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

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE February 26-27, 2004 BOARD MEETING

The Westin St. Francis
335 Powell Street
San Francisco, CA 94102
Telephone: (415) 397-7000
Facsimile: (415) 774-0124

I. Call to Order.

President Ian B. Thomas called the meeting to order at 4:30 p.m. on Thursday, February 26, 2004, at the Westin St. Francis in San Francisco and immediately convened into closed session to consider Agenda Items X.C.-M. The Board adjourned at 5:35 p.m. President Thomas called the meeting to order at 9:05 a.m. on Friday, February 27, 2004. The Board broke for lunch at 12:44 p.m. and reconvened at 1:35 p.m. At 2:05 p.m., the Board and ALJ Mary-Margaret Anderson heard Agenda Items X.A.-B. and then convened into closed session to deliberate. The Board adjourned at 5:03 p.m.

Board Members	February 26, 2004
Ian B. Thomas, President	4:30 p.m. to 5:35 p.m.
Renata Sos, Vice President	4:30 p.m. to 5:35 p.m.
Stuart Waldman, Secretary-Treasurer	4:30 p.m. to 5:35 p.m.
Ronald Blanc	4:30 p.m. to 5:35 p.m.
Richard Charney	4:30 p.m. to 5:35 p.m.
Ruben Davila	4:30 p.m. to 5:35 p.m.
Charles Drott	Absent
Sally A. Flowers	4:30 p.m. to 5:35 p.m.
Gail Hillebrand	4:30 p.m. to 5:35 p.m.
Thomas Iino	4:30 p.m. to 5:35 p.m.
Clifton Johnson	Absent

Olga Martinez	4:30 p.m. to 5:35 p.m.
Wendy S. Perez	4:30 p.m. to 5:35 p.m.
Joseph Tseng	4:30 p.m. to 5:35 p.m.
David Walton	Absent

Board Members	February 27, 2004
Ian B. Thomas, President	9:05 a.m. to 5:03 p.m.
Renata Sos, Vice President	9:05 a.m. to 5:03 p.m.
Stuart Waldman, Secretary-Treasurer	9:05 a.m. to 5:03 p.m.
Ronald Blanc	9:05 a.m. to 5:03 p.m.
Richard Charney	9:05 a.m. to 5:03 p.m.
Ruben Davila	9:05 a.m. to 5:03 p.m.
Charles Drott	9:05 a.m. to 5:03 p.m.
Sally A. Flowers	9:05 a.m. to 5:03 p.m.
Gail Hillebrand	9:05 a.m. to 5:03 p.m.
Thomas Iino	9:05 a.m. to 5:03 p.m.
Clifton Johnson	Absent
Olga Martinez	9:05 a.m. to 5:03 p.m.
Wendy S. Perez	9:30 a.m. to 5:03 p.m.
Joseph Tseng	9:05 a.m. to 5:03 p.m.
David Walton	Absent

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General, Board Liaison
Aronna Granick, Legislation/Regulation Analyst
Robert Miller, Legal Counsel
Greg Newington, Chief, Enforcement Program
Susan Ruff, Deputy Attorney General
Theresa Siepert, Executive Analyst
Carol Sigmann, Executive Officer
Jeanne Werner, Deputy Attorney General

Committee Chairs and Members

Nancy Corrigan, Chair, Qualifications Committee
Felipe Quezada, Vice Chair, Administrative Committee
Michael Williams, Vice Chair, Qualifications Committee

Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)
Mark Boykin, Attorney at Law

Beau E. Burke
Tom Chenowith
Julie D'Angelo Fellmeth, Center for Public Interest Law (CPIL)
Mike Duffey, Ernst & Young LLP
Art Kroeger, Society of California Accountants (SCA)
Ann Nelson, California Society of Accounting and Tax Professionals (CSATP)
Sarah Pickeral, Center for Public Interest Law (CPIL)
Richard Robinson, Big 4 Accounting Firms
Bernard J. Rosa, Jr.
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)

II. Board Minutes.

A. Draft Board Minutes of the November 14, 2003, Board Meeting.

It was moved by Ms. Flowers, seconded by Ms. Hillebrand, and unanimously carried to adopt the November 14, 2003, Board meeting minutes.

III. Report of the President.

A. Update on the Sunset Review Hearing.

Mr. Thomas reported that the Board was asked to testify on January 6, and January 7, 2004, before the Joint Legislative Sunset Review Committee. The first day, Ms. Sigmann reported specific to the Committee's inquiry as to the cumulative budgetary impact of DCA boards and bureaus relative to the last two years. Mr. Thomas indicated that Ms. Sigmann gave a passionate speech on behalf of the Board related to the Board's condition due to staffing reductions and how the Board has been directly impacted by the hiring freeze and budget situation. As a result of the information received, Senators Figueroa and Aanestad authored a new piece of legislation, SB 1735, which the Board will be considering later today.

Mr. Thomas reported that on January 7, 2004, he testified on behalf of the Board and Ms. Sigmann, Mr. Newington, Mr. Granen, and Ms. Sos were in attendance. Mr. Thomas indicated that Mr. Allen with CalCPA also spoke very eloquently on the Board's behalf and he appreciated his comments. The January 7, 2004, testimony was specific and addressed questions asked by the committee prior to the hearing. The questions related to problems in policing and disciplining of accountants employed by large firms, reviewing the implementation of new licensing requirements, peer review requirements, granting fining authority to large accounting firms, and outsourcing.

It was moved by Ms. Perez and seconded by Mr. Blanc to adopt the Task Force's recommendation. After significant discussion, **Ms. Perez withdrew her motion.**

Mr. Davila requested additional information as to why the Task Force made its decision to not apply SOX to large private companies. It was unclear to him as to how the Task Force came to its recommendation. Ms. Corrigan reported that many larger private companies are applying a best practices approach to the SOX provisions. There are also professional standards that are currently in force and some of those standards that were developed within the last 10 years deal with fraud issues in planning audits, identification of reportable conditions, and material weaknesses.

Ms. Sigmann suggested that the minutes be prepared with attention to the discussion held leading to the Task Force recommendations for the Board's consideration at its May meeting, and the Board concurred that would be acceptable.

3. Issues Related to Auditors Reporting to Audit Committees.

4. Non-Audit Services Provided by Auditors to Private Companies.

5. Audit Partner Rotation.

H. Uniform Accountancy Act Task Force (UAA TF).

1. Minutes of the December 17, 2003, UAA Task Force Meeting.

   The minutes of the December 17, 2003, UAA Task Force meeting were adopted on the Consent Agenda. (See Agenda Item XI.B.)

2. Minutes of the January 26, 2004, UAA Task Force Meeting.

   The minutes of the January 26, 2004, UAA Task Force meeting were adopted on the Consent Agenda. (See Agenda Item XI.B.)

3. Report on the December 17, 2003, UAA Task Force Meeting.

   See Agenda Item VIII.H.6 below.

4. Report on the January 26, 2004, UAA Task Force Meeting.

   See Agenda Item VIII.H.6 below.

5. Report on NASBA's January 13, 2004, Pacific Region Meeting.

   No report was given on this agenda item due to time restrictions.

6. Recommendation Related to the Implementation of Substantial Equivalency in California.

   Ms. Sos reported that this Board charged the UAA TF with coming up with recommendations to the Board about whether and/or how to implement "substantial equivalency" in California. Ms. Sos indicated that the Task Force has some work left to do on the statutory language before it comes before the Board at its May meeting. Ms. Sos indicated that this gives the Task Force the opportunity to get the input of all interested parties and to ensure that the substantial issues are fully vetted.

   Ms. Sos reported that the Task Force had held three meetings since the November Board meeting. She acknowledged the members for their hard work and commitment to this issue and indicated that Mr. Thomas had been added as a Task Force member yesterday. Ms. Sos commended staff for their hard work in preparing materials for the meetings. Ms. Sos reported that the first thing the Task Force did was to look at the 23 states with substantially equivalency regarding the notification forms used, statutes, and their experiences regarding the entire process. It was clear that there is no uniformity, each state has a different process.

   Ms. Sos indicated that the Task Force has developed a process that is innovative in two respects: 1) practice privileges can be revoked without notice and hearing, 2) development of an optional blanket notification by firms in which the firm representation would stand in lieu of individual notification. Ms. Sos noted that California is the only state currently considering firm notification, and this process is being watched by other states and NASBA.

   Ms. Sos reported that yesterday the Task Force agreed on a fee structure where the firm would pay an up-front fee based on the size of the firm. Ms. Sos indicated that she was requesting authorization from the Board to continue with refinement of the notification forms and drafting of implementing statutes to be presented to the Board at its May meeting. Ms. Perez commended Ms. Sos and the Task Force members on their diligence.

   It was moved by Ms. Perez, seconded by Mr. Blanc, and unanimously carried to direct the Task Force to move forward

in drafting statutory language and refining the notification forms.

Ms. Hillebrand also expressed appreciation for the extraordinary work that Ms. Sos had completed. She indicated that there still was an outstanding significant policy issue question regarding firm notification that provides for a back-end verification.

Ms. D'Angelo Fellmeth thanked Ms. Sos and the Task Force members for the opportunity to have an open and frank discussion of the serious policy issues raised by this proposal. She indicated that on behalf of the large firms, Mr. Robinson offered to work with her and others to resolve certain outstanding issues.

Ms. D'Angelo Fellmeth indicated that her primary issue is whether the firm blanket notification form is an unlawful delegation of licensing authority to a private entity. Also, if a state is deemed substantially equivalent, it does not necessarily mean that their licensees possess the qualifications required of California's licensees who perform attest services and sign attest reports. Ms. D'Angelo Fellmeth questioned what the Board could do to a firm if it abuses the blanket notification process. Ms. Sos indicated that there will be language in the statute that makes it a violation of the Accountancy Act for an individual or a firm to misrepresent information on the forms. Ms. Sos noted that it is anticipated this process will be amended into the Accountancy Act as a pilot project and would be fully and completely reviewed during the Board's next sunset review. Mr. Robinson renewed his commitment to work with Ms. Fellmeth to reach consensus on these issues.

IX. Recommendations of CPA Qualifications Committee.

A. Appeals.

1. Personal / Written Appearances – None.

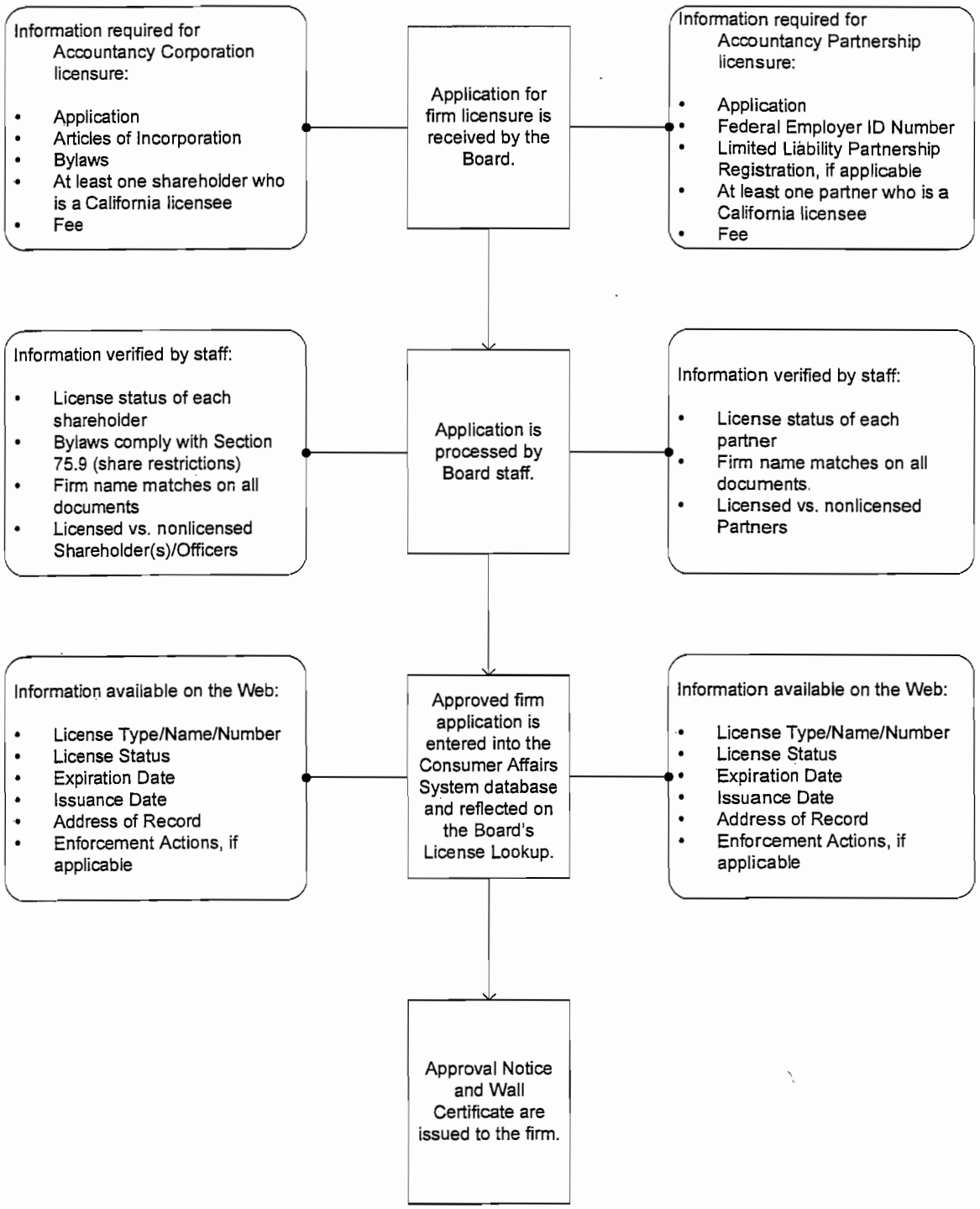
X. Petitions, Stipulations and Decisions [Closed Session Government Code Section 11126(c)(3) *Petition Hearings are Public Before the Board with a Subsequent Closed Session.

A. Bernard Rosa – Petition for Reinstatement.

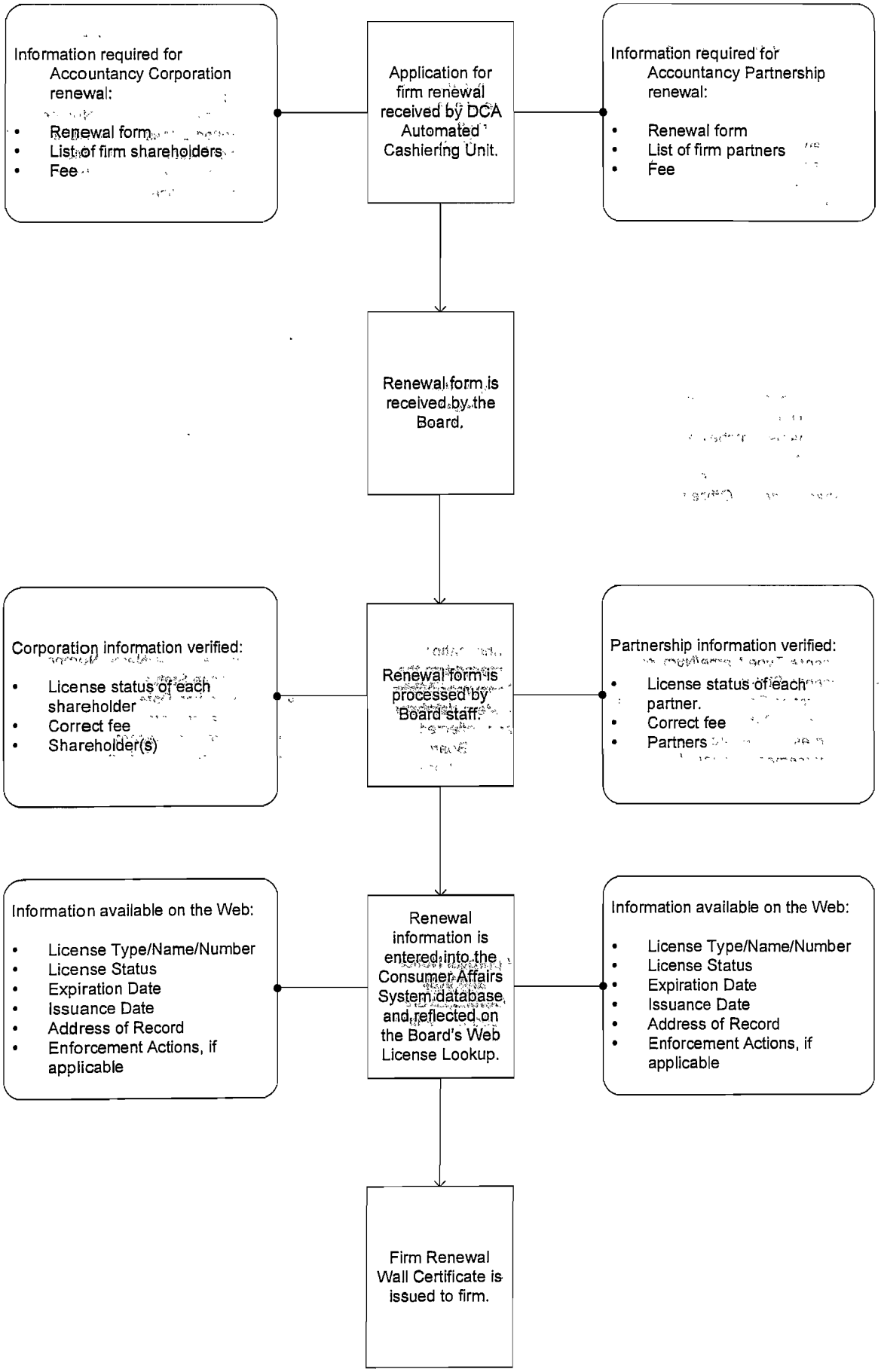
The Board and ALJ Anderson heard the petition and the ALJ will be preparing the decision.

B. Beau Edward Burke – Petition for Reinstatement.

Firm Licensure Process



Firm Renewal Process



tate of California
Department of Consumer Affairs

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

Memorandum

UAA TF Agenda Item III.B.
February 26, 2004

Board Agenda Item VIII.H.6
February 27, 2004

To : UAA TF Members
Board Members

Date : February 13, 2004

Telephone : (916) 263-3981
Facsimile : (916) 263-3674

From : Renata Sos, Chair
UAA Task Force

Subject : Draft Form for Blanket Notification by Firms for the Privilege to Practice in California

Under current California law, an out-of-state practitioner who is not licensed in this state may *temporarily* practice in California (without the knowledge and outside the disciplinary jurisdiction of this Board), so long as the practice is *incidental* to the individual's regular practice. (Section 5050.) There are no guidelines in statute or regulation as to what is considered "temporary" or "incidental." While it is impossible to quantify the number of practitioners who enter California under this provision, this Board and the UAA task force have received extensive anecdotal evidence that lawful "incidental practice" is commonplace.

In November 2003, the Board charged the UAA Task Force with developing recommendations for a process under which out-of-state licensees, who otherwise could and would lawfully practice in California under the incidental practice provision, would instead provide written notice to the Board of their presence in the state and subject themselves to the Board's jurisdiction. The Task Force, comprised of Gail Hillebrand, David Walton, Tom Iino, Hal Shultz, and me, has met twice and collected (with the indispensable assistance of staff) and considered voluminous information from around the country regarding cross-border practice under the substantial equivalency standards of the UAA. The Task Force has been developing a framework for permitting out-of-state licensees to practice in California under a substantial equivalency approach using the following guiding principles: (1) maximizing consumer protection; (2) maximizing compliance; (3) maximizing enforcement and disciplinary authority; and (4) minimizing administrative burden on our staff. One of the central tasks has been developing a form that out-of-state licensees would use to obtain from the Board the "privilege" of practicing temporarily (say, one year) and incidentally (that is, California is not the individual's principal place of business) in this state. (The Task Force is calling it a "privilege" because it would not be a license with its attendant rights.)

At its first meeting (December 2003), the Task Force began considering a process by which firms – small, medium, and large – could, *in lieu of* filing a notification form for each "substantially equivalent" individual temporarily practicing in California, file one "blanket" notification as part of the firm's bi-annual registration with the Board. (A firm would still be free to do separate notifications for each individual.) The task force identified a number of potential benefits to this approach, including streamlining the notification process for multiple individuals, minimizing administrative burden on our staff, and providing the Board with a potentially valuable and effective enforcement tool. The task force created a sub-task force of Gail Hillebrand, Michael Duffey, and Jeannie Tindel, to develop a blanket notification process and form that remained true to the principles outlined above. Attached is the current draft form, which initially was drafted by Mike Duffey, and subsequently edited extensively by Gail, Michael Granen and me. It is meant to be an alternative, available only to firms registered in California, to the individual notification draft form (which is included as a separate agenda item).

The form will be discussed in greater detail at the Task Force's February meeting. One item of note: as of the date of this memo, the Task Force had not arrived at a proposal for how fees would be assessed in any contemplated blanket notification process. The attached form provides two options: Option A contemplates collecting a fee at the end of the notification period (which would be 2 years or less) based on the actual number of practitioners who entered California pursuant to the notification; Option B, contemplates an up-front fee based on the size of the firm. Neither the sub-task force nor the Task Force to date have considered or discussed the relative merits of these two approaches.

Attachment

State of California Department of Consumer Affairs

CALIFORNIA BOARD OF ACCOUNTANCY
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WEB ADDRESS: *http://www.dca.ca.gov/cba*

REGISTERED FIRM NOTIFICATION PURSUANT TO SECTION [ ] OF THE CALIFORNIA ACCOUNTANCY ACT

[NAME OF FIRM] represents that all conditions for eligibility under blanket notification pursuant to Section [ ] of the California Accountancy Act are satisfied with respect to each owner or employee covered by this notification at all times that each owner or employee practices public accountancy in California pursuant to Section [ ] during the effective period of this notice:

(1) The owner or employee does not have his or her principal place of business in California.

(2) The owner or employee is not otherwise required to hold a California license to practice public accountancy.

(3) The owner or employee holds a valid license from a state or other U.S. jurisdiction and (a) that state or jurisdiction has been deemed by the California Board of Accountancy (CBA) to possess licensing requirements that are substantially equivalent to the requirements of the Uniform Accountancy Act; or (b) the individual possesses qualifications which have been determined by CBA to be substantially equivalent.

(4) The owner or employee will not sign a report on an attest engagement in California unless he or she is authorized to perform attest services in the state upon which the determination of substantial equivalency is based.

(5) For each owner or employee, the firm will maintain records sufficient to show the name, office location, and state(s) and/or jurisdictions of licensure – including the basis for substantial equivalency -- as well as where in California and when services were provided pursuant to this notification. Upon request by the CBA to the firm, the firm will disclose within 10 days these records to the CBA.

(6) The owner or employee shall abide by the provisions of the California Accountancy Act and regulations thereunder, including but not limited to the firm's and individual's reporting obligations. Any violation of this obligation is the responsibility of both the individual(s) and the firm. The firm and each owner and employee covered by this notification subject themselves to the personal and subject matter jurisdiction of the CBA for purposes of disciplinary or other proceedings before the Board concerning any activities pursuant to this notification.

(7) Absent prior approval of the CBA, public accountancy services shall not be provided in California under Section [ ] of the California Accountancy Act through any owner or employee that:

(a) has been convicted of a felony;

(b) has been convicted of a crime related to the qualifications, functions or duties of a certified public accountant, or involving theft, embezzlement, misappropriation of funds or property, breach of fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent or materially misleading financial statements, reports or information;

(c) has had a professional license, permit or authority to practice surrendered, denied, suspended, revoked or put on probationary status or has been fined by a profession licensing entity; or

(d) has had a judgment entered against him or her, or against the firm for conduct by him or her, for:

(i) dishonesty, fraud, gross negligence or negligence;

(ii) breach of fiduciary responsibility;

(iii) false, fraudulent or materially misleading financial statements;

(iv) embezzlement, theft, or misappropriation of funds; or

(v) any other actionable conduct in the practice of public accountancy.

(8) The firm shall not provide public accountancy services in California through any owner or employee under Section [ ] if so ordered, without prior notice or hearing, by the California Board of Accountancy or its executive officer.

(9) The firm will pay, in addition to the registration fee required under section ___, a fee of:

OPTION A:

$[200] upon submission of this notification. In addition, upon renewal or expiration of this notification (whichever comes first), the firm will pay $100 for each employee or owner who practiced public accountancy in California pursuant to this notification.

OPTION B:

(1) _____ if the firm has 1-25 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction;

(2) _____ if the firm has 26-50 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction; or

(3) _____ if the firm has 51-100 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction.

(4) _____ if the firm has 101-500 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction.

(5) _____ if the firm has 501 or more owners or employees who are licensed to practice public accountancy in California or any other jurisdiction.

This notification expires on the date of the firm's next registration with the State of California under section [registration statute].
I, _____, certify under penalty or perjury under the laws of the State of California that the foregoing information is true and correct and that I have the consent and authorization of the firm and the owners and employees covered under this notification to execute this document.

Signature:_____ Title: _____ Date: _____

The firm designates the following individual or department as the contact for the CBA in the event that the CBA wishes to obtain information regarding this notification:

Name or department: _____
E-mail address: _____
Phone number:_____
Fax number: _____

State of California
Department of Consumer Affairs

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

Memorandum

UAA TF Agenda Item IV.A.
February 26, 2004

Board Agenda Item VIII.H.6
February 27, 2004

To : UAA TF Members
Board Members

Date : February 13, 2004

Telephone : (916) 263-3981
Facsimile : (916) 263-3674

From : Renata Sos, Chair
UAA Task Force

Subject : Draft Form for Notification by Individuals for Privilege to Practice in California

This memorandum is intended to be read in conjunction with my memo entitled "Draft Form for Blanket Notification by Firms for the Privilege to Practice in California," which is found under a separate agenda item.

The attached form was developed by the UAA Task Force (Gail Hillebrand, David Walton, Tom Iino, Hal Shultz, and I). It is designed to be the vehicle by which individual out-of-state practitioners who, based on a showing of eligibility as detailed in the form, apply for and receive from the Board the privilege to practice in California. The draft form reflects the Task Force's extensive study and deliberation of possible approaches to "substantial equivalency" in this state, drawing on the experiences of other states and guided by principles of consumer protection, administrative efficiency, and effective enforcement.

This form will be discussed in detail at the February 26, 2004 Task Force meeting. Its fundamentals include the following:

1. The notification process is intended for out-of-state *individuals* who are not otherwise required to obtain a license in California.

2. To be eligible, the individual, among other things, (1) cannot have his or her principal place of business in California; (2) must have a license in good standing in another jurisdiction and that license, or the individual's qualifications, must be deemed by this Board to be "substantially equivalent"; (3) must promise to follow California laws and this Board's regulations; and (4) must subject himself or herself to the jurisdiction of this Board for purposes of discipline.

3. The authority to practice under this notification has been denominated by the Task Force as a "privilege to practice." It is therefore not a license, nor does it include the rights and benefits of a license. For example, as the proposal now stands, the Board has the authority immediately to suspend or revoke the privilege to practice *without notice or hearing*.

4. The privilege is temporary. The attached draft contemplates a one-year period during which the applicant could lawfully practice in California, provided that he or she remains eligible throughout the period.

5. The privilege to practice commences at the filing of the notice and the contemporaneous payment of a fee. This is intended to promote cross-border movement of qualified individuals, avoid undue administrative burdens on our staff, without compromising consumer protection or enforcement.

6. The fee is $100, which is consistent with fees charged in the licensing context.

Attachment

State of California Department of Consumer Affairs

DRAFT

CALIFORNIA BOARD OF ACCOUNTANCY
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NOTIFICATION AND AGREEMENT TO CONDITIONS FOR THE PRIVILEGE TO PRACTICE PUBLIC ACCOUNTING IN CALIFORNIA PURSUANT TO CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION XXXX:

Original Notification ☐ **Revised Notification** ☐ **Renewal of the Notification** ☐

Name: _____

Prior Names: _____

Firm Name: _____

Address Of Principal Place Of Business: _____

Telephone Number (business hours): _____

Fax Number (business hours): _____

E-Mail: _____
(To facilitate contact in the event of a problem processing your application)

Date Of Birth: _____

Social Security Number: _____

In connection with this privilege to practice, I wish to be able to sign a report on an attest engagement. ☐ Yes ☐ No

QUALIFICATION REQUIREMENTS: I qualify for a privilege to practice public accounting in California because:

1. I am an individual.

2. My principal place of business is not in California.

3. I have a valid license to practice public accounting in the state/jurisdiction of my principal place of business.

   State/Jurisdiction: _____ License Number: _____ Date Issued: _____

4. In connection with this privilege to practice public accounting, I understand that I may sign a report on an attest engagement under this privilege to practice only if I am authorized to perform attest services in the state of my principal place of business.

5. The state/jurisdiction identified in item 4 above is deemed substantially equivalent by the California Board of Accountancy (see Appendix 1 for list of substantially

equivalent states) **OR** my individual qualifications have been determined by NASBA to be substantially equivalent (please provide NASBA file no. _____)

6. I agree to abide by the laws of the State of California, including the California Accountancy Act (Business and Professions Code Section 5000 et seq., accessible at *http://www.dca.ca.gov/cba/acnt_act.htm*) and the regulations thereunder (which can be accessed at *http://www.dca.ca.gov/cba/regs.htm*).

7. I consent to the personal and subject matter jurisdiction of the California Board of the Accountancy including, but not limited to, the following:
   a. To suspend or revoke, without prior notice or hearing and in the sole discretion of the CBA or its representatives, the privilege to practice public accounting;
   b. To impose discipline for any violation of the California Accountancy Act or regulations thereunder and recover costs for investigation and prosecution; and
   c. To provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the SEC, PCAOB or other relevant regulatory authorities.

8. I agree to respond fully and completely to all inquiries by the California Board of Accountancy relating to my California practice privilege.

9. I consent to the authority of the California Board of Accountancy to verify the accuracy and truthfulness of the information provided in this notification. I consent to the release of all information relevant to the California Board of Accountancy's inquiries now or in the future by:
   a. Contacting other states;
   b. Contacting the SEC, PCAOB or any other federal agency before which I am authorized to practice; and
   c. Contacting NASBA.

10. I am sending this form for submission to the California Board of Accountancy at or before the time work begins under this privilege to practice public accounting.

11. In the event that any of the information in this notice changes, I will provide the California Board of Accountancy written notice of any such change within 30 days of its occurrence.

12. I am concurrently submitting the fee of $100.00.

ADDITIONAL INFORMATION:

In addition to the state of my principal place of business, I am also authorized to practice in the following states or jurisdictions.

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

Please check any of the items below that apply. *For any checked items in (1)-(4), you must provide additional information as requested in Attachment X and* ***you are not authorized to practice in California unless and until you receive notice from the California Board of Accountancy that the privilege has been granted.***

☐ 1. I have been convicted of (a) a felony; (b) a crime related to the qualifications, functions, or duties of a public certified accountant; OR (c) a crime involving theft, embezzlement, misappropriation of funds or property, breach of fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports or information.

☐ 2. I have had a license, registration, permit or authority to practice surrendered, denied, suspended, revoked, put on probationary status or otherwise limited.

☐ 3. Since January 1, 2003, I have received: (a) notice of a formal investigation of me by a U.S. jurisdiction or federal agency, including the SEC or PCAOB or any of their designees; OR (b) notice from the SEC requesting a Wells Submission.

☐ 4. Since January 1, 2003, I have had judgment entered against me in a civil action alleging one or more of the following: (a) dishonesty, fraud, gross negligence or negligence; (b) breach of fiduciary responsibility; (c) false, fraudulent or materially misleading financial statements; (d) embezzlement, theft, or misappropriation of funds; OR (e) any other actionable conduct in the practice of public accountancy.

Please check if the item below applies. If so, please provide additional information as requested in Attachment X.

☐ 5. Since January 1, 2003, I have had: (a) a restatement of a financial statement and related disclosures by a client audited by me; OR (b) a civil action settlement or arbitration award against me relating to the practice of public accountancy where the award is $30,000 or greater and where I was not insured for the full amount.

I, _____, understand that any misrepresentation or omission in connection with this notification is cause for termination of any practice privilege in California and that the California Board of Accountancy will act accordingly, including the notification of other state or federal authorities. I understand that this privilege to practice public accounting expires one year from the date of this notice. I certify under penalty of perjury under the laws of the state of California that the foregoing information is true and correct.

Signature: _____ Date: _____

Your privilege to practice commences with the filing of your completed notification, including payment of your fee. If your payment is not received within 30 days of this notification, your privilege to practice is suspended pending the Board's receipt of payment.

Privacy Statement:
The information provided in this form will be used by the California Board of Accountancy to determine whether you qualify for practice privileges in California. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the notification as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another governmental agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted via written correspondence at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, or by calling (916) 263-3680, regarding questions about this notice or access to records.

State of California Department of Consumer Affairs

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ATTACHMENT X

1. If you checked items 1, 2, or 3 under additional information, please provide explanatory details:

_____

_____

2. If you checked item 4 under additional information, please provide:

Date of Judgment: _____ Jurisdiction /Court: _____ Docket No: _____

3. If you checked item 5a, please also submit a copy of the original and restated financial statement or the portions of the original and amended Form 990 or 990PF related to the reissued financial statement.

4. If you checked item 5b, please provide the following:

Total Amount Paid by Insurer $_____ Date Paid _____
Total Amount Paid by Licensee $_____ Date Paid _____

State of California
Department of Consumer Affairs

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

Memorandum

UAA Task Force Agenda Item VI
February 26, 2004

Board Agenda Item VIII.H.6
February 27, 2004

To : Renata Sos, Chair, UAA Task Force
Members, UAA Task Force
Board Members

Date : February 23, 2004

Telephone : (916) 263-3788
Facsimile : (916) 263-3674
E-mail : agranick@cba.ca.gov

From : Aronna Granick
Legislation/Regulations Coordinator

Subject : Circumstances When Notification Is Not Required Under the UAA

At the January 26, 2004, meeting, it was noted that at some point the Task Force needs to consider those instances in which no notification would be required to enter the state as outlined in the UAA rules. Attached for your consideration is UAA Rule 23-1. Subsection (d) relates to this topic.

Attachment

ARTICLE 23
SUBSTANTIAL EQUIVLANCEY

Rule 23-1- NOTIFICATION AND INTERNET PRACTICE

(a) **A qualified individual seeking practice privileges in this state pursuant to UAA Section 23(a) or (b) shall comply with the notice requirement as follows:**

(1) Notice may be given electronically or in writing on forms established by this Board;

(2) Notice is immediately due and shall be received by the Board within 30 days after the individual knowingly avails him/herself of the laws of this State by:
(A) Accepting an engagement or an assignment to render professional services in this State, or
(B) Offering to render professional services through direct solicitation or marketing targeted to persons in this State.

(3) In lieu of the procedure set out in paragraph (a)(2), at anytime prior to entering this State, an individual, directly or through the individual's firm, may be included in a master notice to all participating substantially equivalent jurisdictions including this Board by giving notice to the NASBA National Qualification Appraisal Service [or other comparable service designated by the Board]; and, provided the firm accepts responsibility for each such individual's compliance with the accountancy laws and rules of this State for so long as the individual is included in the firm's master notice, keeps the master notice reasonably current and renews the notice annually. In any event, the individual seeking practice privileges is responsible for complying with the requirement that the notification required under Section 23 has been made.

(b) **Notice shall be renewed on the same cycle as the Board requires for license renewals, for so long as the individual intends to use UAA Section 23 privileges in this State.**

(c) **Notice shall be amended within 30 days after the individual changes his principal place of business or within 30 days after the license has been denied, revoked, or suspended in any jurisdiction.**

(d) **A non-resident individual shall not be deemed to have entered this State for purposes of Section 23 and notice is not required under Section 23 if the individual's contact with this State is limited to any of the following activities:**

1) teaching either a college or continuing professional education course,
2) delivering a lecture,
3) moderating a panel discussion,
4) rendering professional services to the individual's employer or to persons

employed by the individual's employer, including affiliated, parent, or subsidiary entities, provided such services are not rendered for the employer's clients.

(e) **An individual entering into an engagement to provide professional services via a Web site pursuant to Section 23 shall disclose, via any such Web site, the individual's principal state of licensure, license number and an address as a means for regulators and the public to contact the individual regarding complaints, questions or regulatory compliance.**

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Board Agenda Item VIII H.1
February 27, 2004

UAA TASK FORCE

MINUTES OF THE MEETING

December 17, 2003
California Board of Accountancy Office
2000 Evergreen Street
Sacramento, CA 95815

CALL TO ORDER

Renata Sos, Chair, called the meeting of the UAA (Uniform Accountancy Act) Task Force to Order at 10:35 a.m. and welcomed the participants.

Present:

Renata Sos, Chair
Gail Hillebrand
Thomas Iino
Harold Schultz
David Walton

Staff and Legal Counsel
Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General
Aronna Granick, Legislation/Regulations Coordinator
Bob Miller, Legal Counsel
Greg Newington, Chief, Enforcement Program
Carol Sigmann, Executive Officer

Other Participants
Mike Duffey, Ernst and Young LLP
Julie D'Angelo Fellmeth, Center for Public Interest Law
Wendy Perez, Board Member
Richard Robinson, Robinson & Associates
Jeannie Tindel, California Society of Certified Public Accountants

I. Adoption of Task Force Objectives.

Before discussing the Task Force objectives, Ms. Sos provided a general context for the discussion. She noted that the purpose of the Task Force was to consider cross-border

practice. With the Sarbanes-Oxley Act's requirements for audit partner rotation in place, larger firms need to be able to move partners around fairly quickly. Also, a General Accounting Office study found that the need to comply with different licensing requirements in different states makes it more difficult for smaller firms to compete with the very largest firms. These are some of the reasons changes in cross-border practice restrictions are under consideration. The goal of the task force is to see if an approach to cross-border practice can be developed that is consistent with the Board's consumer protection mission. She added that, if the Board succeeds in this area, it will be possible to bring under its jurisdiction people who are practicing in California without the Board's knowledge. This would maximize the Board's ability to effectively utilize its Enforcement Program resources.

After this introduction, Ms. Sos presented the objectives for Task Force consideration (Attachment 1). Ms. Hillebrand suggested inserting "whether and" before the word "how" in proposed Objective 2 to clarify that the Board has not yet made a decision regarding cross-border practice and substantial equivalency. Ms. Sos suggested that it is hard to determine if substantial equivalency is appropriate until the Task Force evaluates how it can be done. Ms. Hillebrand agreed and indicated that she did not believe her suggested revision to Objective 2 precluded first discussing how substantial equivalency could be implemented. **After discussion, it was moved by Ms. Hillebrand, seconded by Mr. Walton, and unanimously carried to approve the Task Force Objectives with the amendment suggested by Ms. Hillebrand.**

II. Overview of Temporary Practice and Licensure of Out-of-State CPAs in California.

Mr. Granen presented an overview of issues related to the application of Business and Professions Code Section 5050 (Attachment 2) to temporary practice. He noted that Section 5050 permits a CPA from another state to practice in California temporarily on professional business incident to the CPA's regular practice in the other state. He added that it is unclear what is meant by incident to the CPA's regular practice, and practitioners interpret the meaning of this provision in their own way. Further, under current law the Board has no mechanism for identifying out-of-state CPAs temporarily practicing in California.

Ms. D'Angelo Fellmeth noted that if an out-of-state CPA is not coming to California to sign an audit report or hold out as a CPA, then a license is not required. She then questioned the need for substantial equivalency. Ms. Perez observed that the notification required by substantial equivalency would allow the Board to track out-of-state licensees practicing in California. Mr. Schultz noted that there is no temporary practice provision in the Uniform Accountancy Act (UAA). Instead, substantial equivalency and notification provide an efficient way for out-of-state CPAs to make themselves known in the new state. Mr. Duffey concurred and noted that, under partner rotation, large firms want to be able to move the most skilled persons to the locations where they are needed. Substantial equivalency would allow these firms to do so and to be fully in compliance with the law.

During the discussion participants briefly considered when a California license would be needed. Mr. Newington noted that if a firm opened an office in California, it would need a California license. Mr. Granen concurred and added that since substantial equivalency only applies to individuals, a sole practitioner opening an office in California would need to get a California license. Ms. Sos added that it is important that the requirements for substantial equivalency not conflict with the requirements for licensing firms.

Participants noted that the UAA requires a license when the CPA's principal place of business is in this state. Ms. Sos indicated that "principal place of business" is undefined in California law. Ms. Hillebrand suggested it could possibly be defined by the percentage of the licensee's time spent in that state, for example 15 percent. It was the consensus of the Task Force that a definition of "principal place of business" needed further consideration.

III. Discussion of Issues Related to Substantial Equivalency (Renata Sos)
   A. What would be conferred?
   B. Who would be eligible?
   C. Should anything additional be required for applicants signing reports on attest engagements?
   D. When would notification be required and what should it include?
   E. When would the authority to practice begin and when would it end?
   F. Should renewal be permitted and what should the requirements be?

Ms. Sos indicated that she had prepared a draft notification form for discussion purposes (Attachment 3). She noted that the first part focuses on Qualification Standards. It references practice privileges rather than a license and permits the Board to suspend practice privileges prior to a hearing. Ms. Sos added that the second part of the form requests "Other Information." Responses to that section could not be grounds for denial of practice privileges. Also, when the form is on-line, it could be linked with an explanation reducing the number of inquiries the Board would receive.

Ms. Hillebrand expressed concern regarding Item 8 of the Qualification Standards which provides for a 30-day grace period. She indicated that she would prefer that the licensee submit the notification before or contemporaneous with starting practice. Payment of the fees could come later. Mr. Granen indicated he would also like a signed application later for enforcement proposes. Mr. Duffey indicated that this approach would not be a problem for larger firms as long as the form could be submitted very quickly on-line. **After discussion, it was moved by Ms. Hillebrand, seconded by Mr. Iino, and carried that the notification would have to be sent for submission to the Board on or before the work begins.**

Ms. D'Angelo Fellmeth inquired if, under item 4 of the Qualification Standards, a CPA from a substantially equivalency state could be granted practice privileges even if that CPA, as an individual, does not meet the UAA's standards for substantial equivalency.

Mr. Duffey indicated that was correct and that the CPA would be grandfathered in. Under the UAA there are two ways to qualify for substantial equivalency: one is to hold a license from a substantially equivalent state. A second way is for NASBA to determine that the CPA's individual qualifications are substantially equivalent to the UAA. Participants noted that CPAs in the second group would probably apply to NASBA for a substantial equivalency determination prior to providing notification to the states that he or she planned to enter. Participants expressed an interest in knowing more about the procedure used by NASBA to assess whether an individual qualifies for substantial equivalency.

Ms. D'Angelo Fellmeth then inquired if a CPA practicing in California under substantial equivalency would need to have completed 500 hours of attest experience. Ms. Franz noted that for licensure, the Board accepts whatever experience is required in the CPA's home state and gives them equivalent practice rights once they receive a California license. Mr. Schulz reported that most other states deal with the qualifications to perform audits through peer review, rather than requiring attest experience for licensure. Ms. Crocker noted that the Board also requires accounting and auditing continuing education for licensees performing attest services. She suggested that the Task Force might want to consider establishing such a requirement for the renewal of notifications. After discussion, it was the consensus of the Task Force that more information was needed regarding other states' requirements for signing and issuing attest reports.

Ms. Granick asked how practice privileges and a license are different. She added that the Board may be asked this if the proposal comes before the Legislature. Mr. Duffey responded that one difference is that there will be an expedited way of terminating practice privileges. Ms. Perez added that practice privileges are only for CPAs whose principal place of business is not in this state. Ms. Hillebrand noted that practice privileges are a conditional privilege based on the CPA holding a license in another state. Practice privileges would be automatically revoked if the CPA was no longer licensed in the home state. Mr. Granen commented that it would be easier to persuade the Legislature to allow an exception to the Administrative Procedure Act for practice privileges than it would be for a license. He added that it might also be possible to specify a different standard of proof.

The discussion then focussed on when a California license would be required. Ms. Hillebrand suggested that if a CPA practices in California for a specified number of years, a California license should be required. Ms. Sos suggested, as an alternative, the Board at some point might want to flag for further review practice privileges that are renewed for several years in a row. In order to evaluate renewals, Mr. Walton suggested the Board inquire regarding the type of services performed by the licensee. It was also suggested that some attention be given to the source of the licensee's business and to practice over the internet.

During the discussion it was noted that the process of notification and renewal could be simplified if firms could provide notification on behalf of their employees or if firms could

provide a blanket notification. Mr. Duffey volunteered to develop a proposal for consideration by the Task Force.

Participants then briefly discussed the amount of the fee and fee payment. Ms. Sigmann noted that most other states charge the same amount for practice privileges as for licensure. In this state the fee for initial licensure and for renewal is $200. Ms. Sos expressed an interested in being able to accept payments by credit card and suggested that options for payments need to be further evaluated.

During the discussion of the agenda item, it was the consensus of the Task Force to edit and make minor revisions to the form (Attachment 3). Revisions include moving the last sentence item 7 under Qualification Standards to the end of the form and deleting question 4 under Other Information.

At the conclusion of consideration of this agenda item, Ms. Hillebrand suggested that the Task Force consider which questions under Other Information, if answered affirmatively, would disqualify the applicant from obtaining practice privileges through on-line application processing. It was the consensus of the Task Force that affirmative answers to Questions 1, 2, 3, 5, and 6 would fall in this category. The task force also agreed that Question 6 should be revised so that the wording was consistent with Business and Professions Code Section 5063. Consideration of Item 7 was deferred until the next meeting.

V. Comments from Members of the Public.

Members of the public provided their comments during the course of the meeting.

VI. Agenda Items for Next Meeting.

Ms. Sos identified the following topics for discussion at the next meet meeting: blanket notification by firms, consideration of who can sign and issue attest reports, a definition of principal place of business, options for payment of fees, consideration of how the disciplinary system will operate including standard of proof, multiple year renewals, and information regarding how NASBA determines Substantial Equivalency for individuals.

There being no further business, the meeting was adjourned at 2:30 p.m.

State of California Department of Consumer Affairs

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Attachment 1

UAA Task Force Agenda Item I
December 17, 2003

PROPOSED OBJECTIVES

1. Review and evaluate relevant information on current practices in California and on states' implementation of Substantial Equivalency.

2. Develop recommendations to the Board regarding how Substantial Equivalency can be implemented in California consistent with the Board's mission of protecting the public welfare.

BUSINESS AND PROFESSIONS CODE

Section 5050

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.

SECTION 5087

(a) The board may issue a certified public accountant license to any applicant who is a holder of a valid and unrevoked certified public accountant license issued under the laws of any state, if the board determines that the standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and experience established under this chapter and the applicant has not committed acts or crimes constituting grounds for denial under Section 480. To be authorized to sign reports on attest engagements, the applicant shall meet the requirements of Section 5095.

(b) The board may in particular cases waive any of the requirements regarding the circumstances in which the various parts of the examination were to be passed for an applicant from another state.

SECTION 5088

(a) Any person who is the holder of a valid and unrevoked license as a certified public accountant issued under the laws of any state and who applies to the board for a license as a certified public accountant under the provisions of Section 5087 may, after application for licensure and after providing evidence of qualifying continuing education, perform the same public accounting services in this state as a certified public accountant licensed under Section 5092 or 5093 until the time his or her application for a license is granted or rejected.

(b) An applicant meeting the requirements of subdivision (a) who certifies that he or she has met the requirements of Section 5095 may perform attest services in this state until the time his or her application for a license is granted or rejected.

NOTIFICATION TO THE CALIFORNIA BOARD OF ACCOUNTANCY FOR PRIVILEGE TO PRACTICE IN CALIFORNIA

NAME: _____

PRIOR NAMES: _____

FIRM NAME _____

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: _____
_____

TELEPHONE NUMBER (during business hours): _____

E-MAIL (to facilitate contact in the event of a problem processing your application): ___

DATE OF BIRTH: _____

SOCIAL SECURITY NUMBER: _____

QUALIFICATION STANDARDS: I qualify for a grant of practice privileges because I meet each of the requirements below:

1. I am an individual.

2. My principal place of business is not in California. My principal place of business is in [*NAME OF STATE/JURISDICTION*].

3. I have a valid license to practice public accountancy in another state/jurisdiction..

State/Jurisdiction: _____ License Number: ___ Date Issued: _____

4. The state/jurisdiction identified in item 3 above is deemed substantially equivalent by the State of California Board of Accountancy (see Appendix 1 for list of substantially equivalent states) **OR** my individual qualifications have been determined by NASBA to be substantially equivalent to California requirements (please provide NASBA file no. ____.)

5. I agree to abide by the laws of the State of California, including the California Accountancy Act and the regulations thereunder (which may be found at [LINK TO WEBSITE]).

6. I consent to the personal and subject matter jurisdiction of the California Board of the Accountancy including, but not limited to, the following:

a. Suspend or revoke, without prior notice or hearing, the privilege to practice;

b. Impose discipline for any violation of the California Accountancy Act or regulations thereunder; and

c. Provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the SEC, PCAOB or other relevant regulatory authorities.

7. I consent to the authority of the State of California Board of Accountancy to verify the truthfulness of the information provided in this notification, and consent to the release of relevant information by (a) the other states in which I am licensed or authorized to practice; (b) the SEC, PCAOB or any other federal agency before which I am authorized to practice; and/or (c) NASBA. **I understand that the California Board of Accountancy considers any misrepresentation or omission in connection with this notification to be a violation of law and regulation and will act accordingly, including the notification of other state or federal authorities.**

8. I am providing this notice within 30 days of beginning work under this privilege to practice.

9. In the event that any of the information provided in this notice changes, I will provide the State of California Board of Accountancy written notice of any such change within 30 days of its occurrence.

10. I am concurrently submitting the fee of $___.

11. I understand that this privilege to practice expires one year from the date of this notice.

OTHER INFORMATION:

1. Have you ever been convicted of a felony? __ Yes __ No

2. Have you ever been convicted of a crime involving dishonesty? __ Yes __ No

3. Have you ever had a professional license, permit or authority to practice suspended, revoked or put on probationary status? __ Yes __ No

4. Have you ever been denied the privilege to take the CPA exam? __ Yes __ No

5. Are you currently under investigation by any state or federal agency in connection with your practice of public accountancy? ___ Yes ___ No

6. Since January 1, 2003, have you had any judgment entered against you in a civil action alleging (see Section 5063 [LINK TO WEBSITE]):

a. Dishonesty, fraud, gross negligence or negligence? __ Yes __ No
b. Breach of fiduciary responsibility? __ Yes __ No
c. False, fraudulent or materially misleading financial statements? __ Yes __ No
d. Embezzlement, theft, or misappropriation of funds? __ Yes __ No
e. Any other actionable conduct in the practice of public accountancy? __ Y __N

7. In connection with this privilege to practice, do you intend to sign a report on an attest engagement? ___ Yes ___ No

8. Please list all other states in which you are licensed or authorized to practice:

STATE: __ LICENSE NO. ____ OR AUTHORITY TO PRACTICE _____

SIGNATURE AND AFFIDAVIT:

I, _____, certify under penalty of perjury that the foregoing information is true and correct.

Signature: _____ Date: _____

Your privilege to practice commences with the filing of your completed notification, including payment of your fee.

PAYMENT: [FEE AMOUNT] [CREDIT CARD NUMBER AND EXPIRATION]

State of California Department of Consumer Affairs

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UAA TF Agenda Item I
February 26, 2004

Board Agenda Item VIII H.2
February 27, 2004

UAA TASK FORCE
MINUTES OF THE MEETING

DRAFT

January 26, 2004
California Board of Accountancy Office
2000 Evergreen Street
Sacramento, CA 95815

CALL TO ORDER

Renata Sos, Chair, called the meeting of the UAA (Uniform Accountancy Act) Task Force to Order at 10:35 a.m. and welcomed the participants.

Present:

Renata Sos, Chair
Gail Hillebrand
Thomas Iino
Harold Schultz
David Walton

Staff and Legal Counsel
Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General
Aronna Granick, Legislation/Regulations Coordinator
Bob Miller, Legal Counsel
Greg Newington, Chief, Enforcement Program
Carol Sigmann, Executive Officer

Other Participants
Mike Duffey, Ernst and Young LLP
Katherine Demos, Department of Consumer Affairs
Bill Gage, Senate Business and Professions Committee
Ann Nelson, California Society of Accounting and Tax Professionals
Wendy Perez, Board Member
Richard Robinson, Robinson & Associates
Ian Thomas, Board President
Jeannie Tindel, California Society of Certified Public Accountants

I. Minutes of the December 17, 2003, Meeting

It was moved by Ms. Hillebrand, seconded by Mr. Schultz, and unanimously carried to approve the minutes of the December 17, 2003, meeting.

II. Report on NASBA Pacific Regional Communications Forum January 13, 2004

Ms. Sos reported on the National Association of State Boards of Accountancy (NASBA) Pacific Regional Communication Forum that she, Ms. Perez, and Mr. Granen attended in Phoenix, Arizona, on January 13, 2004. She indicated that David Costello, NASBA CEO, Noel Allen, NASBA legal counsel, and Michael Weatherwax, a leader of NASBA's UAA Committee were at the meeting and expressed an interest in regional uniformity with regard to substantial equivalency. Ms. Sos also noted that there was consensus regarding the five elements that are necessary for substantial equivalency: 1) the licensee's principal place of business is in another state; 2) the licensee is from a substantially equivalent state or meets the requirements for substantial equivalency as an individual; 3) the licensee has a valid license; 4) the licensee submits to the jurisdiction of the state where he or she wants to practice; and 5) the licensee pays a fee. Mr. Granen commented that NASBA's leadership appears to be more open to changes and more flexible than was the case a few years ago.

Ms. Sos added that she and the other California representatives at the forum were especially interested in obtaining feedback from participants in other states regarding the proposals the Task Force was considering. Ms. Perez commented that participants at the conference liked the Task Force's concept of making it easy to provide notification, but having severe consequences if the licensee lies or commits a violation. Ms. Sos communicated that Washington was the only state in the region that had fully implemented substantial equivalency. Washington had established no additional standards for performing attest work because the Washington Board concluded that professional standards and the home state's judgment about competency are adequate. Ms. Sos also noted that Washington had established a 30-day grace period for notification and the Washington Board believed that requiring immediate reporting would be too difficult and would result in underreporting.

Ms. Perez added that at the forum there was a discussion regarding having both temporary practice and practice privileges. Mr. Gage inquired if a provision on temporary practice would be needed for people come from states that are not "substantially equivalent." Ms. Crocker responded that these licensees could get licensed under the "four of ten" rule which permits licensure of CPAs who have been practicing four of the last ten years in another state. Mr. Schultz added that NASBA has a proposal to permit people who qualify under the "four of ten" rule to be considered substantially equivalent.

Participants then discussed various aspects of the California proposal. Mr. Granen observed that summary suspension makes practice privileges distinct from a license

and gives the Board more control. Mr. Robinson noted that the California statute on substantial equivalency could include a penalty for those who fail to provide the appropriate notification. Ms. Hillebrand added that there should also be a penalty for our licensees if they fail to comply with another state's notification requirements.

The discussion then focused on a definition of the term "principal place of business." Ms. Sos noted that participants at the forum did not have a clear definition of the term. She also noted that Washington, which appears to be the only state thus far to define principal place of business, still leaves the determination of the location of the principal place of business to the subjective judgment of the applicant. Mr. Granen observed that it is hard to define. Mr. Duffey added that the law defines "principal place of business" for entities, but not for individuals.

III. Discussion of the Notification Process

A. Revised Draft Notification Form
B. Proposal for Blanket Notification by Firms
C. Report on Other States' Requirements for Issuing Attest Reports
D. Report on NASBA's Method for Determining Individual Substantial Equivalency
E. Information Regarding NASBA's Processing of Substantial Equivalency Notifications

Ms. Sos began the discussion by asking Mr. Duffey to present his proposal related to blanket notification (Attachment 1). Mr. Duffey explained that the proposal would allow a firm representation related to substantial equivalency to stand in lieu of individual representations by the firms partners and employees. Firms registering with the State of California would have the option of registering with or without the blanket notification. Firms registering with the blanket notification would have a significantly higher fee. He added that the Board would have the authority to inquire regarding any problem that occurs or about individuals practicing under the notification. He also noted that the proposal would require compliance with Business and Professions Code Section 5063, the Board's self-reporting statute.

During the discussion, various aspects of the proposal were evaluated. Ms. Perez commented that the proposal would benefit Board staff as there would be fewer applications to process. Ms. Hillebrand indicated that she had believed a blanket notification would include a list of names. Mr. Duffey indicated that there are logistical difficulties in getting an accurate list, and that it would be easier to identify people from a past period than to do it prospectively. Ms. Sos suggested the Board could perform a random audit and require a listing of practitioners in California under substantial equivalency.

Mr. Granen indicated that, from an enforcement perspective, a list of names would be useful. Without such a list, it may be difficult to request that the licensee's home state take discipline. Mr. Duffey noted that the blanket notification proposal substitutes jurisdiction over the firm for jurisdiction over the individual. Mr. Granen observed that

the Board had adopted a policy under which firms could not be disciplined except for specific general management failures. The Board would need to revise this policy if this proposal were adopted. The task force also discussed the need for statutory provisions that would give the Board jurisdiction over both the firm and the individual practicing under the notification.

Participants also discussed how the fees could be established. Ms. Tindel and Mr. Duffey volunteered to developed a proposal. Ms. Hillebrand noted that Board staff would also need to be involved. Ms. Crocker indicated that the statute could establish a ceiling, and the actual fee could be established by a regulation based on data collected by the Board.

After discussion, it was the consensus of the Task Force that it would be desirable to further consider and develop the blanket notification proposal. Ms. Sos and Ms. Hillebrand volunteered to be a sub-task force to work on this project. Mr. Granen would serve as legal counsel, and Mr. Duffey and Ms. Tindel would also participate.

The Task Force then considered the draft individual notification form that had been revised by Ms. Sos (Attachment 2). Ms. Sos indicated that her intent was to make the form simple in order to encourage people to submit it. Other Task Force members concurred with Ms. Sos regarding the desirability of keeping the form simple. Participants suggested minor revisions to improve the readability of the form including deleting items 3 and 14 in the section "Qualification Requirements."

During the discussion, Ms. Granick reported on staff research regarding NASBA's method of determining substantial equivalency for individuals (see Attachments 3 and 4). She noted that NASBA's application review process appeared to be quite thorough. She added that it does not require that the licensee have 150 hours of education at the time of licensure as long as the requirement is met for the substantial equivalency evaluation. She noted that this approach would make it easier for California's "Pathway 1" licensees to be deemed substantially equivalent. Ms. Sos observed that even though NASBA's procedure has been in place since May 1999, NASBA had received only 160 applications for an individual substantial equivalency evaluation. Of the 160 licensees who had applied, 152 had been determined to be substantially equivalent.

Also during the discussion, Ms. Sos commented that at the last meeting the Task Force had voted to require that notification would have to be submitted to the Board on or before the time the work begins. However, at the NASBA Pacific Regional Communications Forum other states indicated that they were considering a grace period. Ms. Tindel indicated she believed that a 30-day grace period was appropriate. Ms. Hillebrand noted that the Task Force had extensively discussed the matter at its previous meeting. After discussion, it was moved by Ms. Sos and seconded by Mr. Schultz to reconsider the Task Force's decision. The motion did not carry.

The discussion then focused on the "Additional Information" section of the form. Participants noted that affirmative responses to Item 1 of this section of the form would result in automatic denial of practice privileges. Affirmative responses to Item 2 would mean the applicant would need to wait for notification from the Board that practice privileges have been granted. Affirmative responses to Items 3 and 4 would be purely informational.

After discussion, it was moved by Ms. Hillebrand and seconded by Mr. Walton, to move Items 1b and 1c to Item 2. The motion did not carry. **It was then moved by Mr. Iino, seconded by Mr. Schultz, and carried to make no changes to Item 1.** Mr. Granen indicated he believed that there could be some constitutional or due process concerns if the Board were to automatically deny practice privileges based on convictions as indicated in Item 1. **After further discussion, it was the consensus of the Task Force to ask Mr. Granen to review this legal issue and provide information to address this concern.**

It was then moved by Ms. Hillebrand, seconded by Mr. Walton, and unanimously carried to move Item 3c related to investigations by U.S. jurisdictions or federal agencies to Item 2. It was also moved by Ms. Hillebrand, seconded by Ms. Sos, and unanimously carried to move Item 3d to Item 2, and to apply the same confidentiality provision that is in Section 61 of the Board's Regulations.

With regard to item 4, Ms. Hillebrand noted that it tracks Business and Professions Code Section 5063. She suggested that for the next meeting staff provide recommendations regarding whether some of the sections in Item 4 should be moved to Item 2. She suggested that 4c related to judgments alleging fraudulent financial statements and 4d related to judgments alleging embezzlement might be more appropriately located under Item 2.

IV. Discussion of Key Issues related to Disciplining Licensees Practicing Under Substantial Equivalency

See the discussion of Agenda Items II and III above.

V. Development of Recommendation to the Board **(Action)** (Renata Sos)
   A. What would be conferred?
   B. Who would be eligible?
   C. Should anything additional be required for applicants signing reports on attest engagements?
   D. When would notification be required?
   E. When would the authority to practice begin and when would it end?
   F. Should renewal or multiple-year renewal be permitted and what should the requirements be?
   G. What should be the scope of the Board's disciplinary authority over individual's practicing under Substantial Equivalency?

Consideration of this agenda item was deferred.

VI. Comments from Members of the Public

Members of the public provided their comments during the course of the meeting.

VII. Agenda Items for Next Meeting

Consideration of the revised blanket notification procedure including a proposal related to fees was scheduled for the next meeting. The revised individual notification form and related procedures were also scheduled for consideration at the next meeting. In addition, for the next meeting Mr. Granen was to report on his assessment of the legal and constitutional issues related to item 1 of the draft individual notification form. Further, it was suggested that a draft statute related to enforcement be placed on the agenda for the next meeting.

Mr. Schultz added that at some point the Task Force needs to consider those instances in which no notification would be required to enter the state as outlined in the UAA rules. One example of this would be when a licensee enters the state to teach a continuing education course.

The next meeting was scheduled for February 26, 2004, in conjunction with the February 27, 2004, Board meeting in San Francisco.

There being no further business, the meeting was adjourned at 2:40 pm.

(1) The firm agrees that any owner or employee who practices public accountancy in California under Section [23 equivalent] of the California Accountancy Act must possess a valid license from a state or other U.S. jurisdiction that has been deemed by NASBA to possess licensing requirements that are substantially equivalent to the requirements of the Uniform Accountancy Act, or must possess individual qualifications deemed by NASBA to be substantially equivalent.

(2) The firm agrees that its owners or employees who practice public accountancy in California under Section [23 equivalent] of the California Accountancy Act may not sign a report on an attest engagement in this state unless they are authorized to perform attest services in the state or other U.S. jurisdiction in which they are licensed.

(3) The firm agrees that, upon request by the Board, it will disclose to the Board whether any owner or employee has practiced public accountancy in California under Section [23 equivalent] of the California Accountancy Act, and will disclose when and where such services were provided. The firm agrees that it will keep records sufficient to allow it to respond to such requests for information from the Board.

(4) The firm agrees that its owners or employees who practice public accountancy in California under Section [23 equivalent] of the California Accountancy Act must abide by the provisions of the California Accountancy Act and regulations thereunder, including but not limited to Section 5063 of the Act.

(5) The firm agrees that it will not (without requesting prior authorization from the Board) provide public accountancy services in California under Section [23 equivalent] of the California Accountancy Act through an owner or employee that:

(a) has been convicted of a felony;

(b) has been convicted of a crime related to the qualifications, functions or duties of a certified public accountant, or involving theft, embezzlement, misappropriation of funds or property, breach of fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent or materially misleading financial statements, reports or information;

(c) has had a professional license, permit or authority to practice surrendered, denied, suspended, revoked or put on probationary status;

(d) is currently under investigation by any state or federal agency in connection with the practice of public accountancy;

(e) has had a judgment entered against him or her for:

(i) dishonesty, fraud, gross negligence or negligence;

(ii) breach of fiduciary responsibility;

(iii) false, fraudulent or materially misleading financial statements; or

(iv) embezzlement, theft, or misappropriation of funds.

(6) The firm agrees that it will not provide public accountancy services in California through specified owner(s) or employee(s) under Section [23 equivalent] of the California Accountancy Act if the Board orders the firm (without prior notice or hearing) not to provide public accountancy services in California through such specified owner(s) or employee(s).

The firm will pay, in addition to the registration fee required under Section ___, a fee of:

(1) _____ if the firm has 10 or fewer owners or employees who are licensed to practice public accountancy in California or any other jurisdiction;

(2) _____ if the firm has between 11 and 49 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction; or

(3) _____ if the firm has 50 or more owners or employees who are licensed to practice public accountancy in California or any other jurisdiction.

State of California Department of Consumer Affairs

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

Attachment 2

DRAFT

UAA TF Agenda Item III.A
January 26, 2004

NOTIFICATION AND AGREEMENT TO CONDITIONS FOR THE PRIVILEGE TO PRACTICE PUBLIC ACCOUNTING IN CALIFORNIA PURSUANT TO CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION XXXX:

Original Notification ☐ **Revised Notification** ☐ **Renewal of the Notification** ☐

Name: _____

Prior Names: _____

Firm Name: _____

Address Of Principal Place Of Business: _____

Telephone Number (business hours): _____

Fax Number (business hours): _____

E Mail: _____
(To facilitate contact in the event of a problem processing your application)

Date Of Birth: _____

Social Security Number: _____

In connection with this privilege to practice, do you intend to sign a report on an attest engagement? ☐ Yes ☐ No

QUALIFICATION REQUIREMENTS: I qualify for a privilege to practice public accounting in California because:

1. I am an individual.
2. My principal place of business is not in California.
3. I do not maintain an office in California.
4. I have a valid license to practice public accounting in the state/jurisdiction of my principal place of business.

State/Jurisdiction: _____ License Number: _____ Date Issued: _____

5. In connection with this privilege to practice public accounting, I understand that I may sign a report on an attest engagement under this privilege to practice only if I am authorized to perform attest services in the state of my principal place of business.

6. The state/jurisdiction identified in item 4 above is deemed substantially equivalent by the California Board of Accountancy (see Appendix 1 for list of substantially equivalent states) **OR** my individual qualifications have been determined by NASBA to be substantially equivalent (please provide NASBA file no. _____.)

7. I agree to abide by the laws of the State of California, including the California Accountancy Act (Business and Professions Code Section 5000 et seq., accessible at *http://www.dca.ca.gov/cba/acnt_act.htm*) and the regulations thereunder (which can be accessed at *http://www.dca.ca.gov/cba/regs.htm*).

8. I consent to the personal and subject matter jurisdiction of the California Board of the Accountancy including, but not limited to, the following:

   a. To suspend or revoke, without prior notice or hearing and in the sole discretion of the CBA or its representatives, the privilege to practice public accounting.

   b. To impose discipline for any violation of the California Accountancy Act or regulations thereunder and recover costs for investigation and prosecution.

   c. To provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the SEC, PCAOB or other relevant regulatory authorities.

9. I agree to respond fully and completely to all inquiries by the California Board of Accountancy relating to my California practice privilege.

10. I consent to the authority of the California Board of Accountancy to verify the accuracy and truthfulness of the information provided in this notification. I consent to the release of all information relevant to the California Board of Accountancy's inquiries now or in the future by:

    a. Contacting other states.

    b. Contacting the SEC, PCAOB or any other federal agency before which I am authorized to practice.

    c. Contacting NASBA.

11. I am sending this form for submission to the California Board of Accountancy at or before the time work begins under this privilege to practice public accounting.

12. In the event that any of the information in this notice changes, I will provide the California Board of Accountancy written notice of any such change within 30 days of its occurrence.

13. I am concurrently submitting the fee of $100.00.

14. I understand that this privilege to practice public accounting expires one year from the date of this notice.

ADDITIONAL INFORMATION:

In addition to the state of my principal place of business, I am also authorized to practice in the following states and jurisdictions.

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

1. Have you ever been convicted of:

   a. Any felony?
      ☐ Yes ☐ No
   b. Any crime related to the qualifications, functions, or duties of a public certified public accountant?
      ☐ Yes ☐ No
   c. Any crime involving theft, embezzlement, misappropriation of funds or property, breach of fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports or information?
      ☐ Yes ☐No

   If you answered "yes" to any of the above questions, your request for practice privilege is denied. For further information, contact the Board at (916) 263-XXXX.

2. Have you ever had a license, registration, permit or authority to practice surrendered, denied, suspended, revoked, put on probationary status or otherwise limited?
   ☐ Yes ☐ No

   If you answered "yes", please complete and submit Attachment X at the end of this form. ***NOTE: You are not authorized to practice in California unless and until you receive notice from the California Board of Accountancy that the privilege has been granted.***

3. Have any of the following events occurred since January 1, 2003:

   a. Any restatement of a financial statement and related disclosures by a client audited by you?
      ☐ Yes ☐ No
   b. Any civil action settlement or arbitration award against you relating to the practice of public accountancy where the award is $30,000 or greater and where you were not insured for the full amount?
      ☐ Yes ☐ No
   c. Any notice of the initiation of a formal investigation of you by any U.S. jurisdiction or any federal agency, including the SEC or PCAOB or any of their designees?
      ☐ Yes ☐ No
   d. Any notice from the SEC to you requesting a Wells Submission?
      ☐ Yes ☐ No

4. Since January 1, 2003, have you had any judgment entered against you in a civil action alleging:

   a. Dishonesty, fraud, gross negligence, or negligence?
      ☐ Yes ☐ No
   b. Breach of fiduciary responsibility?
      ☐ Yes ☐ No
   c. False, fraudulent or materially misleading financial statements?
      ☐ Yes ☐ No
   d. Embezzlement, theft, or misappropriation of funds?
      ☐ Yes ☐ No
   e. Any other actionable conduct in the practice of public accountancy?
      ☐ Yes ☐ No

   If you answered "yes" to either question 3 or 4, please complete and submit Attachment X at the end of this form.

SIGNATURE AND AFFIDAVIT:
[Staff Note: Legal determination is needed regarding the legal validity of an on-line signature.]

I, _____, understand that any misrepresentation or omission in connection with this notification is cause for termination of any practice privilege in California and that the California Board of Accountancy will act accordingly, including the notification of other state or federal authorities. I certify under penalty of perjury under the laws of the state of California that the foregoing information is true and correct.

Signature: _____ Date: _____

Your privilege to practice commences with the filing of your completed notification, including payment of your fee.

PAYMENT: [FEE AMOUNT] [CREDIT CARD NUMBER AND EXPIRATION]

Privacy Statement:
The information provided in this form will be used by the California Board of Accountancy to determine whether you qualify for practice privileges in California. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the notification as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another governmental agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted via written correspondence at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815; or by calling (916) 263-3680, regarding questions about this notice or access to records.

State of California Department of Consumer Affairs

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

ATTACHMENT X

1. If you answered "yes" to question 2 under additional information, please provide details regarding the action taken against your license.

_____

_____

_____

2. If you answered "yes" to questions 3 or 4 under additional information, please provide detailed information on the items indicated (restatements, civil actions, arbitration awards, investigations, or judgments). Attach additional sheets or documents, if necessary.

_____

_____

_____

_____

3. If you answered "yes" to question 3a, please also submit a copy of the original and restated financial statement or the portions of the original and amended Form 990 or 990PF related to the reissued financial statement.

4. If you answered "yes" to question 3b, please provide the following:

Total Amount Paid by Insurer $_____ Date Paid _____
Total Amount Paid by Licensee $_____ Date Paid _____

5. If you answered "yes" to any part of question 4, please provide the following:

Date of Judgment: _____ Jurisdiction /Court: _____ Docket No: _____

Attachment 3

State of California
Department of Consumer Affairs

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

Memorandum

UAA Task Force Agenda Item III.D
January 26, 2004

To : Renata Sos, Chair
Members, UAA Task Force

Date : January 14, 2004

Telephone : (916) 263-3788
Facsimile : (916) 263-3674
E-mail : agranick@cba.ca.gov

From : Aronna Granick – Aronna
Legislation/Regulations Coordinator

Subject : NASBA's Method for Determining Individual Substantial Equivalency

NASBA's CredentialNet Service evaluates an individual's qualifications for Substantial Equivalency. Attached are an information sheet and a CredentialNet application packet printed from NASBA's Web site. Also, an e-mail has been sent to NASBA asking specific questions regarding CredentialNet's procedures. It is anticipated that the response to this e-mail will be received by January 21, 2004.

Attachments

Substantial Equivalency

Individual Evaluations

A number of states have adopted Section 23 of the Uniform Accountancy Act (UAA), which (among other things) states that an individual who holds a license in a non-substantially equivalent state may obtain an individual substantial equivalency evaluation from NASBA. This evaluation may enable a CPA to practice in a substantially equivalent state, even though he is not licensed in one.

The evaluation is based on requirements outlined in the UAA:

Good Character (Section 5(b)). Applicants must not have a history of dishonest or felonious acts.

Education (Rule 5-2). Applicants must have 150 hours of education. Grandfathering: Anyone who passed the CPA Examination before January 1, 2001 will be eligible personally to obtain substantial equivalency for the purpose of interstate practice even if they have not completed 150 hours of education. Individuals who pass the CPA Examination after January 1, 2001 must complete the 150 hour education requirement. (Appendix C, Substantial Equivalency)

Examination (Rule 5-7). Applicants must pass all sections of the Uniform CPA Examination with a minimum passing grade of 75 for each section.

Experience (Rule 6-2). Applicants must have one year of experience providing any type of service or advice using accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

To obtain a substantial equivalency evaluation, a CPA should complete a CredentialNet application. If you have Adobe Acrobat Reader, you may click on the link below to download the CredentialNet application in Acrobat format.

Evaluation

To obtain an application through the mail, call us at 615-880-4200, extension 2271, or email us at credentialnet@nasba.org.

CredentialNet
150 Fourth Avenue North, Suite 700
Nashville, TN 37219
615.880.4200 fax: 615.880.4292
email: credentialnet@nasba.org

CREDENTIAL NET

Application Packet

CredentialNet, a service of the National Association of State Boards of Accountancy (NASBA), is a comprehensive resource for CPAs who practice across state lines. It handles reciprocal applications, notifications, and substantial equivalency evaluations for certain states. If you are a CPA with a current license or permit to practice accounting and you are planning to practice accounting in another state, you are required to comply with the laws and rules of the state in which you intend to practice.

Determine the code that is applicable to you by reading the following information. Follow instructions according to the code.

Code 2

If you are planning to practice in Florida, Missouri, New Jersey, or Pennsylvania, you may qualify for a reciprocal or temporary license through CredentialNet. Individuals who plan to practice in multiple states are urged to enroll in the program. Complete the enclosed CredentialNet application and supporting forms. Depending on the state in which you intend to practice, you will also be required to complete some state-specific forms.

Code 3

A number of states have adopted Section 23 of the Uniform Accountancy Act (UAA), which states that an individual who holds a license in a non-substantially equivalent state may obtain an individual substantial equivalency evaluation from NASBA. This evaluation enables a CPA to practice in a substantially equivalent state, even though he is not licensed in one. Complete the enclosed application and supporting forms to receive an individual substantial equivalency evaluation.

The evaluation is based on requirements outlined in the UAA:

Good Character (Section 5(b)). Applicants must not have a history of dishonest or felonious acts.

Education (Rule 5-2). Applicants must have 150 hours of education. Grandfathering: Anyone who passed the CPA Examination before January 1, 2001 will be eligible personally to obtain substantial equivalency for the purpose of interstate practice even if they have not completed 150 hours of education. Individuals who pass the CPA Examination after January 1, 2001 must complete the 150 hour education requirement. (Appendix C, Substantial Equivalency)

Examination (Rule 5-7). Applicants must pass all sections of the Uniform CPA Examination with a minimum passing grade of 75 for each section. They must have a minimum failing grade of 50. They must have passed the exam within six consecutive sittings following the first exam. At any sitting, they must have taken all sections not passed.

Experience (Rule 6-2). Applicants must have one year of experience providing any type of service or advice using accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

Code 3A

This code applies only to CPAs planning to practice accounting temporarily in the state of Tennessee. If you hold a license/permit to practice in Arizona, California, Colorado, Delaware, Florida, Guam, Maine, Massachusetts, Michigan, Minnesota, New Hampshire, New Mexico, New York, North Dakota, Oklahoma, Puerto Rico, Vermont, Virgin Islands, or Virginia, you are considered to be from a non-substantially equivalent state (under Tennessee's rules). However, you may qualify to practice accounting by receiving an individual substantial equivalency evaluation from CredentialNet.

The Tennessee certification criteria are as follows:
Good Character. An applicant must not have a history of dishonest or felonious acts.

Education and Experience. An applicant must have 150 hours of education and one year of experience. If an applicant does not have 150 hours of education, he must have four years of experience after passing the Uniform CPA Examination.

Examination. An applicant must have passed the Uniform CPA Examination.

Ethics Exam. An applicant must have passed an examination in ethics and professional conduct.

All substantial equivalency evaluations and notifications for Tennessee are processed by CredentialNet. Complete the enclosed application packet.

Code 4A

This code applies only to CPAs planning to practice accounting temporarily in the state of Tennessee. If you hold a license/permit to practice in Alaska, Alabama, Arkansas, Connecticut, District of Columbia, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Washington, West Virginia, Wisconsin, or Wyoming, you are considered to be from a substantially equivalent state (under Tennessee's rules). You are required to notify the state of Tennessee through CredentialNet. Complete the required sections of the enclosed application packet.

Contents of the Application Packet

Application Form (Codes 2, 3, 3A, and 4A)
Follow instructions in section A.

Authorization for Interstate Exchange of Examination and Licensure Information (Codes 2, 3, 3A, and 4A)
Complete section A of form and return it with your application. You must complete a separate form for each state in which you are licensed. Refer to Fee Schedule to determine if there is a fee associated with verification.

Transcript Request (Codes 2, 3, and 3A)
Complete sections A and B and return the form with your application. Contact school to determine if there is a transcript request fee. Include fee in check.

Certificate of Experience (Codes 2, 3, and 3A)
Complete sections A and B and return with your application. Complete a Certificate of Experience for each employer listed on your Application Form.

Fees

Codes 2, 3, and 3A

Application Fee	$100
Authorization for Interstate Exchange Fee	see schedule
Transcript Fee	(contact school to determine fee)

Code 4A

Notification Fee	$35
Authorization for Interstate Exchange Fee	see schedule

Calculate your total fee in section H of the Application Form. Make your check payable to CredentialNet.

Application Packet Checklist

Codes 2, 3, and 3A Applicants
Assemble your application materials in the following order:

1. Check payable to CredentialNet
2. Application Form
3. TWO passport-sized photographs (Code 2 only)
3. Authorization for Interstate Exchange of Examination and Licensure Information Form(s)
4. Transcript Request Form(s)
5. Certificate(s) of Experience
6. Ethics Exam Certificate of Completion (Codes 2 and 3A only)

Code 4A Applicants
Assemble your application materials in the following order:

1. Check payable to CredentialNet
2. Application Form
3. Authorization for Interstate Exchange of Examination and Licensure Information Form(s)

Application Processing

Once your complete application packet has been submitted, CredentialNet staff will proceed with verification.

Code 2 Applicants
An acknowledgment letter will be sent to you. Depending on the state in which you intend to practice, you will also receive state-specific forms. You are required to complete the state-specific forms and return them to CredentialNet.

After your application has been approved, an approval letter and a copy of your summary report will be sent to you. The summary report will also be sent to the board of accountancy in the state in which you intend to practice.

Processing usually takes six to eight weeks.

Code 3 Applicants
An acknowledgment letter will be sent to you. After your application has been verified, CredentialNet staff will perform a substantial equivalency evaluation. If you meet the UAA's substantial equivalency standards, you will receive a letter indicating that you have met UAA requirements. The board of accountancy in the state in which you intend to practice will also receive a letter indicating your compliance. You will be required to file a separate notification with the board of accountancy. Contact the board of accountancy to obtain a notification form.

Processing usually takes six to eight weeks.

Code 3A Applicants
An acknowledgment letter will be sent to you. After your application has been verified, CredentialNet staff will perform a substantial equivalency evaluation. If you meet Tennessee's substantial equivalency standards, you will receive a letter indicating that you are approved to practice public accounting in Tennessee. Contingent upon your continuing to practice in Tennessee, you are required to renew biennially.

Processing usually takes six to eight weeks.

Code 4A Applicants
After CredentialNet staff verifies your license, you will receive a letter indicating approval. Contingent upon your continuing to practice in Tennessee, you are required to renew biennially.

Processing usually takes four weeks.

Send all materials to: CredentialNet, c/o National Association of State Boards of Accountancy, 150 Fourth Avenue North, Suite 700 Nashville, TN 37219.

You may contact CredentialNet by calling 1-615-880-4200. CredentialNet staff are available from 8:00 a.m. to 4:30 p.m. CDT.

CREDENTIAL NET

150 Fourth Avenue North
Suite 700
Nashville, TN 37219
(615) 880-4200

Application Form

A. Applicant Type.
Check the code(s) that apply. Follow instructions according to the code(s).

If you plan to practice in multiple states now or in the future, it is recommended that you complete all sections of the application, regardless of your code type.

☐ Code 2 Reciprocal License.
List state(s) in which you intend to practice_____

The specified states will receive a summary report of your file.

☐ Code 3 Substantial Equivalency Evaluation
List state(s) in which you intend to practice_____

Upon your approval, the specified states will receive a letter indicating that you have met UAA substantial equivalency standards.

☐ Code 3A Tennessee Substantial Equivalency Evaluation and Notification

☐ Code 4A Tennessee Notification Only

B. Biographical Information.

First Name | Middle Name | Last Name | Suffix (Jr., III)

Date of Birth | Social Security Number

If you have used alternate names in the past (e.g., a maiden name), list first, middle, and last names:

Business Address ☐ Check if you wish to receive mail at this address.

Employer Name

Street or P.O. Box

City | State | Zip Code

Telephone | Fax | email

Residence Address ☐ Check if you wish to receive mail at this address.

Street or P.O. Box

City | State | Zip Code

Telephone | Fax | email

C. Licensing History
List ALL professional licenses, the issuing state/jurisdiction, the type of license or credential, the certificate or license number, and the date it was first issued.
Complete the Authorization for Interstate Exchange Form for each license listed.

State/Jurisdiction	License/Permit Type	Number	Date First Issued

What state/jurisdiction granted your original license or certificate?_____

3A and 4A applicants only:
Have you ever been certified in Tennessee? Yes No
If yes, what was your license number?_____

C. Licensing History (continued)

Have you ever had any professional or vocational license denied, suspended, revoked, or a citation issued by any state or foreign country? Yes No

Have you ever been found guilty, or entered a plea of guilty or nolo contendere, in a criminal prosecution under the laws of any state or of the United States, for any offense other than a minor traffic violation, whether or not the sentence was imposed, including suspended imposition of sentence or suspended execution of sentence? Yes No

Have you ever been disciplined by any jurisdiction, federal agency, the AICPA, or state CPA Society? Yes No

Have you ever been convicted of a felony or misdemeanor other than a minor traffic accident? Yes No

If you answered "yes" to any of the above questions, attach an explanation sheet.

IF YOU ARE A CODE 4A APPLICANT, STOP HERE. PROCEED TO SECTION H, "FEE CALCULATION."

D. Education.
List all colleges and universities where you obtained education that qualifies toward your accounting credentials. Complete Transcript Request form for each school listed.

Have you completed 150 hours of education? Yes No

Have you completed a course in auditing? Yes No

Number of Semester Hours Completed in Accounting_____

College/University_____

Address (City, State)_____

Degree_____ Date Graduated_____

College/University_____

Address (City, State)_____

Degree_____ Date Graduated_____

College/University_____

Address (City, State)_____

Degree_____ Date Graduated_____

E. Examination History.
List the jurisdiction in which you passed the Uniform CPA Examination and the date you passed it. Code 2 and Code 3A applicants: you are required to pass an examination in ethics. Attach evidence of passing the examination, such as a certificate or other documentation.

Have you passed the Uniform CPA Examination? Yes No

Jurisdiction	Date Passed (Month/Year)

Have you passed an examination in ethics and/or professional conduct? Yes No

Course/Examination Name	Sponsor/Address	Date Passed (Month/Day/Year)

F. Experience.
ist employment information. Use month/year format for dates.
Code 2 applicants: List your current employer and past employers.
Code 3 applicants: List your current employer or past employers, provided the total amount of employment equals at least one year.
Code 3A applicants: If you have completed 150 hours of education, you are required to show evidence of one year of full-time employment. List your current employer or past employers, provided that the total years of employment equals at least one year. If you have not completed 150 hours of education, you are required to show evidence of four years of full-time employment. List information so that the total amount of employment equals least four years.
Make a copy of this form to list more than four employers. Complete a Certificate of Experience for each employer listed.

Company Name_____

Supervisor's Name_____

Address (Street, City, State, Zip)_____

Phone Number_____

Dates of Employment From_____ To_____

Company Name_____

Supervisor's Name_____

Address (Street, City, State, Zip)_____

Phone Number_____

Dates of Employment From_____ To_____

Company Name_____

Supervisor's Name_____

Address (Street, City, State, Zip)_____

Phone Number_____

Dates of Employment From_____ To_____

Company Name_____

Supervisor's Name_____

Address (Street, City, State, Zip)_____

Phone Number_____

Dates of Employment From_____ To_____

G. Professional References.
Code 2 applicants only. List three references. References should be from business or professional individuals, and must not be relatives. CredentialNet will submit a Professional Reference Verification Form to all persons listed.

1. Name_____

Company_____

Business Address_____

Business Telephone_____

2. Name_____

Company_____

Business Address_____

Business Telephone_____

3. Name_____

Company_____

Business Address_____

Business Telephone_____

H. Fee Calculation

Method of Payment
☐ check ☐ money order

1. Application Fee

Code 2	$100.00
Code 3	$100.00
Code 3A	$100.00
Code 4A	$35.00

$

2. Authorization for Interstate Exchange of Examination and Licensure Information Fee
Complete an Authorization Form for each board of accountancy that has issued a license or certificate to you. Refer to the Fee Schedule to determine if there is a fee for verification.

_____ Board of Accountancy = $_____
_____ Board of Accountancy = $_____
_____ Board of Accountancy = $_____

$

3. Transcript Request Fee(s) $

4. TOTAL FEE SUBMITTED $

I. Affidavit, Notarization, and Photograph.

Code 2 applicants: Sign the affidavit. Obtain notarization and include TWO photographs.
Code 3 applicants: Sign the affidavit and obtain notarization. Photograph not required.
Code 3A and 4A applicants: Sign the affidavit. Notarization and photograph are not required.

I, _____, applicant, do state, affirm, and depose that all representations I have made in this application are true and complete in every respect. I hereby authorize NASBA to make such inquiries as it deems necessary to verify the accuracy and completeness of all representations I make as part of my application. Furthermore, I request and authorize the state boards of accountancy listed in this application to verify any and all information requested in this application. I agree that the responding state board may confirm the grades issued to me by the advisory grading service of the American Institute of Certified Public Accountants. In consideration for the services to be rendered by NASBA, I hereby release, discharge, and exonerate NASBA, its officers, directors, agents, and employees from any and all liability of every nature and kind arising out of the verification, storage, or transmission of information I have provided or NASBA has obtained.

_____
Applicant's Signature Date

3A and 4A applicants: Upon approval of my application, I agree to be subject to the Accountancy Act of 1998 of Tennessee and the rules and policies of the Board. Yes No

Code 2 and 3 applicants: By signing above, I understand that upon completion of this application, I am not automatically authorized to practice accounting in another state. I understand that I must receive final approval directly from the board of accountancy in the state in which I intend to practice. Yes No

State/Province or Country of:_____
County of:_____
I certify that on the date set forth below, the individual named above did appear personally before me and that I did identify this applicant. The statements on this document are subscribed and sworn to before me by the applicant on this_____day of_____.

Notary Public signature:_____
My commission expires:_____

Code 2 Only:
Affix two photographs here with paper clip.

approximately 2" x 2" in size
Head and shoulders picture only
No photocopies

last revised: 11/14/00

CREDENTIAL NET

150 Fourth Avenue North
Suite 700
Nashville, TN 37219-2417
(615) 880-4200

Authorization For Interstate Exchange of Examination and Licensure Information

Applicants: Complete section A of this form and return it with your CredentialNet application. By signing this form, you are authorizing CredentialNet to obtain this information from the board of accountancy listed.

State Boards: The applicant in section A of this form has authorized you to provide any and all pertinent information requested in sections B through E in this form to CredentialNet, a service of the National Association of State Boards of Accountancy. Please return the form to CredentialNet at the address listed above.

A. ALL APPLICANTS MUST COMPLETE THIS SECTION.
Provide your name and address, date of birth, and social security number. Sign and date the form.

First Name | Middle Name | Last Name | Suffix

Street or P.O. Box

City | State | Zip Code | Daytime Telephone

Date of Birth | Social Security Number

Certificate Number (if applicable)_____

I hereby request and authorize the _____(insert board of accountancy name) to provide any and all pertinent information requested in this form to CredentialNet. I agree that CredentialNet may confirm the grades issued to me by the Advisory Grading Service of the American Institute of Certified Public Accountants.

Signature | Date

B. Verification of Examination Credits. STATE BOARD: COMPLETE THIS SECTION. Provide Uniform CPA Examination grade information for the candidate listed above, as reported by the AICPA Advisory Grading Service. List all grades, including failing grades, for the applicant. If any of the grades were changed, if an exam other than the Uniform CPA Examination was used, or if there is any reason why the grades should not be accepted, use section E of this form.

Date of Examination	Candidate ID #	Audit	LPR (Business Law)	FARE (Theory)	ARE (Practice)

1. Was the applicant ever denied admission to the Examination? Yes No (If yes, use section D.)
2. If the applicant has not passed all parts of the Uniform CPA Examination, are there any restrictions preventing him/her from taking the Examination in your state? Yes No (If yes, use section D.)
3. If the applicant has not passed all parts of the Uniform CPA Examination, indicate above the expiration date of those parts that have been passed and for which credit has been given.

C. Certificate/Licensure Status. STATE BOARD: COMPLETE THIS SECTION.

Certificate as a Certified Public Accountant:

1. The applicant was granted an original / reciprocal (circle one) CPA Certificate, number_____, issued ___/___/___, which is in good standing unless noted in section E of this form.

2. The applicant has completed an ethics examination. Yes No N/A (circle one)
The examination was prepared and graded by: Board AICPA Other (circle one)

License/Permit to Practice Public Accounting:
(If licensing is the responsibility of another agency, please forward and request completion of applicable section.)

3. The applicant holds a license/permit to practice, number_____, from this board for the period ending _____, and is currently in good standing in this state. Yes No

4. Yes No This state is a two-tier state.

5. Yes No The applicant is currently licensed to engage in the practice of public accounting.

6. Yes No Has there ever been any disciplinary action instituted against the applicant? If yes, explain in section E.

7. If the applicant does not hold a license/permit from your board, please indicate the requirements to be met for issuance or reinstatement:

License/Permit not required _____

Pay appropriate fees and/or post bond _____

Complete acceptable accounting/auditing experience _____

Complete continuing professional education requirements _____

Other (specify) _____

D. Additional Information Requested.

E. Exceptions noted or explanations of information provided. Official seal and signature must be affixed to attached sheets if needed to respond to this inquiry.

F. Signature and Seal.

The information provided herein is correct to the best of my knowledge.

OFFICIAL BOARD SEAL

Board/Agency _____

Official Signature _____

Title _____

Date _____

CREDENTIAL NET

150 Fourth Avenue North
Suite 700
Nashville, TN 37219-2417
(615) 880-4200

Transcript Request Form

Applicants: Complete sections A and B of this form. If you need to obtain transcripts from more than one school, make a copy of this form. Contact the school directly to determine if there is a transcript request fee. If applicable, include the fee in your total application fee. Return this form with your application; do not send to the school.

Registrars: The applicant whose name appears below has authorized CredentialNet, a service of the National Association of State Boards of Accountancy, to obtain a copy of his/her transcript for accounting licensure purposes. Please send a copy of an official transcript directly to CredentialNet at the address listed above. Do not send to the applicant.

A. ALL APPLICANTS MUST COMPLETE THIS SECTION. Provide your name and address, date of birth, and student identification number.

First Name | Middle Name | Last Name | Suffix (Jr., III)

If you were registered under another name at this school, please provide that name:

First Name | Middle Name | Last Name | Suffix

Street or P.O. Box

City | State | Zip Code | Telephone

Date of Birth | Student Identification Number | Social Security Number

B. ALL APPLICANTS MUST COMPLETE THIS SECTION. Provide the college or university name and address and your attendance information.

College or University

Street or P.O. Box

City | State | Zip Code

Degree | Dates of Attendance | Date of Graduation

Transcript Request Fee_____

I hereby authorize the school named above to send a copy of my transcript directly to CredentialNet at the address listed above.

Signature | Date

last revised: 04/05/00

Authorization For Interstate Exchange of Examination and Licensure Information

Fee Schedule

Applicants: Refer to this schedule to determine if there is a fee associated with obtaining verification of your license and/or examination grades. Enter each fee in the "Fee Calculation" section on the Application Form. You must complete an Authorization for Interstate Exchange of Examination and Licensure Information for each jurisdiction in which you hold a license/permit to practice.

Note: If you hold a license in Illinois, refer to the fee listed after "Department of Professional Regulation." If you took the examination in Illinois, refer to the fee listed after "Board of Examiners." If you hold a license in Illinois and you took the examination in Illinois, you must complete two separate forms.

Board of Accountancy	Fee	Board of Accountancy	Fee
Alabama State Board of Public Accountancy	none	Montana State Board of Public Accountants	none
Alaska State Board of Public Accountancy	$20.00	Nebraska State Board of Public Accountancy	none
Arizona State Board of Accountancy	$12.00	Nevada State Board of Accountancy	none
Arkansas State Board of Accountancy	none	New Hampshire Board of Accountancy	$20.00
California State Board of Accountancy	$2.00	New Jersey State Board of Accountancy	none
Colorado State Board of Accountancy	none	New Mexico State Board of Public Accountancy	$20.00
Connecticut State Board of Accountancy	none	New York State Board for Public Accountancy	$20.00
Delaware State Board of Accountancy	$10.00	North Carolina State Board of CPA Examiners	none
District of Columbia Board of Accountancy		North Dakota State Board of Accountancy	none
Florida Board of Accountancy	none	Accountancy Board of Ohio	none
Georgia State Board of Accountancy	$20.00	Oklahoma Accountancy Board	none
Guam Board of Public Accountancy	none	Oregon State Board of Accountancy	none
Hawaii Board of Public Accountancy	$15.00	Pennsylvania State Board of Accountancy	$25.00
Idaho State Board of Accountancy	none	Puerto Rico Board of Accountancy	none
Illinois Board of Examiners	$30.00	Rhode Island Board of Accountancy	none
Illinois Department of Professional Regulation	$20.00	South Carolina Board of Accountancy	none
Indiana Board of Accountancy	none	South Dakota Board of Accountancy	none
Iowa Accountancy Examining Board	none	Tennessee State Board of Accountancy	none
Kansas Board of Accountancy	none	Texas State Board of Public Accountancy	$40.00
Kentucky State Board of Accountancy	none	Utah Board of Accountancy	none
State Board of CPAs of Louisiana	$25.00	Vermont Board of Public Accountancy	$20.00
Maine Board of Accountancy	none	Virgin Islands Board of Public Accountancy	none
Maryland State Board of Public Accountancy	$10.00	Virginia Board of Accountancy	$25.00
Massachusetts Board of Public Accountancy	$10.00	Washington State Board of Accountancy	none
Michigan Board of Accountancy	$15.00	West Virginia Board of Accountancy	$30.00
Minnesota State Board of Accountancy	$20.00	Wisconsin Accounting Examining Board	$10.00
Mississippi State Board of Public Accountancy	$50.00	Wyoming Board of Certified Public Accountants	none
Missouri State Board of Accountancy	none		

revised: 01/31/00

CREDENTIAL NET

150 Fourth Avenue North
Suite 700
Nashville, TN 37219-2417
(615) 880-4200

Certificate of Experience

Applicants: Complete sections A and B of this form and return with your CredentialNet application. If experience was obtained from more than one entity, make a copy of this form and complete a Certificate of Experience for each entity.

Supervisors/Verifiers: Please verify the information presented in section C. Send this form directly to CredentialNet at the address listed above. By signing the form, you are authorizing CredentialNet to verify your license/certificate with the appropriate board of accountancy.

A. Applicant Information. APPLICANTS: COMPLETE THIS SECTION. Indicate whether you are a Code 2, Code 3, or Code 3A applicant.

First Name _____ Middle Name _____ Last Name _____

Address _____ City _____ State _____ Zip Code _____ Telephone Number _____

Social Security Number _____

☐ Code 2 ☐ Code 3 ☐ Code 3A

B. Employer Information. APPLICANTS: COMPLETE THIS SECTION. List employer information, your position, dates of employment, and the name of your supervisor at the time. CredentialNet will send this form to the named supervisor, who will then complete Section C, "Supervisor Certification."

Employer _____

Address _____

City _____ State _____ Zip Code _____ Telephone Number _____

Position _____

Period of Employment(check one)

☐ Full Time From _____ To _____

☐ Part Time From _____ To _____

Name of Supervisor _____

Firm (if different from above) _____

Address _____

City _____ State _____ Zip Code _____ Telephone Number _____

I certify under penalty of perjury to the truth and accuracy of all statements, answers, and representations made in this Certificate of Experience, including all supplementary statements.

Signature of Applicant _____ Date _____

C. Verification by Supervisor. SUPERVISORS: PLEASE COMPLETE THIS SECTION. Follow instructions according to applicant "Code" type (listed in section A of this form).

1. Check the type(s) of employer:

____ Client practice of public accountancy
____ Commercial enterprise practice of public accountancy
____ Industry
____ Government
____ Education
____ Law Firm
____ Other_____

2(a). Supervisors verifying information for Code 2 applicants:
Indicate the number of hours performed by the applicant:

	Hours
Attest functions:	
Audits of financial statements in accordance with GAAS	
Reviews of financial statements in accordance with SSARS	
Compilations of financial statements with complete disclosure in accordance with SSARS	
Performance of an independent audit function	
Training sessions on the attest function	
Reviews regarding internal control	
Government audit agencies rendering an opinion and report	
Operations audit review	
Compliance audits	
Expressing an opinion on financial forecasts and projections	
TOTAL ATTEST HOURS	
Other functions:	
Preparation of income and non-profit tax returns	
Tax research	
Representation before a government agency on a tax matter	
Financial forecasts, analysis, and projections	
Management advisory services which meet AICPA standards	
Management and supervision of accounting functions and preparation of financial statements for profit or non-profit entities	
Professional accounting-related work in an accounting firm	
Other (describe)	
TOTAL OF ALL HOURS	

2(b). Supervisors verifying information for Code 3 and Code 3A applicants:
How many total years accounting experience does/did the applicant have with your firm? _____

. Verification by supervisor (continued). Supervisors (or the person who can verify information) must have a current CPA license or a license that was current during the stated time period.

SUPERVISOR VERIFICATION

I certify under penalty of perjury to the truth and accuracy of the information provided herein and that during the period from _____ to _____, the applicant worked for me, my firm, or the firm which is or was my employer. By signing this form, I authorize CredentialNet, a service of the National Association of State Boards of Accountancy, to verify my certificate/license with the appropriate board(s) of accountancy.

Name_____ Position or Title_____

Current Firm Name_____

Current Address_____

City_____ State_____ Zip_____

Telephone Number _____

CPA Certificate Number _____ Issuing Jurisdiction_____

Expires On_____

_____

Signature of Supervisor Date

State of California
Department of Consumer Affairs

Attachment 4

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

Memorandum

UAA Task Force Agenda Item III.D.& E.
January 26, 2004

To : Renata Sos, Chair
Members, UAA Task Force

Date : January 23, 2004

Telephone : (916) 263-3788
Facsimile : (916) 263-3674
E-mail : agranick@cba.ca.gov

Theresa for

From : Aronna Granick
Legislation/Regulations Coordinator

Subject : Information Regarding NASBA's Method for Determining Individual Substantial Equivalency and NASBA's Processing of Substantial Equivalency Notifications

Attached is information from NASBA regarding substantial equivalency notifications. Attachment 1 describes NASBA's method of evaluating an individual's qualification for substantial equivalency. Attachment 2 identifies substantially equivalent states and Attachment 3 shows the services that NASBA provides for them.

Attachments

Through CredentialNet, NASBA provides interstate practice related services to CPAs and to boards of accountancy by processing individual substantial equivalency evaluations and notifications of intent. For states that have adopted Section 23, "Substantial Equivalency," the individual substantial equivalency evaluation assists those applicants who hold licenses in states that have not been deemed substantially equivalent by the National Qualification Appraisal Service. The individual substantial equivalency evaluation may be used as part of the process for obtaining a reciprocal license or filing a notification of intent to practice, depending on the rules of the state in which the applicant intends to practice. Currently, seven states use the CredentialNet service to handle applicants who hold licenses in "non-substantially equivalent" states. These states include Arkansas, Kansas, New Mexico, North Dakota, Oklahoma, Oregon, and Tennessee. NASBA is able to customize services to meet a board of accountancy's specific requirements.

Definition of Substantial Equivalency

Under this concept, which was first included in the UAA-Third Edition in January 1998, if a CPA has a valid license from a state with CPA licensing criteria that are "substantially equivalent" to those outlined in the Uniform Accountancy Act or if the CPA's credentials individually have been deemed substantially equivalent, then the CPA can cross state lines to practice in another state without obtaining a license in that state. However, the CPA must notify the state board of his or her intent to practice and agree to follow the law and rules of that state. The National Qualification Appraisal Service has deemed 45 states to have education, examination, and experience requirements that are substantially equivalent to the UAA. For a complete list of substantially equivalent states, please refer to the enclosed chart.

Substantial Equivalency Evaluation Requirements

Education

At least a 150 hours of college education including a baccalaureate degree or its equivalent.
Grandfathering: Anyone who passed the CPA Examination before January 1, 2001 will be eligible personally to obtain substantial equivalency for the purpose of interstate practice even if he/she has not completed 150 hours of education. Individuals who pass the CPA Examination after January 1, 2001 must complete the 150-hour education requirement.

Examination

A candidate shall be required to pass all sections of the examination provided for in Section 5(d) of the UAA in order to qualify for a certificate. Prior to the implementation of the computer-based examination, if at a given sitting of the examination a candidate passes two or more but not all sections, then the candidate shall be given credit for those sections that the candidate has passed and need not sit for reexamination in those sections, provided that
(1) at that sitting the candidate wrote all sections of the examination for which the candidate does not have credit;
(2) the candidate attained a minimum grade of 50 on each section taken at that sitting;
(3) the candidate passes the remaining sections of the examination within six consecutive examinations given after the one at which the first sections were passed;
(4) at each subsequent sitting at which the candidate seeks to pass any additional sections, the candidate sits for all sections for which the Candidate does not have credit; and
(5) in order to receive credit for passing additional sections in any such subsequent sitting, the candidate attains a minimum grade of 50 on sections taken at that sitting.

Experience

Applicants must have one year of experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills all of which must be verified by a licensee. This experience would be acceptable if it was gained through employment in government, industry, academia or public practice.

CredentialNet provides substantial equivalency evaluations based on the requirements above. The administration and processes for the evaluation can be tailored to the board's preference.

Administrative Staff

NASBA currently employs staff who are knowledgeable in accounting education, educational credential evaluation, application processing, examination administration, grade reporting, accounting experience reviews, certification/licensure application procedures, continuing professional education, reciprocity (both interstate and international), public information initiatives, customer service, complaint resolution, disciplinary procedures, records maintenance, confidentiality concerns, and examination and candidate record security issues.

NASBA's Director of Compliance Services, Yordanos Dumez, is a CPA and former state board auditor. Ms. Dumez manages the CredentialNet service. An additional two full-time employees comprise the CredentialNet staff. The Compliance Services department utilizes CPAES's credential evaluation's services for credential evaluations.

Questions Related to License History (Section C of the Application):

1. Once the applicant's qualifications are evaluated and determined to be substantially equivalent, is the applicant ever required to update the information in the License History section of the application form? When are updates required?

A: Yes, applicants are required to update/renew their licensing history. For instance, if an approved applicant needed to have his/her information forwarded to another board of accountancy and the time since the original application had been more than one year, the applicant would be asked to update any information that has changed. CredentialNet staff check licensing information to ensure that it is current and accurate. Since CredentialNet can be tailored to fit a board's needs, renewal frequency can also be dictated by the board.

2. If the applicant answers "yes" to any of the questions related to discipline or criminal history (page 2) and must attach an explanation sheet, how is the explanation evaluated? Under what circumstances would this information mean the applicant is not qualified for substantial equivalency? Aside from self-reporting, what other mechanisms does CredentialNet use to obtain information related to "good character"?

A: If an applicant answers "yes" to any of the questions related to discipline or criminal history, the applicant's file is sent to the appropriate board for further consideration. An applicant would not qualify for substantial equivalency for lack of "good moral character" as defined in Section 5 (b) of the UAA.

Aside from self-reporting, CredentialNet, through the use of the "Authorization For Interstate Exchange of Examination and Licensure Information" form, validates examination, licensure, and disciplinary history, provided directly to us by a board of accountancy.

3. How is "good character" defined? What percentage of applications are rejected because of failure to demonstrate "good character"?

   A: **Good character is defined in Section 5 (b) of the Uniform Accountancy Act:**

   "Section 5 – Qualifications for a Certificate As a Certified Public Accountant
   5(b) Good moral character for purposes of this Section means lack of a history of dishonest or felonious acts. The Board may refuse to grant a certificate on the grounds of failure to satisfy this requirement only if there is a substantial connection between the lack of good moral character of the applicant and the professional responsibilities of a licensee and if the finding by the Board of lack of good moral character is supported by clear and convincing evidence. When an applicant is found to be unqualified for a certificate because of a lack of good moral character, the Board shall furnish the applicant [a] statement containing the findings of the Board, a complete record of the evidence upon which the determination was based, and a notice of the applicant's right of appeal."

   Less than 2 percent of applications are rejected because of failure to demonstrate good character.

Questions Related to Education (Section D of the Application):

1. Must the 150 hours of education be completed pre-licensure?

   A: **No. If an applicant had not completed the 150 hours of education before being licensed in their home state, it would not prevent him/her from being deemed substantially equivalent, as long as the 150 hours of education requirement was met for the substantially equivalency evaluation.**

2. Must the applicant meet all of the requirements in UAA Rule 5-2? Are any exceptions made because the applicant's home state currently or previously had different educational requirements?

   A: **The education element of the individual substantial equivalency evaluation only requires that the applicant receive a baccalaureate degree with a total of 150 hours of education. In addition, anyone who passed the Uniform CPA Examination before January 1, 2001 is eligible personally to obtain substantial equivalency for the purpose of interstate practice even if they have not completed 150 hours of education. Individuals who pass the Uniform CPA Examination after January 1, 2001 must complete the 150 hours of education requirement in order to be eligible for**

substantial equivalency. Appendix C of the Uniform Accountancy Act, "Substantial Equivalency," covers this information.

3. If the applicant was educated outside the United States, how is education evaluated? If a credentials evaluation service is used, how is it selected?

A: Foreign credentials are evaluated by a member of the National Association Credential Evaluation Services (NACES.) Boards have the option of choosing the agency they prefer.

General Questions

1. Can all applicants who are deemed substantially equivalent sign and issue attest reports? Does this depend on what services the applicant can perform in the home state?

A: NASBA's individual substantial equivalency evaluation only determines whether or not an individual's credentials are substantially equivalent to the Uniform Accountancy Act. The individual would be required to follow the law and rules that pertain to attestation services in the state in which he or she intends to practice

2. How long does it take CredentialNet to process an application once all of the materials are received? How is CredentialNet's decision communicated to the applicant? Is there an appeal process if the applicant disagrees?

A: Total processing for CredentialNet applications is approximately six to eight weeks. Because CredentialNet requires primary source verification on all documentation (transcripts, authorization for interstate exchange forms, certificates of experience), the gathering of this information comprises the bulk of the processing time. After all primary source verification is received, the evaluation takes less than one week. The decision is officially communicated via letter. If the applicant disagrees with the decision, he may appeal by writing to CredentialNet within four weeks of the date of the decision letter.

3. How many licensees have requested an evaluation of individual substantial equivalency from CredentialNet? How many have been determined to be substantially equivalent?

A: Since the inception of the substantial equivalency evaluations in May 1999, CredentialNet has processed approximately 160 individual substantial equivalency evaluations for the following states: Arkansas, Kansas, Oklahoma, Tennessee, New Mexico, Oregon, and North Dakota. Of the 160, 152 have been determined substantially equivalent.

4. Once the application is approved and on file with CredentialNet, how is this information communicated to the accountancy board in the state the licensee plans to enter? Does the licensee ask CredentialNet to forward the information to the state board or must the board request it from CredentialNet? How long does it take?

A: Upon approval of application, NASBA sends a "CPA Portfolio" that summarizes the applicant's credentials and the primary source verification to the board in the state in which the CPA intends to practice. The CPA Portfolio is sent to the board at the same time the decision letter is mailed to the applicant.

5. Provide a description of similar services you are currently providing to state boards, names of the states, and the charges associated with the services provided. Specifically, we would like you to address whether you validate licensure status, validate the address provided, and require self-disclosure of criminal convictions. If you do require disclosure of criminal convictions, how do you follow-up if a conviction is disclosed? In addition, please include an explanation of the process followed to notify the licensee and state board of the outcome and how quickly you are able to complete the process.

NASBA provides substantial equivalency evaluation services for the following boards: Arkansas, Kansas, Oklahoma, Oregon, New Mexico, North Dakota, and Tennessee. Please refer to the attached document that lists all current substantial equivalency services, including: type of evaluation; requirements and supporting documentation; participating boards; fees; and the type of report provided to boards and applicants. Also included is a list that describes an adjunct CredentialNet service – evaluation of initial applications for both individuals and firms for the Colorado Board of Accountancy

All of NASBA's current CredentialNet services evaluate for licensure status and require self-disclosure of criminal convictions. If a conviction is disclosed, the board in the state in which the applicant wishes to practice in notified and feedback is requested.

STATE	EDUCATION		EXAMINATION			EXPERIENCE	SUBSTANTIALLY EQUIVALENT		COMMENTS
	BA/BS Degree	150-hour Effective Date	Within 6 exams	Min. failing grade of 50	Test Remaining Sections		One-Tier Licensing States	Permit Holders Only*	
Alabama	✔	1995	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (2 years of experience required for permit to practice).
Alaska	✔	2001	--	✔	✔	✔ 3 yrs. Or 2 yrs. w/ BS-Acct.	YES		All sections of the examination must be passed within five years or 10 consecutive examinations.
Arizona	✔	2004	✔	✔	✔	✔ 2 years	YES		
Arkansas	✔	1998	✔	✔	✔	✔ 1 year	YES		
California	✔	2001	✔	✔	✔	✔ 1 year		YES+	+California's revised act, enacted in October 2001, creates two tracks for licensure. While Section 5093 requires at least 150 semester hours for licensure and experience as outlined in the UAA, Section 5092 requires just 120 hours and two years of experience. Only California CPAs who comply with Section 5093 will be considered substantially equivalent to the UAA.
Colorado	✔	--	✔	✔	✔	✔ 1 year	--		Board accepts education in lieu of experience.
Connecticut	✔	2000	✔	✔	✔	✔ 3 years	YES		
Delaware	--	--	✔	✔	✔	✔ 4 years	--		Board accepts associate's degree. Minimum failing grade of 50 waived if three sections passed at one sitting.
District of Columbia	✔	2000	✔	✔	✔	--		YES	Two tier state: experience not required for certificate (2 years of experience required for permit to practice).
Florida	✔	1983	✔	✔	✔	NONE	--		No experience required. Minimum failing grade of 50 waived if three sections passed at one sitting.
Georgia	✔	1998	✔	✔	✔	✔ 2 years	YES		
Guam	✔	2000	✔	✔	✔	✔ 2 years/ 1 year (see note)		YES	Two-tier state: experience not required for certificate. Two years of experience is required to receive an Individual Permit to Practice for those who first sat as a Guam candidate in May 2000 or before; one year of experience is required for those who first sat as a Guam Candidate in November 2000 or after.
Hawaii	✔	2000	✔	✔	✔	✔ 2 years	YES		
Idaho	✔	2000	✔	✔	✔	✔ 1 year	YES		Minimum failing grade of 50 waived if three sections passed at one sitting.

STATE	BA/BS Degree	150-hour Effective Date	Within 6 exams	Min. failing grade of 50	Test Remaining Sections		EQUIVALENT One-Tier Licensing States	EQUIVALENT Permit Holders Only	
Illinois	✔	2000	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (1 year of experience required for a permit to practice).
Indiana	✔	2000	✔	✔	✔	✔ 2 years	YES		
Iowa	✔	2000	✔	✔	✔	✔ 1 year	YES		One year of experience is required for the certificate; 4,000 hours of experience in a minimum of two years is required to perform attest services.
Kansas	✔	1997	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (1 year of experience required for a permit to practice).
Kentucky	✔	2000	✔	✔	✔	✔ 1 year	YES		
Louisiana	✔	1996	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (2 years of experience required for a permit to practice).
Maine	✔	2002	✔	✔	✔	✔ 2 years	YES		
Maryland	✔	1999	✔	✔	✔	✔ 1 year	YES		
Massachusetts	✔	2002	✔	✔	✔	✔ 3 years	YES		
Michigan	✔	2003	✔	✔	✔	✔ 2 years	YES		
Minnesota	✔	2006	✔	✔	✔	✔ 1 year	YES**		**150-hour requirement not effective until July 1, 2006.
Mississippi	✔	1995	✔	✔	✔	✔ 1 year	YES		
Missouri	✔	1999	✔	✔	✔	✔ 1 year	YES		
Montana	✔	1997	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (1 year of attest or 2 years of private, governmental, or public accounting experience required for a permit to practice).
Nebraska	✔	1998	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (2 years of experience required for a permit to practice).
Nevada	✔	2001	✔	✔	✔	✔ 2 years	YES		

STATE	EDUCATION		EXAMINATION			EXPERIENCE	SUBSTANTIALLY EQUIVALENT		COMMENT
	BA/BS Degree	150-hour Effective Date	Within 6 exams	Min. failing grade of 50	Test Remaining Sections		One-Tier Licensing States	Permit Holders Only	
New Jersey	✔	2000	--	✔	✔	✔ 1 year	YES		Candidates are required to pass all sections within ten consecutive examinations.
New Hampshire	✔	--	--	✔	✔	✔ 2 years	--		150-hr. requirement not adopted; candidates are required to pass all sections within five years or ten consecutive examinations.
New Mexico	✔	2004	✔	✔	✔	✔ 1 year	YES		
New York	✔	2009	✔	--	--	✔ 2 years	--		150-hr. rule is partially in effect within the 5-year UAA requirement but allowing some candidates to comply by 2009; no minimum failing grade on examination and candidates are not required to take all unpassed sections at one sitting.
North Carolina	✔	2001	✔	✔	✔	✔ 1 year	YES		
North Dakota	✔	1999	✔	✔	✔	✔	YES		
Ohio	✔	2000	✔	✔	✔	✔ 2 years	YES		
Oklahoma	✔	2003	✔	✔	✔	✔ 1 year	YES		
Oregon	✔	2000	✔	✔	✔	✔ 2 years	YES		
Pennsylvania	✔	2000	✔	--	--	✔ 2 years	--		Minimum failing grade is 20 and candidates are not required to take all unpassed sections at one sitting.
Puerto Rico	✔	2000	✔	✔	✔	8 years of experience in lieu of education req.	--		Candidates who earned conditioned credit prior to 1994 are exempt from taking all unpassed sections at one sitting. No experience required for those who meet the educational requirement.
Rhode Island	✔	1999	✔	✔	✔	✔ 1 year	YES		Conditioned credit expires within six consecutive examinations or five years, whichever comes first.
South Carolina	✔	1997	✔	✔	✔	✔ 2 years	YES		
South Dakota	✔	1998	✔	✔	✔	✔ 1 year	YES		SD candidates who have completed a bachelor's degree in accounting and who do not have 150 hours may apply for the exam under ARSD:20:75:02:04(3), which allows a candidate to apply to the board for consideration of 4 years of accounting experience in lieu of the additional 30 hrs.

STATE	EDUCATION		EXAMINATION			EXPERIENCE	SUBSTANTIALLY EQUIVALENT		COMMENTS
	BA/BS Degree	150-hour Effective Date	Within 6 exams	Min. failing grade of 50	Test Remaining Sections		One-Tier Licensing States	Permit Holders Only	
Tennessee	✔	1993	✔	✔	✔	✔ 2 years	YES		Two years of experience are required for those performing attest services; only one year of experience is required to obtain a certificate.
Texas	✔	1997	✔	✔	✔	✔ 2 years	YES		
Utah	✔	1994	✔	✔	✔	✔ 1 year	YES		
Vermont	--	--	✔	✔	✔	✔ 2 years	--		College degree not required; 150-hr. requirement not adopted.
Virgin Islands	--	--	--	--		✔ 2 years	--		Board accepts high school diploma as educational requirement.
Virginia	✔	2006	✔	✔	✔	✔ 1 year**	YES***		**One year of experience is required for a CPA certificate. An additional year of specified audit and review experience is required of CPAs who supervise audits and reviews AND sign reports on financial statements. ***150-hr. rule is in effect after the 5-year UAA requirement but deemed substantially equivalent by NASBA Qualification Appraisal Service.
Washington	✔	2000	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (1 year of experience required for a permit to practice).
West Virginia	✔	2000	✔	✔	✔	✔ 1 year	YES		
Wisconsin	✔	2001	✔	✔	✔	✔ 1 ½ years	YES		Minimum failing grade of 50 waived if three sections passed at one sitting.
Wyoming	✔	1999	✔	✔	✔	--		YES	Two-tier state: experience not required for certificate (2 years of experience required for a permit to practice).

✔ State complies with UAA
-- State does not comply with UAA
* State law provides that certificate holders must have permits (licenses) in order to practice accounting. The licensing provisions of these states are substantially equivalent to the UAA with respect to permit holders only.

Last revi 01/31/03

CredentialNet Services for Interstate Practice - Attachment no. 3

Evaluation Type / Name	Requirements/Supporting Documentation	Participating Board/s	Fee	Documentation Provided to Boards
Code 2 - Credentials Verification for New York (NASBA assists CPAs to apply for a reciprocal license with the New York State Board)	**1. License History** - Authorization for Interstate Exchange forms completed and stamped by each Board where applicant holds a license **2. Education** - Official transcripts from each school attended by applicant **3. Work Experience** - Certificate of Experience forms signed by verifying CPA	New York	$100.00	**CPA Portfolio** (a summary of all credentials) and copies of all supporting documents
Code 3 - Individual Substantial Equivalency Evaluation, to be used in filing for a reciprocal license or notification	**1. License History** shows good moral character by lacking a history of dishonest or felonious acts - Authorization for Interstate Exchange forms completed and stamped by each Board where applicant holds a license **2. Education** 150 hours required if CPA exam passed after 1/1/01 - Official transcripts from each school attended by applicant **3. One Year Work Experience** - Certificate of Experience forms signed by verifying CPA **4. Uniform CPA Examination** passed with conditioning beginning once two sections are passed and all four sections must be passed within 6 attempts; minimum failing grade of 50; all unpassed sections taken at one sitting - Interstate Exchange forms	Arkansas (required) Kansas New Mexico North Dakota New Mexico Oklahoma Oregon	$100.00	**CPA Portfolio** (a summary of all credentials)
Code 3A - Notification of Intent to Practice in Tennessee and Tennessee Substantial Equivalency Evaluation	**1. License History** shows good moral character by lacking a history of dishonest or felonious acts - Authorization for Interstate Exchange forms completed and stamped by each Board where applicant holds a license **2. Education** 150 hours required if CPA exam passed after 1/1/01 - Official transcripts from each school attended by applicant **3. One Year Work Experience** - Certificate of Experience forms signed by verifying CPA **4. Uniform CPA Examination** passed with conditioning beginning once two sections are passed and all four sections must be passed within 6 attempts; minimum failing grade of 50; all unpassed sections taken at one sitting - Interstate Exchange forms **5. Ethics Examination** must be passed such as the exam given by the American Institute of Certified Public Accountants (AICPA).	Tennessee	$100.00	**CPA Portfolio** (a summary of all credentials) and candidate is included in a monthly report to Tennessee - CNET processes the renewals of these notifications which must be completed every two years
Code 4A - Notification of Intent to Practice in Tennessee	**1. License History** - Authorization for Interstate Exchange forms completed and stamped by each Board where applicant holds a license	Tennessee	$35.00	**Monthly Report** is issued to TN Board with information on all CPAs who have provided Notification of Intent to Practice in TN - CNET processes the renewals of these notifications which must be completed every two years

Attachment 3

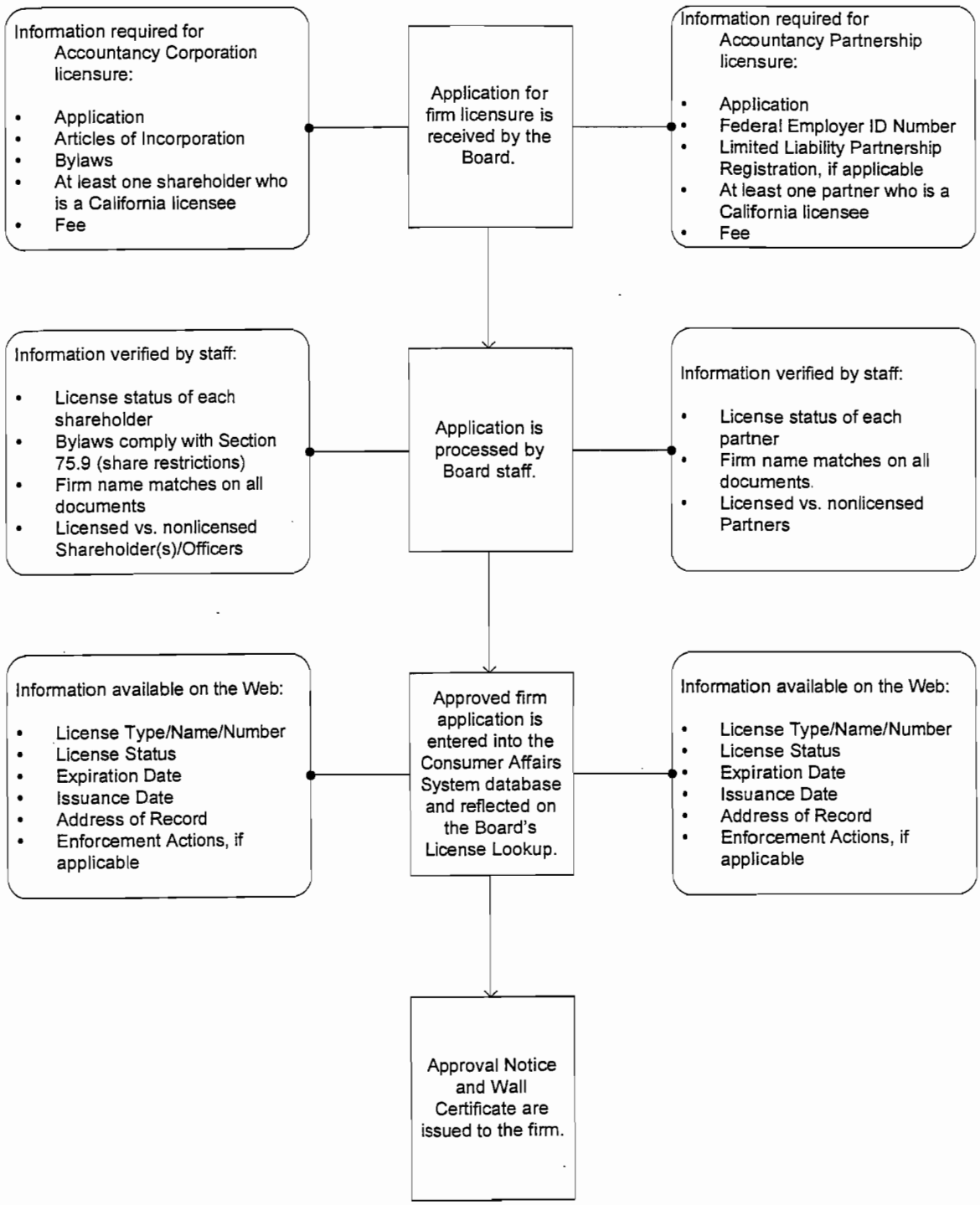
Colorado Reciprocity - CPA Licensure Application for Reciprocity	**1. License History** must include passing CPA exam grades and must lack evidence of any disciplinary actions issued by previous Boards - Authorization for Interstate Exchange of Examination and Licensure Information forms completed and stamped by each Board where applicant holds a license **2. Education** - A Bachelor's Degree including 24 semester hours in Accounting, 3 semester hours in Audit and 21 semester hours in General Business credits (not to exceed 6 semester hours in any one subject) - Official transcripts from each school attended by applicant or official foreign evaluation report **3. Work Experience** must include one year and 1800 hours of public accounting experience - Certificate of Experience signed by supervising CPA whose license was active during the indicate dperiod of work experience **4. Verification of Supervisor's License** must be obtained from the appropriate Board - Employer's License Verification form completed by the State Board including the Board's official stamp **5. AICPA Ethics Exam** must be completed and passed with a minimum score of 90% - Certificate of Completion from the AICPA and official score sheet issued directly from the AICPA.	Colorado	$165.00	**Application file** for each applicant including all supporting original documentation.

Other Evaluation Services offered by CredentialNet for Initial Licensing - Attachment no. 4

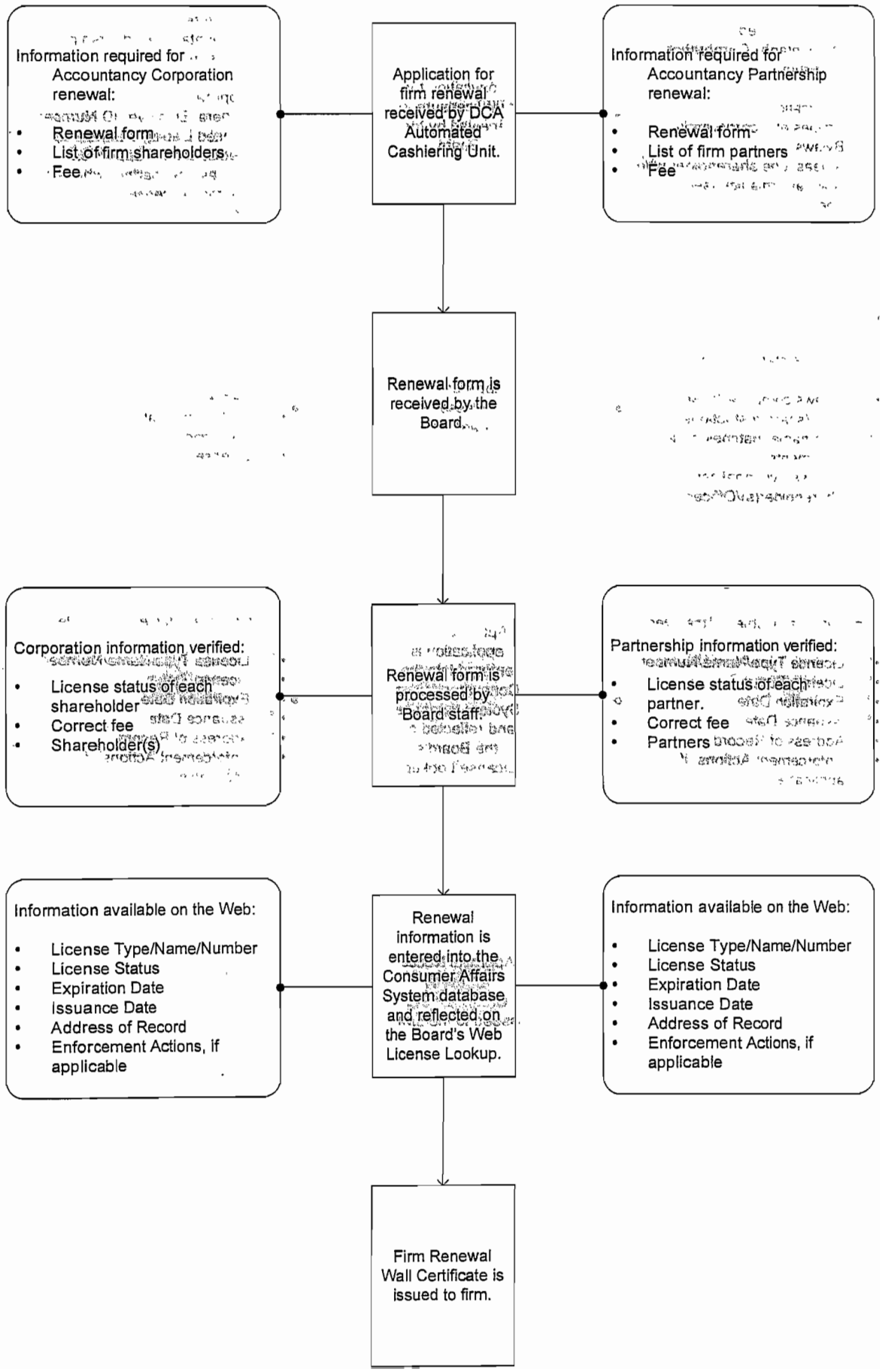
Evaluation Type / Name	Requirements/Supporting Documentation	Participating Board/s	Fee	Documentation Provided to Boards
Colorado Exam - CPA Licensure Application for Applicants who passed the Uniform CPA Exam in Colorado	**1. Uniform CPA Examination** passed in the state of Colorado - Score sheet provided by CPA Examination Services **2. Education** - A Bachelor's Degree including 24 semester hours in Accounting, 3 semester hours in Audit and 21 semester hours in General Business credits (not to exceed 6 semester hours in any one subject) - Official transcripts from each school attended by applicant or official foreign evaluation report **3. Work Experience** must include one year and 1800 hours of public accounting experience - Certificate of Experience signed by supervising CPA whose license was active during the indicate dperiod of work experience **4. Verification of Supervisor's License** must be obtained from the appropriate Board - Employer's License Verification form completed by the State Board including the Board's official stamp **5. AICPA Ethics Exam** must be completed and passed with a minimum score of 90% - Certificate of Completion from the AICPA and official score sheet issued directly from the AICPA	Colorado	$85.00	**Application file** for each applicant including all supporting original documentation
Colorado Transfer of Grades - CPA Licensure Application for Applicants Who Passed the Exam in a State Other Than Colorado	**1. Uniform CPA Examination** must be passed - Authorization for Interstate Exchange of Examination and Licensure Information form completed and stamped by the Board where applicant passed the exam **2. Education** - A Bachelor's Degree including 24 semester hours in Accounting, 3 semester hours in Audit and 21 semester hours in General Business (not to exceed 6 semester hours in any one subject) - Official transcripts from each school attended by applicant or official foreign evaluation report **3. Work Experience** must include one year and 1800 hours of public accounting experience - Certificate of Experience signed by supervising CPA whose license was active during the indicate dperiod of work experience **4. Verification of Supervisor's License** must be obtained from the appropriate Board - Employer's License Verification form completed by the State Board including the Board's official stamp **5. AICPA Ethics Exam** must be completed and passed with a minimum score of 90% - Certificate of Completion from the AICPA and official score sheet issued directly from the AICPA	Colorado	$165.00	**Application file** for each applicant including all supporting original documentation

Colon n Registration - Initial Registr. of Professional Corporations, Limited Liability Companies and Partnerships Composed of Certified Public Accountants	**1. Firm history, ownership and organization** must comply h all the sections of Colorado Statute 12-2-117 - Registration Application **2. Organizing Documents** must include the Board's four required Provisions of Statute 12-2-117 and must be filed with the Colorado Secretary of State - Statement of Registration including copies of the firm's organizing documents stamped by the Colordo Secretary of State	Colorado	$150.00	**Application file** h applicant includi upporting original documentation

Firm Licensure Process



Firm Renewal Process



State of California
Department of Consumer Affairs

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

Memorandum

UAA TF Agenda Item III.B.
February 26, 2004

Board Agenda Item VIII.H.6
February 27, 2004

To : UAA TF Members
Board Members

Date : February 13, 2004

Telephone : (916) 263-3981
Facsimile : (916) 263-3674

From : Renata Sos, Chair
UAA Task Force

Subject : Draft Form for Blanket Notification by Firms for the Privilege to Practice in California

Under current California law, an out-of-state practitioner who is not licensed in this state may *temporarily* practice in California (without the knowledge and outside the disciplinary jurisdiction of this Board), so long as the practice is *incidental* to the individual's regular practice. (Section 5050.) There are no guidelines in statute or regulation as to what is considered "temporary" or "incidental." While it is impossible to quantify the number of practitioners who enter California under this provision, this Board and the UAA task force have received extensive anecdotal evidence that lawful "incidental practice" is commonplace.

In November 2003, the Board charged the UAA Task Force with developing recommendations for a process under which out-of-state licensees, who otherwise could and would lawfully practice in California under the incidental practice provision, would instead provide written notice to the Board of their presence in the state and subject themselves to the Board's jurisdiction. The Task Force, comprised of Gail Hillebrand, David Walton, Tom Iino, Hal Shultz, and me, has met twice and collected (with the indispensable assistance of staff) and considered voluminous information from around the country regarding cross-border practice under the substantial equivalency standards of the UAA. The Task Force has been developing a framework for permitting out-of-state licensees to practice in California under a substantial equivalency approach using the following guiding principles: (1) maximizing consumer protection; (2) maximizing compliance; (3) maximizing enforcement and disciplinary authority; and (4) minimizing administrative burden on our staff. One of the central tasks has been developing a form that out-of-state licensees would use to obtain from the Board the "privilege" of practicing temporarily (say, one year) and incidentally (that is, California is not the individual's principal place of business) in this state. (The Task Force is calling it a "privilege" because it would not be a license with its attendant rights.)

At its first meeting (December 2003), the Task Force began considering a process by which firms – small, medium, and large – could, *in lieu of* filing a notification form for each "substantially equivalent" individual temporarily practicing in California, file one "blanket" notification as part of the firm's bi-annual registration with the Board. (A firm would still be free to do separate notifications for each individual.) The task force identified a number of potential benefits to this approach, including streamlining the notification process for multiple individuals, minimizing administrative burden on our staff, and providing the Board with a potentially valuable and effective enforcement tool. The task force created a sub-task force of Gail Hillebrand, Michael Duffey, and Jeannie Tindel, to develop a blanket notification process and form that remained true to the principles outlined above. Attached is the current draft form, which initially was drafted by Mike Duffey, and subsequently edited extensively by Gail, Michael Granen and me. It is meant to be an alternative, available only to firms registered in California, to the individual notification draft form (which is included as a separate agenda item).

The form will be discussed in greater detail at the Task Force's February meeting. One item of note: as of the date of this memo, the Task Force had not arrived at a proposal for how fees would be assessed in any contemplated blanket notification process. The attached form provides two options: Option A contemplates collecting a fee at the end of the notification period (which would be 2 years or less) based on the actual number of practitioners who entered California pursuant to the notification; Option B, contemplates an up-front fee based on the size of the firm. Neither the sub-task force nor the Task Force to date have considered or discussed the relative merits of these two approaches.

Attachment

State of California Department of Consumer Affairs

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

REGISTERED FIRM NOTIFICATION PURSUANT TO SECTION [ ] OF THE CALIFORNIA ACCOUNTANCY ACT

[NAME OF FIRM] represents that all conditions for eligibility under blanket notification pursuant to Section [ ] of the California Accountancy Act are satisfied with respect to each owner or employee covered by this notification at all times that each owner or employee practices public accountancy in California pursuant to Section [ ] during the effective period of this notice:

(1) The owner or employee does not have his or her principal place of business in California.

(2) The owner or employee is not otherwise required to hold a California license to practice public accountancy.

(3) The owner or employee holds a valid license from a state or other U.S. jurisdiction and (a) that state or jurisdiction has been deemed by the California Board of Accountancy (CBA) to possess licensing requirements that are substantially equivalent to the requirements of the Uniform Accountancy Act; or (b) the individual possesses qualifications which have been determined by CBA to be substantially equivalent.

(4) The owner or employee will not sign a report on an attest engagement in California unless he or she is authorized to perform attest services in the state upon which the determination of substantial equivalency is based.

(5) For each owner or employee, the firm will maintain records sufficient to show the name, office location, and state(s) and/or jurisdictions of licensure – including the basis for substantial equivalency -- as well as where in California and when services were provided pursuant to this notification. Upon request by the CBA to the firm, the firm will disclose within 10 days these records to the CBA.

(6) The owner or employee shall abide by the provisions of the California Accountancy Act and regulations thereunder, including but not limited to the firm's and individual's reporting obligations. Any violation of this obligation is the responsibility of both the individual(s) and the firm. The firm and each owner and employee covered by this notification subject themselves to the personal and subject matter jurisdiction of the CBA for purposes of disciplinary or other proceedings before the Board concerning any activities pursuant to this notification.

(7) Absent prior approval of the CBA, public accountancy services shall not be provided in California under Section [ ] of the California Accountancy Act through any owner or employee that:

(a) has been convicted of a felony;

(b) has been convicted of a crime related to the qualifications, functions or duties of a certified public accountant, or involving theft, embezzlement, misappropriation of funds or property, breach of fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent or materially misleading financial statements, reports or information;

(c) has had a professional license, permit or authority to practice surrendered, denied, suspended, revoked or put on probationary status or has been fined by a profession licensing entity; or

(d) has had a judgment entered against him or her, or against the firm for conduct by him or her, for:

(i) dishonesty, fraud, gross negligence or negligence;

(ii) breach of fiduciary responsibility;

(iii) false, fraudulent or materially misleading financial statements;

(iv) embezzlement, theft, or misappropriation of funds; or

(v) any other actionable conduct in the practice of public accountancy.

(8) The firm shall not provide public accountancy services in California through any owner or employee under Section [ ] if so ordered, without prior notice or hearing, by the California Board of Accountancy or its executive officer.

(9) The firm will pay, in addition to the registration fee required under section ____ a fee of:

OPTION A: $[200] upon submission of this notification. In addition, upon renewal or expiration of this notification (whichever comes first), the firm will pay $100 for each employee or owner who practiced public accountancy in California pursuant to this notification.

OPTION B:

(1) _____ if the firm has 1-25 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction;

(2) _____ if the firm has 26-50 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction; or

(3) _____ if the firm has 51-100 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction.

(4) _____ if the firm has 101-500 owners or employees who are licensed to practice public accountancy in California or any other jurisdiction.

(5) _____ if the firm has 501 or more owners or employees who are licensed to practice public accountancy in California or any other jurisdiction.

This notification expires on the date of the firm's next registration with the State of California under section [registration statute].
I, _____, certify under penalty or perjury under the laws of the State of California that the foregoing information is true and correct and that I have the consent and authorization of the firm and the owners and employees covered under this notification to execute this document.

Signature:_____ Title: _____ Date: _____

The firm designates the following individual or department as the contact for the CBA in the event that the CBA wishes to obtain information regarding this notification:

Name or department: _____
E-mail address: _____
Phone number:_____
Fax number: _____

State of California
Department of Consumer Affairs

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

Memorandum

UAA TF Agenda Item IV.A.
February 26, 2004

Board Agenda Item VIII.H.6
February 27, 2004

To : UAA TF Members
Board Members

Date : February 13, 2004

Telephone : (916) 263-3981
Facsimile : (916) 263-3674

From : Renata Sos, Chair
UAA Task Force

Subject : Draft Form for Notification by Individuals for Privilege to Practice in California

This memorandum is intended to be read in conjunction with my memo entitled "Draft Form for Blanket Notification by Firms for the Privilege to Practice in California," which is found under a separate agenda item.

The attached form was developed by the UAA Task Force (Gail Hillebrand, David Walton, Tom Iino, Hal Shultz, and I). It is designed to be the vehicle by which individual out-of-state practitioners who, based on a showing of eligibility as detailed in the form, apply for and receive from the Board the privilege to practice in California. The draft form reflects the Task Force's extensive study and deliberation of possible approaches to "substantial equivalency" in this state, drawing on the experiences of other states and guided by principles of consumer protection, administrative efficiency, and effective enforcement.

This form will be discussed in detail at the February 26, 2004 Task Force meeting. Its fundamentals include the following:

1. The notification process is intended for out-of-state *individuals* who are not otherwise required to obtain a license in California.

2. To be eligible, the individual, among other things, (1) cannot have his or her principal place of business in California; (2) must have a license in good standing in another jurisdiction and that license, or the individual's qualifications, must be deemed by this Board to be "substantially equivalent"; (3) must promise to follow California laws and this Board's regulations; and (4) must subject himself or herself to the jurisdiction of this Board for purposes of discipline.

3. The authority to practice under this notification has been denominated by the Task Force as a "privilege to practice." It is therefore not a license, nor does it include the rights and benefits of a license. For example, as the proposal now stands, the Board has the authority immediately to suspend or revoke the privilege to practice *without notice or hearing*.

4. The privilege is temporary. The attached draft contemplates a one-year period during which the applicant could lawfully practice in California, provided that he or she remains eligible throughout the period.

5. The privilege to practice commences at the filing of the notice and the contemporaneous payment of a fee. This is intended to promote cross-border movement of qualified individuals, avoid undue administrative burdens on our staff, without compromising consumer protection or enforcement.

6. The fee is $100, which is consistent with fees charged in the licensing context.

Attachment

DRAFT

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*

NOTIFICATION AND AGREEMENT TO CONDITIONS FOR THE PRIVILEGE TO PRACTICE PUBLIC ACCOUNTING IN CALIFORNIA PURSUANT TO CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION XXXX:

Original Notification ☐ **Revised Notification** ☐ **Renewal of the Notification** ☐

Name: _____

Prior Names: _____

Firm Name: _____

Address Of Principal Place Of Business: _____

Telephone Number (business hours): _____

Fax Number (business hours): _____

E-Mail: _____
(To facilitate contact in the event of a problem processing your application)

Date Of Birth: _____

Social Security Number: _____

In connection with this privilege to practice, I wish to be able to sign a report on an attest engagement. ☐ Yes ☐ No

QUALIFICATION REQUIREMENTS: I qualify for a privilege to practice public accounting in California because:

1. I am an individual.

2. My principal place of business is not in California.

3. I have a valid license to practice public accounting in the state/jurisdiction of my principal place of business.

   State/Jurisdiction: _____ License Number: _____ Date Issued: _____

4. In connection with this privilege to practice public accounting, I understand that I may sign a report on an attest engagement under this privilege to practice only if I am authorized to perform attest services in the state of my principal place of business.

5. The state/jurisdiction identified in item 4 above is deemed substantially equivalent by the California Board of Accountancy (see Appendix 1 for list of substantially

equivalent states) **OR** my individual qualifications have been determined by NASBA to be substantially equivalent (please provide NASBA file no. _____).

6. I agree to abide by the laws of the State of California, including the California Accountancy Act (Business and Professions Code Section 5000 et seq., accessible at *http://www.dca.ca.gov/cba/acnt_act.htm*) and the regulations thereunder (which can be accessed at *http://www.dca.ca.gov/cba/regs.htm*).

7. I consent to the personal and subject matter jurisdiction of the California Board of the Accountancy including, but not limited to, the following:
   a. To suspend or revoke, without prior notice or hearing and in the sole discretion of the CBA or its representatives, the privilege to practice public accounting;
   b. To impose discipline for any violation of the California Accountancy Act or regulations thereunder and recover costs for investigation and prosecution; and
   c. To provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the SEC, PCAOB or other relevant regulatory authorities.

8. I agree to respond fully and completely to all inquiries by the California Board of Accountancy relating to my California practice privilege.

9. I consent to the authority of the California Board of Accountancy to verify the accuracy and truthfulness of the information provided in this notification. I consent to the release of all information relevant to the California Board of Accountancy's inquiries now or in the future by:
   a. Contacting other states;
   b. Contacting the SEC, PCAOB or any other federal agency before which I am authorized to practice; and
   c. Contacting NASBA.

10. I am sending this form for submission to the California Board of Accountancy at or before the time work begins under this privilege to practice public accounting.

11. In the event that any of the information in this notice changes, I will provide the California Board of Accountancy written notice of any such change within 30 days of its occurrence.

12. I am concurrently submitting the fee of $100.00.

ADDITIONAL INFORMATION:

In addition to the state of my principal place of business, I am also authorized to practice in the following states or jurisdictions.

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

Please check any of the items below that apply. *For any checked items in (1)-(4), you must provide additional information as requested in Attachment X and* ***you are not authorized to practice in California unless and until you receive notice from the California Board of Accountancy that the privilege has been granted.***

☐ 1. I have been convicted of (a) a felony; (b) a crime related to the qualifications, functions, or duties of a public certified accountant; OR (c) a crime involving theft, embezzlement, misappropriation of funds or property, breach of fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports or information.

☐ 2. I have had a license, registration, permit or authority to practice surrendered, denied, suspended, revoked, put on probationary status or otherwise limited.

☐ 3. Since January 1, 2003, I have received: (a) notice of a formal investigation of me by a U.S. jurisdiction or federal agency, including the SEC or PCAOB or any of their designees; OR (b) notice from the SEC requesting a Wells Submission.

☐ 4. Since January 1, 2003, I have had judgment entered against me in a civil action alleging one or more of the following: (a) dishonesty, fraud, gross negligence or negligence; (b) breach of fiduciary responsibility; (c) false, fraudulent or materially misleading financial statements; (d) embezzlement, theft, or misappropriation of funds; OR (e) any other actionable conduct in the practice of public accountancy.

Please check if the item below applies. If so, please provide additional information as requested in Attachment X.

☐ 5. Since January 1, 2003, I have had: (a) a restatement of a financial statement and related disclosures by a client audited by me; OR (b) a civil action settlement or arbitration award against me relating to the practice of public accountancy where the award is $30,000 or greater and where I was not insured for the full amount.

I, _____, **understand that any misrepresentation or omission in connection with this notification is cause for termination of any practice privilege in California and that the California Board of Accountancy will act accordingly, including the notification of other state or federal authorities.** I understand that this privilege to practice public accounting expires one year from the date of this notice. I certify under penalty of perjury under the laws of the state of California that the foregoing information is true and correct.

Signature: _____ Date: _____

Your privilege to practice commences with the filing of your completed notification, including payment of your fee. If your payment is not received within 30 days of this notification, your privilege to practice is suspended pending the Board's receipt of payment.

Privacy Statement:
The information provided in this form will be used by the California Board of Accountancy to determine whether you qualify for practice privileges in California. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the notification as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another governmental agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted via written correspondence at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, or by calling (916) 263-3680, regarding questions about this notice or access to records.

State of California Department of Consumer Affairs

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

ATTACHMENT X

1. If you checked items 1, 2, or 3 under additional information, please provide explanatory details:

_____

2. If you checked item 4 under additional information, please provide:

Date of Judgment: _____ Jurisdiction /Court: _____ Docket No: _____

3. If you checked item 5a, please also submit a copy of the original and restated financial statement or the portions of the original and amended Form 990 or 990PF related to the reissued financial statement.

4. If you checked item 5b, please provide the following:

Total Amount Paid by Insurer $_____ Date Paid _____
Total Amount Paid by Licensee $_____ Date Paid _____

State of California
Department of Consumer Affairs

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

Memorandum

UAA Task Force Agenda Item VI
February 26, 2004

Board Agenda Item VIII.H.6
February 27, 2004

To : Renata Sos, Chair, UAA Task Force
Members, UAA Task Force
Board Members

Date : February 23, 2004

Telephone : (916) 263-3788
Facsimile : (916) 263-3674
E-mail : agranick@cba.ca.gov

From : Aronna Granick
Legislation/Regulations Coordinator

Subject : Circumstances When Notification Is Not Required Under the UAA

At the January 26, 2004, meeting, it was noted that at some point the Task Force needs to consider those instances in which no notification would be required to enter the state as outlined in the UAA rules. Attached for your consideration is UAA Rule 23-1. Subsection (d) relates to this topic.

Attachment

ARTICLE 23
SUBSTANTIAL EQUIVLANCEY

Rule 23-1- NOTIFICATION AND INTERNET PRACTICE

(a) A qualified individual seeking practice privileges in this state pursuant to UAA Section 23(a) or (b) shall comply with the notice requirement as follows:

(1) Notice may be given electronically or in writing on forms established by this Board;

(2) Notice is immediately due and shall be received by the Board within 30 days after the individual knowingly avails him/herself of the laws of this State by:
(A) Accepting an engagement or an assignment to render professional services in this State, or
(B) Offering to render professional services through direct solicitation or marketing targeted to persons in this State.

(3) In lieu of the procedure set out in paragraph (a)(2), at anytime prior to entering this State, an individual, directly or through the individual's firm, may be included in a master notice to all participating substantially equivalent jurisdictions including this Board by giving notice to the NASBA National Qualification Appraisal Service [or other comparable service designated by the Board]; and, provided the firm accepts responsibility for each such individual's compliance with the accountancy laws and rules of this State for so long as the individual is included in the firm's master notice, keeps the master notice reasonably current and renews the notice annually. In any event, the individual seeking practice privileges is responsible for complying with the requirement that the notification required under Section 23 has been made.

(b) Notice shall be renewed on the same cycle as the Board requires for license renewals, for so long as the individual intends to use UAA Section 23 privileges in this State.

(c) Notice shall be amended within 30 days after the individual changes his principal place of business or within 30 days after the license has been denied, revoked, or suspended in any jurisdiction.

(d) A non-resident individual shall not be deemed to have entered this State for purposes of Section 23 and notice is not required under Section 23 if the individual's contact with this State is limited to any of the following activities:

1) teaching either a college or continuing professional education course,
2) delivering a lecture,
3) moderating a panel discussion,
4) rendering professional services to the individual's employer or to persons

employed by the individual's employer, including affiliated, parent, or subsidiary entities, provided such services are not rendered for the employer's clients.

(e) **An individual entering into an engagement to provide professional services via a Web site pursuant to Section 23 shall disclose, via any such Web site, the individual's principal state of licensure, license number and an address as a means for regulators and the public to contact the individual regarding complaints, questions or regulatory compliance.**

BILL NUMBER: SB 1543 INTRODUCED
BILL TEXT

INTRODUCED BY Senator Figueroa

FEBRUARY 19, 2004

An act to amend Sections 5000 and 5015.6 of the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1543, as introduced, Figueroa. California Board of Accountancy.

Existing law provides for the licensing and regulation of accountants by the State Board of Accountancy in the Department of Consumer Affairs. The provisions creating the board, specifying the board's composition, and authorizing the board to appoint an executive officer become inoperative on July 1, 2005, and are repealed on January 1, 2006.

This bill would change these dates to unspecified dates.

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 5000 of the Business and Professions Code is amended to read:

5000. There is in the Department of Consumer Affairs the California Board of Accountancy, which consists of 15 members, seven of whom shall be licensees, and eight of whom shall be public members who shall not be licentiates of the board or registered by the board. The board has the powers and duties conferred by this chapter.

The Governor shall appoint four of the public members, and the seven licensee members as provided in this section. The Senate Rules Committee and the Speaker of the Assembly shall each appoint two public members. In appointing the seven licensee members, the Governor shall appoint members representing a cross section of the accounting profession with at least two members representing a small public accounting firm. For the purposes of this chapter, a small public accounting firm shall be defined as a professional firm that employs a total of no more than four licensees as partners, owners, or full-time employees in the practice of public accountancy within the State of California.

This section shall become inoperative on July 1, ~~2005~~ ____ , and as of January 1, ~~2006~~ ____ , is repealed, unless a later enacted statute, that becomes effective on or before January 1, ~~2006~~ ____ , deletes or extends the dates on which this section becomes inoperative and is repealed. The repeal of this section renders the board subject to the review required by Division 1.2 (commencing with Section 473). However, the review of the board shall be limited to reports or studies specified in this chapter and those issues identified by the Joint Legislative Sunset Review Committee and the board regarding the implementation of new licensing

requirements.

SEC. 2. Section 5015.6 of the Business and Professions Code is amended to read:

5015.6. The board may appoint a person exempt from civil service who shall be designated as an executive officer and who shall exercise the powers and perform the duties delegated by the board and vested in him or her by this chapter.

This section shall become inoperative on July 1, ~~2005~~ ____ , and, as of January 1, ~~2006~~ ____ , is repealed, unless a later enacted statute, which becomes effective on or before January 1, ~~2006~~ ____ , deletes or extends the dates on which it becomes inoperative and is repealed.