

PRACTICE PRIVILEGE HANDBOOK



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CALIFORNIA BOARD OF ACCOUNTANCY

Mission

The mission of the California Board of Accountancy (CBA) is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Vision

The vision of the CBA is that all consumers are well informed and receive quality accounting services from licensees they can trust.

Authority

The CBA derives its authority from Business and Professions Code, Division 3, Chapter 1, Article 1 through Article 10 (Accountancy Act) and the California Code of Regulations, Title 16, Division 1, Article 1 through Article 13 (CBA Regulations). The Accountancy Act and CBA Regulations are available on the CBA website at www.cba.ca.gov.

The CBA:

- Examines applicants and sets educational and experience requirements for California Certified Public Accountants (CPAs) and Public Accountants (PAs).
- Licenses the practice of public accountancy and may deny licensure, revoke, suspend, or refuse to renew any license, permit, or certificate for violation of the laws under the CBA's authority in the California Business and Professions Code or CBA Regulations.
- By regulation, prescribes, amends, or repeals the rules of professional conduct appropriate to the establishment and maintenance of a high standard of integrity and competency in the profession.

CALIFORNIA PRACTICE PRIVILEGE INFORMATION

Requirements

Effective January 1, 2006, qualified out-of-state CPAs may practice in California as long as the out-of-state CPA's principal place of business is not in California. These practitioners are required to notify the CBA that they intend to practice public accountancy in California, swear under penalty of perjury that they are qualified to do so, and pay the required fee.

The Notification and Agreement to Conditions for the Privilege to Practice Public Accounting (Notification Form) is accessible through the CBA website for on-line submission and is downloadable in PDF format. Practitioners also may contact the CBA's Practice Privilege Unit to request this form via U.S. Postal Service.

Unless an individual reports a disqualifying condition, no other documentation is required for submission with the Notification Form. However, Notification Forms are subject to audit at any time. Any misrepresentation or omission in the Notification Form may be cause for fines, administrative suspension, disqualification, and even revocation of the California Practice Privilege.

To be eligible for a California Practice Privilege:

1. The individual's principal place of business cannot be located in California.
2. The individual must hold a valid, current license, certificate, or permit to practice public accountancy issued by another state and meet one of the following requirements:
 - Be licensed by another state deemed and the requirements under which the license, certificate, or permit was issued must be deemed by the CBA to be substantially equivalent to the requirements under Section 5093 of the California Accountancy Act (Accountancy Act), **or**
 - Possess individual education, examination, and experience qualifications that have been determined by the CBA to be substantially equivalent to the qualifications under Section 5093 of the Accountancy Act.

In accordance with Section 27(b) of the CBA Regulations, the CBA will accept individual qualification evaluations of substantial equivalency completed by the National Association of State Boards of Accountancy's (NASBA) CredentialNet. Information regarding CredentialNet can be found on NASBA's website at www.nasba.org; **or**

- Have continually practiced public accountancy as a CPA under a current, valid license issued by any state for four of the last 10 years.

Substantially Equivalent States (Current as of January 24, 2011)

The following states have CPA licensure requirements that are deemed by the CBA to be substantially equivalent to California's licensure requirements:

Alabama*	Louisiana	Northern Mariana Islands
Alaska	Maine	Ohio
Arizona	Maryland	Oklahoma*
Arkansas	Massachusetts	Oregon
Colorado	Michigan	Pennsylvania
Connecticut	Minnesota	Rhode Island
Delaware	Mississippi	South Carolina
District of Columbia*	Missouri	South Dakota
Florida	Montana*	Tennessee
Georgia	Nebraska*	Texas
Guam	Nevada	Utah
Hawaii*	New Hampshire	Vermont
Idaho	New Jersey	Virginia
Illinois*	New Mexico	Washington
Indiana	New York	West Virginia
Iowa	North Carolina	Wisconsin
Kansas*	North Dakota	Wyoming
Kentucky		

* Permit Holders

Safe Harbor Provision

Effective January 1, 2006, notice to the CBA is required so that an out-of-state CPA may commence practicing public accountancy under a California Practice Privilege. Beginning October 3, 2011, out-of-state CPAs with no disqualifying conditions there will be no penalty solely because of late notification, provided notice is given within five business days of commencing practice. A qualified individual who properly submits the Notification Form to the CBA within the five-day period shall be deemed to have a California Practice Privilege from the first day of practice in California, unless the individual fails to timely remit the required fee. The CBA may issue a fine of \$250 to \$5,000 for notification more than five business days after commencing practice. In assessing the fine amount, the CBA shall consider both aggravating and/or mitigating circumstances.

Temporary and Incidental Practice

Effective October 3, 2011, an individual holding a valid and current license, certificate, or permit to practice public accountancy from another state shall be exempt from the requirement to obtain a permit to practice public accountancy issued by the CBA or to secure a California Practice Privilege if all of the following conditions are satisfied:

- (a) The individual's client is located in another state.
- (b) The individual's engagement with the client relates to work product to be delivered in another state.
- (c) The individual does not solicit California clients, or have his or her principal place of business in this state.
- (d) The individual does not assert or imply that he or she is licensed to practice public accountancy in California.
- (e) The individual's practice of public accountancy in this state on behalf of the client located in another state is of a limited duration, not extending beyond the period required to service the engagement for the client located in another state.
- (f) The individual's practice of public accountancy in this state specifically relates to servicing the engagement for the client located in another state. (Section 5057 of the Accountancy Act)

Notification Form

To obtain a California Practice Privilege, an individual meeting all applicable requirements shall notify the CBA by submitting the fully completed Notification Form. No other means of notification is acceptable for a California Practice Privilege. An electronic version of the Notification Form is available for on-line submission. Alternatively, a Notification Form can be downloaded from the CBA's website from the Forms/Publications Page, or an individual may request the form from the CBA's Practice Privilege Unit by e-mail at *pracprivinfo@cba.ca.gov*, or by telephone at (916) 561-1704. The completed paper version of the Notification Form should be mailed to the CBA address provided on the form.

Notification Fee

The Notification Fee for a California Practice Privilege without authorization to sign attest reports is \$50. The Notification Fee for a California Practice Privilege with authorization to sign reports on attest engagements is \$100. The CBA must receive the \$50/\$100 Notification Fee postmarked within 30 days of the date the Notification Form is submitted to the CBA. A California Practice Privilege may be administratively suspended and an individual may be fined if the fee is not received within 30 days.

An individual may be subject to a fine of \$100 to \$500 for the first failure to pay the California Practice Privilege Notification Fee within 30 days of submitting the Notification Form, including payment with a check that is subsequently dishonored. An individual may be subject to a fine of \$250 to \$1,000 for any subsequent failure to pay the California Practice Privilege Notification Fee within 30 days of submitting the Notification Form, including payment with a check that is subsequently dishonored.

The Notification Fee is nonrefundable and nontransferable.

Remittance Form

If a completed Notification Form is submitted electronically, a California Practice Privilege Remittance Form will be generated. The Remittance Form must be printed and completed in accordance with the instructions. The fee must accompany the completed Remittance Form. If for some reason an individual is unable to print the Remittance Form, they should contact the CBA's Practice Privilege Unit by e-mail at *pracprivinfo@cba.ca.gov* or by telephone at (916) 561-1704 and a Remittance Form will be mailed to them.

If an individual chooses to submit a paper version of the Notification Form, the Remittance Form will be included with the Notification Form. If an individual chooses to mail the Remittance Form separately from his or her Notification Form, the required information must be completed exactly as it was provided on the Notification Form, in order that the Notification Fee can be properly associated with the correct Notification Form.

Completed Remittance Forms with the Notification Fee should be mailed to the CBA address provided on the form.

Term of a California Practice Privilege

A California Practice Privilege commences on the date the Notification Form is submitted electronically to the CBA, on the postmark date of a Notification Form submitted to the CBA by mail, or on the date a Notification Form is submitted to the CBA by facsimile provided prior CBA approval is not required. When prior CBA approval is required, practice rights commence on the date the California Practice Privilege is approved by the CBA. A California Practice Privilege expires one year from the date of submission of the Notification Form.

A California Practice Privilege, including one that is or has been administratively suspended pursuant to Section 5096.4 of the Accountancy Act, expires one year from the date the Notification Form is submitted to the CBA or on the date a subsequent Notification Form is submitted to the CBA, whichever occurs first.

A California Practice Privilege held by an applicant for a California CPA license expires one year from the date of submission of the Notification Form or on the date the California CPA license is issued by the CBA, whichever occurs first.

A California Practice Privilege holder will be issued an expiration reminder notice approximately 60 days prior to the expiration date of an individual's California Practice Privilege. In the event that the notice is not received, it is the California Practice Privilege holder's responsibility to submit a fully-completed new Notification Form to the CBA if he or she wishes to continue practicing public accountancy under a California Practice Privilege.

California CPA Licensure Applicant

An individual who has a pending application for CPA licensure in California may practice under a California Practice Privilege. An applicant for CPA licensure is not disqualified for a California Practice Privilege during the period the application is pending as a result of maintaining a principal place of business in this state. A California Practice Privilege will expire and is no longer valid once the California CPA license is issued.

If an application for CPA licensure is denied or deferred, the California Practice Privilege Notification Form may be reviewed to determine whether the applicant for CPA licensure still qualifies for a California Practice Privilege.

Continuing Education Requirements

To qualify for a California Practice Privilege, an individual must meet the continuing education requirements of the state of licensure identified on the Notification Form. Section 5096(d)(2) of the Accountancy Act indicates that an individual is deemed to have met, for purposes of the California Practice Privilege provisions, the ethics examination and continuing education requirements of this state when the individual has met the examination and continuing education requirements of the state used as the basis for qualifying for a California Practice Privilege.

Authorization to Sign Attest Reports

To sign reports on attest engagements, California Practice Privilege holders must have completed a minimum of 500 hours of experience in attest services as described in Section 5095 of the Accountancy Act and Section 12.5 of Title 16 of the CBA Regulations. The authority to sign reports on attest engagements is not a requirement to obtain a California Practice Privilege.

An individual is not required to provide any supporting documentation at the time the California Practice Privilege Notification Form is submitted. However, the CBA has the authority to request documentation from the individual and verify any information that he or she provided on the Notification Form, including whether he or she has fulfilled the California attest experience requirement prior to obtaining the California Practice Privilege.

Please note that an individual still may participate in attest engagements even though he or she does not choose to have the authority to sign attest reports or does not meet the 500 hour attest experience requirement.

Disqualifying Conditions

Pursuant to Section 32 of the CBA Regulations, an individual may not practice under a California Practice Privilege without prior approval of the CBA, if the individual has, or acquires at any time during the term of his or her California Practice Privilege, any of the following disqualifying conditions:

1. The individual is convicted of a crime other than a minor traffic violation.
2. The individual has had a license or other authority to practice a profession issued by a state, federal, or local agency or court or the Public Company Accounting Oversight Board (PCAOB) revoked, suspended, denied, surrendered, put on probationary status, or otherwise sanctioned or disciplined, except for the following occurrences:
 - a. An action by a state board of accountancy, in which the only sanction was a requirement that the individual complete specified continuing education courses.
 - b. The revocation of a license or other authority to practice public accountancy other than the license identified in Item 3 of the Qualification Requirements on the Notification Form, solely because of failure to complete continuing education or failure to renew.
3. The individual is the subject of an investigation, inquiry, or proceeding by or before a state, federal, or local court or agency (including the PCAOB) involving his or her professional conduct.
4. The individual held a California Practice Privilege that expired while under administrative suspension or with an unpaid fine.
5. The individual has failed to respond to the satisfaction of the CBA to a request for information from the CBA regarding a matter related to a current or prior California Practice Privilege.
6. The individual has been notified by the CBA that prior CBA approval is required before practice under a new California Practice Privilege may commence.
7. The individual has had a judgment or arbitration award in an amount of \$30,000 or greater entered against him or her in a civil matter involving the professional conduct of said individual.

An individual **must** report to the CBA any of the above disqualifying conditions. The CBA will review the reported information and notify the individual in writing of its decision.

A California Practice Privilege holder who acquires a disqualifying condition during the term of his or her California Practice Privilege shall cease practicing immediately and shall notify the CBA in writing of the disqualifying condition within 30 days of its occurrence. He or she shall not begin practicing again without prior CBA approval. Failure to comply with this obligation could result in the issuance of a maximum fine of \$5,000, in addition to any other applicable sanction deemed appropriate by the CBA.

A California Practice Privilege holder who reported a disqualifying condition that was previously reviewed and cleared by the CBA in a past California Practice Privilege still must report the previously cleared disqualifying condition on any subsequent

Notification Form submitted. To expedite the review process, the reported information shall include details of the disqualifying condition as well as details of the item that was cleared by the CBA.

Denial of a California Practice Privilege

Section 5096.2(a) states a California Practice Privilege can be denied for the following reasons:

- Failure to qualify under or comply with the California Practice Privilege statutes and regulations (Section 5096-5096.15 of the Accountancy Act or CBA Regulations Sections 27-35.1).
- Any act that if committed by an applicant for licensure would be grounds for denial of a license under Section 480 of the California Business and Professions Code.
- Any act committed by a licensee that would be grounds for discipline under Section 5100 of the Accountancy Act.
- Any act committed outside of this state that would be a violation if committed within this state.

Per Section 5096.2(c) of the Accountancy Act, an individual who has been denied a California Practice Privilege may submit a new Notification Form for a new California Practice Privilege not less than one year after the effective date of the notice or decision denying the California Practice Privilege, unless a longer time period, not to exceed three years, is specified in the notice or decision denying the California Practice Privilege.

Administrative Suspension

Pursuant to Section 5096.4 of the Accountancy Act, the right to practice in this state under a California Practice Privilege may be administratively suspended at any time by an order issued by the CBA or its Executive Officer. No prior notice or hearing is required. The purpose of an administrative suspension is to conduct a disciplinary investigation, proceeding, or inquiry concerning the representations made in the Notification Form, the individual's competence or qualifications to practice under a California Practice Privilege, the individual's failure to respond timely to a CBA inquiry or request for information or documents, or the individual's failure to pay timely the California Practice Privilege Notification Fee.

CBA Requests

A California Practice Privilege holder must respond to any CBA inquiry or request for information or documents, and provide to the CBA the identified information and documents in a timely manner. In addition to any other applicable sanctions, failure to comply with the obligation to respond to a CBA inquiry pursuant to Section 5096(e)(5) of

the Accountancy Act and Section 34 of the CBA Regulations could result in one or more of the following:

1. Issuance of a fine of \$250 to \$5,000.
2. An administrative suspension of a California Practice Privilege.

DISCIPLINARY INFORMATION

Unless performing the activities referenced in Section 5054 of the Accountancy Act, an out-of-state licensee who practices public accountancy in California without obtaining or satisfying the conditions for exemption in Section 5057 of the Accountancy Act, a California CPA License or a California Practice Privilege is in violation of the law and may be subject to prosecution.

A California Practice Privilege is subject to revocation, suspension, fines or other disciplinary sanctions for any conduct that would be grounds for discipline against a licensee of the CBA or for any conduct in violation of the statutes and regulations governing the California Practice Privilege.

A California Practice Privilege is subject to discipline during any time period in which it is valid, under Administrative Suspension, or expired.

As authorized by Section 5107 of the Accountancy Act, the CBA may seek to recover its costs for any disciplinary proceeding taken against a California Practice Privilege holder.

An individual whose California Practice Privilege has been revoked may apply for a new California Practice Privilege not less than one year after the effective date of the CBA's decision revoking the individual's California Practice Privilege, unless a longer time period, not to exceed three years, is specified in the CBA's decision revoking the California Practice Privilege.

MISCELLANEOUS INFORMATION

Public Information

Pursuant to the California Public Records Act (California Government Code Sections 6250-6277), the CBA discloses the following information, upon request, and on its website at www.cba.ca.gov regarding a California Practice Privilege holder:

1. Name.
2. Address of record.
3. California Practice Privilege ID number.
4. California Practice Privilege status.
5. State of licensure.
6. California Practice Privilege effective date.
7. California Practice Privilege expiration date.
8. Enforcement action.
9. Whether the authority to sign reports on attest engagements was requested.

Certain enforcement information also will be available, including names of California Practice Privilege holders for which accusations have been filed and are pending possible enforcement action, summaries of decisions, revoked California Practice Privileges, California Practice Privileges placed on Administrative Suspension, and summaries for all other enforcement actions.

CPA Firm Information

A CPA firm that is authorized to practice in another state and does not have an office in California may practice public accountancy in this state through a holder of a current and valid California Practice Privilege. Pursuant to Section 5096.13 of the Accountancy Act, the CPA firm name, address, telephone number and federal taxpayer identification number of all CPA firms with which the California Practice Privilege holder is associated must be provided.

Address of Record

The California Practice Privilege holder's name and address of record are **public information** pursuant to the California Public Records Act. If provided, the CPA firm's address will be used as the individual's address of record unless otherwise indicated. If a CPA firm's address was not provided because the individual is not associated with a CPA firm other than his or her individual name, an address of record must be provided. The CBA will send all official correspondence to the address of record. The address of record may be an individual's principal place of business, residence, post office box or mail drop, and may be a California address.

An individual may use a post office box or mail drop as his or her address of record. However, an individual also must provide the street address of his or her principal place of business or residence. The "other address" will not be public information unless disclosure is compelled by court order or subpoena.

CHANGES TO THE NOTIFICATION FORM

Section 33 of the CBA Regulations requires each California Practice Privilege holder to notify the CBA of any change in the information reported on the Notification Form within 30 days of the change. Notification to the CBA can be made through the on-line client account or in writing.

A California Practice Privilege holder may submit changes to the information reported on a California Practice Privilege Notification Form electronically by logging in to his or her client account on the CBA website and updating his or her Notification Form online. If choosing this method, an individual must make sure that he or she selects the "Update Notice" option. An individual should not select the "Create New Notice" option if only submitting changes to the Notification Form information. Changes to the information reported on the Notification Form also may be submitted by mail or facsimile at (916) 263-3676.

Failure to report changes in the information reported on the Notification Form may result in a fine of \$250 to \$5,000.

Firm/Address of Record Change

To notify the CBA of a CPA firm association change and/or an address of record change, the California Practice Privilege holder should visit the CBA website at www.cba.ca.gov. The individual can log in to his or her client account and update the contact information online. These changes also may be submitted to the CBA by mail or facsimile at (916) 263-3676.

Name Change

A name change must be submitted to the CBA in writing. An individual must contact the CBA by phone at (916) 561-1704 for further information regarding the documentation that he or she needs to submit.

Changes to State of Licensure Information

If the CPA license used as the basis for qualifying for a California Practice Privilege is renewed during the term of an individual's California Practice Privilege, it must be reported to the CBA through his or her online client account or in writing within 30 days of the renewal date. An individual may be subject to a fine of \$250 to \$5,000 for failure to comply with this requirement.

CBA Website

The CBA website is located at www.cba.ca.gov. Important information for CPA/PA licensees, CPA exam and licensure applicants, California Practice Privilege holders, and consumers is posted on this site. The site also contains information regarding CBA meetings, accepting commissions, license renewal, California Practice Privilege,

continuing education, forms, and enforcement actions. Additionally, the site provides the current Accountancy Act, CBA Regulations, and *UPDATE* publications. By subscribing to e-news you can receive e-mail notifications containing information regarding CBA programs and activities.

Forms

The following forms are available on the Forms/Publication Page of the CBA website:

- *California Practice Privilege Notification Form and Instructions.*
- *California Practice Privilege Remittance Form.*

The forms also may be requested from the CBA's Practice Privilege Unit at pracprivinfo@cba.ca.gov or by telephone at (916) 561-1704.