Annual *Report*

CALIFORNIA BOARD OF ACCOUNTANCY

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

Fiscal Year 2014-15

TABLE OF CONTENTS

Executive Officer's Statement 1
The CBA Organization 3
CBA Members 4
- Leadership 4
- Current Members 4
- Former members 5

Strategic Planning 6
- Stakeholder Satisfaction 8

CBA Budget 9
- Budget Reporting 9
- Reserve Level 10
- Fee Increase 11
- General Fund Loans 11

Projects and Activities 12
- Sunset Review Activities 12
- California Practice Privilege and Mobility 13
- Study of California's Attest Experience Requirement for CPA Licensure 14
- Office Relocation 14

Legislation 15
- Legislative Best Practices 15
- 2015 Legislation 15

Legislative Reports 17
- Sunset Review Report 17
- Peer Review Report 17
- Practice Privilege Preliminary Determinations Report 18

Regulations 19
Outreach, Social Media, and Stakeholder Contact 20
- Presentations and Speaking Engagements 20
- CBA Publications 23
- Social Media 24
- Communication with Stakeholders 24

CBA and Committee Activities 25
- Appointments 25
- Reappointments 25
- CBA Leadership and Committee Chairs 25
- Support Activities 26

Administration Division 27
Program Enhancements 28
Enforcement 29
Complaints 29
Investigations 30
Disciplinary Actions 30
Citations 31
Practice Privilege Reporting 32
Probation 33
Criminal Offender Record Information 33
Enforcement Committees 35
Enforcement Program Oversight Committee 35
Enforcement Advisory Committee 35
Peer Review Oversight Committee 35
Performance Measures 36
Program Enhancements 37
Other Enforcement Activities 39
Licensing Division 40
Examination 40
CPA Licensure 41
License Renewal and Continuing Competency 43
Retired status 45
Out-of-state Firm Registration 45
Licensing Committees 46
Qualifications Committee 46
Service to CBA Stakeholders 46
Program Enhancements 47
CBA Management 48

EXECUTIVE OFFICER'S STATEMENT

It is my pleasure to present you with the California Board of Accountancy Annual Report for Fiscal Year 2014-15. Our mission of consumer protection and our vision of consumers receiving quality services from licensees they can trust have served as a beacon as we strive to serve stakeholders, including consumers and licensees.

The California Board of Accountancy (CBA) has had many successes over the past year and many opportunities to achieve tasks that are in concert with the CBA's ever-important values, which include consumer protection, integrity, quality and professionalism, transparency, initiative, respect, accountability, and teamwork.

The key to ensuring an organization can meet its mission and goals is to establish a benchmark of excellence and leading by example. Keeping these concepts ever present, and working with a consumer-focused board of leaders and staff, below are highlights of accomplishments that meet our consumer protection mandate:

Consumer Protection

The CBA took disciplinary action on 63 matters during fiscal year 2014-15, representing an 85 percent increase over the prior fiscal year. Disciplinary actions protect consumers as it imposes license revocation or practice monitoring via probation to ensure licensees are practicing public accountancy in accordance with rules, regulations and professional standards.

Outreach

The CBA participated in several state-wide outreach events focused on educating stakeholders. Events included presentations to future CPAs, licensees, and members of academia regarding the CBA's mission and examination, licensure, and license renewal requirements. The events provided the opportunity to collaborate with professional associations and colleges/universities, which provides another avenue to share the message of consumer protection.

Enforcement

The CBA has increased staffing in the Enforcement Division to address case aging and focus resources on ensuring licensees are in compliance with the California Accountancy Act and CBA Regulations, including peer review and fingerprinting requirements, which all work to ensure and enhance consumer protection.

Sunset Review

The CBA successfully underwent Sunset Review. The Sunset Review process is comprehensive, requiring the development of an extensive report detailing activities in the prior four years and testifying before the legislature addressing why regulation of the accounting profession is critical to consumer protection. The CBA received positive feedback during the Sunset Review hearing and during the Assembly Business and Professions Committee hearing, the CBA received accolades from the Chair regarding its performance as a board.

Licensing

The CBA has continued to process applications for examination and licensure within 30 days. This target timeframe has assisted future CPAs in obtaining timely licensure and promptly enabling them to practice public accountancy.

Budget

The CBA has taken steps to reduce its high reserve levels and set fees to ensure revenues and expenditures are in balance. This action has reduced costs for those entering the CPA profession. Additionally, licensees have been positively impacted by paying reduced renewal fees.

The CBA has also seen many other successes, such as collaborating with other state agencies, including the State Controller's Office regarding educating CPAs on how they can assist their clients in meeting unclaimed property reporting requirements. Further, the CBA participated in three national meetings with the National Association of State Boards of Accountancy, including the 107th Annual Meeting, the Western Regional Meeting, and the Strategic Planning Forum.

Every task that is accomplished at the CBA, from answering a phone call at reception, to processing of an application for CPA licensure, to investigating a complaint, and acting on items at CBA meetings are done in the interest of consumer protection. This report provides details regarding the activities that have occurred that demonstrate the CBA's focus on customer satisfaction and result in the CBA meeting its mandate of consumer protection.

Patti Bowers
Executive Officer

THE CBA ORGANIZATION

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's practice act is found at section 5000 *et seq.* (Accountancy Act) of the Business and Professions Code (BPC), and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA has the authority to license and discipline individuals, partnerships, and CPA corporations. As accounting practitioners, the CPA and the public accountant (PA) are sole proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals; private and publicly-held companies; financial institutions; nonprofit organizations; and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia. The CBA performs its consumer protection mission for many stakeholders, including:

- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies, which require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, Department of Insurance, Department of Labor, the Government Accountability Office, and federal and state banking regulators; and local, state, and federal taxing authorities.
- Retirement systems, pension plans, capital markets and stock exchanges.
- Other state boards of accountancy.

Current law mandates that the CBA consist of 15 members, seven of whom must be CPAs, and eight of whom must be public members, not licensed or registered by the CBA. The Governor appoints four of the public members and all seven licensee members. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members.

The members of the CBA appoint an Executive Officer to oversee the daily operations of the board and implement the various policy decisions made by the board. The CBA is comprised of three divisions that encompass the areas of Administration, Licensing, and Enforcement. There are approximately 95 permanent staff members and additional temporary staff that assist throughout the CBA in various capacities. Although the CBA is "divided" into three divisions, the CBA operates as one, knowing that each activity performed is being done so in the interest of consumer protection.

CBA MEMBERS

LEADERSHIP

Jose A. Campos, CPA, President
Governor Appointee

Katrina Salazar, CPA, Vice President
Governor Appointee

Alicia Berhow, Secretary/Treasurer
Governor Appointee

CURRENT MEMBERS

Sarah "Sally" Anderson, CPA
Governor Appointee

Herschel T. Elkins, Esq.
Senate Rules Committee Appointee

Lawrence (Larry) Kaplan
Speaker of the Assembly Appointee

Louise Kirkbride
Governor Appointee

Kay Ko
Governor Appointee

Leslie LaManna, CPA
Governor Appointee

Xochitl A. León
Senate Rules Committee Appointee

Jian Ou-Yang, CPA
Governor Appointee

Deidre Robinson
Governor Appointee

Michael M. Savoy, CPA
Governor Appointee

Mark J. Silverman, Esq.
Governor Appointee

Kathleen K. Wright, JD, CPA, LLM, MBA
Governor Appointee

FORMER MEMBERS

Diana Bell

Manuel J. Ramirez, CPA

Kitak (K.T.) Leung, CPA

STRATEGIC PLANNING

The 2013-15 Strategic Plan (Plan), adopted in September 2012, has provided clear, relevant, and consumer-focused goals to guide the CBA. The goals include Enforcement, Customer Service, Licensing, Outreach, Laws and Regulations, Emerging Technologies, and Organizational Effectiveness. These goals provided a framework for the Plan's 28 objectives, most of which are now complete. During the three-year time period covered by the Plan, the CBA has had significant successes in completing objectives, which include the following:

Goal 1 – Enforcement

Maintain an active, effective, and efficient program to maximize consumer protection.

- Strengthened Enforcement by increasing staff to address peer review matters and the increasing inventory of complaints.

- Expanded fieldwork of Investigative CPAs, reducing investigative timeframes, and ensuring licensees are adhering to relevant laws.

Goal 2 – Licensing

Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.

- Maintained processing timeframes for examination and initial CPA licensure at or under 30 days.

- Implemented the new educational requirements for CPA licensure. The landmark changes strengthened consumer protection by requiring coursework focused on ethics. The new educational requirements also made the CBA's licensing requirements substantially equivalent with other jurisdictions increasing the opportunity for interstate mobility.

- Implemented the new no notice, no fee practice privilege program (commonly referred to as mobility). Created an on-line internet lookup feature for consumers to verify whether out-of-state licensees have had disciplinary action taken against their license and to identify whether out-of-state licensees are prohibited from practicing public accountancy in California.

Goal 3 – Customer Service

Deliver the highest level of customer service.

- Enhanced customer service by responding to stakeholder inquiries in a timely manner, ensured a high level of professionalism when interacting with stakeholders, and listened to our stakeholder's comments via surveys and made improvements where possible.

Goal 4 – Outreach

Provide and maintain effective and timely outreach to all CBA stakeholders.

- Strengthened and improved the CBA's outreach activities by partnering with professional societies, educational institutions, and student organizations to conduct presentations on the

CBA and its mission of consumer protection as well as examination and licensure requirements.

- Obtained out-of-state travel approval for CBA and committee members, enabling CBA participation at national events focused on the regulation of the accounting profession. The attendance was critical to provide the CBA with a voice and platform to discuss consumer related initiatives. It further underpinned the CBA's leadership nationally given that California has the largest candidate and licensee population.

Goal 5 – Laws and Regulations

Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.

- Established legislative best practices, which have strengthened the CBA's visibility with the legislature, improved relationships with legislative staff, and assisted in the CBA's successful Sunset Review process.

Goal 6 – Emerging Technologies

Improve efficiency and information security through use of existing and emerging technologies.

- Strengthened the CBA's information technology infrastructure by replacing firewalls and servers with new equipment and updated the CBA's internet connection to increase capacity.

Goal 7 – Organizational Effectiveness

Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.

- Created an intranet website called "Grow Your Career" for staff to access information on upward mobility. The "one stop shop" website provides job classification descriptions, sample interview questions, tips on interviewing, and links to available positions.

- Encouraged staff participation in training with the Department of Consumer Affairs Strategic Organization, Leadership, and Individual Development as well as available external providers.

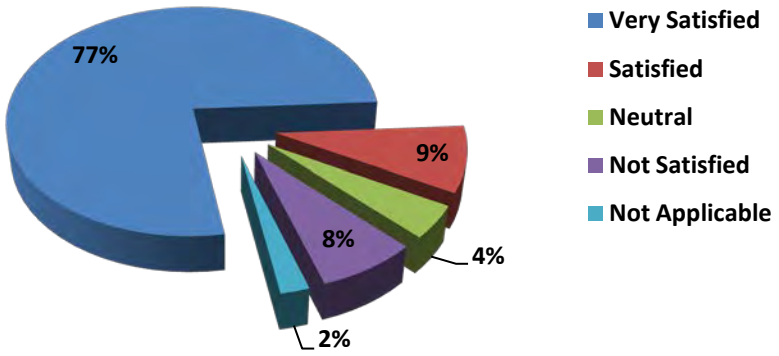
- Promoted several internal staff who demonstrated skill, extensive knowledge, strong work ethic and a high level of customer service. The internal promotions are also consistent with the CBA's Succession Plan.

As the CBA approached 2015, activities were initiated to develop the 2016-18 Strategic Plan. In March 2015, the Strategic Planning Committee recommended and the CBA approved an approach on development, which included conducting interviews with members, committee members, and staff and conducting surveys with CBA stakeholders to receive feedback on the CBA's strengths and weaknesses. The information gathered assisted the CBA during its workshop in July 2015. The 2016-18 Strategic Plan will be presented for approval to the CBA in late 2015.

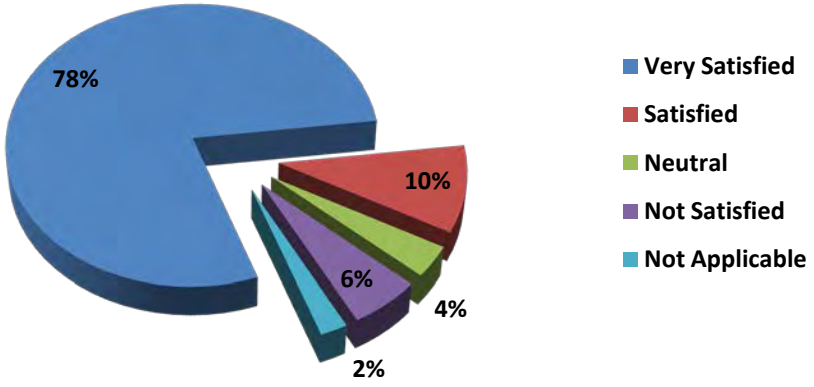
STAKEHOLDER SATISFACTION

The CBA Stakeholder Satisfaction Survey offers a significant source of feedback from stakeholders on their experiences with the CBA. The CBA uses the results to further improve its customer service to all CBA stakeholders. On average, more than 86 percent of those responding to the survey report being satisfied with the service they received from the CBA. Additionally, more than 88 percent reported being satisfied with how quickly staff responded to their inquiries, as recorded in the accompanying Survey Results charts.

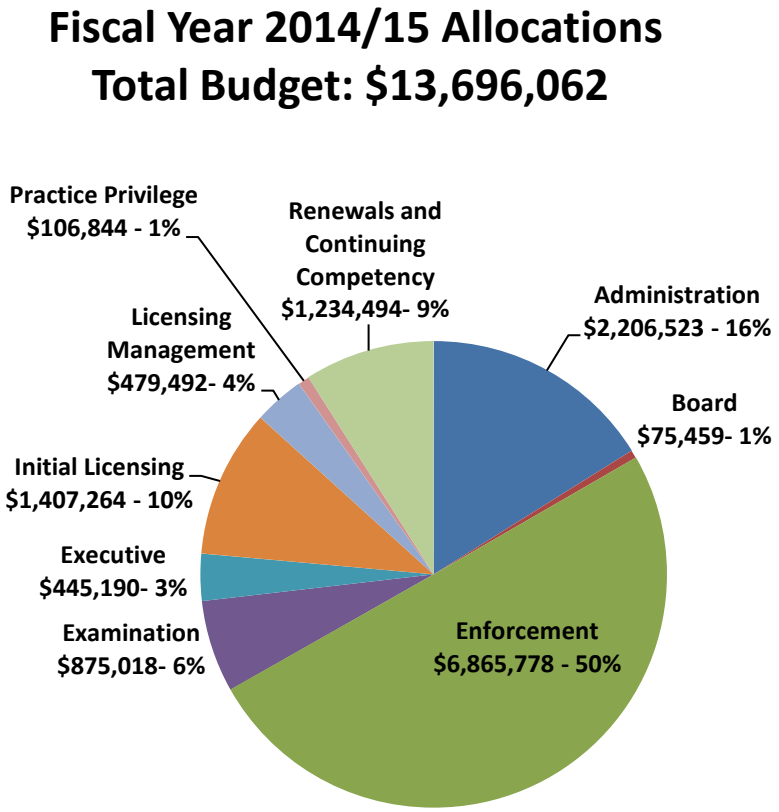
Did CBA Service Meet Your Expectations?



Were You Satisfied with the CBA's Response Time to Your Inquiry?



CBA BUDGET



The CBA's budget in Fiscal Year (FY) 2014-15 was $13,696,062, which represents the maximum amount of money that the CBA can spend on annual operations. The chart above illustrates the resources allotted within the CBA. The CBA Administration Division is responsible for determining the budgets for each program with the number and classification of personnel, specific contracts, and expected equipment purchases all considered when determining these amounts.

BUDGET REPORTING

The CBA is kept apprised of its budget and year-to-date expenditure and revenue data via financial reports at CBA meetings. These reports reflect revenues, expenditures, and reimbursements for the current quarter and are compared to the same quarter of the prior year. Charts included in the quarterly budget reports show historical CBA data with year-end expenditure projections reflecting revenue and expenditure levels.

The CBA is kept apprised of all matters relating to the CBA budget, information is often shared throughout the year in the monthly Executive Officers report and at times is sent via email if the matter is of critical importance. During the last fiscal year, CBA members received additional budget information regarding the BreEZe project and its potential impact on the Accountancy Fund.

The CBA also posts a budget summary in the Spring edition of UPDATE, which contains a breakdown of the CBA budget and how the funds are allocated.

Internally, detailed monthly budget reports that contain all revenue collections and expenditures, are reviewed for accuracy and then summarized to provide year-to-date financial information for all budget line items. The reports are used to monitor spending levels and determine whether adjustments in purchases or spending should be made in a given area.

RESERVE LEVEL

The following table provides a general summary of the CBA Reserve including statistics for FY 2014-15 and staff projections for the next two years.

CBA Reserve Summary

ANALYSIS OF FUND CONDITION	FY 2014 15 (Actual) [1]	FY 2015 16 (Projected)[2]	FY 2016 17 (Projected)[2]
Total Reserves, July 1	$14,239,000	$6,294,000	$4,043,000
Total Revenues	$5,471,000	$5,366,000	$14,883,000
Total Transfers	$0	$6,151,380[3]	$274,428[4]
Total Resources	$19,710,000	$17,811,000	$19,201,000
Total Expenditures	$13,786,000	$13,888,000	$14,802,000
Scheduled Reimbursements	$296,000	$296,000	$296,000
Investigative Cost Recovery	$74,000	$134,000	$134,000
Reserve, June 30	$6,294,000	$4,043,000	$4,519,000
MONTHS IN RESERVE	5.6	3.3	3.8

[1] As of Fiscal Month 12 data from Department of Consumer Affairs Budget Reports
[2]The revenue figures for FY 2016-17 reflect revenue increases from increasing of License Renewal and Initial Permit fees.
[3]A $6 million General Fund Loan is scheduled to be repaid in FY 2015-16. It is projected that the interest which is required to be repaid at the time of loan repayment, will amount to $151,380.
[4]A $270,000 General Fund Loan is scheduled to be repaid in FY 2016-17. It is projected that the interest which is required to be repaid at the time of loan repayment will amount to $4,428.

FEE INCREASE

At the November 2014 CBA meeting, the CBA was presented with preliminary information regarding the CBA's Reserve levels and fee increase options that would increase the Reserve. The CBA expressed support for increasing fees to support a sufficient reserve amount that would ensure the CBA had sufficient resources to carry out its consumer protection mandate.

At the March 2015 CBA meeting, additional information was presented regarding possible fee level options to further increase the Reserve based on feedback received while the CBA was undergoing its Sunset Review process. The CBA ultimately voted to restore initial permit and license renewal fees to $200, the level in place prior to FY 2010-11. Application fees for the Uniform CPA Examination and CPA and accounting firm licensure were maintained at reduced levels to assist those entering the profession.

The regulatory proposal to implement the fee changes is presently undergoing the rulemaking process. Once the fee increase regulations are approved by the Office of Administrative Law they will take effect on July 1, 2016.

The new fees will increase the CBA's Reserve levels and bring revenues and expenditures more closely in line.

GENERAL FUND LOANS

The CBA presently has $31,270,000 in loans to the General Fund outstanding. In January 2015, the Department of Finance released its Loan Obligation Report, which identifies target dates for repayment of a portion of the CBA loans made to the General Fund. The Loan Obligation Report reflects the following repayment schedule:

Department of Finance
General Fund Loan Repayment Schedule[1]

Fiscal Year 2015-16	$6,000,000
Fiscal Year 2016-17	$270,000
Fiscal Year 2017-18	$11,000,000

[1] Information based on the Department of Finance Loan Obligation Report, dated December 31, 2014

Updates regarding the General Fund loans are provided during the financial reports presented during the CBA meetings.

PROJECTS AND ACTIVITIES

SUNSET REVIEW ACTIVITIES

The CBA plays an important role in protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. Every four years, the Legislature performs, what is known as a, "Sunset Review" on the CBA, as well as other various boards and bureaus within the Department of Consumer Affairs (DCA), to evaluate and discuss its value, performance, and to make recommendations for improvement. This process not only provides valuable dialogue between the Legislature and the CBA, but also promotes public participation and input regarding the CBA's performance.

In October 2014, the CBA began its Sunset Review process with the submission of the CBA's 2014 Sunset Review Report, which highlighted the many consumer protection achievements made since the last sunset review, answered preliminary questions, and brought forward new issues for discussion.

In response to this report, the Legislature published a Background Paper on the CBA in preparation for a Joint Oversight Hearing before the Senate Business, Professions and Economic Development (Senate BP&ED) and Assembly Business and Professions Committees.

The Background Paper was released in March 2015, and identified six key issues for the CBA to address:

1. the continuance of the peer review program
2. the CBA's progress in meeting the formal discipline performance measure of 540 days
3. allowing the CBA to include permanent practice restrictions as part of a final disciplinary order
4. the adequacy of the CBA's Reserve level
5. consumer satisfaction with the CBA
6. whether the CBA's sunset date should be extended

On March 18, 2015, Vice-President Katrina Salazar, CPA, and CBA Executive Officer Patti Bowers testified before the Legislature to discuss key issues and speak to the value of the CBA in protecting California consumers.

Senator Jerry Hill, Chair of the Senate BP&ED, introduced Senate Bill (SB) 467, with a favorable recommendation to extend the CBA's sunset date from January 1, 2016 to January 1, 2020. During the Sunset Review hearing in March 2015, the CBA received positive feedback regarding its performance as a board. Subsequently, the CBA received similar accolades from the Chair of the Assembly Business and Professions Committee while the bill was being presented at the Appropriations hearing.

There is a dedicated sunset review activity section on the CBA website (www.cba.ca.gov) which includes the CBA's 2014 Sunset Review Report, the Legislature's Sunset Review Background Paper, and the CBA's Response to Issues Raised in the Background Paper.

CALIFORNIA PRACTICE PRIVILEGE AND MOBILITY

The Mobility Stakeholder Group (MSG) was established by the Legislature with the passage of Senate Bill 1405 in 2013. The MSG is a seven member committee comprised of two representatives of the accounting profession, two consumer representatives, two CBA members and one CBA staff member. The MSG will advise the CBA on important issues related to the enacted practice privilege provisions (or commonly referred to as mobility), including whether the practice privilege law is consistent with the CBA's duty to protect the public and satisfies the objectives of stakeholders in this state, including consumers.

In fiscal year (FY) 2014-15, the MSG focused on assisting the CBA in determining whether the practice privilege law is consistent with its duty to protect the public and satisfies the objectives of stakeholders in California. The MSG held four meetings to discuss important issues and make periodic reports to the CBA. The following highlight some of the major accomplishments of the MSG during the past year:

- Discussed whether the consumer protection provisions of the practice privilege law currently in place are consistent with the CBA's duty to protect the public.
- Adopted the definition of stakeholders, as previously used in the CBA's 2013-2015 Strategic Plan.
- Identified initial stakeholder objectives, namely to help out-of-state licensees know and understand their self-reporting requirements and to assure the CBA that all states have adequate enforcement.
- Opined that CBA's enforcement practices met the National Association of State Boards of Accountancy (NASBA) Guiding Principles of Enforcement (NASBA Enforcement Guidelines).
- Assisted in preparing the CBA's Preliminary Determinations Report to the Legislature.

In support of the MSG, staff has done outstanding work researching and developing agenda items used by members to render decisions and make recommendations to the CBA. Staff has spent significant time ensuring the MSG has all the information and resources necessary to carry out its statutory directives, including collaborating with the NASBA on agenda items and presentations to the MSG.

Joint CBA/MSG Meeting in Los Angeles, CA – May 2015

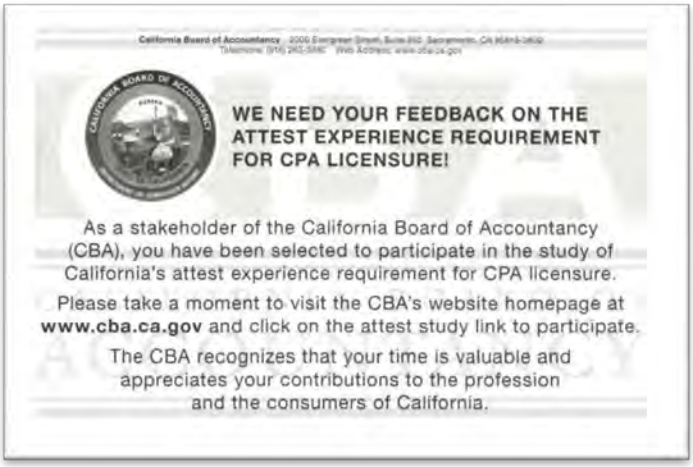
In the coming year, the MSG anticipates laying the groundwork and initiating a project to compare other states' enforcement programs to the NASBA Enforcement Guidelines. Licensees from states where the enforcement program is found to be substantially equivalent to the NASBA Enforcement Guidelines will be allowed to remain in the current no notice, no fee practice privilege program.

STUDY OF CALIFORNIA'S ATTEST EXPERIENCE REQUIREMENT FOR CPA LICENSURE

In March 2013, past-President Leslie LaManna, CPA, established the Taskforce to Examine Experience for CPA Licensure (Taskforce). The primary purpose and goal of the Taskforce was to examine the experience requirement for CPA licensure, determine whether changes (if any) are necessary, and provide a recommendation to the CBA.

In September 2013, after the conclusion of the Taskforce's work, the CBA adopted a position to perform a more comprehensive study of California's attest experience requirement, both statewide and nationally. The CBA secured an outside vendor, CPS HR Consulting (CPS), to assist in the collection of California-specific data, while the national data would be gathered by staff.

In FY 2014-15, the CBA continued its work with CPS to determine the contents of the attest study. At its January 22-23, 2015 meeting, the CBA finalized the study to involve surveying a wide range of groups in California, including consumers, applicants, new and experienced licensees, hiring managers, licensees who supervise and sign-off on attest experience, as well as accounting department faculty at various colleges and universities. The study would also include a national survey to other state boards of accountancy in the remaining 54 jurisdictions.



At its March 19-20, 2015 meeting, the CBA determined it would conduct a pre-testing of the study to a random selection of its target stakeholders to assist in ensuring the survey questions are easy to navigate and convey clear and effective questions, which produce relevant feedback. The full study will launch to stakeholders and other state boards in August 2015. Postcards will be sent to 90,000 licensees requesting feedback. A report on the results of the survey will be provided to the CBA in January 2016.

OFFICE RELOCATION

In FY 2014-15 the CBA signed a lease to relocate its headquarters office. The new updated facility is conveniently located close to major highways, is approximately two miles north of downtown Sacramento and nine miles southeast of the Sacramento International Airport. It is anticipated the CBA will begin occupying this space in early 2016. The new facility will have the space to accommodate Northern California CBA meetings and Committee meetings, resulting in reduced costs associated with facility rental and staff travel. The location will allow the CBA to be housed in one location, improve communication, increase functionality and productivity and will allow for growth as the CPA profession continues to expand. Staff is working to ensure the move occurs without any impact to consumers, licensees, and other CBA stakeholders.

New California Board of Accountancy Headquarters

LEGISLATION

LEGISLATIVE BEST PRACTICES

To further strengthen CBA communications with the Legislature, staff presented newly established Legislative Best Practices at the January 22, 2015 meeting and followed these practices during fiscal year 2014-15. Established best practices include increased communications with the author of the bill, inviting the authors or their legislative staff to attend CBA meetings, providing the CBA's legislative analysis to the author's office, and proactively expressing the CBA's willingness to meet and discuss the bill. These best practices worked to further strengthen the CBA's relationship with the Legislature.

2015 LEGISLATION

The CBA continues to maintain an active role with the Legislature by tracking legislation and meeting with legislators regarding bills that impact consumers of accounting services and/or directly relates to the CBA's mission of consumer protection. Below is an overview of the legislation sponsored, tracked, and monitored by the CBA during the first year of the 2015-2016 legislative session.

The following Assembly Bills (AB) and Senate Bills (SB) directly affecting the CBA were considered during the 2015 legislative year:

AB 85
This bill would require two-member advisory committees or panels of a "state body" – as defined in the Bagley-Keene Open Meeting Act – to hold open, public meetings if at least one member of the advisory committee or panel is a member of the larger state body, and the advisory committee is supported, in whole or in part, by state funds. The CBA took an Oppose position. If passed, this is an urgency measure that will take effect immediately upon signature by the Governor.

AB 507
This bill would require DCA to submit an annual report to the Legislature that provides its implementation plan for the boards and bureaus in phase three of the BreEZe computer system release. The CBA took a Support position. If passed, this is an urgency measure that will take effect immediately upon signature by the Governor.

AB 750
This bill would authorize every board within DCA, to establish, by regulation, a system for a retired category license for persons who are not actively engaged in practice. The CBA took a Neutral position. This billed failed to pass 2015 legislative deadlines and may be considered in 2016. If passed, it will take effect January 1, 2017.

AB 1060
This bill originally would have clarified how boards must transmit rehabilitation criteria to licensees. Specifically, by first class mail and by email if the board had an email address on file. The CBA took a Neutral position on this bill. It was later amended to no longer be relevant to the CBA, but rather to address cancer clinical trials. The CBA discontinued following this bill.

AB 1351
This bill would change the existing deferred entry of judgment program for specified offenses involving personal use or possession of controlled substances into a pretrial drug diversion program that allows for a not guilty plea to be entered. The CBA took a Watch position. If passed, it will take effect January 1, 2016.

AB 1352
This bill would require courts to allow certain defendants in cases involving deferred entries of judgment after January 1, 1997 to withdraw their guilty or nolo contendere pleas in order to avoid certain adverse consequences, including denial of a license or certificate. The CBA took a Watch position. If passed, it will take effect January 1, 2016.

SB 8
This bill would revise California's tax system to include taxes on information and services, including accounting and tax preparation fees. The CBA took a Watch position. This billed failed to pass 2015 legislative deadlines and may be considered in 2016. If passed, it will take effect January 1, 2017.

SB 467
This bill is the CBA's sunset review bill. It would extend the CBA's Sunset Review date from January 1, 2016 to January 1, 2020 and contains a CBA sponsored provision to allow the CBA to include permanent practice restrictions a part of a final disciplinary order. Additionally, it would transfer authority for approving pro-rata charges for the Department of Consumer Affairs (DCA) administrative expenses that are imposed upon boards and bureaus within DCA to the Legislature, rather than having those charges set by the Director of DCA with Department of Finance approval. It would also require that the Attorney General's (AG) Office submit an annual report to the Legislature, Governor, and DCA, beginning on January 1, 2018, that includes specified information on cases referred to the AG's Office by DCA boards and bureaus.

The CBA took a Support position on the CBA's Sunset Review extension, permanent practice restrictions, and the reporting requirement related to the AG's Office. If passed, it will take effect January 1, 2016.

SB 799
This was one of the Senate Business Professions and Economic Development Committee's omnibus bills and it contains two provisions requested by the CBA.

Further clarify the restoration requiements of a license placed in retired status to reference existing law that states that a canceled license may not be restored, renewed or reinstated.

For out-of-state license applicants, recast and strengthen the requirements regarding license status from "valid and unrevoked" to "current, active, and unrestricted." The proposed language clarifies that those authorized to practice with a practice privilege may use the CPA designation in California.

The CBA took a Support position. If passed, it will take effect January 1, 2016.

LEGISLATIVE REPORTS

In fiscal year 2014-15, three major reports were submitted to the Legislature:

- Sunset Review Report
- Peer Review Report
- Practice Privilege Preliminary Determinations Report

SUNSET REVIEW REPORT

Every four years, the Legislature performs its Sunset Review process on the CBA to evaluate and discuss its value, performance, and to make recommendations for improvement. This process not only provides valuable dialogue between the CBA and the Legislature, but also promotes public participation and input regarding the CBA.

This process began with the CBA's 2014 Sunset Review Report, which was approved by the CBA at its September meeting, and answers a series of questions posed by the Legislature that will assist it in determining whether to extend the sunset date of the CBA. This report was submitted to the Legislature in October 2014.

In March 2015, the Legislature responded to the CBA's Sunset Review Report in a Background Paper on the CBA for the Senate Business, Professions and Economic Development (Senate BP&ED) and Assembly Business and Professions Committees (Assembly B&P), collectively "Committees" during their joint review of the CBA.

On March 18, 2015, Vice-President Katrina Salazar and Executive Officer Patti Bowers testified before the Committees to discuss key issues and speak to the value of the CBA in protecting California consumers.

Following this important legislative hearing, the CBA submitted its Response to Issues Raised in the Background Paper

The CBA received positive feedback during the Sunset Review hearing and during the Assembly B&P Committee hearing, the CBA received accolades from the Chair regarding its performance as a board.

There is a dedicated Sunset Review activity section on the CBA website (http://www.dca.ca.gov/cba/index.shtml) which includes the CBA's 2014 Sunset Review Report, the Legislature's Sunset Review Background Paper, and the CBA's Response to Issues Raised in the Background Paper.

PEER REVIEW REPORT

The Peer Review Report was approved by the CBA in November 2014 and submitted to the Legislature in December 2014. This report provided the Legislature with specific information it requested in Business and Professions Code section 5076 detailing the implementation of mandatory peer review. The report also contains an overview of all activities relating to peer review, including

statistics that will aid the Legislature during its evaluation. Based on the report, the Legislature may make changes to the program, as it deems necessary.

The Peer Review Report is available on the CBA website at
http://www.dca.ca.gov/cba/publications/peer_review_2015.pdf

PRACTICE PRIVILEGE PRELIMINARY DETERMINATIONS REPORT

The Practice Privilege Preliminary Determinations Report was presented to the CBA in March 2015 and was later finalized and approved at its May 2015 meeting for submission to the Legislature. This report provides the Legislature with the information that will be used by the CBA when it makes its determinations as to whether allowing a particular state's licensees to practice in California under a practice privilege violates its duty to protect the public.

The Practice Privilege Preliminary Determinations Report is available on the CBA website at
http://www.dca.ca.gov/cba/publications/pp-determinations-rpt.pdf

The Practice Privilege Final Report is due to the Legislature on January 1, 2018.

REGULATIONS

The following regulations were in progress in FY 2014-15.

Disciplinary Guidelines and Model Orders
This regulatory proposal provides CBA staff and Administrative Law Judges updated Disciplinary Guidelines and Model Orders, including factors to be considered in aggravation and mitigation; standard probationary terms; and guidelines for specific offenses. The guidelines for specific offenses are referenced to the statutory and regulatory provisions violated. *(Approved July 2015)*

Practice Privilege Notification of Pending Criminal Charges Form
The regulatory proposal incorporates a Practice Privilege Notification of Pending Criminal Charges Form. This form is required to be completed by individuals practicing in California under a practice privilege who attain pending criminal charges. The form must be submitted to the CBA within 30 days and may be used to initiate an investigation regarding the criminal charges. The CBA will use the information obtained during the investigation to determine whether continuation of practice rights will ensure consumer protection. *(Approved July 2015)*

Continuing Education
This regulatory proposal modified the timeframe in which experience can be obtained for CPA licensure applicants whose experience was obtained five or more years prior to application and for reissuance of a cancelled license. *(Approved August 2015)*

Experience in Academia
This regulatory proposal would establish guidelines for experience in academia to qualify as general accounting experience for licensure as authorized by Business and Professions Code section 5093(d)(3). Specifically, this regulatory proposal would equate 48 semester units of instruction, or its equivalent in quarter units, to one year of general accounting experience.

Fee Increase
This regulatory proposal would restore initial permit and biennial renewal fees to $200, bringing revenues and expenditures more closely aligned and increasing the CBA's Reserve to provide sufficient resources to protect California consumers through its licensing, regulatory and disciplinary functions.

OUTREACH, SOCIAL MEDIA, AND STAKEHOLDER CONTACT

PRESENTATIONS AND SPEAKING ENGAGEMENTS

CBA Leadership and management participated in several outreach events during FY 2014-15. These events provided a platform to share the consumer protection mission of the CBA, discuss the CBA's structure, and provide information regarding the requirements for examination, licensure, and license renewal.

The CBA was fortunate to have partners in these endeavors including the California Society of CPAs (CalCPA); CalCPA Accounting Educator's Committee; University of California at San Diego; University of California at Berkeley; University of San Francisco; California State University, Fullerton; and Cosumnes River College.

Many of the events were webcast to reach a broader audience and provided an opportunity for participants to ask questions remotely. All the webcast events have subsequently been archived on the CBA website for viewing. To assist attendees at each event, a wide variety of materials were brought as a reference, including handbooks on applying for the Uniform CPA Examination (CPA Exam) and applying for CPA licensure; tip sheets on educational and experience requirements, and an overview of requirements for license renewal.

Below is an overview of the outreach events and speaking engagements that the CBA participated in:

September 2014

University of San Diego

The CBA/CalCPA joint outreach event, "So You Want to Be a CPA" was held September 17, 2014 on the campus of the University of San Diego. Immediate past President Michael Savoy, CPA; Executive Officer Patti Bowers; and members of CBA management provided a presentation that walked students through the process of becoming a CPA. Mr. Savoy also provided insight regarding his professional career and what first motivated him to enter the accounting profession. The event was attended by approximately 70 students and an additional 180 participated via the webcast. Following the event, attendees had the opportunity to ask individual questions with CBA staff and were provided contact information for follow up questions.

So, You Want to Be a CPA?
September 17, 2014
University of San Diego

Pictured from left:
Ben Bower, CPA
Patti Bowers, CBA Executive Officer
Michael M. Savoy, CPA, Past President of the CBA
Tiffany Vo, CPA

November 2014

University of San Francisco

Former Licensing Chief, Dominic Franzella, provided a presentation to approximately 100 students at the University of San Francisco. The primary focus was to explain the 150 semester hour educational requirement to assist those who were seeking CPA licensure. Following the presentation, students had the opportunity to ask specific questions regarding their individual situation. Additionally, faculty and the Dean had an opportunity to meet with Mr. Franzella who provided additional information and answer their specific questions.

December 2014

California State University at Sacramento
Initial Licensing Unit Manager Veronica Daniel and Examination Unit Coordinator Suzanne Gracia attended the CalCPA Sacramento Chapter Student Outreach Luncheon at the Sacramento State Alumni Center. Approximately 60 students attended the event. The primary focus of the presentation was to provide information and answer questions regarding the CPA Exam and CPA licensure requirements.

January 2015

California State University at Fullerton
Examination and Practice Privilege Manager, Matthew Stanley, and Initial Licensing Unit Manager, Veronica Daniel, provided information and answered questions regarding the Uniform CPA Examination and the new education requirements for CPA licensure to approximately 60 accounting faculty from the California State University at Fullerton and others from surrounding junior colleges. The focus was on how faculty can assist students with the additional 30 semester units required for CPA licensure. This valued opportunity was provided at the invitation of CBA member Sally Anderson.

April 2015

University of California at Berkeley
The CBA/CalCPA joint outreach event, "So You Want to Be a CPA" was held April 7, 2015 at the University of California at Berkeley, Haas School of Business. CBA President Jose Campos, CPA, along with Executive Officer Patti Bowers, and CBA management conducted a presentation which walked students through the process of becoming a CPA. President Campos and CalCPA East Bay Chapter Board Member Wilbur Chan shared information and provided insights about what it is like to be a CPA. Approximately 60 students attended the live audience presentation and 346 students participated via a live webinar. CBA staff had the opportunity to speak directly with students and answer individual questions.

So, You Want to Be a CPA?
April 7, 2015 – University of California at Berkely

Pictured from left:
Jose A. Campos, CPA, CBA President
Patti Bowers, CBA Executive Officer
David Lo, Strategic Relations Manager, CalCPA Institute
Jose M. Plehn-Dujowich, Ph.D., Executive Director and Professor, Center for Financial Reporting & Management, University of California at Berkeley
Wilbur Chan, CalCPA East Bay Chapter Board Member

Pictured from left:
Jose A. Campos, CPA, CBA President
Veronica Daniel, Initial Licensing Unit Manager
Matthew Stanley, Examination and Practice Privilege Unit Manager
Gina Sanchez, Licensing Division Chief

CalCPA's Accounting Education Committee Meeting
CBA management was invited to participate in a meeting with the CalCPA's Accounting Education Committee. This event provided an open forum for the approximately 24 members of the committee (including educators and representatives of large accounting firms) to ask questions regarding the CPA licensure process relating to education and experience.

CalCPA's Government Relations Committee
CBA Executive Officer was invited by CalCPA's Government Relations Committee to provide an update regarding CBA activities. During the meeting, which was attended by approximately 25 committee members, an update was provided on Sunset Review, fee restoration, and the Attest Study.

June 2015

NASBA Western Regional
President Jose Campos, CPA, provided two presentations during the National Association of State Boards of Accountancy (NASBA) Western Regional Meeting, which was held in Coronado, California. The primary presentation focused on welcoming the jurisdictions to California and provided highlights regarding CBA activities and projects. Additionally, President Campos provided a presentation on the CBA's Communication and Outreach successes, including the use of social media and leveraging other emerging technologies to deliver focused messages regarding the CBA.

NASBA Western Regional Meeting
June 17-19, 2015 – Coronado, California

Ken Bishop, NASBA President and Chief Executive Officer

CBA President Jose A. Campos, CPA, providing welcoming comments at the NASBA Western Regional Meeting.

Robert Lee, CPA, Chair, Peer Review Oversight Committee

Patti Bowers, CBA Executive Officer, receiving materials for the NASBA Western Regional Meeting.

CBA PUBLICATIONS

Consumer Assistance Booklet

The Consumer Assistance Booklet is available on the CBA website as a resource to consumers in selecting a CPA and includes tips on selecting a CPA including:

- Get Recommendations from family and friends on CPAs
- Verify the CPA's license is valid and active via the License Lookup feature on the CBA website
- Meet the CPA and ensure it is a good match and they offer the services that are needed
- Obtain an Engagement Letter before any work is initiated

Throughout the year, the CBA provided its Consumer Assistance Booklet for distribution at the Free Income Tax Preparation and Family Resource Fairs held across the state. The fairs are part of the Volunteer Income Tax Assistance (VITA) program, but also provided consumer education and assistance to attendees.

UPDATE Newsletter

The CBA issues a triennial newsletter publication, UPDATE, that contains informative articles that are of interest to consumers, applicants, licensees and other stakeholders. The articles, prepared by staff, are often proactive efforts in addressing feedback received via the stakeholder satisfaction survey and in response to objectives identified in the Strategic Plan regarding educating licensees. Beginning in 2015, staff worked with the Department of Consumer Affairs to redesign the look and format of UPDATE to further enhance its readability.

The UPDATE newsletter is mailed to over 80,000 licensees and maintained on the CBA website. Social media is used to announce the availability of the newsletter, in addition to sending an email to individuals who have signed up for notifications via E-news. Over the course of the year, important information was shared to keep consumers, licensees, applicants, and other stakeholders informed of important topics relating to the accounting profession, including:

- Military Licensee Options
- Retired Status
- CBA Budget Details
- CBA Stakeholder Survey
- Study on Attest Experience
- Continuing Education Requirements
- California's Mobility Law
- Academia Experience
- New Financial Planning Services Standards in effect July 1, 2014
- Removing Client File from an Accounting Firm
- Enforcement Process
- Become a Peer Reviewer
- Unregistered Accountancy Corporations

As part of the CBA's outreach partnership with the State Controller's Office (SCO) the Winter 2015 edition of UPDATE featured an article submitted by the SCO regarding how CPAs can help clients meet unclaimed property reporting requirements.

SOCIAL MEDIA

The CBA continued to leverage emerging technologies to deliver key messages. The CBA has seen a positive following of its social media, including Facebook, Twitter, LinkedIn, and Pinterest. CBA tweets have been recognized several times by the organization California Government Tweets as being among the most successful by a California government agency by virtue of link visits, re-tweets and engagement.

In 2015-16, the CBA will be relying on Social Media to deliver information about the Study of the Attest Experience requirement, as well as the ending of prior educational pathways for CPA licensure.

The following represents the population on the CBA's social media platforms:

Facebook – 3,010 fans
LinkedIn – 1,300 direct connections
Twitter – 1,661 followers
Pinterest – The CBA maintains five boards on Pinterest: "On Your Way to CPA," "Tax Bracket," "Consumer Wise," "CBA Favorites," and "Women Making a Difference."

COMMUNICATION WITH STAKEHOLDERS

The CBA utilizes an email notification service – E-News – that allows interested persons to subscribe to receive notifications regarding one or more areas of interest, including:

- Consumer Interest
- Examination Applicant
- Licensing Applicant
- California Licensee
- Out-of-State Licensee
- Statutory/Regulatory
- CBA Meeting Information and Agenda Materials
- Update Publication

When information is posted on the CBA website, an email is sent to the subscriber with a notification message and direct link on where to access the information. The following provides information on the number of subscribers who presently participate in the E-News service:

E-News Subscriptions	External	Internal	Total
Consumer Interest	4,498	64	4,562
Examination Applicant	2,939	49	2,988
Licensing Applicant	3,577	54	3,631
California Licensee	9,618	60	9,678
Out-Of-State Licensee	2,356	54	2,410
Statutory/Regulatory	7,774	70	7,844
CBA Meeting Information & Agenda Materials	3,682	51	3,733
Update Publication	7,383	33	7,416
Total Subscriptions	**41,827**	**435**	**42,262**
Total Subscribers	***13,202***	***83***	***13,285***

CBA AND COMMITTEE ACTIVITIES

APPOINTMENTS

During fiscal year 2014-15, Governor Edmund G. Brown Jr. (Governor Brown) appointed Michael Savoy, CPA, Kathleen Wright, CPA, and Jian Ou-Yang, CPA to the CBA. In July 2015, Governor Brown appointed Deidre Robinson to the CBA. In addition to Governor Brown's appointments, Alicia Berhow was reappointed to the CBA by the Speaker of the Assembly and Xochitl León was appointed to the CBA by the Senate Rules Committee.

For the second year, in July 2015, members had the opportunity to meet with representatives from the Governor's Office. This provided a valuable opportunity for members to share their appreciation regarding their service on the CBA and their role in giving back to the CPA profession.

REAPPOINTMENTS

The CBA consists of four statutory committees, including the Enforcement Advisory Committee, Peer Review Oversight Committee, Qualifications Committee, and the Mobility Stakeholder Group. The CBA is responsible for appointing and reappointing committee members to the CBA statutory committees. Each member serves for a two-year term and may serve for a maximum of eight years.

Prior to each appointment, the CBA Vice-President recommends committee appointments and reappointments. As all statutory committees, with the exception of the Mobility Stakeholder Group, are comprised of licensees, the CBA Vice-President performs a compliance check, which verifies that the potential appointee has met the appropriate requirements for license renewal and confirms that there are no pending enforcement actions. For members that are seeking reappointment, in addition to completing a compliance check, all mandatory training must be completed. Further, the member's attendance records and performance evaluations are reviewed.

In FY 2014-15, the CBA appointed eight new members and reappointed an additional eight members to the CBA committees.

CBA LEADERSHIP AND COMMITTEE CHAIRS

Each November, the CBA elects new CBA and committee leadership, including a CBA President, Vice-President, Secretary, and committee chairs and vice-chairs. Members interested in serving in a leadership capacity submit a Statement of Qualifications and a resume or curriculum vitae to the CBA for review. Members serving in a leadership role are responsible for carrying out the mission of the CBA and ensuring the CBA and committees adhere to all statutory and regulatory requirements.

Shortly after the election of CBA leadership, a meeting is coordinated by staff to discuss priorities for the upcoming year, review annual meeting topics, overview activities involving CBA leadership, and receive guidance regarding CBA leadership goals, priorities and discussion topics.

SUPPORT ACTIVITIES

Staff continues to serve the CBA and CBA committees by facilitating all aspects of the CBA and committee meetings.

At the start of each year, staff coordinates a new committee leadership orientation with new chairs and vice chairs and CBA leadership, senior management, and Department of Consumer Affairs Legal Counsel. The meeting assists the new leaders in understanding their role in conducting meetings. CBA leadership opens the meeting by providing their expectations and then additional topics are covered, including roll call, establishing a quorum, voting, open and closed session, minutes, and public comment.

To assist new CBA liaisons and new member appointees to CBA statutory committees, staff coordinates an orientation meeting. The orientation, which includes committee leadership, provides an overview of the purpose of the committee, the member's role, participation by the CBA liaison, and an overview of a committee meeting. Additional information regarding the member's mandatory training requirements is also discussed as well as annual reporting requirements and personnel and travel information.

To assist chairs of both the CBA committees and statutory committees, staff conducts pre-meeting calls to go over agenda materials and answer any questions. Further, talking points are prepared by staff to assist chairs when presenting an agenda item or when providing their committee report to the CBA. Staff also prepares talking points for CBA liaisons to assist in their report during the various committee meetings.

CBA Member Diana Bell's Retirement Dinner – November 2014

ADMINISTRATION DIVISION

The Administration Division is responsible for all CBA day-to-day business operations. Many of the activities and functions that are identified in this report involve some component of Administration whether it's budgets, contracts, business services, personnel, front-counter reception duties, or answering consumer inquires. Below is an overview of services performed by the Administration Division:

Budget Reporting and Monitoring

The budget is monitored internally by staff and reports are provided to management consistently throughout the month and to members throughout the year at CBA meetings. The CBA's budget for fiscal year (FY) 2014-15 was $13.7 million. The CBA ended the fiscal year with a reversion of approximately $600,000, while still ensuring sufficient funding was in place to cover regular operating and costs to relocate, including furniture, equipment, and preliminary moving expenses.

Cashiering and Mailroom

Licensees, applicants for licensure, consumers, state agencies, and other stakeholders submit applications and/or other documents along with their accompanying fee(s) to the CBA in order to apply for the Uniform CPA Examination, renew a license or registration, request initial licensure (individual and firms), as well as submit payments for penalties, fines, and reimbursements to the CBA Enforcement Division to recover costs associated with litigating cases. Approximately 40,000 applications and other miscellaneous items and fees (fingerprint cards, certification requests, and duplicate license requests) are received in the mailroom annually. The monies for these various items, totaling approximately $5 million, are received in the mailroom and then subsequently processed by the cashiering unit.

Staff has proactively worked with the Department of Consumer Affairs Internal Audits office to improve processes and procedures in the cashiering and mailroom units. Procedure manuals were updated and additional staff was recruited to assist in the processing of mail and monies received at the CBA.

Contracts

The CBA utilizes goods and services from many vendors to provide support to the three Divisions making up the CBA. These goods and services are also necessary to maintain the day to day business operations of the CBA. With the exception of routine office supplies, these vendors can only be utilized after a contract has been established. This entails research, bid requests, cost justification, and overseeing contract execution and fulfillment. Staff ensure that policies, procedures, and guidelines found in the State Contracting Manual and that are used by the Department of Consumer Affairs are being followed to promote sound business decisions and practices in securing the necessary goods and services for operating the CBA. Staff executed 19 contracts during FY 2014-15.

Business Services/ Facilities

All Business Services and facility-related issues are handled within the Administration Division. These functions include the ordering office supplies, furniture, paper and toner, records management, property and asset management, and participating in the Small Business and Disabled Veteran Business Enterprise programs. In addition, staff worked with DCA Facilities and Planning Unit and the Department of General Services-Real Estate Services Division to coordinate space planning and leasing activities as well as to address building/office maintenance and lease management issues.

During FY 2014-15, staff coordinated updates and revisions to the CBA Emergency Operation Plans, including the CBA's Emergency Preparedness and Evacuation Plan, Business Continuity Plan, and Technology Recovery Plan. The staff also coordinated meetings of the Emergency Response Team, conducted training on building evacuation procedures and proper evacuation routes, coordinated evacuation drills, and implemented a monthly health and safety newsletter.

Personnel and Travel

Administrative Division staff serve in a customer service role for CBA staff, CBA management, and CBA and Committee members in assisting with personnel and travel-related issues. Understanding the various nuances of state personnel policies and state travel guidelines is key to requesting successful staffing augmentations as well as obtaining travel approval, coordinating travel arrangements, and rendering assistance with the reimbursement of travel expenses.

Information Technology

With a growing need for automation and access to relevant information via the Internet, the CBA Information Technology (IT) staff work proactively on ways to make information readily available to staff, stakeholders, and the public. It is their commitment to excellence that assists CBA staff in using technology to streamline and improve functionality and increase productivity. Further, IT staff have proposed and made significant enhancements to the CBA meeting webcasts, including the option of watching the webcasts via tablet and mobile devices.

DCA recently made a commitment to the CBA regarding exploration of an alternative database system that will allow on-line functionality, including the ability for credit card payments. It is anticipated that preliminary discussions regarding such system will be held later this year.

PROGRAM ENHANCEMENTS

During FY 2014-15, the Administration Division made positive enhancements that will benefit CBA stakeholders and staff, including:

- Created an intranet website called "Grow Your Career" for staff to access information on upward mobility. The "one stop shop" website provides job classification descriptions, sample interview questions, tips on interviewing, and links to available positions.
- Enhanced cashiering procedures by working with the DCA Internal Audit Office on updating procedure manuals to ensure CBA monies are processed and stored securely and in accordance with established guidelines.
- Increased staffing in the CBA mailroom and cashiering office to address the large volume of mail and monies that are received and processed.
- Initiated a monthly health and safety email/newsletter for staff.
- Implemented quarterly meetings for the Emergency Response Team to discuss roles and responsibilities in the event of an emergency.
- Initiated a review and update of all CBA policies and procedures to determine accuracy, relevance, and necessity.
- Created an intranet website called "The Move" for staff to access the most recent information regarding the CBA relocation.
- Updated the design of the CBA's UPDATE publication.
- Secured a contract to relocate the CBA headquarters office. The new facility will have meeting room space to accommodate Northern California CBA and Committee meetings.

ENFORCEMENT

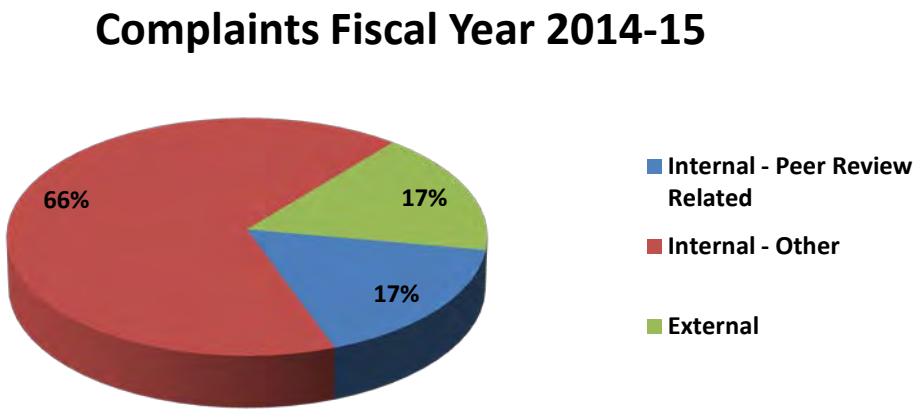
The Enforcement Division's primary responsibility is to oversee the enforcement of California laws and rules governing the practice of public accountancy. It does this by:

- Conducting complex investigations regarding practice issues that require the expertise of a licensed CPA
- Conducting investigations for administrative violations and unlicensed activity
- Issuing citations and fines for violations that do not rise to the level of discipline
- Filing accusations and imposing discipline
- Assigning and monitoring referrals to the Attorney General's (AG's) Office
- Monitoring licensees on probation
- Monitoring compliance with the mandatory peer review program

COMPLAINTS

Staff receives complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies and internal referrals. Also, enforcement staff regularly monitors social media outlets for information that may suggest licensees' violations of the California Accountancy Act and CBA Regulations. While historically consumers have been the main origin of complaints, over the past few years the Enforcement Division has experienced an increase in the number of complaints being opened as a result of internal referrals. Much of the increase being realized in CBA Enforcement can be attributed to important consumer protection initiatives instituted by the CBA since 2010. These initiatives have included mandatory peer review, enhancements to the continuing education (CE) requirements, and the requirement for fingerprinting of licensees without fingerprint records on file with the Department of Justice (DOJ).

In fiscal year (FY) 2014-15, the CBA received 2,702 complaints.



Over 50 percent or 998 of the internal complaints originated from the CBA Licensing Division during FY 2014-15. These range from various licensing renewal related deficiencies, including CE, unlicensed accounting firms, and potential discrepancies in peer review reporting that may indicate the licensee was required to undergo and complete a peer review.

INVESTIGATIONS

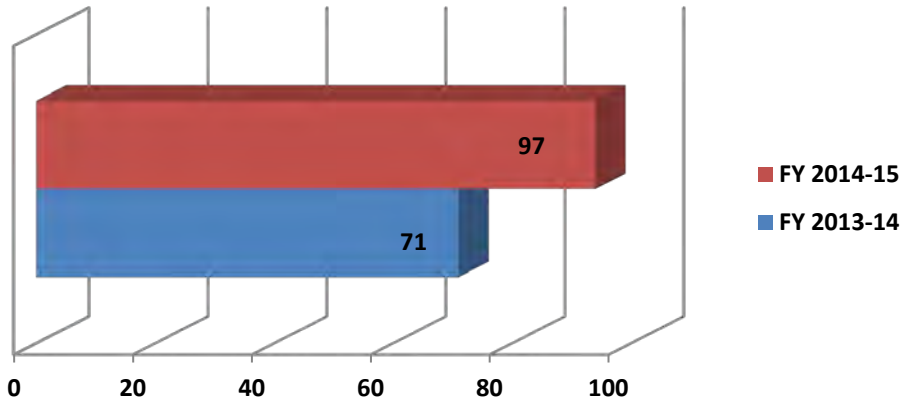
Approximately 72 percent, or 1,953, of the 2,702 complaints received were assigned for investigation during FY 2014-15. The number of cases assigned for investigation is down from prior years. The reduced investigations relates to a higher volume of closed matters prior to assignment in the newly established Criminal Offender Record Information (CORI) Unit. The CORI Unit has received a high volume of initial cases, but upon review is quickly able to assess the information so as to make a determination of whether the matter warrants assignment for investigation.

Investigations	
Assigned for Investigation	1,953
Investigations Closed	1,773
Average Days to Close	167

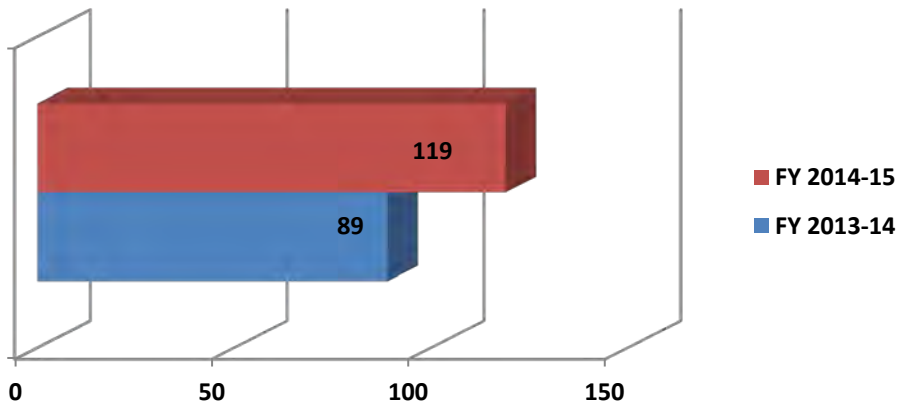
DISCIPLINARY ACTIONS

The CBA works to fulfill its consumer protection mandate by referrals of matters to the AG's Office, imposition of discipline, and issuance of citations. The number of referrals to the AG's Office increased considerably from 71 in FY 2013-14 to 97 in FY 2014-15. The number of cases pending at the AG's Office also has increased from 89 to 119.

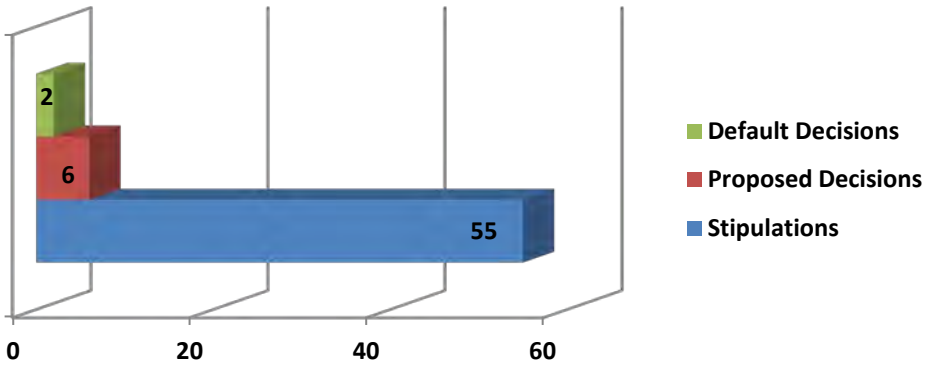
Referrals to the Attorney General's Office



Cases Pending at the Attorney General's Office



Disciplinary Orders



The CBA realized a significant increase in the total number of disciplinary orders. For FY 2014-15 the CBA took action on 63 matters. This represents an 85 percent increase over FY 2013-14 when the CBA took action on 34 matters. Staff anticipate maintaining or increasing this level over the coming year with the high volume of pending matters presently at the AG's Office.

CITATIONS

The CBA uses its citation and fine authority for violations that do not rise to the level of discipline and as a mechanism to gain compliance from licensees. Over the past three fiscal years, the CBA saw a marked rise in the number of citations issued. The majority of the increase in the issuance of citations was related to licensees failing to respond to CBA letters requesting the filing of the Peer Review Reporting Form. Licensees that failed to respond to the CBA were issued a citation and fine of $250.[1]

[1] The CBA established an initial three-year phase-in period for reporting of peer review information. The phase-in period began July 1, 2011 and continued through July 1, 2013. Licensees were segmented into three groups based on the last two digits of the license numbers, with licenses ending in 01-33 required to report on or before July 1, 2011, licenses ending 34-66 required to report on or before July 1, 2012, and licenses ending in 67-99 required to report on or before July 1, 2013.

Of the 1,522 citations issued in FY 2013-14, 1,481 were issued as a result of failing to respond to letters requesting the filing of the initial Peer Review Reporting Form.

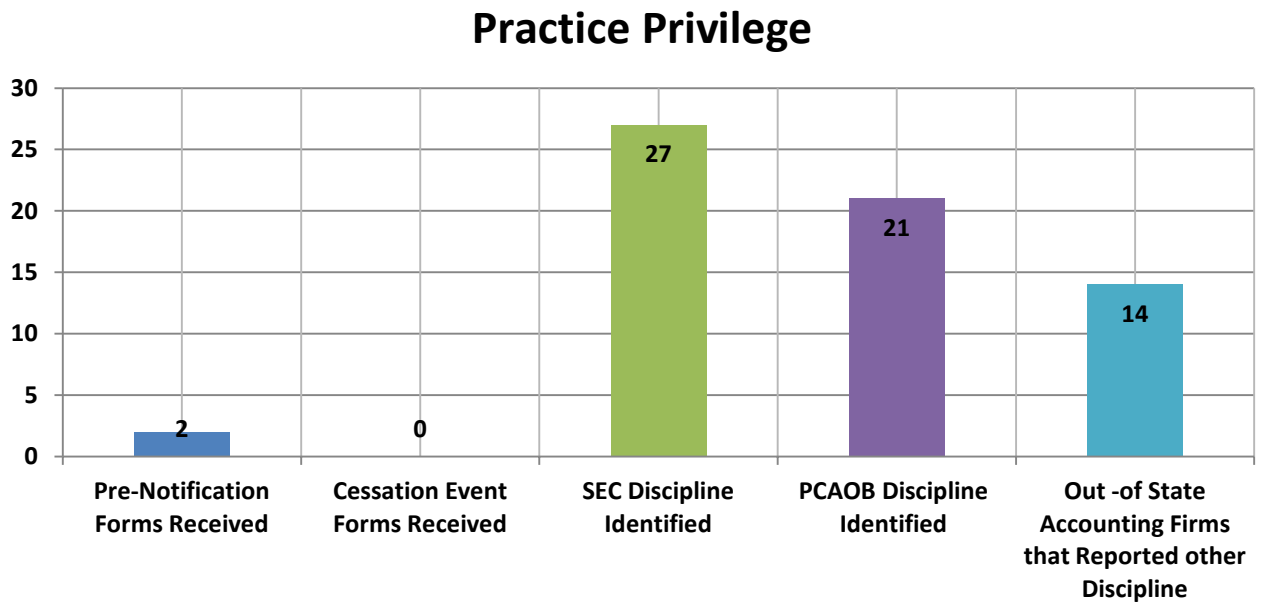
With the conclusion of the phase-in period of mandatory peer review reporting complete, and with licensees now reporting peer review information at the time of license renewal beginning January 1, 2014, the CBA is no longer issuing citations for failing to report initial peer review information. As a result, the total number of citations decreased from 1,522 in FY 2013-14 to 348 in FY 2014-15. However, if one removes the initial peer review reporting citations from the FY 2013-14 totals and compares the remaining citations issued in FY 2013-14 to the citations issued in FY 2014-15, the volume increased by almost 750 percent (41 to 348).

The top three violations for which the CBA issued the 348 citations include:

- Continuing Education Rules *(CBA Regulations section 87)*
- Response to CBA inquiry *(CBA Regulations section 52)*
- Name of Firm *(BPC section 5060)*

PRACTICE PRIVILEGE REPORTING

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. The table below depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms for FY 2014-15.



PROBATION

When a licensee is disciplined and the CPA license is placed on probation for a designated period of time, staff monitor the licensee to ensure s/he adheres to all conditions or probation contained in his/her disciplinary order. Should the licensee deviate from the probationary terms in the disciplinary order, staff refer the matter to the AG's Office for preparation of a petition to revoke probation carrying out the disciplinary order that was stayed. If the licensee complies with all terms of probation, his/her license is fully restored at the end of the probationary period.

Probation monitoring is a vital and important program. It allows the CBA to discipline a licensee without full revocation or suspension of a license. While the licensee is on probation, staff have the ability to monitor his/her compliance with all probationary terms and rehabilitation. Probation monitoring is essential to assist the CBA in achieving the mission of protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

A new step added to the overall probation process that started in FY 2014-15 was the assignment of a low, medium, or high risk factor to each licensee based on factors such as the type of violation that lead to the discipline, the length of time the violation occurred, and potential for future consumer harm or violation of probation.

- Low risk violations are more administrative in nature such as failing to complete the proper type or amount of CE. In these cases the licensee is more likely to be monitored based on quarterly written reports with fewer personal appearances.

- Medium risk violations are more substantive such as renewing a license without undergoing peer review when one was required. In these cases the disciplinary order would likely include a probationary term restricting practice activities, which requires close monitoring to ensure the licensee is not performing the restricted services. Absent the practice restriction, this licensee would be categorized as high risk.

- High risk violations represent the most egregious violations such as gross negligence or repeated acts of negligence on an audit, where the final order allows the licensee to continue to perform audits while serving out the term of probation. In these cases the licensee will be selected for a practice investigation, an Investigative CPA will review samples of work performed, and more frequent personal appearances will be required.

Over the past several years, the CBA has seen an increase in the total number of licensees on probation. The CBA ended FY 2014-15 with 95 licensees on probation. This is a 34 percent increase from the prior fiscal year (71). During FY 2014-15, one Petition to Revoke Probation was filed.

CRIMINAL OFFENDER RECORD INFORMATION

The CBA first began mandating fingerprinting and obtaining a state- and federal-level criminal offender record background check for licensure in 1998. Beginning January 1, 2014, licensees renewing their license in an active status were required to complete a state- and federal-level criminal offender record background check if: (1) the licensee had not previously submitted fingerprints as a

condition of licensure, or (2) the DOJ did not have an electronic record of licensee's fingerprints in its criminal offender record identification database.

The CBA instituted the retroactive fingerprint requirement as it determined that it was a crucial element of its mission to protect consumers. In conjunction with its mission and to ensure that consumers are receiving services from qualified practitioners, the CBA concluded it was of paramount importance to be informed of past and current criminal convictions that are related to the qualifications, functions, or duties of its licensees.

The CBA estimated that there were about 47,000 that had not been fingerprinted as part of the requirement to obtain licensure. Of this group, the CBA estimated 28,000 licensees would need to complete the CORI process as part of an active license renewal. To aid in this increased workload, the CBA requested nine staff (including a manager, analysts, and clerical support) to implement the retroactive fingerprint requirement (all of which are limited term, set to expire either June 30, 2016 or June 30, 2017).

The CORI Unit is responsible for:

- sending notification letters informing select licensees of the requirement to submit fingerprints
- updating records to reflect CORI completion
- auditing notified licensees to ensure fingerprints were submitted
- reviewing and investigating convictions resulting from CORI
- referring matters to the AG's Office

CORI FINGERPRINTS	FY 2014/15
Notification Letters Sent	19,715
CORI Compliances Received	11,972
Non-Compliance Notifications Sent	742

CORI ENFORCEMENT CASES	FY 2014/15
Received	624
Assigned for Investigation	185
Closed – No Action	439
Non-Compliance Citation and Fine Issued	44
Referred to the Attorney General's Office	14

ENFORCEMENT COMMITTEES

ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE

The Enforcement Program Oversight Committee (EPOC) assists the CBA in the consideration of issues relating to the Enforcement Program. During FY 2014-15, the EPOC met three times and discussed the following issues:

- Consideration of whether to propose the CBA sponsor legislation to allow the CBA to restrict a license outside of probation
- Discussion on the CBA's provisions for language assistance (used during the investigatory and adjudicative processes)
- Discussion on compelling physical or mental health evaluations of licensees or applicants

ENFORCEMENT ADVISORY COMMITTEE

The Enforcement Advisory Committee (EAC) assists the CBA Enforcement Division in an advisory capacity by providing technical expertise and assistance with investigations. During FY 2014-15, the EAC met five times and assisted with 24 Investigative Hearings and provided guidance and direction on 29 open investigations. The EAC also reviewed 46 closed investigations. During this process, the EAC member reviews the closed case file and assesses whether s/he concurs with staff's closure.

PEER REVIEW OVERSIGHT COMMITTEE

The Peer Review Oversight Committee (PROC) provides recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

During FY 2014-15, the PROC met four times. In addition, the PROC conduct several oversight activities outside of its regularly scheduled meetings including:

- Conducting a site visit of the California Society of CPA's (CalCPA) Peer Review Program
- Participating in CalCPA Peer Review Committee meetings
- Participating in CalCPA Report Acceptance Body meetings
- Participating in American Institute of CPAs (AICPA) Peer Review Committee meetings.

In March 2015, the PROC provided its fourth Annual Report to the CBA on the results of its oversight. The PROC also discussed highlights and issues during the year, including:

- Discussed and reviewed the AICPA Exposure Draft for Standards for Accounting and Review Services
- Continued discussion regarding the AICPA peer review recall process related to accounting firms that performed annual audits of employee retirement income security act
- Discussed and provided feedback on the CBA's draft Peer Review Report to the Legislature

PERFORMANCE MEASURES

Beginning in 2010, as part of its Consumer Protection Enforcement Initiative, the Department of Consumer Affairs began posting on its website Performance Measures for each board and bureau within the department. Below are the CBA's FY 2014-15 Performance Measures.

Performance Measure	Target	Result
Number of Complaints and Convictions Received	N/A	2,702
Average Cycle Time from Complaint Receipt, to the Date the Complaint was Assigned to an Investigator	10 days	4 days
Average Cycle Time form Complaint Receipt to Closure of the Investigation Process. (Does not include cases sent to the AG's Office or other forms of formal discipline.)	180 days	148 days
Average Number of Days to Complete the Entire Enforcement Process for Cases Resulting in Formal Discipline. (Includes intake and investigation by the CBA and prosecution by the AG's Office)	540 days	895 days
Average Number of Days from Monitor Assignment, to the Date the Monitor Makes First Contact with the Probationer.	5 days	2 days
Average Number of Days from the Date a Violation of Probation is Reported, to the Date the Assigned Monitor Initiates Appropriate Action	15 days	3 days

Since the inception of the Performance Measures, the CBA has met all of the established timeframes, with the exception of the Performance Measure associated with Formal Discipline. For FY 2014-15, the CBA's average number of days for the Formal Discipline Performance Measure was 895 days. The CBA realized an increase when compared to last fiscal year, 895 from 813, for a total of 82 days.

The primary reason for this increase relates to the CBA taking final action on older cases. The Performance Measure associated with Formal Discipline calculates the average number of days to complete the entire enforcement process from the date the complaint was received until the effective date of the final discipline for decisions that took effect during that quarter. As the Enforcement Division works to address its aging case inventory and the CBA takes action on these matters, it will have a direct impact on this Performance Measure.

Staff is committed to continuing to identify program and operational efficiencies, both internally and externally, to reduce this timeframe. The following section, Program Enhancements, includes detailed information on steps the Enforcement Division has taken and will continue taking to improve overall efficiencies.

PROGRAM ENHANCEMENTS

Over the past several years, the CBA has experienced a continued increase in case inventory. Staff have worked diligently to implement changes internally within the Enforcement Division to streamline workflow.

These efforts have included:

- Reorganized duties to use enforcement analysts to perform more investigation-related work. The expanded use of analytical staff has proven effective and allows the Investigative CPA's (ICPAs) to concentrate on those cases that require the expertise and knowledge of a licensed CPA.
- Provided enhanced training to all enforcement staff. Enforcement staff now attends a nationally recognized training program – Council on Licensure, Enforcement, and Regulation National Certified Investigator Training – and the DCA Enforcement Academy that focuses on internal performance targets and measures.
- Established internal benchmarks for each step of the enforcement process, beginning with issuance of the initial complaint acknowledgement letter to completion of the investigative report.
- Revised the investigation intake process to streamline the intake and triage of complaints.
- Instituted target dates for completing technical and non-technical cases.
- Changed the CBA process for referring investigations to the AG's Office, including modification of the CBA Investigative Report for easier review by the assigned Deputy Attorney General (DAG) and faster preparation of pleading documents.
- Established a sole point of contact at the CBA for all disciplinary matters and created a stand-alone email account to streamline the communication between the assigned DAG and the CBA.
- Provided an electronic copy of investigative reports and related documents to the AG's Office as opposed to a paper copy, which allows the assigned DAG to more quickly incorporate facts and exhibits into their Office of Administrative Hearings.

In addition to the above-referenced program efficiencies, CBA senior management also examined necessary staffing augmentations to manage the workload. This examination is a continuous process being undertaken by CBA senior management to ensure the appropriate number of staff, assigned to the right positions, and at the right time are in place in the Enforcement Division. These included ensuring vacancies were filled and additional positions were added as appropriate.

In FY 2013-14, the CBA submitted two budget change proposals to add ICPAs to address case aging, peer review, and increased consumer protection, and new non-technical staff to implement the retroactive fingerprint requirement. All told, for FY 2014-15, the Enforcement Division was provided 17 new staff, eight new ICPAs (two of which are limited term, set to expire June 30, 2016) and nine staff (including a manager, analysts, and clerical support) known as the CORI Unit to implement the retroactive fingerprint requirement (all of which are limited term, set to expire either June 30, 2016 or June 30, 2017).

Upon receiving authority to hire these new positions, the Enforcement Division worked actively and aggressively to fill the positions. All of the CORI Unit positions were filled by the end of July 30, 2014 (within one month after the positions were established). As for the ICPA positions, the prior

Enforcement Chief and Supervising ICPA (SICPA) interviewed candidates throughout the State to select qualified ICPAs. This occurred over several months, with the eight new candidates being hired between September and December 2014.

With the increase in staffing, specifically at the ICPA classification, CBA senior management recognized a need to ensure there was sufficient supervisory positions to oversee the new staff. With the augmentation of ICPAs, the total number went from seven to 15. Therefore, to increase necessary supervision and minimize obstructions in the review of investigations, CBA senior management reclassified one of the new ICPAs to a SICPA. As a result, the Enforcement Division now has two SICPAs, with each SICPA overseeing seven ICPAs.

Since receiving and on-boarding the new positions, the Enforcement Division have taken the following steps designed to address the increased case inventory:

- Increased the use of field investigation: ICPAs will conduct field investigations on licensees that fail to respond or delay their responses to Enforcement inquiries. Presently, a licensee that is contacted via phone or mail has a greater opportunity to delay an investigation by not complying with or responding to the CBA's requests. These delays require additional time and resources (including issuance of a subpoena, or requiring an appearance at an investigative hearing) in order to gain compliance. Having the resources to routinely engage in field investigations will significantly improve efficiency and allow cases to result in a more expedient resolution.
- Isolated CORI activities: The CBA proactively created a temporary CORI Unit. Approximately 47,000 notices will be sent to licensees informing them that if they intend to renew active they must complete the fingerprint process. Of this group, the CBA estimates that 28,000 CBA licensees will be required to submit their fingerprints to the DOJ over the next two years. By creating the CORI Unit at the onset, investigations that have stemmed from those licensees with a criminal conviction that were not previously disclosed to the CBA, or that failed to be fingerprinted, are handled by dedicated staff and do not impact the current Enforcement Program case inventory.
- Increased on-site activities of the ICPAs: ICPAs that work via telecommute are now required to come to the CBA Office, approximately every six to eight weeks. This provides opportunities to meet face-to-face with management, obtain additional hands-on training, discuss cases in a group setting, and discuss best practices being employed by other ICPAs.
- Increased on-site visits of the SICPAs with ICPAs working via telecommute: SICPAs now travel more frequently to engage and discuss caseload and work activities via one-on-one sessions with the ICPAs in the field. This allows for increased access for the ICPA to their respective supervisor, and for the SICPA to have increased opportunities to provide direct oversight of ICPAs' work products.
- Increased caseload meetings between management and Enforcement Chief: The Enforcement Chief maintains standing meetings with management supervising investigations to obtain an update and overview case inventory and to provide direction and decisions on various specific cases and case types.
- Established the development of an internal case tracking and management database: The database will assist in a wide range of activities including, establishing more uniform case tracking information, allow for real-time access to investigation progress reports by Enforcement Division management, allow for notification when requested items are due from licensees as part of an investigation, and simplification of generating routine and recurring reports.

OTHER ENFORCEMENT ACTIVITIES

Administrative Penalties

Pursuant to BPC section 5116, the CBA uses criteria to assess administrative penalties, including, but not limited to, actual and potential consumer harm, nature and severity of the violation, the role of the person in the violation, the person's ability to pay the administrative penalty and the level of administrative penalty necessary to deter future violations. The CBA issued Administrative penalties in FY 2014-15 totaling $15,000.

Restitution

The CBA considers restitution in all situations where a consumer is harmed and the amount of the ascertainable. In FY 2014-15, the CBA ordered restitution in the amount of $30,000.

Interim Suspension Orders

During FY 2014-15, the Enforcement Division was successful in issuing one PC 23 suspension order. These proactive enforcement measures provide immediate consumer protection by restricting a licensee from continuing to practice public accountancy.

LICENSING DIVISION

The Licensing Division's primary charge is to regulate entry into the profession by ensuring that only those who are qualified are issued a license to practice public accountancy. It acts as a gatekeeper for the profession by ensuring:

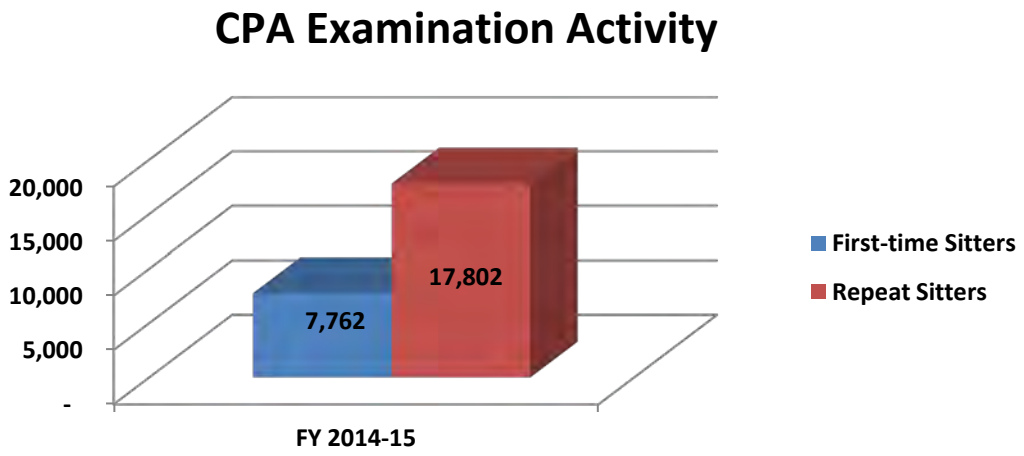
- applicants meet education requirements prior to taking the Uniform CPA Examination (CPA Exam);
- applicants for licensure who have passed the CPA Exam meet the education and experience requirements necessary for licensure;
- accountancy partnerships and corporations are registered so they can offer services in California;
- licensees have paid the required fees and have completed the required CE hours to renew their license and demonstrate minimum competency
- out-of-state licensed accounting firms that intend to perform specified accounting services for entities headquartered in California meet the minimum registration requirements.

Although the main focus of the Licensing Division is to regulate entry into the profession, Licensing Division staff maintains an integral part of the enforcement process as well. A large number of enforcement complaints originate from within the Licensing Division, based upon information provided by the current or potential licensee. For instance, the Renewal and Continuing Competency Unit routinely refers complaints to the Enforcement Division related to licensees practicing with continuing education (CE) deficiencies and practicing with expired licenses.

EXAMINATION

The CPA Exam is delivered to candidates through the collaborative efforts of the CBA, American Institute of Certified Public Accountants (AICPA), National Association of State Boards of Accountancy (NASBA), and Prometric. The CBA approves candidates to sit for the CPA Exam; AICPA develops the CPA Exam; NASBA maintains the candidate database and delivers scores; and Prometric provides the testing environment.

Completing the CPA Exam is a necessary step in becoming a licensed CPA. The CPA Exam tests candidates for entry level competence in the areas of Regulation, Auditing and Attestation, Business Environment and Concepts, and Financial Accounting Reporting. The CBA reviews official transcripts and foreign credential evaluations to determine whether examination candidates possess the minimum educational qualifications identified in Business and Professions Code (BPC) sections 5092 and 5093, which require a baccalaureate degree, 120 semester units, and 24 semester units each in accounting and business related subjects. The processing time frames to review applications for the CPA Exam are 30 days for first-time applicants and 10 days for repeat applicants.



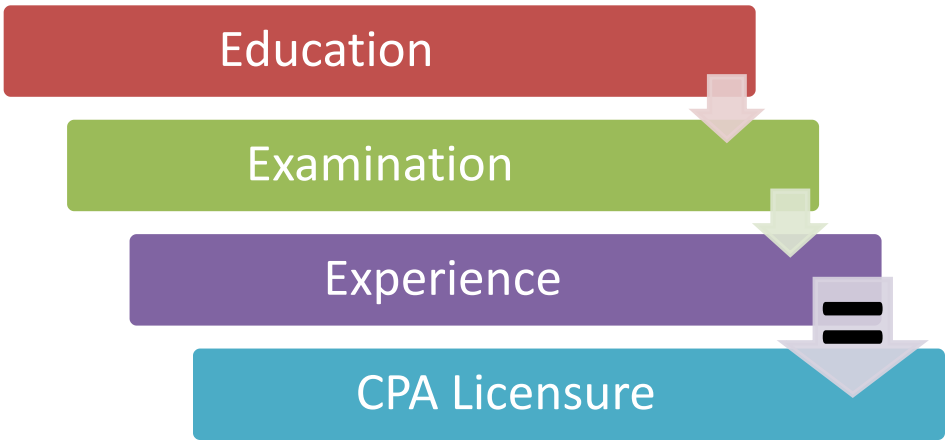
Candidates are allowed to make special requests such as extensions of time for scheduling a test and extensions of conditional credit. These requests are granted to those candidates who are able to provide documentation that they were prevented from testing due to death in the family, illness, natural disaster, non-issuance of a visa, or other good cause. Staff processed 181 such requests in an average of 30 days.

Candidates are also permitted to request special accommodations for the test. Requests for special accommodations are handled in accordance with the Americans with Disabilities Act and refer to any request for reasonable accommodation in testing conditions due to a medical need, disability, or both. Staff processed 182 requests for special accommodations in an average of 18 days.

CPA LICENSURE

Upon completion of the "Three E's" – Education, Examination, and Experience, a candidate may apply for CPA licensure. Applications are reviewed to ensure applicants have met the Three E's and other requirements pursuant to the BPC and CBA Regulations, prior to licensure.

In addition to CPA licensure, applications are also processed for partnership and corporation licensure, and Fictitious Name Permits.



For fiscal year (FY) 2014-15, the CBA received 3,158 applications for CPA licensure and 484 accountancy partnership, corporation, and fictitious name permit applications.

Applications Received	
CPA	3,158
Corporations	272
Partnerships	92
Fictitious Name Permits[2]	120
Total Applications	**3,642**
CPA Licenses Issued	
Pathway 1[3]	454
Pathway 2[3]	1,241
Current Requirements	987
Total Licensed	**2,682**
Firm Registrations Issued	
Corporations	208
Partnerships	76
Fictitious Name Permits	87
Total Registered	**371**
Average Processing Time	
CPA Licenses	24 Days
Firm Registrations	16 Days

The Licensing Division is responsible processing requests for certification of CBA records. Although the majority of these requests are from California licensees or CPA examination candidates who are applying for licensure out-of-state, the CBA also receives requests from other interested parties. In FY 2014-15, 1,051 certification requests were received.

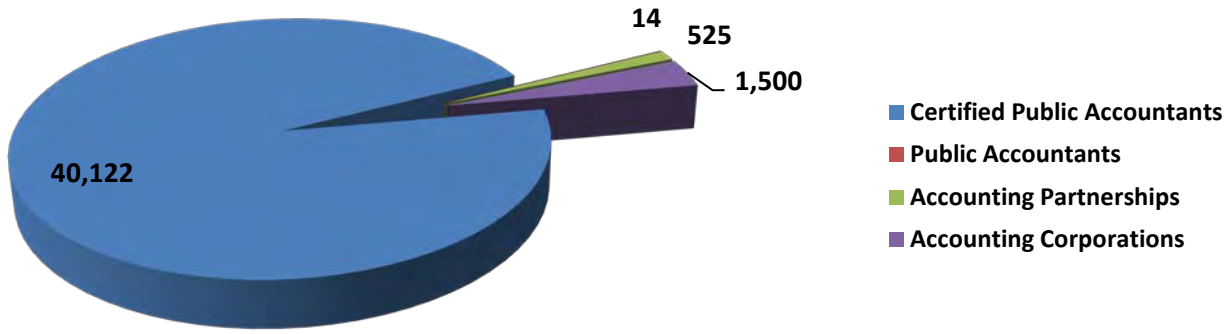
[2] A sole proprietor choosing to practice using a name other than the name under which the person holds a valid permit to practice issued by the CBA may only do so under a Fictitious Name Permit.

[3] Applicants that passed the Uniform CPA Examination on or before December 31, 2013 have the option to apply under Pathway 1 and 2 until December 31, 2015.

LICENSE RENEWAL AND CONTINUING COMPETENCY

CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birth month. For those licensees electing to renew their license in an active status, all renewal-related requirements must be met. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Accounting firms must submit information pertaining to their shareholders or partners. Additionally, as of January 1, 2014, all corporations, partnerships, CPAs and PAs are required to report peer review information as a condition of license renewal.

42,161 License Renewal Applications Processed

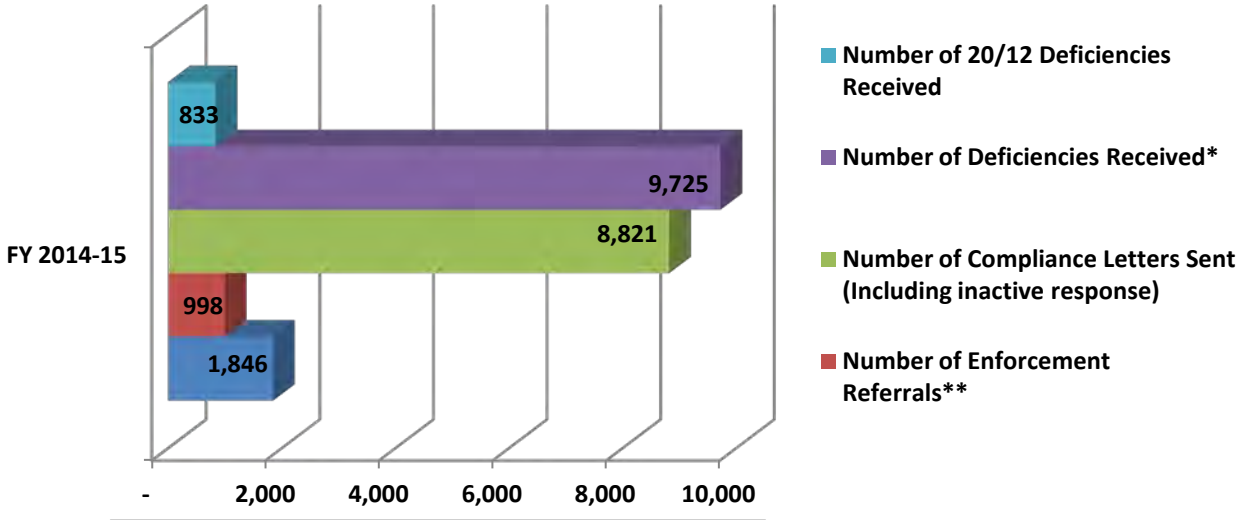


The biennial renewal fee was lowered for a two-year period; licenses expiring after June 30, 2014 will now pay a license renewal fee of $50 rather than $120 through the end of FY 2015-16. A delinquency fee of $25 will be added to the total amount due if postmarked after the license expiration date. Information on the CBA website was updated to ensure licensees were aware of the reduced fees and to assist in submitting accurate with the license renewal application.

All CE Reporting Worksheets and Peer Review Reporting Forms, which are submitted by licensees at the time of license renewal, are reviewed to ensure requirements are met. When deficiencies occur, a letter is sent to the licensee informing them of the deficiency and advising them how to gain compliance. The CE Worksheet Received Statistics, provided on the following page, include the number of deficiencies that were referred to the Enforcement Division for further review. As the statistics indicate, during FY 2014-15 8,821 licensees were in compliance with the CBA's CE and renewal-related requirements necessary for license renewal.

As a result of the peer review reporting requirement, the License Renewal and Continuing Competency Unit (RCC) saw significant increases in enforcement referrals, deficiencies and compliances. Peer Review related issues accounted for more than half of the enforcement referrals. Further, the RCC Unit experienced a 72% increase over the 5,659 deficiencies received in FY 2013-14. This increase was mainly due to licensees failing to submit peer review information at the time of license renewal. The RCC Unit continues to work with licensees to assist in bringing them into compliance with CE and renewal-related requirements.

CPA/PA Worksheets Received Statistics



*The number of 20/12 deficiencies reported reference stand-alone 20/12 deficiencies. There were 660 additional 20/12 deficiencies identified with a CE deficiency. This count is included in the CE deficiencies identified.
**In addition to CE deficiencies, enforcement referrals reported for 2014-15 also consist of peer review, fingerprint, CE audit, and second 20/12 deficiencies.

Licensees renewing in an active status are required to complete a two-hour Board-approved Regulatory Review course every six years. A Regulatory Review course must cover the provisions of the California Accountancy Act and CBA Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations. The course materials must include an overview of historic and recent disciplinary actions taken by the CBA and highlight the misconduct which led to licensees being disciplined.

For a CE sponsor to offer a Board-approved Regulatory Review course, the provider must submit the course materials and required documentation outlined in the Initial Application Package. Upon receipt of the submission, staff will work directly with the provider to ensure the materials are complete and the course content is current and covers all applicable statutes and regulations. Upon approval, the CBA will assign the course a unique approval number and update the Board-Approved Regulatory Review Course list, which is posted on the CBA website. A course is valid for two years and must be renewed on the last day of the month for which the course was originally approved.

At the end of FY 2014-15 there were 25 Board-approved Regulatory Review courses. Below outlines the number of Regulatory Review courses received, reviewed, and approved/renewed during FY 2014-15:

Regulatory Review Courses	
Number of Courses Received (first time submission)	7
Number of Revised Courses Received (initial submission returned for corrections)	2
Number of Courses Approved	6
Number of Courses Renewed	9

RETIRED STATUS

Effective July 1, 2014, licensees were given the option to have their license placed in a retired status. To be eligible to apply for retired status, a licensee must have held a license as a CPA or PA in the United States for a minimum of 20 total years, and of those 20 total years, have held an active CPA or PA license for a minimum of five years with the CBA. Additionally, the license may not be suspended, revoked, or otherwise punitively restricted by the CBA or subject to disciplinary action.

CPA and PA licensees holding a license in a retired status are required to renew their licenses biennially, in conjunction with their birth month. However, at the time of renewal, licensees holding a license in a retired status are exempt from both the renewal fee and CE requirements.

Since this option became available, 660 licensees have been approved for retired status. Articles were prepared for the CBA's UPDATE Newsletter, revisions were made to the Licensee Handbook, and the retired status application and informational materials were added to the CBA website in an effort to inform licensees of this new option.

OUT-OF-STATE FIRM REGISTRATION

Qualified out-of-state accounting firms that are seeking to practice public accountancy in California through a qualified practice privilege holder can apply for an out-of-state accounting firm registration. The application is reviewed to ensure accuracy and once approved is posted on the CBA website. Out-of-state firms that hold a valid and current license, certificate, or permit to practice public accountancy from another state are required to register with the CBA prior to performing the following services for an entity headquartered in California:

- The audit or review of a financial statement
- A compilation of a financial statement when that person expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence
- An examination of prospective financial information

To qualify, the out-of-state accounting firm cannot have an office located in California, its CPAs providing services in California must qualify for a practice privilege, and it must satisfy all other requirements for licensure in California, other than its form of legal organization. An Out-of-State Accounting Firm Registration is valid for two years and must be renewed prior to the expiration date if the firm wishes to maintain practice privilege rights in California.

The following table represents the workload associated with processing out-of-state accounting firm registrations.

Out-of-State Accounting Firm Registration	
Approved	135
Pending Review	0
Pending Correction of Deficiencies	1
Enforcement Referrals	15

LICENSING COMMITTEES

QUALIFICATIONS COMMITTEE

The Qualifications Committee (QC) derives it authority from BPC section 5023.

The purpose of the QC is to act as an advisory committee and assist the CBA in its licensure activities by conducting work paper reviews of experience of applicants, and interviewing employers that appear before the committee, under the provisions of CBA Regulations sections 12, 12.5, and 69. Annually, the QC conducts an internal audit of files approved for licensure to ensure applicants have met all qualifications of the Accountancy Act and CBA Regulations. The QC also assists by making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

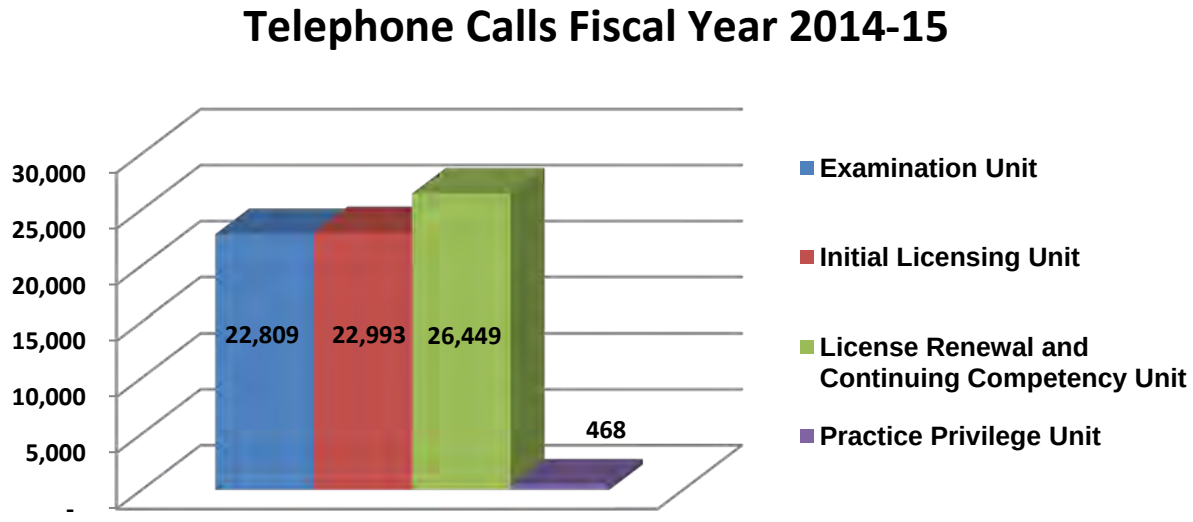
For FY 2014-15, the QC met three times, conducting 32 appearances. As a result of these appearances, the QC recommended 25 applicants be approved for licensure and seven applicants be deferred for additional experience. Each year the QC performs an annual internal audit assessing the review of applicant files performed by staff. For FY 2014-15 a total of 100 files were reviewed and the QC concurred with staff's assessment on all 100.

SERVICE TO CBA STAKEHOLDERS

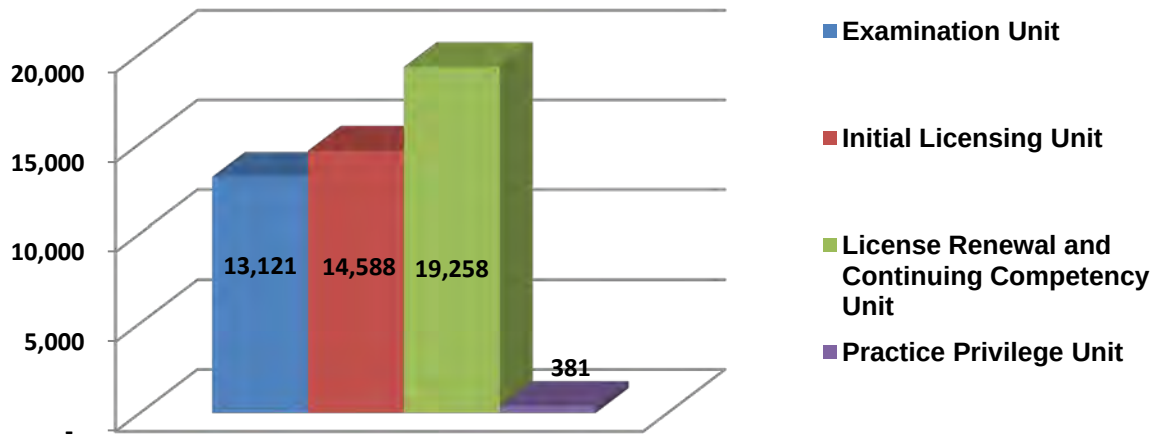
Consistent with the customer service goal of the *2013-2015 Strategic Plan* to deliver the highest level of customer service, the Licensing Division staff strives to provide excellent service to all stakeholders including consumers, applicants, licensees, interested parties, and the CBA members themselves.

The Licensing Division receives a high volume of telephone calls and emails regarding all four program areas.

The CBA's goal is to answer all telephone calls as they are received and respond to voicemail and email messages within 24 hours of receipt. The CBA routinely receives comments via the online customer service survey regarding the high level of customer service and professionalism exhibited by Licensing Division staff.



Emails Received Fiscal Year 2014-15



PROGRAM ENHANCEMENTS

Over the past several years, the CBA has continued its ongoing efforts to implement changes internally within the Licensing Division to streamline workflow.

These efforts have included:

- Implemented tracking of weekly workflow within the Examination Unit to ensure that every position is being properly utilized and necessary adjustments to workflow are made in an effort to reduce processing timeframes.
- Received the approval of the CBA to propose amendments to CBA Regulations section 9.1 that will enhance the CBA's oversight of foreign credentials evaluation services.
- Reorganized duties of the Initial Licensing Unit technical and analytical staff to best allocate workload to the appropriate levels and maintain processing timeframes.
- Provided courtesy packet to candidates approved for the CPA Exam to assist them in determining whether they meet the educational requirements for licensure.
- Revised and streamlined the CE Audit review process to reduce the inventory of outstanding audits.
- Developed a tracking mechanism and re-evaluated duties within the RCC Unit to improve processing timeframes and quality control.

CBA MANAGEMENT

Patti Bowers
Executive Officer

Deanne Pearce
Assistant Executive Officer

Dominic Franzella
Enforcement Chief

Gina Sanchez
Licensing Chief

Veronica Daniel
Initial Licensing Unit Manager

Paul Fisher, CPA
Supervising Investigative CPA

Dorothy Osgood, CPA
Supervising Investigative CPA

Cynthia Fuller
Renewal/Continuing Competency Unit Manager

Matthew Stanley
Public Information Officer

Angela Wise
Criminal Offender Record Information Unit Manager

Sara Narvaez
Non-Technical Enforcement Unit Manager

Christy Abate
Administration Manager

Malcolm Mitchell
Discipline and Probation Monitoring Unit Manager

Vacant
Examination and Practice Privilege Units Manager