planning the symposium.

A. Update on Board Staffing.

Ms. Sigmann indicated that since her report at the last meeting, the Board had filled four positions, two being internal promotions and there are still seven vacancies. There continues to be three vacant Investigative CPA positions and the Board was working with the Department to develop a new promotional examination for that classification. Ms. Sigmann noted that no salary increases would be considered for approval by the Department of Personnel Administration until it completes its salary survey for state auditors.

B. Consideration of Acceptance of IQAB's Mutual Recognition Agreement with the Instituto Mexicano de Contadores Publicos as Fulfilling California's Examination Requirement upon Successful Passage of IQEX.

Ms. Franz reported that in November 2005, this Board took action to lift its one-year moratorium on consideration of any new Mutual Recognition Agreements (MRAs). That was following a report and recommendation

B. CPA Qualifications Committee (QC).

1. Report on the January 11, 2006, QC Meeting.

   Mr. Bulosan reported that the QC met January 11, 2006, in Burlingame and that Ms. Sigmann was in attendance. He added that participation by Board members is very important and adds great value to the collaboration of the committee members. Mr. Bulosan welcomed any Board member who was interested in attending.

   Mr. Bulosan noted that the QC received a verbal report on the updating of the certificate of attest experience from the Task Force composed of Ms. Corrigan and Mr. Riley. Mr. Bulosan indicated that the QC had three new members, Mr. Michael Hurley, Mr. Richard Kikuchi, and Mr. Gary O'Krent. He added that this was his first meeting as Chair, and he thanked Ms. Franz and her staff for doing an excellent job facilitating the meeting.

   Mr. Blanc thanked Mr. Bulosan and his committee for the contribution that they are making. He noted that the Board liaison was Dr. Charney in the north and Mr. Driftmier in the south. Mr. Blanc requested that Mr. Bulosan convey thanks to the committee on behalf of the Board.

C. Committee on Professional Conduct (CPC).

1. Minutes of the November 17, 2005, CPC Meeting.

   The minutes of the November 17, 2005, CPC meeting were adopted on the Consent Agenda. (See Agenda Item XIII.B.)

2. Report on the January 19, 2006, CPC Meeting.

   Ms. Hillebrand reported that the CPC met the previous day and discussed the items on its agenda. There was also a discussion on an issue related to domestic accountants that was not on the agenda. She indicated that the CPC had a preliminary discussion in order to understand the issues and, because of the urgency and importance of those issues to the industry, it was agreed to schedule a separate one-day CPC meeting in order to discuss those issues. The special CPC meeting was tentatively scheduled for February 22, 2006.

   Ms. Hillebrand reported that staff have been working extraordinarily hard to implement the Practice Privilege program and to answer

questions from the profession. She noted that the Board previously approved some frequently asked questions (FAQs), which is not customary as FAQs are usually prepared by staff and approved by legal counsel. Ms. Hillebrand noted that after the initial FAQs were approved by the Board, staff prepared additional FAQs for consistency of information to be provided to the public.

Ms. Hillebrand noted that the assertion was made that some of those questions were not consistent with the requirements of the statute. She indicated that the CPC was asked to discuss the FAQs and since the issue was not noticed on the agenda, the CPC was not able to have the depth of discussion required. The purpose of the upcoming special CPC meeting is to ask those who have disagreements with the FAQs to provide to Board staff the particular statutory sites or subsections that they believe require a different result. That process may illuminate the degree to which the disagreement is with the staff's interpretation of the statute versus the result that the statutes compel.

Ms. Hillebrand reported that the issues seem to relate primarily to firm registration and the fact that an individual can hold a practice privilege, but an out-of-state firm still has to be registered to practice in California. There is also the issue of what constitutes the practice of public accountancy in California. Ms. Hillebrand indicated that these are serious and thorny issues.

Mr. Robinson indicated that the profession requests that the FAQs that have been added since the Board adopted the original ones be removed from the Web site. He noted that they are creating a great deal of concern nationally. Mr. Robinson committed to having a detailed analysis of both the FAQs and other issues that have arisen ready by the meeting.

Ms. Sigmann asked whether Mr. Robinson and Mr. Duffey would be able to provide their documents to the Board by January 30, 2006, in order to provide sufficient time for staff to analyze them prior to the February meeting. Mr. Robinson and Mr. Duffey committed to that timeframe and indicated that their document will address all of the facts as well as any other implementation problems that have arisen. The Board concluded that the removal of the FAQs was a matter within the discretion of the Executive Officer. Ms. Sigmann indicated that she was not prepared to make a determination until she completed a more thorough review of the current questions. She added that it was an important responsibility and that she would be addressing it as soon as possible. Ms. Tindel indicated that CalCPA will do everything it can to also make the January 30, 2006, deadline.

Mr. Iino brought up the issue of removing the notice regarding foreign accountants on the Web site. Ms. Hillebrand indicated that there was consensus that the Web site notice would be withdrawn.

Ms. Hillebrand noted that the Board's legal counsel looked at each of FAQs before they were posted and it was legal counsel's best judgment that they were correct. She noted that staff will need to understand what it is that compels a different result. The deadline will give staff time to review them again and present that information to the committee. Ms. Hillebrand cautioned everyone that this will be a difficult meeting with many issues that have already been extensively discussed. She indicated that the Board has already been back to the Legislature several times to tinker with Practice Privilege even though it is a brand new statute and the Board should exercise some caution as it looks at that. Ms. Hillebrand promised a full vetting of the issues but she believed it was premature to indicate that it would result in a statute change.

Ms. Hillebrand expressed appreciation to staff for the extraordinary job they have been doing under difficult circumstances. Mr. Blanc thanked Ms. Sos for her assistance in drafting the new statutory language related to foreign accountants and her leadership in conjunction with Ms. Hillebrand.

Ms. Sigmann indicated that the Practice Privilege issues are a staff priority and she will redirect resources to it. She indicated that it was her belief that the agendas for the February and March CPC meetings will be focused on Practice Privilege, and she did not believe it was feasible to have the audit documentation issues addressed until the May CPC and Board meetings.

Mr. Blanc thanked staff for the enormous effort that has been made to implement the new program and address the many questions that have arisen.

3. Consideration of Incidental/Temporary Practice in California by Accountants Practicing in Other Countries.

Ms. Hillebrand reported that Board staff were approached in late December by the profession regarding an issue related to foreign accountants. Practice Privilege provides for people who have substantially equivalent qualifications or are licensed in a substantially equivalent state to come into California to practice. However, there is no provision under Practice Privilege that addresses foreign accountants. Ms. Hillebrand indicated that the

profession reported that there are foreign accountants who need to come into California for the purpose of doing work as part of engagement that they have in foreign countries. With the repeal of temporary and incidental practice, a question was raised regarding about whether foreign accountants could lawfully do that work. She noted that yesterday the CPC had a presentation from the profession regarding the type of work that foreign accountants do in California.

Ms. Hillebrand noted that there was a level of concern and uncertainty regarding whether these activities are permitted under current law. Ms. Hillebrand reported that the CPC considered a number of proposals to address the foreign accountant issue. These proposals address specifically the issue of foreign accountants who are coming into California to do work incident to a foreign engagement.

Ms. Hillebrand indicated that some of the factual discussion held yesterday was helpful in describing activities of foreign accountants, and members of the CPC felt comfortable that this is not an area of practice that this Board needs to supervise. She noted that the type of work would not be done under United States accounting or auditing standards, and foreign accountants would not be soliciting business in California. They would be working for foreign clients under foreign standards, and no audit reports would be issued in the United States.

Ms. Hillebrand reminded the Board that the problem represented to the Legislature was that under the temporary and incidental practice provisions, the Board had no way of determining who was practicing in California, what they were doing, and the Board had no jurisdiction over them. Practice Privilege was designed to eliminate those problems in addition to its other goals. Ms. Hillebrand indicated that the CPC recommends that the Board approve the language distributed this morning **(see Attachment 4).** It is carefully structured to permit a person who has a foreign authorization to practice to come into California incident to an engagement in that country, working under the accounting and auditing standards of that country, and not holding himself or herself out as being licensed by the state of California.

Mr. Blanc indicated that the statutory language the Board is considering today is an urgent matter. The profession has indicated that this is a very serious problem and foreign accountants need to know their status and that this statute provides clarification.

Mr. Robinson thanked Ms. Hillebrand and the members of the committee for drafting a solution that solves the problem and expressed gratitude on the part of the profession. Mr. Robinson indicated that he was in total support and believes that the bill would solve the problem. He noted that he was available to assist in any of the pitfalls that may occur in the legislative process.

Mr. Blanc indicated that the Board has made this its priority and will do everything it can to move the proposed statute as quickly as possible. He also noted that the Board was privileged to have Mr. Tseng, former Board member, appear at the CPC meeting yesterday and that the information he provided was very helpful.

Ms. Tindel indicated that she was not free to communicate a position on this issue but generally supported solving the problem.

It was moved by Dr. Charney, seconded by Ms. Martinez, and unanimously carried to approve the proposed statutory changes to Business and Professions Code Section 5050 as provided in the agenda item distributed that morning.

4. Proposed Statutory Language Revising Business & Professions Code Section 5134 Related to Fees.

   Ms. Hillebrand reported that this issue was discussed at the last Board meeting and staff were directed to prepare proposed statutory language that would do the following: 1) eliminate the statutory requirement that revenue generated by exam and initial licensure fees be sufficient to support the Board's cost of providing these services; 2) eliminate the language tying the practice privilege fee to the amount of the renewal fee; and 3) add legislative intent language that explains that, to ease entry into the profession, costs exceeding the revenue from exam and license issuance fees would be covered by revenue from renewal fees.

   It was moved by Mr. Driftmier, seconded by Ms. Heintz, and unanimously carried to approve the proposed statutory language. (See Attachment 5.)

5. Proposed Amendments to Section 70 Related to Reducing Renewal Fees.

   Ms. Hillebrand reported that the change in the renewal fee was necessary to reduce the reserve level to comply with the amount permitted by statute. She indicated that this was discussed at the Board's previous meeting, and staff were asked to provide a

State of California
Department of Consumer Affairs

California Board of Accountancy
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Sacramento, CA 95815-3832

Memorandum

CPC Agenda Item II
January 19, 2006

Board Agenda Item IX.C.3
January 19-20, 2006

To : CPC Members
Board Members

Date: January 13, 2006
Telephone : (916) 561-1788
Facsimile : (916) 263-3674
E-mail: awong@cba.ca.gov

From : Aronna Wong
Legislation/Regulations Coordinator

Subject : Consideration of Incidental/Temporary Practice in California by Accountants Practicing in Other Countries

Attached for your consideration of this agenda item is an issue paper on **Practice by Foreign Accounting Practitioners in California.** This issue paper provides background information and options for consideration.

The following documents are provided as attachments to the issue paper:

- Relevant Sections of the Business and Professions Code
- December 21, 2005, letter from Carol Sigmann to Michael Duffey
- January 10, 2006, letter from Richard Robinson to Ronald Blanc, Esq.
- January 10, 2006, letter from Joseph Tseng, CPA, to Ronald Blanc, Esq.

Attachment

PRACTICE BY FOREIGN ACCOUNTING PRACTITIONERS IN CALIFORNIA

ISSUE

In December 2005, an issue related to foreign accountants came to the forefront. It was noted that law changes effective on January 1, 2006, included the repeal of the provision in Business and Professions Code Section 5050 which previously had permitted an accountant from another country to temporarily practice in California on professional business incident to his or her regular practice in that country. (Attachment 1 provides prior Section 5050, current Section 5050, and other relevant sections of the Business and Professions Code.)

This repealed provision was part of the package of legislation which established the Practice Privilege Program. The temporary and incidental practice provision had previously applied to both accountants from other states and accountants from foreign countries. The Practice Privilege provisions which became effective on January 1, 2006, provided a mechanism for out-of-state accountants to legally practice in California. However, no comparable mechanism was enacted for accountants from foreign countries.

In December 2005, representatives of the profession raised concern regarding this issue and its potential impact. This was followed by correspondence between the Board's Executive Officer and representatives and members of the profession with the objective of defining the nature and scope of the problem. (See Attachments 2, 3, and 4.)

This issue paper provides relevant background information and options for consideration.

BACKGROUND

The temporary practice provision in Section 5050, prior to its repeal, allowed accountants of other states and countries to temporarily practice in this state on professional business incident to their regular practices in the other states or countries.

While "temporary and incidental" were never defined in statute or in regulation, the Board's Enforcement Division's historical interpretation is illustrated by the following examples.

- An out-of-state CPA with a tax practice in Utah could prepare tax returns from his Salt Lake City office for California clients and fall within the "temporary and incidental" exception. However, if the same Utah CPA opened a California branch office to prepare tax returns – that would exceed the "temporary and incidental practice" exception.

- An out-of-state or foreign CPA performing an audit of a corporation, headquartered or principally doing business in another state or country, could enter California to perform minor elements of the audit engagement such as observation of inventory. For example, the auditors of General Motors in Detroit could come to California for tests to observe inventory and be within the "temporary and incidental" exception. An out-of-state or foreign CPA could not come to California and perform the audit engagement of a California corporation as that would exceed the "temporary and incidental practice" exception.

In spite of this consistent interpretation, confusion occurred. Since the terms were not defined in statute or regulation, each practitioner could define the terms in his or her own way. Over the years, anecdotal evidence indicated many practitioners interpreted the terms much more broadly than the Board's Enforcement Division.

This was one of the concerns that was addressed by the Board's UAA Task Force (later re-named the Practice Privilege Task Force) when it met in early 2004 to discuss cross-border practice and to evaluate alternatives to temporary and incidental practice as it was then permitted by Section 5050.

A second concern identified by the Task Force was that the identity of these practitioners was largely unknown to the Board. There was no requirement that they inform the Board of their presence or that they agree to the Board's jurisdiction over their activities in California. It was primarily because of these two concerns that the Task Force concluded that the temporary practice provisions in the law at that time placed consumers at risk. To address these problems, the Board developed the concept of Practice Privilege and pursued law changes to enact it.

In presenting this problem to the Legislature, the Board communicated these two concerns and made it clear that the current statutory provisions on temporary and incidental practice were flawed and were inadequate to protect consumers. Board Member and Task Force Chair Renata Sos in her testimony before the Legislature explained the problem:

> Since neither "temporary" nor "incidental" is defined, the determination is left to the subjective judgment of the practitioner. While it is impossible to quantify the number of practitioners who enter California under this provision, we have received extensive anecdotal evidence that temporary practice is commonplace.

The Practice Privilege Program addressed these problems for U.S. practitioners. At that time, the needs of foreign practitioners to serve clients doing business in California was not addressed by the Board nor by the Legislature. However, the profession has recently pointed out that there is a need for foreign accountants to come to California and legally provide services. Mr. Robinson's letter (Attachment 3) indicates that "Many businesses with a significant presence in California must employ accountants licensed in other countries, and those accountants often need to perform limited but necessary functions in California." (Page 2 of 5.) Mr. Robinson goes on to explain that one reason

the presence of these practitioners is necessary is because of their expertise in performing audits using foreign auditing standards.

Mr. Robinson communicates in his letter that it was not the intent of the Legislature or the Board to prevent these practitioners from entering California to serve their clients. The challenge before the CPC and the Board is to identify a mechanism that will enable these practitioners to lawfully perform their work for their foreign clients while at the same time treating U.S. practitioners equitably and not placing California consumers at risk.

It would not make sense to simply reinstate the old "temporary and incidental" practice provision, given the weaknesses that were identified by the Board and communicated to the Legislature in 2004. Such a law change could also be construed as inequitable and unfair to U.S. CPAs who must now give notification for Practice Privilege and comply with the reporting requirements in the Practice Privilege laws. The options provided below were developed with these parameters in mind.

OPTIONS FOR LAW CHANGES

OPTION 1: Pursue a law change to add the following section to the Business and Professions Code.

> Section 5050.1.
> (a) Notwithstanding Sections 5050 and 5058, a natural person whose principal place of business is not in the United States; who holds an authorization to practice public accountancy from a foreign country; who does not also have a valid and current license, certificate or permit to practice public accountancy from this or any other state; may subject to the restrictions in subdivision (b) of this section and in accordance with the conditions in this Chapter, temporarily practice public accountancy in this state incident to his or her practice for a client of a foreign country.
>
> (b) A person practicing public accountancy in this state under the provisions of subdivision (a) of this section shall comply with the following:
> (1) The person shall not hold himself or herself out as a certified public accountant or public accountant of this or any other state.
> (2) The person shall not use his or her foreign accounting title or designation without including a disclosure of the country of origin.
> (3) The person shall not prepare any report or work product unless this report or work product is prepared for a client of a foreign country specifically to comply with standards applicable to such reports or work products in the client's country of origin.

This section provides for temporary practice by a foreign accountant for a foreign client with some restrictions. While it prevents the use of the CPA designation, it does permit the person to use the foreign accounting designation as long as the country of origin is

disclosed. It also focuses on permitting the person to perform work in accordance with foreign professional standards, the area where Mr. Robinson indicated the person's special expertise is needed.

Pros:

- It is intended to protect consumers by only authorizing work for the foreign client in accordance with foreign standards.
- It prevents consumer confusion by not allowing the foreign practitioner to hold out as a U.S. CPA and by requiring that any reference to the foreign accounting designation identify the country of origin.
- Because it is narrowly focused on work performed in accordance with foreign standards, it avoids the criticism that the Board is allowing the foreign practitioner to work without oversight while requiring a U.S. practitioner to submit a Practice Privilege Notification, pay the fee, and comply with the other Practice Privilege requirements.

Cons:

- While it is narrower in scope than the previous "temporary and incidental practice" provision, it does not address the major weaknesses of the previous provision in that the terms "temporary" and "incidental" can still be interpreted very subjectively and the Board is still not informed regarding the identity of the foreign practitioners entering California.

OPTION 2

Pursue a law change to add the following section to the Business and Professions Code"

Section 5050.1
(a) Notwithstanding Sections 5050 and 5058, a natural person whose principal place of business is not in the United States, who holds an authorization to practice public accountancy from a foreign country, who does not also have a valid and current license, certificate or permit to practice public accountancy from this or any other state, may subject to the restrictions in subdivision (b) of this section and in accordance with the conditions in this Chapter, practice public accountancy in this state for a client of a foreign country.

(b) A person practicing public accountancy in this state under the provisions of subdivision (a) of this section shall comply with the following:
(1) The person shall not hold himself or herself out as a certified public accountant or public accountant of this or any other state.

(2) The person shall not use his or her foreign accounting title or designation without including a disclosure of the country of origin.
(3) The person shall not prepare any report or work product unless this report or work product is prepared for a client of a foreign country specifically to comply with standards applicable to such reports or work products in the client's country of origin.

Option 2 is identical to Option 1 except that the terms "temporary" and "incidental" have been deleted.

Pros:

- See the "Pros" for Option 1.
- This option eliminates the use of terms that have proved to be confusing and have been defined very subjectively by practitioners in the past.

Cons:

- While the terms "temporary" and "incidental" have been defined very subjectively by practitioners in the past, their use in the statute suggests the permitted practice is of a very limited scope. Without these terms, the law may permit more extensive practice than was authorized under the repealed provision of Section 5050.
- As noted under Option 1, under this law change the Board is still not informed regarding the identity of the foreign practitioners entering California.

OPTION 3 (Long Term)

Explore the possibility of establishing practice privilege for foreign accountants. This option could be pursued in conjunction with Option 1 or 2 above.

While the options presented above focus on the immediate issue, this option looks for more of a long-term solution. It would take considerable Board and staff time to effectively address and evaluate this issue, and it is possible that any practice privilege program for foreign accountants may take a very different form than the current Practice Privilege Program.

Pro:

- This option has the potential to address the two major weaknesses in the old "temporary and incidental practice" provision and also in Option 1 above: 1) there is confusion because the terms "temporary" and "incidental" can be interpreted very subjectively, and 2) the Board is not informed regarding the identity of the foreign practitioners entering California.

Cons:

- This option, by itself, fails to address the immediate needs of foreign practitioners to lawfully enter California to serve their clients.
- The option represents a major commitment of Board resources which may not be appropriate at this time.

CONCLUSION

These options are before the CPC and the Board for consideration and action. It is also possible that during the consideration of this issue, new options will be identified. Representatives of the profession have communicated that this issue is of significant concern and they will be present at the meeting to further discuss their views and answer questions.

RELEVANT SECTIONS OF THE BUSINESS AND PROFESSIONS CODE

5050. Practice Without Permit: Temporary Practice, Out-of-State Licensee (Operative until January 1, 2006.) -- *REPEALED* –

(a) No person shall engage in the practice of public accountancy in this State unless such person is the holder of a valid permit to practice public accountancy issued by the board; provided, however, that nothing in this chapter shall prohibit a certified public accountant or a public accountant of another state, or any accountant of a foreign country lawfully practicing therein, from temporarily practicing in this State on professional business incident to his regular practice in another state or country.

(b) This section shall become inoperative on January 1, 2006, and as of that date is repealed.

HISTORY: Added Stats 1945 ch 1353 Section 2 as Section 5060; amended Stats 1955 ch 1803 Section 5; renumbered and amended Stats 1959 ch 310 Section 34; amended Stats 2004 ch 921 Section 5.

5050. Practice Without Permit (Operative on and after January 1, 2006.)

(a) No person shall engage in the practice of public accountancy in this State unless such person is the holder of a valid permit to practice public accountancy issued by the board or a holder of a practice privilege pursuant to Article 5.1 (commencing with Section 5096).

(b) This section shall become operative on January 1, 2006.

HISTORY: Added Stats 2004 ch 921 Section 6.

5051. "Public Accountancy" Defined

Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in the practice of public accountancy within the meaning and intent of this chapter if he or she does any of the following:

(a) Holds himself or herself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a public accountant for compensation.

(b) Maintains an office for the transaction of business as a public accountant.

(c) Offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an

audit, examination, verification, investigation, certification, presentation, or review of financial transactions and accounting records.

(d) Prepares or certifies for clients reports on audits or examinations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports that are to be used for publication, for the purpose of obtaining credit, for filing with a court of law or with any governmental agency, or for any other purpose.

(e) In general or as an incident to that work, renders professional services to clients for compensation in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data.

(f) Keeps books, makes trial balances, or prepares statements, makes audits, or prepares reports, all as a part of bookkeeping operations for clients.

(g) Prepares or signs, as the tax preparer, tax returns for clients.

(h) Prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans.

(i) Provides management consulting services to clients. The activities set forth in subdivisions (f) to (i), inclusive, are "public accountancy" only when performed by a certified public accountant or public accountant, as defined in this chapter.

A person is not engaged in the practice of public accountancy if the only services he or she engages in are those defined by subdivisions (f) to (i), inclusive, and he or she does not hold himself or herself out, solicit, or advertise for clients using the certified public accountant or public accountant designation. A person is not holding himself or herself out, soliciting, or advertising for clients within the meaning of this section solely by reason of displaying a CPA or PA certificate in his or her office or identifying himself or herself as a CPA or PA on other than signs, advertisements, letterhead, business cards, publications directed to clients or potential clients, or financial or tax documents of a client.

HISTORY: Added Stats 1945 ch 1353 Section 2 as Section 5061; renumbered and amended Stats 1959 ch 310 Section 35; amended Stats 1989 ch 489 Section 2; amended 1998 ch 485.

5052. Persons Excepted

Nothing in this chapter shall apply to any person who as an employee, independent contractor, or otherwise, contracts with one or more persons, organizations, or entities, for the purpose of keeping books, making trial balances, statements, making audits or preparing reports, all as a part of bookkeeping operations, provided that such trial balances, statements, or reports are not issued over the name of such person as having been prepared or examined by a certified public accountant or public accountant.

Nothing contained in this chapter shall affect, limit or be construed as affecting or limiting the rights of any public accountant who met the requirements of prior statutes and who was registered with the board as a public accountant on or before December 31, 1955.

HISTORY: Added Stats 1945 ch 1353 Section 2 as Section 5062; amended Stats 1947 ch 1245 Section 3; renumbered and amended Stats 1959 ch 310 Section 36.

5053. Exceptions of Certain Employees and Assistants; Attorney at Law Excepted

Nothing contained in this chapter precludes a person who is not a certified public accountant or public accountant from serving as an employee of, or an assistant to, a certified public accountant or public accountant or partnership or a corporation composed of certified public accountants or public accountants holding a permit to practice pursuant to this chapter if the employee or assistant works under the control and supervision of a certified public accountant, or a public accountant authorized to practice public accountancy pursuant to this chapter and if the employee or assistant does not issue any statement over his or her name.

This section does not apply to an attorney at law in connection with his or her practice of law.

HISTORY: Added Stats 1959 ch 310 Section 37; amended Stats 1996 ch 639 Section 5; amended Stats 1998 ch 878 Section 32.

5054. Exception for Certain Tax Preparers.

5054. (a) Notwithstanding any other provision of this chapter, an individual or firm holding a valid and current license, certificate, or permit to practice public accountancy from another state may prepare tax returns for natural persons who are California residents or estate tax returns for the estates of natural persons who were clients at the time of death without obtaining a permit to practice public accountancy issued by the board under this chapter or a practice privilege pursuant to Article 5.1 (commencing with Section 5096) provided that the individual or firm does not physically enter California to practice public accountancy pursuant to Section 5051, does not solicit California clients, and does not assert or imply that the individual or firm is licensed or registered to practice public accountancy in California.

(b) The board may, by regulation, limit the number of tax returns that may be prepared pursuant to subdivision (a).

5055. Title of Certified Public Accountant

Any person who has received from the board a certificate of certified public accountant may, subject to Section 5051, be styled and known as a "certified public accountant" and may also use the abbreviation "C.P.A." No other person, except a firm registered under this chapter, shall assume or use that title, designation, or abbreviation or any other title, designation, sign, card, or device tending to indicate that the person using it is a certified public accountant.

HISTORY: Added Stats 1945 ch 1353 Section 2 as Section 5063; renumbered and amended Stats 1959 ch 310 Section 39; amended Stats 1998 ch 878 Section 33.

5056. Title of Public Accountant

Any person who has received from the board a certificate of public accountant may, subject to Section 5051, be styled and known as a "public accountant" and may also use the abbreviation "P.A." No other person, except a firm registered under this chapter, shall assume or use that title, designation, or abbreviation or any other title, designation, sign, card, or device tending to indicate that the person using it is a public accountant.

HISTORY: Added Stats 1945 ch 1353 Section 2 as Section 5063.5; renumbered and amended Stats 1959 ch 310 Section 40; Stats 1989 ch 334 sec 1; amended Stats 1998 ch 878 Section 34.

5058. Use of Confusing Titles or Designations Prohibited

No person or partnership shall assume or use the title or designation "chartered accountant," "certified accountant," "enrolled accountant," "registered accountant" or "licensed accountant," or any other title or designation likely to be confused with "certified public accountant" or "public accountant," or any of the abbreviations "C.A.," "E.A.," "R.A.," or "L.A.," or similar abbreviations likely to be confused with "C.P.A." or "P.A."; provided, that any person qualified as a certified public accountant under this chapter who also holds a comparable title granted under the laws of another country may use such title in conjunction with the title of "certified public accountant" or "C.P.A." and provided, that any person enrolled to practice before the Internal Revenue Service and recognized as an enrolled agent may use the abbreviation "E.A."

HISTORY: Added Stats 1945 ch 1353 Section 2 as Section 5065; renumbered Stats 1959 ch 310 Section 42; amended Stats 1979 ch 25 Section 1.

5058.1 Titles in Conjunction with Certified Public Accountant or Public Accountant

A person or firm may not use any title or designation in connection with the designation "certified public accountant" or "public accountant" that is false or misleading.

The board may adopt regulations covering the use of titles or designations.

HISTORY: Added Stats 1998 ch 878 Section 35.

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December 21, 2005

Attachment 2

Michael Duffey
c/o Richard Robinson
1121 L Street, Suite 310
Sacramento, CA 95814

Dear Mike:

As we discussed, the amendments to Section 5050 repealed the provision that previously permitted foreign accountants to practice incidentally in California. You indicated that this issue is of significant concern to the profession.

At this point, we have limited information regarding the nature and scope of the problem. Detailed responses to the questions bulleted below will greatly assist the Board in evaluating the issue and in making a determination regarding how to proceed:

- What specific services will the foreign accounting professionals be providing to clients in California?
- What level of personnel will be coming to California, for instance, staff, managers, partners, or specialists?
- Will the foreign accountants be supervising engagements or key aspects of engagements?
- Will the work of foreign accountants be supervised by any California licensees?
- Do these foreign accounting professionals wish to use their foreign accounting designation or title when working in California? Would they do so with a clear indication that the designation or title does not indicate licensure or practice privilege status in California?
- Will all of the work performed by these individuals be for clients in other countries or will some of the work instead be for a California based-client?
- Are there instances in which foreign accountants will be coming to California only because of the need for their expertise in particular subject areas? In what subject areas is this expected to be the case?
- Will foreign accountants be working on attest engagements where the report is issued in the United States?
- Is the work performed by foreign accountants for use in a report, tax return, or other product intended for distribution in California?
- What records do firms maintain on the foreign accountants employed by or affiliated with them?
- How is this matter addressed by firms practicing in other states where there is no incidental practice provision in the law? In particular, do foreign accountants work on engagements in those states; if so, how are they identified by title and status,

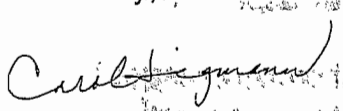
how are they supervised, what levels of responsibility do they assume, and how would the other questions above be answered as to current practice in states without such incidental practice for foreign accountants?

Because you have stressed the importance of this issue, it is being scheduled for discussion and possible action by the CPC and the Board at its January 19-20, 2006, meeting. The information you provide will be used by staff and the Board to focus the deliberations on this issue and to assist the Board in determining whether a law change is needed. Without clarity on the issues/problems faced by the profession, solutions cannot be developed and vetted by the Board. A response from you is needed no later than January 6, 2006, so it can be included with the materials distributed for the CPC and Board meetings. I also hope that you and others with an interest in this issue will be present at the meetings to participate in the discussion.

While this matter is under consideration, we will be posting a notice on our Web site to communicate to all interested parties that the temporary practice provision in Section 5050 has been repealed and its impact on accounting professionals from foreign countries. I have enclosed a copy for your information.

The Board looks forward to working with the profession and other interested parties to identify options to address concerns related to the repeal of the temporary and incidental practice provision in Section 5050.

Sincerely,



Carol Sigmann
Executive Officer

Enclosure

c: Board Members
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA
Richard Robinson, Robinson & Associates
Art Kroeger, Society of California Accountants
Julie D'Angelo Fellmeth, Center for Public Interest Law

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January 10, 2006

Ronald Blanc, Esq.
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

RE: Temporary incidental practice

Dear Mr. Blanc:

I write in response to a request by some members and staff of the Board, for information concerning temporary incidental practice by accountants licensed in other countries. This letter only addresses the impact of the new practice privilege provisions on foreign accountants.

Under a longstanding California statute, codified most recently at Section 5050 of the Business and Professions Code and dating back at least to 1945, foreign-licensed accountants have been allowed to practice temporarily in California on matters related to their work in foreign countries and regulated by foreign authorities. As you know, a recent amendment to Section 5050 deleted the authorization for foreign-licensed accountants to engage in this limited form of temporary practice. The deletion is plainly inadvertent and does not reflect the actual intent of the Legislature, the Governor, or the Board's task force on practice privilege, which participated in the drafting of the legislation. This unintentional change threatens to cause significant disruption to California businesses—disruption that neither the Board, nor the Legislature, nor the Governor ever intended. I urge the California Board of Accountancy to support prompt legislative action to correct this serious error.

A. Background

Since 1945, California law has contained a "temporary incidental practice" exemption from the general CPA licensure requirement for accountants. Section 5050 of the Business and Professions Code provided that an accountant "of another state" or an accountant "of a foreign country" could practice public accountancy in California "temporarily," on "professional business incident to his regular practice in another state or country."

The California Legislature recently amended the accountancy statutes to create a new "practice privilege" procedure, which allows qualified accountants from most other States to practice in California merely by notifying the Board. This practice privilege is available only to accountants licensed in other U.S. States. Concurrently, the Legislature amended Section 5050 to reflect the fact that the new practice privilege would supersede the old system of temporary incidental practice *for U.S.-licensed accountants.*

Unfortunately, the amendment deleted the temporary incidental practice provision for foreign-licensed accountants as well. There is absolutely no indication that the Legislature, the Governor, or the Board's task force reviewing the legislation intended to make such a dramatic change in the rules that have governed foreign accountants for more than sixty years; and certainly it is not rational to believe that the Board, the Legislature, or the Governor would have intended such a drastic change without replacing the system of temporary incidental practice with some other mechanism to accommodate California businesses. Significantly, of all the staff analyses on the bill available to the members of the Legislature—including analyses written at the committee stage and during floor consideration, in both the Assembly and the Senate—not one even mentions the effect on foreign-licensed accountants.

Thus, the amendment to Section 5050 creates serious confusion, because it may be read as barring foreign-licensed accountants from conducting business that constitutes practicing public accountancy in California. These accountants may not be able to obtain practice privileges, because the new statute contains no specific provision directing the Board to treat foreign licenses as "substantially equivalent" to California credentials. Indeed, the resulting confusion gives rise to the concern that these accountants may be able to practice in California without question only by becoming fully licensed California CPAs—including taking the applicable examination.

B. Scope of the Problem

Many businesses with a significant presence in California must employ accountants licensed in other countries, and those accountants often need to perform limited but necessary functions in California. Unless Section 5050 is amended to restore a form of temporary incidental practice, these California businesses will face a serious disruption of operations.

I can offer the following common examples of situations in which foreign-licensed accountants are required to perform some audit services in California as part of engagements regulated in their home countries. These examples are drawn from real-world experience pursuant to the longstanding permission to engage in temporary incidental practice.

1. California Subsidiaries

The most common examples of a foreign-licensed accountant traveling temporarily to California involve California subsidiaries of companies that are based in other countries. In many cases, the company operating in California does not itself have to report audited financial statements, but its finances are material to the parent company's audit.

The audit report must be prepared under the home country's auditing standards and issued in the home country by an accounting firm licensed there, and the preparation of the report is subject to the jurisdiction and requirements of the home country's accountancy and securities regulators. Therefore, the parent company's auditors may be required by these foreign regulators to travel to California and perform some procedures there before completing the final report, and the final report must be acceptable to the foreign regulators.

In other instances, the parent needs an audit of the California subsidiary for its own purposes. For example, a lender or a potential acquirer may demand that the subsidiary's finances be examined. This audit, like the parent company's audit, will be performed under the auditing standards of the home country and regulated by the home country's authorities.

Finding a U.S. firm to perform the audit using these foreign standards, under the supervision of the foreign firm, would be difficult, inefficient, and prohibitively expensive. As the Board is aware, U.S. accountants use a specific set of United States Generally Accepted Auditing Standards and are unlikely also to be readily familiar with another country's auditing rules. Moreover, U.S. accountants are unlikely to be licensed to issue audit opinions that will be accepted by the foreign country's regulatory authority, meaning that the U.S. licensee's work would have to be reviewed by the foreign accountant who actually attests to the parent's financial statements. This redundancy would add further delay and expense. And in most cases, the California subsidiary will be too small for the audit under foreign standards to be worth a U.S. licensee's while, given the cost of acquiring the necessary expertise and working under the supervision of the foreign firm.

If a parent company faces a significant increase in its audit costs simply as a consequence of establishing a subsidiary in California, it will be more likely to locate the U.S. subsidiary in another State. The Legislature's amendment to Section 5050 certainly was not intended to drive investment out of California.

2. California Headquarters

In some circumstances, a foreign company's business operations and most of its shareholders are outside the United States, in the country where the company is incorporated, but the company is managed from California. That means that its top executives reside full-time in California and pay taxes there, and that its books and records are located there. Some of these companies have gradually moved their management to California to attract talented personnel more easily. Others have gone even further and contracted with a California management company to provide executive services—which may even include furnishing the company with a CEO and CFO. These executive services usually include taking custody of the foreign company's books and overseeing records retention. A single California company may provide these executive services to multiple foreign companies.

Companies structured this way generally require an auditor from the home country. Whether the California-based management consists of employees or independent contractors, the company must still file its audited financial statements with the regulatory authorities of the country where it is incorporated. Therefore, although the audit team must come to California at least to examine the books and records kept there, the audit is conducted primarily in the foreign country, proceeds in accordance with that country's auditing standards and accounting principles and subject to regulation by the foreign country's authorities, and results in an audit report issued in the foreign country.

As in the examples discussed above, the expense alone would make it impracticable to find a U.S. firm to perform the audit using these foreign standards. In addition, hiring a U.S. firm would require extensive travel to review the operations, inventory, and controls in the foreign country; some clients with management in California have business operations dispersed all over their large home countries. A foreign firm, by contrast, can confine its international travel to a single U.S. location—the California headquarters where the books and records are located.

To prevent foreign companies from using auditors from their home countries under these circumstances would put these companies in a very difficult position. The increase in audit costs may even discourage companies from locating their headquarters in California, or from contracting with California management companies. In this way, too, the inadvertent change to Section 5050 threatens to drive investment out of California, a result that is clearly contrary to what the Legislature intended.

Indeed, many States—including States neighboring California—permit foreign accountants to engage in limited practice without undergoing the full licensing process. *See, e.g.*, ARIZ. REV. STAT. § 32-725; N.Y. EDUC. LAW § 7406; OR. ADMIN. CODE § 801-010-0080(1); *see also* UNIF. ACCOUNTANCY ACT § 14(j).

C. Need for Urgent Action

This situation urgently requires the Board's and the Legislature's attention. Since January 1, 2006, foreign-licensed accountants have had no clear way to obtain permission to perform these valuable functions in California. The beginning of January is a critical time for these auditors: many companies use the calendar year as their fiscal year, so these next several weeks are when data must be assembled and the examinations must begin in order to complete the audit within the applicable deadlines.

Requiring every foreign-licensed auditor who must perform incidental work in California to become licensed in California simply is not practicable. Licensing generally requires an examination, either the standard exam or the International Uniform CPA Qualification Examination (ICQX), under Sections 5082.3, 5092, and 5093 of the Business and Professions Code. But even assuming that foreign accountants—who have already passed demanding accountancy examinations in their own countries—could be expected to sit for another examination just to serve clients in California, that simply could not be accomplished in time to provide audit services for the fiscal year just ended. Even the initial application process for the standard exam takes at least six to eight weeks, according to the Board's materials, and grading takes up to three months. And the ICQX, which is currently open only to accountants from a few countries, is offered only in November.

* * *

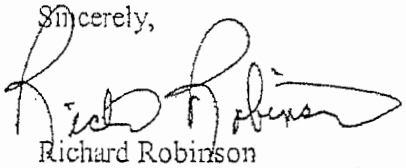
It is apparent, given the legislative history of the amendment to Section 5050 and the very real and imminent negative consequences for California businesses, that the Board, the Legislature, and the Governor never intended to eliminate the longstanding exception for temporary incidental practice. Certainly it would not have done so without giving foreign accountants an alternative way of entering California for limited periods, as accountants from other States may do under the practice-privilege system.

At the very least, California businesses and their audit committees need immediate guidance concerning the prospects for a legislative solution to this problem. In many cases they have already structured their business operations and their relationships with their auditors in the expectation that they would be able to rely on the provision for temporary incidental practice. Without reassurance that the Board will support expedited remedial legislation to address the issue, businesses will have no choice but to restructure their operations and their audit relationships, at a considerable cost that prompt legislative action could avoid.

I hope that the Board agrees that Section 5050 must be revised as soon as possible.

If you have any questions please contact me at (916) 552-5830 or email rrobinson@rrassoc.com.

Sincerely,



Richard Robinson

Seng & Lee LLP
Certified Public Accountants

JAN 12 2006

CA BOARD OF ACCOUNTANCY

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January 10, 2006

Ronald Blanc, Esq.
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Dear Mr. Blanc:

As you know, I am a former member of the California Board of Accountancy, appointed by Governor Gray Davis, and a California CPA who specializes in serving the needs of multinational clients.

I am writing in response to the notice recently posted on the Board's website informing accounting professionals from foreign countries of the repeal of the provisions in Business and Professions Code Section 5050 which previously permitted an accountant from a foreign country to temporarily practice in California on professional business incidental to his or her regular practice in another country.

The ability of foreign accountants to travel to California to serve their clients headquartered in their home country is vital to encouraging free trade, foreign investment and job creation in this state.

Under the old law, it was very easy for foreign accountants to determine whether they could come to California to serve their foreign client. Without the provision in Section 5050 related to foreign accountants, that determination has become very ambiguous and unnecessarily restrictive. Now, the foreign accountant will need to compare their intended work to the lengthy definition of the practice of public accountancy in Section 5051. This situation introduces significant uncertainty for the foreign accountant and their client and may in fact prohibit the performance of certain procedures that are required to meet the auditing standards of the home country. The inability of a company to meet its home country reporting obligations is certainly a major threat to foreign investment in California.

As a California CPA and a partner in a California CPA firm with an international practice, robust foreign investment in California is important to me and my associates. It is also vital to the jobs of Californians who work directly for foreign-owned companies and to others who benefit indirectly from these foreign-owned businesses in California.

In my experience, California competes for foreign investment with many other states. Regulatory uncertainty and prohibition of necessary audit procedures will certainly impact decisions regarding foreign investments in California.

To put the problems created by the repeal of the provisions of Section 5050 relating to foreign accountants into perspective, consider a hypothetical circumstance in which a foreign country made it illegal (or at least difficult to determine if it was legal) for a U.S. CPA to physically visit a significant foreign subsidiary of a U.S.-based public company. Do you believe that the Public Company Accounting Oversight Board would conclude that an audit in which the signing partner (the U.S. CPA) was effectively precluded from making on-site observations and inquiries regarding a significant foreign subsidiary met its standards? Do you believe that the Securities and Exchange Commission would allow the financial statements subject to an audit with such a scope limitation to be used to meet U.S. public company reporting requirements? The complete repeal of Section 5050 has put the foreign accountant and his or her client in exactly the same position with their home country regulators of the auditing profession and the securities markets.

During my tenure on the Board, I do not recall any enforcement problem that arose relating to foreign accountants availing themselves of the temporary and incidental provisions of Section 5050. The development of the practice privilege recommendations to the legislature began while I was on the Board. I do not recall any discussion or decision that this action related to U.S. CPAs was to have an impact on foreign accountants. While I have not followed the actions of the Board and the legislature as closely as I did when I was a Board member, I am not aware of any notice to the public that such a drastic step was contemplated. If there is documentation of such consideration, I would greatly appreciate it if you could provide to me so that I can understand why such an action was taken.

As you can see, the repeal of Section 5050 relating to foreign accountants is of great concern to me. I am therefore working to clear my schedule to allow me to travel to San Francisco to attend the Committee on Professional Conduct meeting on January 19th. At that time, I would be happy to answer any questions you may have about my concerns.

Thank you for the opportunity to express my views on this very important issue.

Sincerely,

Joseph Tseng, CPA

Section 5050

(a) No person shall engage in the practice of public accountancy in this state unless the person is the holder of a valid permit to practice public accountancy issued by the board or a holder of a practice privilege pursuant to Article 5.1 (commencing with Section 5096).

~~(b) This section shall become operative on January 1, 2006.~~

(b) Nothing contained in this chapter shall prohibit a person who holds an authorization to practice public accountancy from a foreign country, lawfully practicing therein, from temporarily practicing in this State incident to an engagement in that country provided that:

(1) The practice is primarily regulated by the accountant's country of licensure and is performed under accounting or auditing standards of that country; and

(2) The accountant does not hold himself or herself out as being licensed as a Certified Public Accountant or Public Accountant by the State of California.

WHAT'S NEW / UPDATES / NOTICES

CPC Agenda Item II
January 19, 2006

Board Agenda Item IX.C.3
January 19-20, 2006

Search

My CA This Site

NOTICE	1/13/06	SPECIAL NOTICE To CPA Firms with Nonlicensee Owners
NEW	1/3/06	NEW WEB LOOKUP FEATURE Out-of-State Licensees with California Practice Rights
NEW	1/1/06	OUT-OF-STATE LICENSEES ONLINE Practice Privilege Notification Form
UPDATED	1/1/06	Regulation Update Effective January 1, 2006: Article 4. Practice Privileges. Article 10. Fees. Article 13. Denial, Suspension, and Revocation of Certificates, Permits, or Licenses.
Updated	1/1/06	SPECIAL NOTICE Termination of All Temporary Practice Rights, Effective December 31, 2005 / Initiation of Practice Privilege Notification Program, Effective January 1, 2006
NOTICE	12/30/05	SPECIAL NOTICE Notice of Law Change Effective January 1, 2006 Affecting Accounting Professionals **From Foreign Countries**
Updated	12/30/05	OUT-OF-STATE LICENSEES California Practice Privilege Handbook with **updated FAQs**
	11/11/05	2005-2010 Strategic Plan
	9/1/05	Board's *Report on Peer Review,* Submitted August 24, 2005 and Cover Letter

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December, 2005

NOTICE OF LAW CHANGE AFFECTING ACCOUNTING PROFESSIONALS FROM FOREIGN COUNTRIES

If you are an accounting professional from a foreign country, law changes that go into effect on January 1, 2006, may affect the way you may serve clients in California. These law changes include the repeal of the provisions in Business and Professions Code Section 5050 which previously permitted an accountant from a foreign country to temporarily practice in California on professional business incident to his or her regular practice in another country.

Section 5050

(a) No person shall engage in the practice of public accountancy in this state unless the person is the holder of a valid permit to practice public accountancy issued by the board or a holder of a practice privilege pursuant to Article 5.1 (commencing with Section 5096).

~~(b) This section shall become operative on January 1, 2006.~~

(b) Nothing contained in this chapter shall prohibit a person who holds an authorization to practice public accountancy from a foreign country, lawfully practicing therein, from temporarily practicing in this State incident to an engagement in that country provided that:

(1) The practice is primarily regulated by the accountant's country of licensure and is performed under accounting or auditing standards of that country; and

(2) The accountant does not hold himself or herself out as being licensed as a Certified Public Accountant or Public Accountant by the State of California.

BILL NUMBER: SB 503 INTRODUCED
BILL TEXT

INTRODUCED BY Senator Figueroa

FEBRUARY 18, 2005

An act to amend Section 12850.6 of the Government Code, relating to state agencies.

LEGISLATIVE COUNSEL'S DIGEST

SB 503, as introduced, Figueroa. Agency secretaries.

Existing law generally sets forth the duties and responsibilities of the secretaries of state agencies.

This bill would make technical, nonsubstantive changes to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

SECTION 1. Section 12850.6 of the Government Code is amended to read:

12850.6. The secretary of each agency shall be generally responsible for the sound fiscal management of each department, office, or other unit within his *or her* agency. He *or she* shall review and approve the proposed budget of each such department, office, or other unit. He *or she* shall hold the head of each such department, office, or other unit responsible for management control over the administrative, fiscal, and program performance of his *or her* department, office, or other unit. He *or she* shall review the operations and evaluate the performance ~~at appropriate intervals~~ of each such department, office, or other unit *at appropriate intervals* . He *or she* shall seek continually to improve the organization structure, ~~the~~ operating policies, and ~~the~~ management information systems of each such department, office, or other unit.