

California Board of Accountancy

Consumer Protection
Through Licensure, Enforcement, and Regulation

ANNUAL REPORT FISCAL YEAR 2016-17

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.



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EXECUTIVE OFFICER'S STATEMENT

I am pleased to present the California Board of Accountancy's (CBA) Annual Report for Fiscal Year (FY) 2016-17. This past year, the CBA continued to fulfill its mission to protect consumers, enforce appropriate professional standards, and serve its licensees, applicants, and other stakeholders.

Detailed in this report are the CBA's many successes during the past year, including its ongoing work for the practice privilege program to evaluate the enforcement practices of other state boards of accountancy, the relocation of the CBA's office, and continued focus on outreach activities. These activities are also consistent with the CBA's 2016-18 Strategic Plan. Below are some of the significant highlights and accomplishments from FY 2016-17.



Patti Bowers
Executive Officer

Consumer Protection

The CBA took disciplinary action on 94 matters in FY 2016-17. This represents an increase of 13 percent over FY 2015-16. Disciplinary actions are one of the most direct ways the CBA ensures only qualified licensees practice public accountancy in accordance with established professional standards.

Outreach

The CBA continued its emphasis on outreach, including a growing social media presence. In FY 2016-17, CBA Members, advisory committee members, and staff shared information regarding the CBA's consumer protection mission and requirements for licensure at various events including:

- Eight student focused events at universities and high schools;
- Two National Association of State Boards of Accountancy (NASBA) meetings;
- The California Department of Business Oversight's Financial Literacy Fair.

In addition, four events that the CBA participated in were sponsored or co-sponsored by the California Society of Certified Public Accountants (CalCPA), including one event exclusively held as a webcast.

Enforcement

Over the past several years, the CBA has experienced a continued increase in case inventory. Staff worked diligently to implement changes internally within the Enforcement Division to streamline workflow. Three program areas that were enhanced in FY 2016-17 were the Intake Unit, Attorney General (AG) Desk, and Probation Monitoring.

The CBA restructured the Intake Unit to handle both external and internal complaints in a more streamlined manner. This led to faster case assignment and more effective information gathering so investigative staff have a complete set of data to analyze at the onset of an assignment. In FY 2016-17, the Enforcement Division received 2,508 complaints and 2,185 were assigned for investigation.

The number of cases pending at the AG's Office decreased from 115 to 92. The reduction of cases pending at the AG's Office is primarily attributed to the Enforcement Division working to obtain settlement shortly after a pleading is filed. The CBA ended the fiscal year with 146 licensees on probation, a 33 percent increase over the prior year. In FY 2016-17, the CBA filed six petitions to revoke probation and completed 46 probation orientations and four practice investigations.

Licensing

The Licensing Division maintained a high-level of service, processing 7,061 first-time and 18,975 repeat Uniform CPA Examination (CPA Exam) applications, and issued 3,329 CPA licenses and 348 firm registrations in FY 2016-17. In addition, the Licensing Division processed 45,374 license renewal applications, approved 500 new individuals for retired status, and provided initial approval or renewal of 165 out-of-state accounting firms.

Administration

This year, the Administrative Division successfully completed the CBA office relocation, which occurred in April 2017. This significant undertaking involved years of planning and collaboration with the Department of Consumer Affairs (DCA) Facilities and Planning Unit and the Department of General Services (DGS) Real Estate Services Division.

In addition, the CBA was awarded the "Agency of the Year Finalist Recognition Award" by the Procurement Division of DGS for furthering the "Best Practice" activities with Small Business and Disabled Veteran Business Enterprises for FY 2015-16.

CBA Budget

In June 2017, the CBA received payment in full for its loans to the General Fund. Specifically, the CBA received repayment of principal in the amount of \$21,000,000 and interest payments in the amount of \$2,667,067.

The CBA strives each day to protect consumers and provide excellent service to its stakeholders. FY 2016-17 was filled with success and the CBA looks forward to building on this momentum and continuing its work in the next fiscal year.

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 regulate, license, and discipline individuals, partnerships, and CPA corporations. As accounting practitioners, CPAs and public accountants (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, government, and 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 United States Securities and Exchange Commission, the Public Company Accounting Oversight Board, California Public Utilities Commission, California Department of Insurance, United States Department of Labor, United States Government Accountability Office, federal and state banking regulators; and local, state, and federal taxing authorities;
- Retirement systems, pension plans, capital markets and stock exchanges; and
- Other state boards of accountancy.

Under current law, the CBA is composed of 15 members, seven of whom are licensees of the CBA, and eight of whom are public members, not licensed 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 CBA and implement the various policy decisions made by the CBA. The CBA is comprised of three divisions, Administration, Licensing, and Enforcement. There are approximately 100 staff members that serve throughout the CBA in various capacities. Although the CBA is comprised of three divisions, the CBA operates as a single entity, and each Division works in the interest of consumer protection.

CBA MEMBERS

LEADERSHIP



Alicia Berhow
President
Assembly Speaker Appointee
Appointed February 2011



Michael M. Savoy, CPA
Vice-President
Governor Appointee
Appointed November 2014



Mark J. Silverman, Esq.
Secretary/Treasurer
Governor Appointee
Appointed January 2014

CURRENT MEMBERS



Jose A. Campos, CPA
Governor Appointee
Appointed December 2012



George Famalett, CPA
Governor Appointee
Appointed November 2015



Karriann Farrell Hinds, Esq.
Governor Appointee
Appointed January 2016



Xochitl A. León
Senate Rules Committee Appointee
Appointed January 2015



Jian Ou-Yang, CPA
Governor Appointee
Appointed April 2015



Sunny Youngsun Park, Esq.
Senate Rules Committee Appointee
Appointed January 2017



Deidre Robinson
Governor Appointee
Appointed June 2015



Katrina L. Salazar, CPA
Governor Appointee
Appointed December 2012



Kathleen K. Wright, JD,
CPA, LL.M, MBA
Governor Appointee
Appointed February 2015

RETIRED MEMBERS



(Late) Herschel T. Elkins, Esq.
Senate Rules Committee Appointee
Appointed September 19, 2008
Service ended September 5, 2016



Laurence (Larry) Kaplan
Assembly Speaker Appointee
Appointed March 15, 2011
Service ended May 25, 2017



Kay Ko
Governor Appointee
Appointed December 2013
Service ended March 25, 2017



Leslie LaManna, CPA
Governor Appointee
Appointed January 12, 2007
Service ended January 1, 2017

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STRATEGIC PLANNING

The 2016-18 Strategic Plan (Strategic Plan), adopted in September 2015, provides clear, relevant, and consumer-focused goals to guide the CBA's priorities. The goals include Enforcement, Licensing, Customer Service, Outreach, Laws and Regulations, Emerging Technologies, and Organizational Effectiveness. These goals provide a framework for the Strategic Plan's 23 objectives. During the three-year time period covered by the Strategic Plan, the CBA will strive to successfully achieve the goals and complete the objectives. Each objective has been assigned to staff that developed project outlines detailing how the objectives will be accomplished over the life of the Strategic Plan. The individual objectives are currently at various stages. The full Strategic Plan is available on the CBA's website, by clicking on the "Communications & Outreach" link, then selecting "CBA Reports." Provided below is an overview of some of the activities accomplished during FY 2016-17:

Goal 1 – Enforcement

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

Staff mapped the current work flow procedures associated with the enforcement process to help identify opportunities to improve those processes and implement industry best practices. This effort led to multiple improvements in FY 2016-17 within the Enforcement Division, including:

- Average time from intake to closure or assignment for investigation reduced from four days to two days;
- The Enforcement Division received 2,508 complaints and 2,185 were assigned for investigation;
- The CBA took disciplinary action on 94 matters;
- The number of cases pending at the AG's Office decreased from 115 to 92; and
- Case closures outpaced the number of assigned matters.

The Enforcement Division continues to implement improvements that reduce processing times and realign work duties to maximize the abilities of the technically-skilled staff.

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.

The Licensing Division continuously reviews its internal processes for ways to streamline the workflow and effectively communicate information regarding the requirements for CPA examination and licensure to its stakeholders.

In FY 2016-17, the Licensing Division underwent the following program changes:

Effective January 1, 2017 the CBA's ethics study educational requirement was amended to require a minimum of three semester or four quarter units in courses devoted to accounting ethics or accountant's professional responsibilities.

Effective April 1, 2017 a new version of the CPA Exam launched. To help increase awareness of this change, staff posted information on the CBA's website, discussed the changes at outreach events, and shared information about the new exam structure and scoring methodology through social media.

Goal 3 – Customer Service

Deliver the highest level of customer service.

The CBA continuously collects stakeholder feedback through its online Stakeholder Feedback survey (Survey), which is made available via the service provider, Survey Monkey®. Staff use the feedback contained in the Survey to gain valuable input from consumers, applicants, and licensees regarding their views and experiences on CBA programs and operations. Survey results are discussed in greater detail on pages 11-13.

Goal 4 – Outreach

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

Outreach and communications continue to be a key priority for the CBA and FY 2016-17 was another productive year. Details of our efforts this past year are provided on pages 29-38, but a few examples include:

- Immediate past President Katrina L. Salazar, CPA spoke to students at Golden Gate University in San Francisco in October 2016 regarding leadership in the CPA profession and licensure requirements.
- CBA Member George Famalett, CPA addressed students at California Polytechnic State University, San Luis Obispo in February 2017 regarding the examination, education, and experience requirements to become a CPA.
- CBA staff traveled to various universities to discuss with students the licensure requirements:
 - November 2016: California State University, Sacramento
 - February 2017: California State University, Chico
 - May 2017: University of California, Davis
- Due to President Alicia Berhow's efforts, in September 2017, the CBA will hold its meeting on the campus of California State University, Fullerton, which will provide a unique opportunity to present information to students and faculty and build new relationships with area stakeholders.

Goal 5 – Laws and Regulations

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

In March 2017, CBA staff met with staff from the Members of the Assembly and Senate Business and Professions (B&P) Committees, provided an introduction and overview of the CBA, and fielded questions regarding the CBA's mission of consumer protection and CBA operations.

Also in March 2017, Ms. Berhow and Assistant Executive Officer Deanne Pearce testified at a legislative committee hearing regarding the regulation of corporations in California.

Additionally, staff testified at certain legislative committee hearings regarding bills on which the CBA took a position.

CBA staff maintain contact with B&P Committee staff, CalCPA, and other stakeholders to ensure the CBA's mission of consumer protection is addressed at every step of the legislative process.

Later in 2017, the CBA is expected to publish its report to the Legislature on the practice privilege program. Following that, staff will prepare for meetings with legislators and possible legislative hearings next year on Senate Bill 795 (Galgiani), which would remove the practice privilege program's January 1, 2019 sunset date.

Goal 6 – Emerging Technologies

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

A major component of the CBA's move to a new office location was the successful transfer of servers and other computer equipment. As with the other elements of the move, this was designed and accomplished with minimal disruption to CBA operations or stakeholders. In addition, IT staff successfully completed a migration of its email, document sharing, and video conferencing technology to a new Microsoft® network.

Staff met with DCA in June to determine next steps for possible transition to a new licensing and enforcement database system. DCA is holding similar meetings with other boards in Phase 3 of the BreZe project. Rather than making one system work for all boards, DCA is taking steps to determine the specific IT needs for each board. The next step in this process, which is currently underway, is to review and document the CBA's current business processes and then determine which business and/or IT solution would best serve CBA's operational needs.

Goal 7 – Organizational Effectiveness

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

New CBA Intranet

In 2016, the CBA revamped its internal intranet site and featured new information to streamline the process to onboard new employees. Through the intranet, managers and employees may access other helpful resources including an overview of the CBA program areas, monthly Executive Officer Reports, the CBA reporting and organizational chart, personnel forms and related documents, and a copy of the CBA Emergency Preparedness Plan.

In addition, the intranet site provides information about career opportunities and resources at the CBA. The "Grow Your Career" section provides information on job opportunities, resume writing, interview tips, and much more.

Updated Employee Onboarding Program

A strong on-boarding program helps newly hired employees adjust to the social and performance aspects of their job so they can quickly become productive and successful members of the CBA. The intranet site includes tools that help managers prepare for the onboarding process and tips to help ensure new employees have a pleasant and enjoyable start with the CBA.

New employees are greeted on their first day of employment and provided with an agenda and training plan. Computer access, phone and other essential equipment are set up and ready to go on their first day.

Prearranged meetings are scheduled with various Administrative Division personnel to review benefits and forms, emergency evacuation exits, a tour of the office suite, and introductions to staff. One-on-one meetings are also scheduled with the new employee's respective manager to discuss employee expectations and training plans.

Providing a positive first day experience helps ensure new employees feel welcomed and prepared in their new position, and gives them the confidence and resources to make an impact and ultimately assist the CBA in carrying out its consumer protection mission.

Employee Training Emphasized

Staff are provided notification of training opportunities through DCA-wide email communications and via their individual managers throughout the year. CBA management makes it a priority to promote training opportunities and routinely discusses the importance of ongoing training.

Updated Manuals

Staff revised the *Guidelines & Procedures Manual* to update travel information and make other necessary changes in light of the CBA's move to a new office location in April 2017.

In addition, managers and staff worked diligently to update desk manuals to ensure they are relevant to the current tasks of each unit. Desk manuals are a valuable resource for new employees, provide step-by-step processes for specific jobs and tasks, and help ensure the CBA operates consistently.

STAKEHOLDER SURVEY RESULTS

The CBA Stakeholder Satisfaction Survey offers a useful 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.

Of those who participated, 77 percent expressed satisfaction with the service received by the CBA. Additionally, 71 percent of participants indicated they were satisfied with the service received from CBA staff. Lastly, 86 percent were satisfied with the speed in which the CBA responded to their inquiry.

Compared to the prior fiscal year, the levels of stakeholder satisfaction stated in FY 2016-17 are lower for each of the questions indicated in the charts on pages 12 and 13. In reviewing the comments provided by participants who expressed that they were not satisfied with CBA service, staff noted the following concerns:

- Slow timeframes to process applications;
- Lack of clarity on the status of an application; and
- CBA technology does not support online submission of applications and payments.

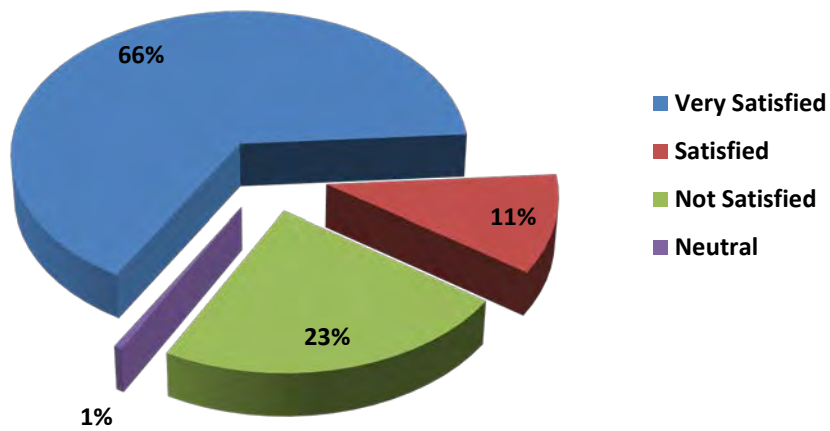
As noted on page 50 of this report, the CBA experienced an unusually high-volume of applications and related documentation as the ethics study educational requirement for licensure was changed, effective January 1, 2017. While staff shifted resources to process these applications, applicants did experience a short-term delay in processing times.

As stated on page 9 of this report, under Strategic Planning, Goal 6 – Emerging Technology, discussions are underway with DCA IT officials on a new licensing and enforcement system that would meet the needs of the CBA. While implementing any new system would likely be a multi-year project, staff expect it will help resolve these stated concerns from survey participants.

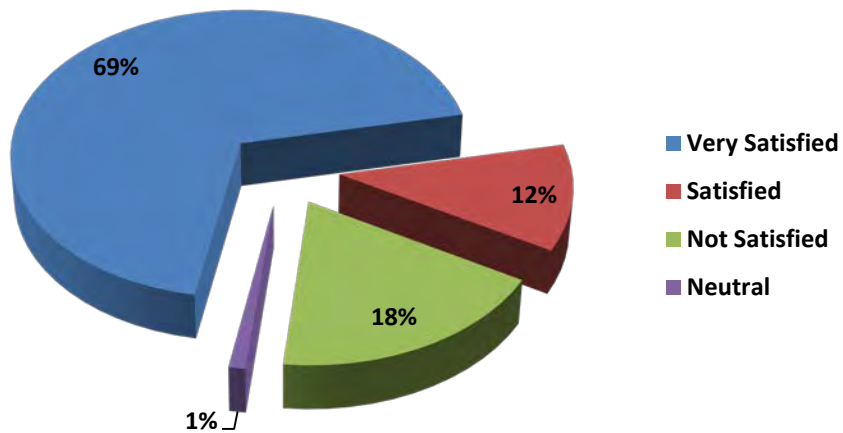
While the survey is promoted in the *UPDATE* newsletter and accessible through the CBA's website, less than 190 individuals submitted a complete survey during FY 2016-17, less than one percent of the CBA's licensee population. Staff will look at ways to increase the Survey responses this year.

The charts below and on the following page provide more information about these survey questions.

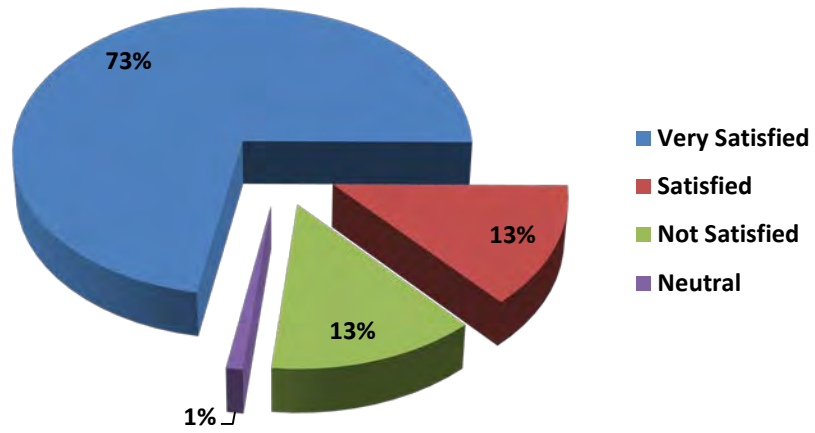
Did CBA service meet your expectations?



How satisfied were you with the service you received from CBA Staff?

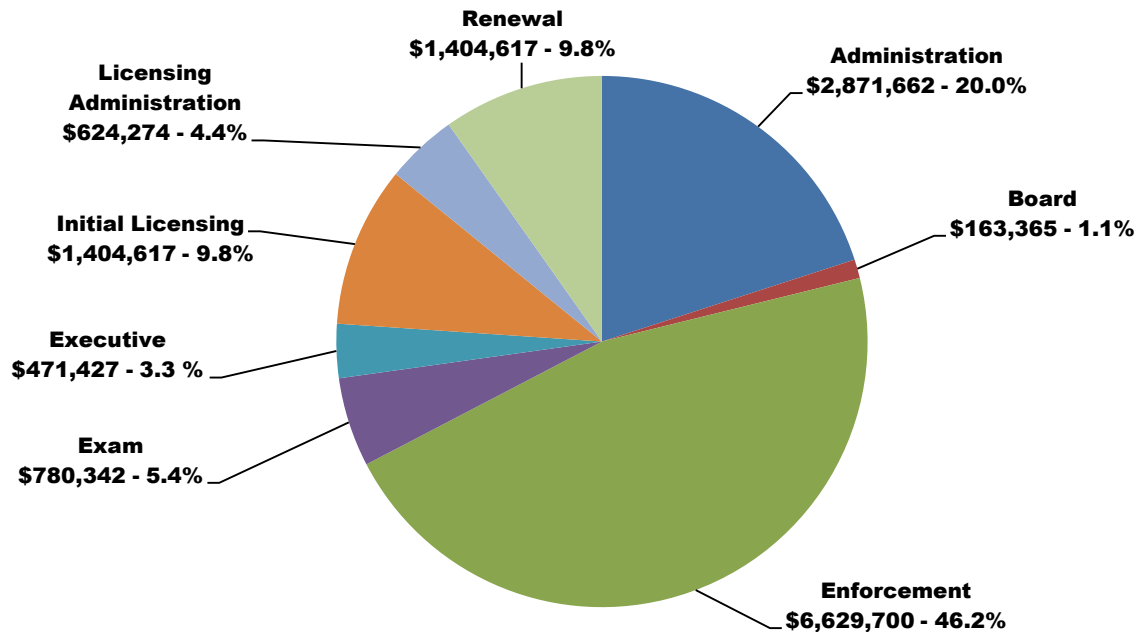


**How satisfied were you with the time it took
CBA staff to respond to your inquiry?**



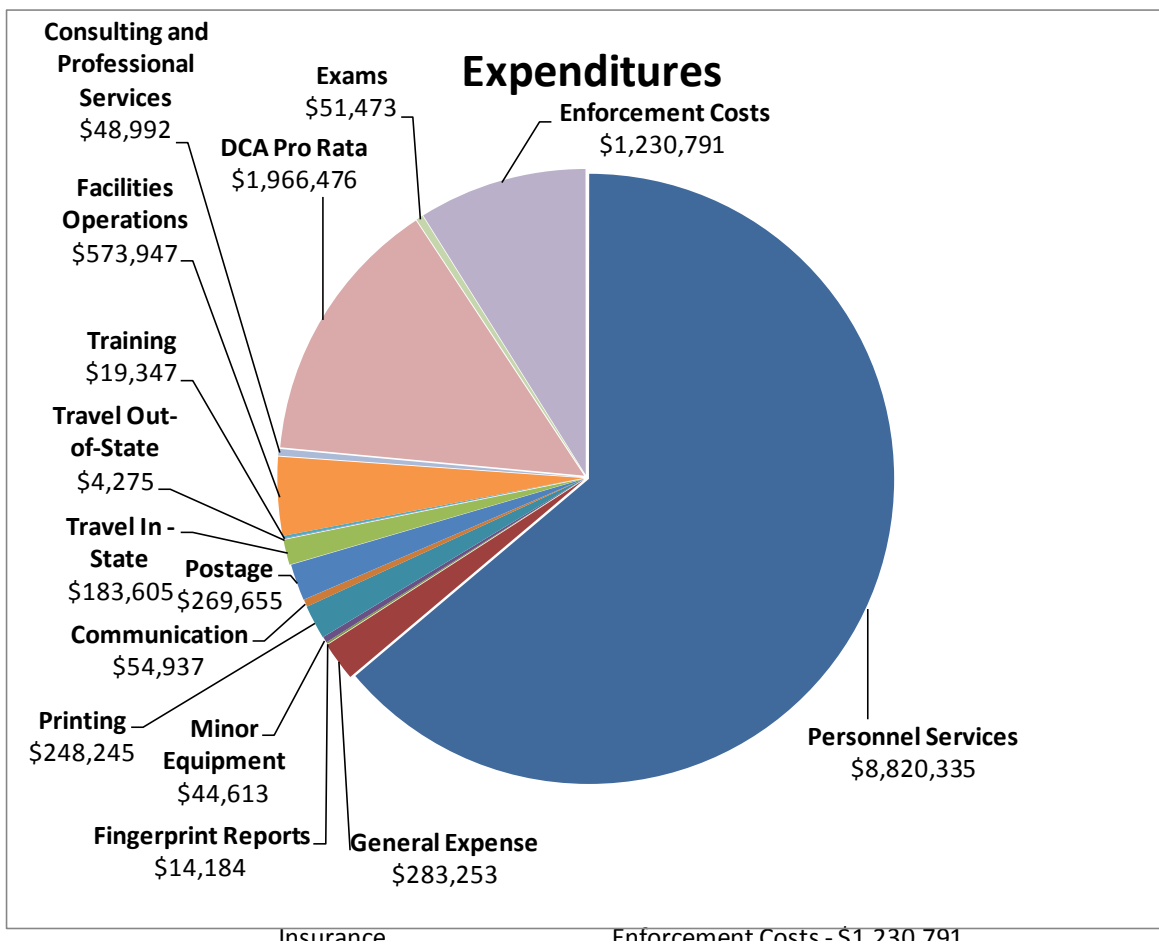
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FY 2016/17 Allocations
Total Budget: \$14,350,000



The CBA's budget in FY 2016-17 was \$14,350,000, which represents the maximum amount of money that the CBA was authorized to spend on its annual operations. The chart above illustrates the resources allotted within the CBA. The CBA's Administration Division, in consultation with DCA, determines budgets for each program, including the number and classification of personnel, specific contracts, and expected equipment purchases.

The pie chart below details the CBA's expenditures for FY 2016-17. Which were approximately \$13,814,000.



BUDGET REPORTING

The CBA is kept apprised of its budget and year-to-date expenditure and revenue data via financial reports presented at CBA meetings and through the monthly Executive Officer's Report. 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.

Monthly, staff review detailed budget reports that describe CBA revenues and expenditures. The reports are used to monitor spending levels and determine whether adjustments in purchases or spending should be made in a given area. Annually, in the Spring edition of the CBA UPDATE publication, the CBA posts a summary of the CBA's budget and how the funds are allocated, by program area.

RESERVE LEVEL

The following table provides a general summary of the CBA Reserve including statistics for FY 2016-17.

CBA Reserve Summary

ANALYSIS OF FUND CONDITION	FY 2016-17 (Actual) ¹	FY 2017-18 (Projected)	FY 2018-19 (Projected)
Total Reserves, July 1	\$12,903,000	\$32,455,559	\$28,844,571
Total Revenues	\$9,787,271	\$10,411,000	\$10,400,000
Total Transfers	\$23,667,067 ³	n/a	n/a
Total Resources	\$46,357,338	\$42,866,559	\$39,244,571
Total Expenditures	\$13,467,000	\$13,463,000	\$13,430,000
Scheduled Reimbursements	\$16,423	\$296,000	\$296,000
Investigative Cost Recovery	\$330,798	\$134,000	\$134,000
Reserve, June 30	\$32,455,559 ⁴	\$28,844,571	\$26,043,593
MONTHS IN RESERVE	26.9	23.9	21.0

¹ As of Fiscal Month 13 data from Department of Consumer Affairs Budget Reports

² The revenue figures for FY 2016-17 reflect revenue increases from restoring the License, Renewal, and Initial Permit fees, effective July 1, 2016

³ A total of \$21 million in General Fund Loans was repaid in FY 2016-17. The interest generated by these loans was also received in the amount of \$2,667,067.

⁴ Less adjustment for Statewide Pro Rata per Department of Finance.

FEE RESTORATION

The second year of the CBA's two-year fee reduction ended on June 30, 2016. Effective July 1, 2016, fees were restored to pre-FY 2014-15 levels. This fee restoration was implemented to increase the CBA's reserves; more closely align revenues and expenditures, and help ensure the CBA has sufficient resources to fulfill its mission.

GENERAL FUND LOANS

The CBA received FY 2016-17 loan repayments amounting to \$21,000,000 dollars in mid-June 2017. Interest payments were also received on these loans in the amount of \$2,667,067. These disbursements concluded the repayments of General Fund Loans in their entirety. With the General Fund loan repayments secured, the CBA will determine in the coming year whether any fee adjustments are needed.

PROJECTS, ACTIVITIES, AND CURRENT EVENTS

CALIFORNIA PRACTICE PRIVILEGE AND MOBILITY

Since 2006, California law has allowed qualified out-of-state licensees to exercise a practice privilege and serve clients in California. Subsequent legislation revised this program, allowing qualified out-of-state licensees to practice in California without providing notice or paying a fee.

Established in 2014 by the CBA, pursuant to Senate Bill 1405 (Chapter 411 of 2012 Statutes), the Mobility Stakeholder Group (MSG) is a seven member committee comprised of two representatives of the accounting profession, two consumer representatives, two CBA members, and one CBA enforcement staff member. The MSG advises the CBA on issues related to its practice privilege program (or commonly referred to as mobility), including whether the program is consistent with the CBA's duty to protect the public and satisfies the objectives of stakeholders in this state, including consumers.

In FY 2016-17, the MSG continued its partnership with NASBA to evaluate whether states are substantially equivalent to NASBA's Guiding Principles of Enforcement¹ (Enforcement Guidelines). During the MSG's six meetings last year, it achieved the following major accomplishments:

- Reviewed the results of staff's assessments and NASBA's review of the various jurisdictions and recommended the CBA approve 45 states as substantially equivalent to the Enforcement Guidelines. The remaining 10 states were deemed substantially equivalent by the MSG in July 2017.
- Oversaw the CBA staff assessment of nine states (Arizona, Colorado, Georgia, Illinois, New York, Oregon, Texas, Utah, and Washington) identified by NASBA as substantial equivalent to the Enforcement Guidelines.
- Provided valuable input to the CBA, the Legislature, and other stakeholders on the potential impact that Senate Bill 795 (Galgiani), which would make permanent the practice privilege program, may have on the CBA.
- Adopted its 2016 Annual Report and guided staff as they drafted the CBA's practice privilege report to the Legislature pursuant to B&P Code section 5096.21(f), due January 1, 2018.

The MSG's work had a significant impact throughout the country as various state boards of accountancy updated or improved their procedures to be substantially equivalent to the Enforcement Guidelines, particularly regarding the availability of enforcement action information through CPAVerify² or each state board's website.

¹ NASBA's Guiding Principles of Enforcement promote consumer protection through uniformly effective state board of accountancy enforcement and disclosure policies and practices on a nationwide basis.

² CPAVerify is a service provided by NASBA that allows consumers to search for enforcement actions against a CPA or accounting firm nationwide.

Now that the CBA has determined that all 55 states are substantially equivalent, and the Legislature's likely consideration of Senate Bill 795 next year, the MSG is expected to consider its ongoing role and make appropriate recommendations to the CBA.

OFFICE RELOCATION

On Monday, April 10, 2017, the CBA began operating in its new headquarters office.

The new facility will accommodate Northern California CBA and committee meetings, reducing travel and facility rental costs. This new facility houses all CBA staff in a single location (with room for future staff growth) and improves internal communication and productivity³.



*California Board of Accountancy
Headquarters*

To minimize the disruption to CBA operations, the relocation occurred over a weekend. Staff coordinated with DCA's Consumer Information Call Center to help respond to incoming phone calls on the Friday of the move and the Monday following the move. Upon conclusion of the relocation, the CBA received high praise from DCA's Facilities Management Unit who was impressed with how smoothly the transition and move occurred. The CBA is considered a "model" for other DCA boards and bureaus for our successful planning and execution of the relocation.

In addition, the U.S. Green Building Council awarded the new office location a LEED[®] green building program Silver Certification for its energy-efficient design⁴.

ENFORCEMENT PROGRAM ENHANCEMENTS

Over the past several years, the CBA has experienced a continued increase in case inventory. Staff worked diligently to implement changes internally within the Enforcement Division to streamline workflow. Three program areas that were enhanced in FY 2016-17 were the Intake Unit, AG Desk, and Probation Monitoring.

The CBA restructured the Intake Unit to handle both external and internal complaints in a more streamlined manner. This led to faster case assignment and more effective information gathering so investigative staff have a complete set of data to analyze at the onset of an assignment.

The AG desk revised many of its processes to more effectively refer and monitor the cases referred to the AG's Office. A streamlined process has been implemented that allows a case to be referred to the AG's Office more efficiently.

³ The CBA employs a small number of remote enforcement staff.

⁴ Leadership in Energy and Environmental Design (LEED) is a certification program of the U.S. Green Building Council that recognizes resource-efficient buildings. More information is available at www.usgbc.org/leed.

The Probation Monitoring program has undergone many process changes to effectively monitor those licensees who are currently on probation with the CBA. The CBA has taken discipline on many licensees over the past several years, and FY 2016-17 ended with 146 licensees on probation. The probation monitoring staff implemented a system that clearly communicates the terms of probation to probationers and tracks compliance during the term of probation. Some of the changes include a probation violation tracking system, probation orientation meetings, work-product review and increased practice investigations.

The Enforcement Division management continues to develop and maintain best practices related to case intake and case management, including:

- New resources to assign and track cases;
- Checklists associated with case management;
- Standardized reports for data collection and reporting;
- Revised communications associated with potential administrative violations designed to obtain increased compliance;
- Updated desk manuals designed to communicate expectations and provide useful training tools; and
- Weekly meetings with staff members to discuss cases in a group setting and provide case direction and management and share information regarding recent updates and changes.

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LEGISLATION

LEGISLATIVE BEST PRACTICES

To further strengthen CBA communications with the Legislature, staff follow the CBA's Legislative Best Practices. These practices include consistent communications with the author of the bill, inviting the authors or their 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 pending legislation.

In addition to regular communication with the Legislature, staff maintain contact with other stakeholders, including DCA (and other boards) and CalCPA representatives. In particular, staff attend monthly DCA Legislative Roundtable meetings where DCA board and bureau staff discuss the impact of pending legislation. These meetings also help staff foster and maintain valuable relationships.

The CBA's new Information and Planning Officer, who joined in September 2016, was previously employed in the California Legislature for more than 12 years and is working to further improve the CBA's legislative program.

2016-2017 LEGISLATION

The CBA maintains 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. Following is an overview of the legislation sponsored, tracked, and monitored by the CBA during the 2016-2017 legislative session.

Assembly Bill (AB) 703 (Flora)

This bill would require every board within DCA to grant a fee waiver for the application and issuance of an initial license for an applicant who is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States if the applicant holds a current license in the same profession or vocation in another state, district, or territory. The CBA took a Support position. This is a two-year bill.

AB 710 (Wood)

This bill would require every board within the Department of Consumer Affairs (DCA) to meet once every other calendar year in rural California. The CBA took a Watch position. The author cancelled the committee hearing in June 2017. This is a two-year bill.

AB 767 (Quirk-Silva)

This bill would establish the Master Small Business License Center (Center), within the Governor's Office of Business and Economic Development (GO-Biz), for the purpose of developing and administering an Internet-based platform that allows businesses to electronically submit a master application, including required fees. The CBA took a Watch position. The author cancelled the committee hearing in May 2017. This is a two-year bill.

AB 912 (Oberholte)

This bill would require a state agency, department, board, or commission that has significant rulemaking authority over small businesses, with the exception of the Franchise Tax Board and the State Board of Equalization, to assist small businesses in complying with statutes and regulations and to establish policies to reduce, in certain circumstances, civil penalties for noncompliance. The CBA took a Watch position. This is a two-year bill.

AB 1005 (Calderon)

This bill requires non-healing arts entities within the DCA to issue a fix-it ticket, with a 30-day cure period, before an administrative fine becomes effective for a Business and Professions Code (BPC) violation. The CBA took a Support if Amended position. This is a two-year bill.

AB 1190 (Oberholte)

This bill would require the DCA to publish a quarterly update on its website on the progress of implementing the BreEZe system for programs that were scheduled for the third phase of BreEZe implementation. The CBA took a Support position. This bill is currently pending on the Senate Floor.

Senate Bill (SB) 27 (Morrell)

This bill would require every board under the DCA to grant a waiver for the application and initial licensing fee to an honorably discharged veteran. The CBA took a Support position. This is a two-year bill.

SB 247 (Moorlach)

This bill would repeal the requirements for an individual to obtain a license to perform the following activities: fitting or selling hearing aids, locksmithing, barbering or the application of makeup, disposing of cremated human remains, and performing custom upholstery services. This bill would also modify the regulation of certain landscapers, tree service contractors, and private investigators. The CBA took an Oppose position. This is a two-year bill.

SB 547 (Hill)

This was one of the Senate Business Professions and Economic Development Committee's (B&P) omnibus bills and would amend BPC sections 5063.3(a)(4) and 5096.9. The amendment to BPC section 5063.3(a)(4) would clarify that during a sale or merger of a practice, a licensee may only disclose client information to the successor licensee or person if the parties enter into a written nondisclosure agreement. The amendment to BPC section 5096.9 would allow the CBA to quickly extend or remove the inoperative dates of the CBA's practice privilege regulations. The CBA took a Support position. This bill is currently pending on the Assembly Floor.

SB 715 (Newman)

This bill would add failure to attend board meetings to the justification for removal of a board member appointed by the Governor. The CBA took a Support position. This is a two-year bill.

SB 795 (Galgiani)

This bill would remove the January 1, 2019 repeal date of the CBA's practice privilege program, thereby making the CBA's no-notice, no fee, practice privilege program permanent. The CBA took a Watch position. This is a two-year bill.

SB 800 (Senate B&P Committee)

This was the second of the Senate Business Professions and Economic Development Committee's omnibus bills and would amend BPC sections 5094(d) regarding credential evaluation services requirements. Specifically, it would correct a minor inaccuracy in the name of one organization by changing one word from singular to plural, and updating the name of another member organization to reflect its current name. The CBA took a Support position. This bill is currently pending in the Assembly Appropriations Committee.

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REGULATIONS

In FY 2016-17, the CBA took action, as indicated below, on the following regulations:

Peer Review – Exclusion

This regulatory proposal would clarify language regarding firms that are excluded from the mandatory peer review requirement; specifically it would exclude licensees who, as their highest level of service, perform preparation engagements. (*In review by the Department of Consumer Affairs*)

Credentials Evaluation Service

This proposal requires Credentials Evaluation Service providers to submit an application and attest to certain activities and policies in evaluating foreign education transcripts for CPA applicants. (*Effective April 1, 2017*)

Continuing Education – Preparation Engagements

This proposal requires licensees who, as their highest level of service, perform preparation engagements to complete eight hours of continuing education (CE) in preparation engagements or accounting and auditing, and four hours of CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. (*Effective October 1, 2017*)

Out-of-State Licensees Status (Section 100)

This proposal amends the description of the Out-of-State licensees' status. The proposed changes to California Code of Regulations (CCR) section 36.1 maintain consistency with the language of BPC section 5087 as amended by AB 181. The proposed change does not have regulatory effect pursuant to CCR section 100(a)(6). (*Effective October 1, 2016*)

Peer Review Reporting – Firms

This proposal would amend the reporting form and requirement for licensees who are not firms by exempting them from mandatory in peer review. (*Public hearing anticipated in January 2018*)

Sale, Transfer, or Discontinuance of Practice

This proposal would amend the process a licensee must follow if they plan to sell or transfer their practice, to notify, obtain consent, and retain documents when transferring or returning a client's files or records. In addition, in the case of discontinuance of practice, the proposal would require licensees to notify each client and make arrangements to return the records promptly. In cases where the client cannot be reached, the licensee is required to retain the records for a period of seven years. (*Public hearing anticipated in January 2018*)

Disciplinary Guidelines 2016 and Rehabilitation Criteria

This proposal would amend the rehabilitation criteria, add a new section regarding rehabilitation evidence, revise model orders, probationary terms, and improve readability, clarity, formatting, and consistency throughout the guidelines. (*Public hearing anticipated in January 2018*)

Continuing Education – Nano and Blended Learning

This proposal would allow licensees to receive credit toward their CE requirement by authorizing certain nano and blended learning formats.

(Public hearing anticipated in January 2018)

Outdated and Obsolete Regulations

This proposal would amend or remove several out-of-date and obsolete regulations.

(Public hearing anticipated in January 2018)

OUTREACH, SOCIAL MEDIA, AND STAKEHOLDER CONTACT

PRESENTATIONS AND SPEAKING ENGAGEMENTS

Under direction from immediate past CBA President Katrina L. Salazar, CPA and President Alicia Berhow, during the past fiscal year, there has been a continued focus on outreach and how it assists the CBA in its consumer protection mission. Through various outreach activities, the CBA carries its message to future CPAs regarding the requirements to obtain and maintain licensure as a CPA in California, works to educate consumers, and ensure that licensees are knowledgeable about California law and professional standards.

The following is an overview of the outreach events and speaking engagements in which the CBA participated:

June 2016

Senate Business, Profession, and Economic Development Committee

On June 13, Ms. Salazar and Executive Officer Patti Bowers met with legislative staff regarding the CBA's sponsored bill, AB 2560, which allows the CBA to adopt emergency regulations to require licensees from certain states to provide notice and pay a fee prior to exercising a practice privilege in California if the CBA made specified determinations. Ms. Salazar also offered to partner with legislators on financial literacy, and related outreach events.

August 2016

Department of Consumer and Business Affairs – Los Angeles

In August, Brian Stiger, the Director of the Los Angeles County Department of Consumer and Business Affairs (DCBA) of the County of Los Angeles, who previously served as Director of DCA, participated in a conference call with staff to discuss the possibility of CBA participation in outreach with DCBA's newly established Center for Financial Empowerment. While the purpose of the conference call was primarily introductory, as the Center is just preparing to launch, there appeared to be several opportunities for the CBA and DCBA to work together on common outreach goals.

September 2016
CalCPA Webinar

On September 27, 2016, CBA participated in a successful live webinar with CalCPA, “So, You Want to Be a CPA?” This event was aimed at accounting students. CBA staff provided an overview of the application process and requirements for the CPA Exam, CPA licensure, and renewal processes. An applicant undergoing the CPA exam, and representatives from CalCPA and Roger’s CPA Review spoke to the audience. The webinar was hosted in CalCPA’s downtown Sacramento office and an estimated 150 individuals participated.



Webinar presenters (L-R): Cindi Fuller (CBA), Suzanne Gracia (CBA), David Lo (CalCPA), Bridget Sanders (CalCPA), Janet Zimmer (CBA), and Joanna McEvoy

October 2016
Golden Gate University – San Francisco

On October 11, 2016, Ms. Salazar presented “Leadership, The Accounting Profession, & Consumer Protection” at Golden Gate University (GGU) in San Francisco. She was invited to speak as part of GGU’s 5th Annual Braden Leadership Speaker Series.



Ms. Salazar (at right) and attendees at Golden Gate University in San Francisco

Oakmont High School

On October 24, 2016, staff attended a career fair at Oakmont High School, located in the Sacramento area. Staff spoke to students about the post-secondary educational requirements for licensure and answered questions regarding potential career opportunities available to a CPA.



CBA Enforcement Deputy Chief, Ben Simcox, CPA, at Oakmont High School's Career Fair

NASBA Annual Meeting: Austin, Texas

From October 30 through November 2, 2016, Ms. Salazar attended the National Association of State Boards of Accountancy's (NASBA) Annual Meeting in Austin, Texas to give a joint presentation with NASBA's Regulatory Coordinator, Stacey Grooms, regarding California's mobility law.

November 2016

California State University, Sacramento

On November 10, 2016, the CalCPA Sacramento Chapter hosted their Student Outreach Luncheon at California State University, Sacramento (CSUS). CBA staff provided information about licensure requirements. Approximately 130 students majoring in Accounting attended.



CBA Licensing Coordinators Suzanne Gracia (L) and Janet Zimmer (R)

CalCPA's New Licensee Celebration

On November 30, 2016, Ms. Salazar was the keynote speaker at CalCPA's New Licensee Celebration, held at the Bently Reserve in San Francisco. Approximately 120 people attended the event which honored CPAs licensed since January 1, 2015.

February 2017

California Polytechnic University, San Luis Obispo

On February 2, 2017, CBA Member George Famalett, CPA, spoke to approximately 75 accounting students attending California Polytechnic University, San Luis Obispo. Mr. Famalett shared his views on the accounting profession and discussed the requirements and process for licensure in California.



Mr. Famalett, CPA speaking to Cal Poly students and faculty

California State University, Chico

On February 9, 2017, staff traveled to California State University, Chico (CSUC) to participate in CalCPA's "The Road to CPA" outreach event. Aimed at CSUC accounting students, the event also featured speakers from CSUC, Becker Professional Education, and the local chapter of Beta Alpha Psi. The event was webcast live over the Internet and attracted a total audience of more than 150 people.



Attendees listen to CBA Licensing Coordinator Janet Zimmer discuss licensure requirements

Mobility Stakeholder Group Member Stays Busy Speaking to Future CPAs

Current MSG (and former CBA) Member Don Driftmier, CPA, continues his work in support of the CBA's consumer protection mission through his student outreach and education efforts. On February 28, 2017, Mr. Driftmier spoke to a class of 20 accounting students at Walnut High School, located in eastern Los Angeles County. During his talk, he provided students and their teacher with the current education, examination, and experience requirements for CPA licensure.

March 2017

NASBA Legal Conference Features California Deputy Attorney General

Carl Sonne of the California Department of Justice was a speaker at NASBA's Annual Legal Conference on March 15, 2017. Mr. Sonne spoke to approximately 50 attendees regarding identification of audit violations, what evidence may be needed to prove a violation, and how to determine if working papers or reports have been altered.



Deputy Attorney General Carl Sonne
addresses NASBA's Annual Legal Conference
Attendees

April 2017

Orange Coast College

Mr. Driftmier spoke to about 20 students at Orange Coast College on April 1, 2017, and again on April 24, 2017 to approximately 130 attendees regarding the education, examination, and experience requirements for CPA licensure.

Women in Politics Symposium

Ms. Berhow was a panelist at the Women in Politics Symposium held on April 28, 2017 at the Fullerton Community Center. This event was sponsored by the Orange County Legislative Task Force and California Women Lead and featured discussions regarding how women are underrepresented in elected office, including potential solutions.

May 2017

University of California, Davis

Staff visited the campus of the University of California, Davis on May 15, 2017 and discussed the steps necessary to become a CPA after graduation. Staff answered questions from the audience regarding the education, examination, and experience requirements for licensure.



CBA Licensing Coordinator Janet Zimmer (second from right) and attendees at UC Davis outreach event

June 2016

California Financial Literacy Fair a Success

Each year, the California Department of Business Oversight sponsors a resource fair. This event highlights California Financial Literacy Month and brings together state and federal agencies and various financial literacy organizations. This coordinated consumer campaign encourages individuals throughout the state to take full advantage of the free resources available to them. Visitors to the CBA table, attended by Ms. Salazar and CBA Regulatory Analyst Pat Billingsley, received the CBA's *Consumer Assistance Booklet*, which provides information about its mission to protect consumers, the role a CPA plays to help protect the financial interests of their clients, and tips to select an appropriate CPA for their needs. In addition, visitors interested in becoming a CPA were given information that explains the education, examination, and experience requirements for licensure.



Pat Billingsley (L) Katrina L. Salazar, CPA (R) at the CBA table

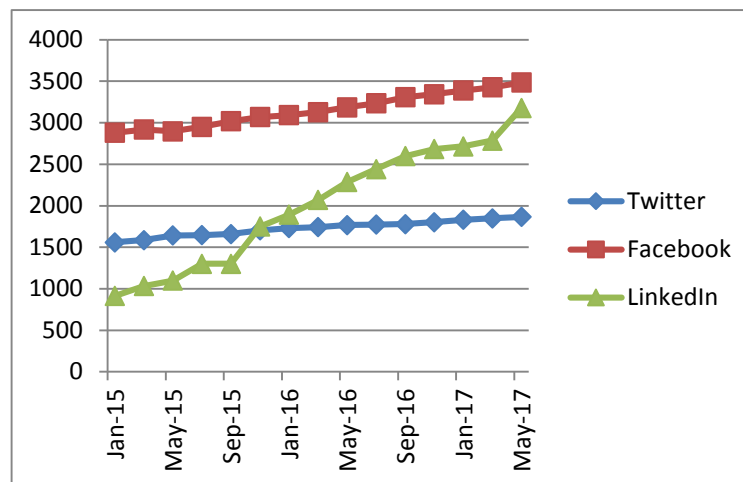
SOCIAL MEDIA

The CBA's social media platforms (Facebook, Twitter, and LinkedIn) are good opportunities for the CBA to communicate in a manner more convenient to stakeholders. Over the past fiscal year, the CBA used social media to share messages about CBA meetings and outreach events, changes in licensure requirements, the office relocation, and more. This medium will continue to be a priority as the CBA seeks to expand opportunities to connect with its stakeholders.

The increased use of social media has led to growth of the CBA's followers. As of May 2017 (latest available data), below are the CBA's number of followers:

Platform	Number of Followers
Facebook	3,486
LinkedIn	3,178
Twitter	1,866

As shown on the below chart, the number of followers has been steadily climbing for Facebook and Twitter, while experiencing a significant increase on LinkedIn. LinkedIn is a service mainly used by professionals, which may help explain the growth indicated:



COMMUNICATION WITH STAKEHOLDERS

CBA Website

The CBA website is the most flexible and easily accessible communication tool at the CBA's disposal. The website makes available information regarding current statutory and regulatory requirements, CBA meeting agendas and materials, access to handbooks and forms used by applicants and licensees, and much more. In addition, consumers may

conduct a license search to verify the status of a CPA or accounting firm, access public enforcement documents, or file a complaint.

During FY 2016-17, the CBA's website had approximately 37,000 webpage views each week, with more than 1.9 million webpage views over the course of the year⁵. Interestingly, Tuesday is the day of the week with the highest number of webpage views.

UPDATE Newsletter

The CBA publishes UPDATE, its triennial newsletter, and is primarily read by the CBA's licensee and applicant population. UPDATE articles mainly focus on issues of professional standards, statutory and regulatory changes, and recently approved disciplinary actions. Articles may also be aligned with CBA guidance or direction or objectives identified in the CBA Strategic Plan.

The UPDATE newsletter is mailed to more than 100,000 licensees and maintained on the CBA website for access by consumers and other stakeholders. In addition, the UPDATE is distributed to the CBA's E-News subscribers and through social media.

Below are some examples of the topics discussed in the 2016-17 issues of the UPDATE:

- Next Version of the Uniform CPA Exam (Spring/Summer 2016 - #81)
- Results of the CBA's Attest Study (Spring/Summer 2016 - #81)
- California's Mobility Laws and Public Protection (Spring/Summer 2016 - #81)
- Launch of the CBA's Redesigned Website (Spring/Summer 2016 - #81)
- Disciplinary Guidelines and Model Orders (Fall 2016 - #82)
- Employee Benefit Plan Audits (Fall 2016 - #82)
- Changes to Ethics Study Requirements in 2017 (Fall 2016 - #82)
- Status of CBA's Loans to the General Fund (Fall 2016 - #82)
- Annual Continuing Education Requirements (Winter 2017 - #83)
- CBA's New Office Location (Winter 2017 - #83)
- Criminal Background Check may be Required if Converting from Inactive or Retired Status to Active Status (Winter 2017 - #83)
- Enforcement Handbook for Licensees (Winter 2017 - #83)

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

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

⁵ A webpage view occurs whenever a user visits any CBA webpage. A single user could visit multiple webpages (therefore, multiple pageviews) in a single visit.

When certain information is posted on the CBA website, an email is sent to the appropriate subscriber list with a notification message and website link to access the information. In particular, E-News is a primary method that interested parties receive notification of board meeting agendas and materials. The following provides information on the number of current subscribers in the E-News service as of June 30, 2017.

E-News Subscriptions	Total
Consumer Interest	4,603
Examination Applicant	3,057
Licensing Applicant	3,722
California Licensee	9,840
Out-Of-State Licensee	2,477
Statutory/Regulatory	7,992
CBA Meeting Information & Agenda Materials	3,825
Update Publication	7,622
Total Subscriptions	43,138
Total Subscribers	14,252

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CBA AND COMMITTEE ACTIVITIES

APPOINTMENTS AND RETIREMENTS

During FY 2016-17, the Senate Rules Committee appointed Sunny Youngsun Park, Esq. The late Herschel T. Elkins, Esq., Laurence (Larry) Kaplan, and Leslie LaManna, CPA, retired from the board during FY 2016-17.

CBA LEADERSHIP ELECTIONS

Each year, in September, CBA 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. During the November CBA meeting, the CBA elects a CBA President, Vice-President, and Secretary/Treasurer to serve for the next 12 months. The Leadership for 2016-17 included:

	FY 2015-16	FY 2016-17
President:	Katrina L. Salazar, CPA	Alicia Berhow
Vice President:	Alicia Berhow	Michael M. Savoy, CPA
Secretary/Treasurer:	Michael M. Savoy, CPA	Mark Silverman, Esq.

CBA AND ADVISORY COMMITTEE LEADERSHIP AND APPOINTMENTS

CBA Committees

The CBA President appoints the membership and selects the Chair of each CBA committee: the Committee on Professional Conduct, Legislative Committee, Enforcement Program Oversight Committee, and the Strategic Planning Committee. Those appointments are typically completed by January 1 of each year.

Advisory Committees

The California Accountancy Act requires the CBA to form four committees: the Enforcement Advisory Committee (EAC), Peer Review Oversight Committee (PROC), Qualifications Committee (QC), and the MSG. The CBA appoints and reappoints committee members to those committees. In FY 2016-17, the CBA appointed four new members and reappointed an additional ten members to the CBA's advisory committees.

EAC, PROC, and QC Appointments

Composed of active licensees with no pending enforcement actions against them, the members of the EAC, PROC, and QC help the CBA fulfill its mission to protect consumers.

Prospective members submit a letter of interest and resumé or curriculum vitae. Under the leadership of the CBA Vice-President, the eligibility of a prospective member is vetted by staff, an evaluation of the candidate's fitness is conducted, and appointment recommendations are made to the CBA. Once approved by the CBA, each member is appointed to a two-year term and may serve a maximum of four terms.

Each November, the CBA approves appointments of the Chair and Vice-Chair for the EAC, PROC, and QC. Committee membership appointments may be made during any CBA meeting throughout the year.

MSG

The MSG is composed of two CBA members, two representatives of the accounting profession, two representatives of consumers, and one CBA enforcement staff member. The members of the MSG are appointed by and serve at the pleasure of the CBA President.

CBA Member Liaisons to the PROC Appointed

In March 2017, the CBA appointed Ms. Salazar and Sunny Youngsun Park, Esq. as the northern and southern California CBA member liaisons to the PROC. CBA member liaisons are responsible to keep the CBA informed regarding emerging issues and recommendations made at committees. They also keep committee members informed of CBA policies and assignments and make recommendations to the CBA regarding chair and vice-chair appointments.

STAFF SUPPORT ACTIVITIES

Whenever an individual is first appointed as a CBA member, staff hold a training session with the appointee. This session focuses on CBA policies and processes and is in addition to the mandatory training provided by DCA.

After the CBA leadership election, senior staff meet with leadership to discuss priorities for the upcoming year, review annual meeting topics, and receive guidance regarding CBA leadership goals and priorities.

In conjunction with the January 2017 CBA meeting, staff and DCA legal counsel coordinated an orientation for CBA leadership and CBA committee Chairs and Vice-Chairs. This orientation helps the new leaders understand their roles and how to conduct meetings in accordance with the Bagley-Keene Open Meeting Act.

To help prepare advisory committee members in their role, staff provide an orientation meeting to discuss the purpose of the committee and their role on that committee. In addition, they learn about the role of the CBA staff liaison and receive an overview of a committee meeting.

To further assist chairs of both the CBA committees and advisory committees, staff conduct pre-meeting calls to review agenda materials and answer any questions. 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 prepare talking points for CBA liaisons to assist in their report during the various committee meetings.

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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:

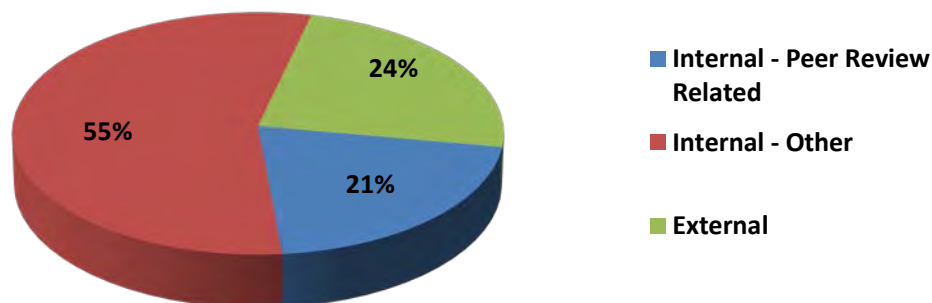
- Conducting complex investigations regarding practice issues that require the expertise of a licensed CPA;
- Conducting investigations for administrative violations and unlicensed activity;
- Issuing citations and fines for violations that do not rise to the level of discipline;
- Filing accusations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

COMPLAINTS

The Enforcement Division receives complaints from consumers, licensees, professional societies, law enforcement, other government agencies, and internal referrals. Also, staff regularly monitor social media outlets for information that may suggest licensees' violations of the California Accountancy Act and CBA Regulations.

In FY 2016-17, the CBA received 2,508 complaints.

Complaints Fiscal Year 2016-17



The Enforcement Division received the majority of internal complaints from the CBA Licensing Division during FY 2016-17. These include various licensing renewal-related deficiencies including continuing education, unlicensed activity, potential discrepancies in peer review reporting, and conviction and subsequent arrest notifications.

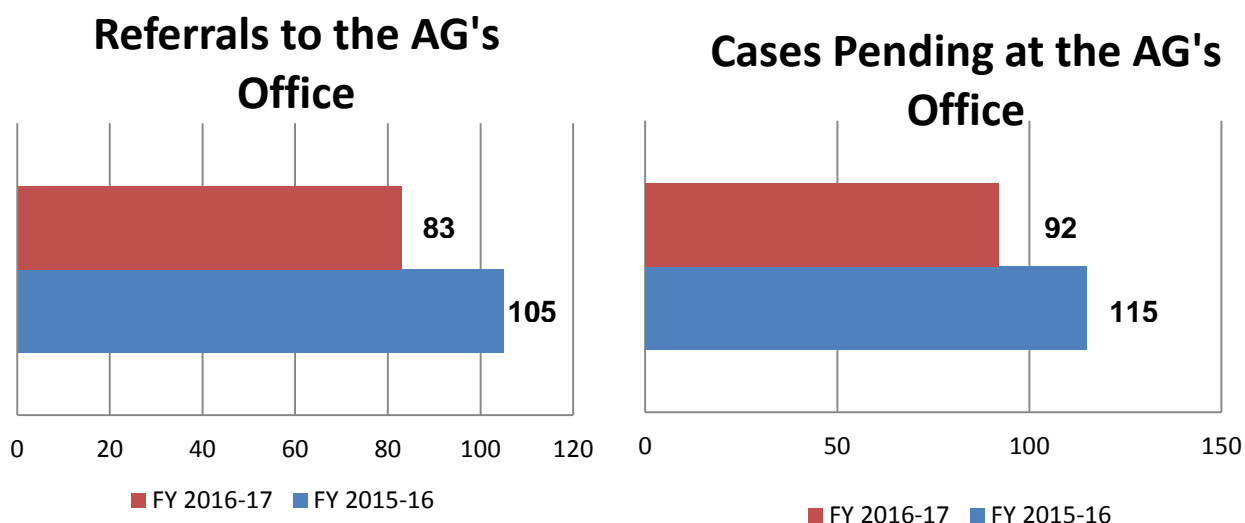
INVESTIGATIONS

Approximately 85 percent, or 2,185 of the 2,508 complaints received, were assigned for investigation during FY 2016-17. The assignment rate was slightly higher than in FY 2015-16. The Enforcement Division closed a higher volume of cases, compared to the prior fiscal year. For FY 2015-16, the CBA closed 2,150 cases, while for FY 2016-17, the CBA closed 2,222 cases, a three percent increase. Additionally, the Enforcement Division closed more cases than were assigned to investigation.

Investigations	FY 2015-16	FY 2016-17
Assigned for Investigation	2,040	2,185
Investigations Closed	2,150	2,222
Average Days to Close	177	175

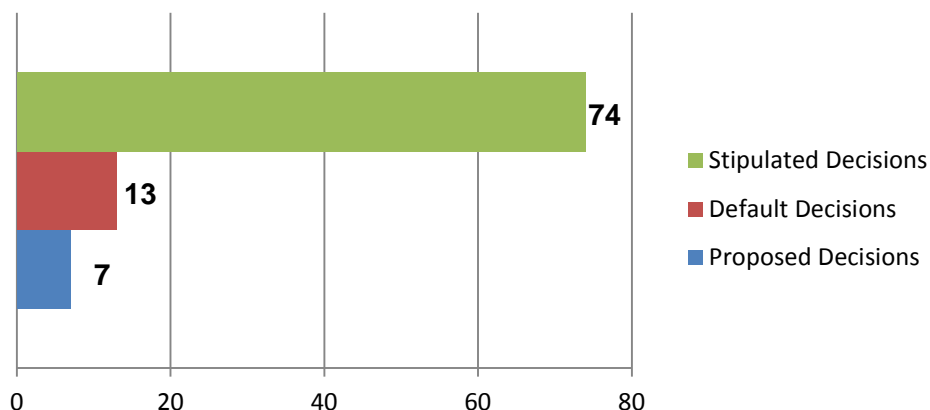
DISCIPLINARY ACTIONS

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 decreased from 105 in FY 2015-16 to 83 in FY 2016-17. The number of cases pending at the AG's Office decreased slightly from 115 to 92. The reduction of cases pending at the AG's Office is primarily attributed to the Enforcement Division working to obtain settlement shortly after a pleading is filed.



For the second consecutive year, the CBA experienced an increase in the total number of disciplinary orders. For FY 2016-17, the CBA took action on 94 matters, the majority of which were through stipulated settlements. This represents a 13 percent increase over FY 2015-16, when the CBA took action on 83 matters.

Disciplinary Orders



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. For FY 2016-17, the CBA realized a decrease in the total number of citations issued. For FY 2016-17, the CBA issued 156 citations compared to 256 in FY 2015-16 which represents a 61 percent decrease. Over the past fiscal year, staff revised various letters and increased communication efforts, especially in the area of email communications, designed to obtain compliance on enforcement matters which resulted in fewer citations.

The top three violations for which the CBA issued the 156 citations include:

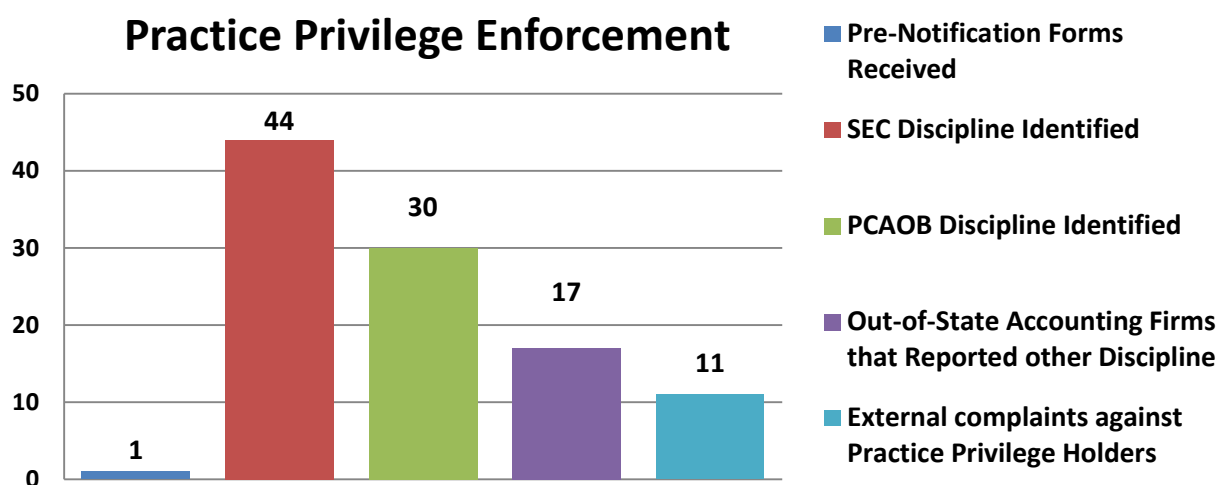
- Continuing Education Rules (CBA Regulations section 87)
- Response to CBA inquiry (CBA Regulations section 52)
- Reporting to the CBA (CBA Regulations section 45)

The majority of the citations issued for CE related to licensees renewing in an active status who failed to complete a minimum of 20 hours of CE in each year (with a minimum of 12 hours in technical subject matter) of their two-year license renewal period. This regulation is more commonly referred to as the “20/12 requirement.” Fourteen of the 20/12 citations were issued to licensees that have violated this regulation for the third time.

PRACTICE PRIVILEGE REPORTING

Effective July 1, 2013, California transitioned to a no-notice, no-fee practice privilege (Mobility) program.

The following table depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms, Security and Exchange Commission (SEC) Discipline, Public Company Accounting Oversight Board (PCAOB) Discipline, Out-of-State Accounting Firms that Reported other Discipline, and External Complaints for FY 2016-17.



PROBATION

When a licensee is disciplined and the CPA licensee is placed on probation for a designated period of time, staff monitors the licensee to ensure adherence to all conditions of probation contained in the 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, the 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 monitor compliance with all probationary terms and rehabilitation. Probation monitoring is an essential aspect of CBA's consumer protection mission and helps ensure only qualified licensees practice public accountancy in accordance with established professional standards.

Each licensee placed on probation is assigned a low, medium, or high-risk factor based on factors such as the type of violation that led 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.

The CBA ended FY 2016-17 with 146 licensees on probation. This is a 33 percent increase from the prior fiscal year. In FY 2016-17, the CBA filed six petitions to revoke probation. In FY 2016-17, for probationers, the CBA completed 46 orientations and four practice investigations.

ENFORCEMENT COMMITTEES

Enforcement Program Oversight Committee

The Enforcement Program Oversight Committee (EPOC) helps the CBA members consider issues related to the Enforcement Program. During FY 2016-17, the EPOC met five times and discussed the following issues:

- Revision schedule for the CBA's Disciplinary Guidelines and Model Orders (Guidelines);
- Educational presentation and discussion regarding tolling provisions included in probation; and
- Discussion and input regarding two newly developed Enforcement handbooks – one related to licensees and one related to 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 2016-17, the EAC met four times and assisted with 18 investigative hearings and provided guidance and direction on six open investigations. The EAC also reviewed 98 closed investigations.

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 2016-17, the PROC met four times. In addition, the PROC conducted several oversight activities outside of its regularly scheduled meetings including:

- Conducting a site visit of the CalCPA Peer Review Program;
- Participating in CalCPA Peer Review Committee meetings;
- Participating in CalCPA Report Acceptance Body meetings; and
- Participating in American Institute of CPAs (AICPA) Peer Review Committee meetings.

In March 2017, the PROC provided its fifth Annual Report to the CBA. The PROC also discussed highlights and issues during the year, including:

- PROC members attended and performed oversight of the August 8-10, 2016 AICPA Peer Review Conference in San Diego, where new educational framework, geared towards enhancing audit quality for peer reviewers were presented, attended by PROC immediate past Chair Robert Lee, CPA, Chair Jeffrey De Lyser, and Vice-Chair Kevin Harper;
- Participated in-person in the August 11, 2016 AICPA Peer Review Board Meeting in San Diego, attended by PROC immediate past Chair Robert Lee, CPA and Chair Jeffrey De Lyser;
- The AICPA published paper titled, *Proposed Evolution of Peer Review Administration*, and its multiple iterations published in: February 22, 2016; July 18, 2016; and January 4, 2017; and submitted a comment letter on behalf of the CBA;
- Reviewed data collection on peer review-related statistics;
- Drafted a Peer Review Program Flow Chart;
- Welcomed two new PROC members: Ms. Renee Graves and Ms. Sharon Selleck;
- Performed revisions to the PROC activity checklists and implemented the PROC Administrative Site Visit to the CalCPA; and
- Performed a PROC Risk Assessment on August 25, 2017 in preparation for the annual PROC Administrative Site Visit scheduled to take place on September 25, 2017.

PERFORMANCE MEASURES

DCA posts on its website Enforcement Performance Measures for each board and bureau within the department. The following are the CBA's FY 2016-17 Enforcement Performance Measures.

Enforcement Performance Measure	Target	Result
Number of Complaints and Convictions Received	N/A	2,508
Average Cycle Time from Complaint Receipt, to the Date the Complaint was Assigned to an Investigator	10 days	2 days
Average Cycle Time from 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	154 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	969 days
Average Number of Days from Monitor Assignment, to the Date the Monitor Makes First Contact with the Probationer	5 days	1 day
Average Number of Days from the Date a Violation of Probation is Reported, to the Date the Assigned Monitor Initiates Appropriate Action	15 days	1 day

Since the inception of the Enforcement Performance Measures, the CBA has met all of the established timeframes, with the exception of the Performance Measure associated with Formal Discipline. For FY 2016-17, the CBA's average number of days for the Formal Discipline Performance Measure was 969 days. The CBA realized a slight increase when compared to last fiscal year, 969 from 887. This average is the result of staff closing aged inventory.

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, there will be a direct impact on this Performance Measure.

Staff are committed to continue identifying program and operational efficiencies, both internally and externally, to reduce this timeframe. The following section includes detailed information on steps the Enforcement Division continues to take to improve overall efficiencies.

PROGRAM ENHANCEMENTS

As discussed earlier in this report, staff worked diligently to streamline the workflow in the Enforcement Division. The Intake Unit, AG Desk, and Probation Monitoring have undergone process changes to work more effectively. The improvements made as a result of these process changes include faster case assignments, a more effective tracking system for the AG Desk to monitor cases referred to the AG's Office, and implementing a system that clearly communicates the terms of probation to probationers and tracks compliance during the term of probation. The Enforcement Division management continues to develop and maintain best practices related to case intake and case management.

OTHER ENFORCEMENT ACTIVITIES

Cost Recovery

Pursuant to BPC section 5107, the CBA has the authority to direct any holder of permit or certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including but not limited to, attorney's fees. The CBA issued cost recovery orders in FY 2016-2017 totaling \$395,585.18 and collected a total amount of \$324,987.23.

Administrative Penalties

Pursuant to BPC section 5116, the CBA uses certain 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 2016-17 totaling \$26,182.80.

LICENSING DIVISION

The Licensing Division's primary charge is to regulate entry and continuing practice in the profession by ensuring that only those who are qualified are licensed to practice public accountancy. Its three units – Examination, Initial Licensing, and Renewal and Continuing Competency – act as gatekeepers for the profession by ensuring:

- Applicants meet education requirements prior to taking the CPA Exam
- Applicants for licensure who 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 and continuing practice in 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 License Renewal and Continuing Competency Unit (RCC) routinely refer complaints to the Enforcement Division related to licensees practicing with CE deficiencies, peer review reporting compliance, and unregistered practice.

EXAMINATION

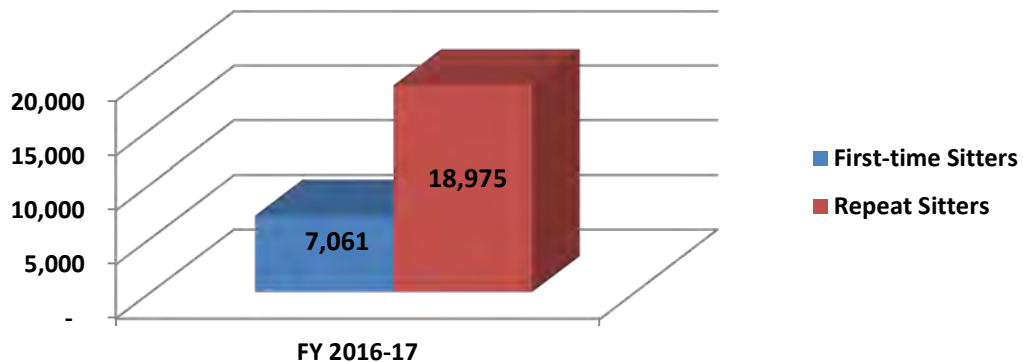
The CPA Exam is a four-part, computerized exam, which tests candidates for entry-level competence necessary for entry into the CPA profession. The following are the four parts of the CPA Exam: Auditing and Attestation (AUD), Business Environment and Concepts (BEC), Regulations (REG), and Financial Accounting and Reporting (FAR). Applicants must pass all four parts of the CPA Exam within an 18-month period prior to applying for CPA licensure in any state.

In order to qualify to sit for the CPA Exam, the CBA reviews official transcripts and foreign credential evaluations to determine whether examination candidates possess the minimum educational qualifications identified in BPC sections 5092 and 5093, as follows:

- A baccalaureate or higher degree
- 24 semester units in accounting subjects
- 24 semester units in business-related subjects

In FY 2016-17, the CBA processed 7,061 first-time CPA Exam applications and 18,975 repeat applications. The total number of applications processed in FY 2016-17 was 26,036. The average processing timeframes for FY 2016-17 to review applications for the CPA Exam are 32 days for first-time applicants and seven days for repeat applicants.

CPA EXAMINATION ACTIVITY

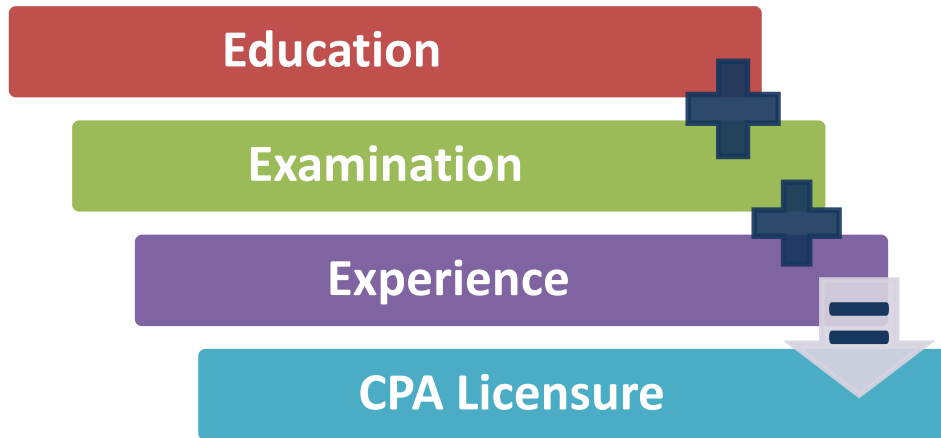


Candidates are allowed to make special requests, such as extensions of time for scheduling a test and extensions of conditional credit. These requests are granted to those candidates who are able to provide documentation that they were prevented from testing due to death in the family, illness, natural disaster, non-issuance of a visa, or other good cause. Staff processed each of the 137 such requests in an average of 50 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 each of the 193 requests for special accommodations in an average of 17 days.

CPA LICENSURE

Upon completion of the CPA Exam, a candidate may apply for CPA licensure. Applications are reviewed to ensure applicants have met the education, examination, and experience requirements commonly referred to as the 'Three E's,' and other requirements pursuant to the Accountancy Act and CBA Regulations, prior to CPA licensure.



The 'Three E's' are defined as follows:

Education

- A baccalaureate or higher degree
- 150 total semester units
- 24 semester units each in accounting and business-related subjects
- 20 semester units in accounting study
- 10 semester units in ethics study

Examination

- Passage of the CPA Exam

Prior to licensure, applicants are also required to pass a California-specific professional ethics examination administered by the CalCPA, commonly referred to as PETH.

Experience

- 12 months of general accounting experience

To be licensed with the authority to sign reports on attest engagements, individuals must complete a minimum of 500 hours of attest experience.

During FY 2016-17, the CBA received a total of 3,817 applications for CPA licensure and issued 3,329 licenses. The average processing timeframe for CPA licensure applications in FY 2016-17 was 37 days. The CBA, also received 473 firm applications (corporation and partnership licensure, and fictitious name permits) and 348 were registered. The average processing timeframe for firm applications in FY 2016-17 was 21 days.

Applications Received	
CPA	3,817
Corporations	271
Partnerships	91
Fictitious Name Permits^[1]	111
Total Applications	4,290
CPA Licenses Issued	
Pathway 1^[2]	119
Pathway 2^[2]	10
Current Requirements	3,200
Total Licensed	3,329
Firm Registrations Issued	
Corporations	202
Partnerships	70
Fictitious Name Permits	76
Total Registered	348
Average Processing Time	
CPA Licenses	37 Days
Firm Registrations	21 Days

^[1]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.

^[2]Effective January 1, 2015, only reissuance applicants may be issued a CPA license under previous Pathway 1 or 2.

The Licensing Division is also responsible for processing requests for certification of CBA records from California licensees, CPA examination candidates who apply for out-of-state licensure, and other stakeholders. In FY 2016-17, 1,116 certification requests were received and processed within an average of 28 days.

OUT-OF-STATE FIRM REGISTRATION

Qualified out-of-state accounting firms that are seeking to provide specific attest services to California headquartered entities through a qualified practice privilege holder can apply for an out-of-state accounting firm registration. Out-of-state accounting 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 legal form of 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 rights in California.

The following table represents the workload associated with processing out-of-state accounting firm registrations in FY 2016-17.

Out-of-State Accounting Firm Registration	
Initial Registration Received	74
Initial Registration Approved	70
Renewed	95
Enforcement Referrals	15

QUALIFICATIONS COMMITTEE

The QC derives its 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 who 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 2016-17, the Qualifications Committee (QC) met four times, conducting 23 appearances. As a result of these appearances, the QC recommended 20 applicants be approved for licensure and 3 applicants be deferred for additional experience.

The CBA directed the QC to review the Certificate of Attest Experience (CAE) forms for necessary revisions associated with the changes to preparation engagements not being considered an attest function. The QC reviewed the CAE forms at its April 26, 2017 meeting. The QC suggested that to better align with CBA's definition of attest services and attest reports, Section V. and Section VI. should include clarifying language that specifically excludes preparation engagements from qualifying attest experience. The QC's recommendations were approved by the CBA at its July 2017 meeting and staff were directed to initiate the rulemaking process.

ETHICS STUDY REQUIREMENT CHANGE

On September 26, 2011, Senate Bill 773 (Negrete McLeod) established the new (now current) educational requirements for CPA licensure, which included a specified 20 semester units in accounting study and 10 semester units in ethics study. The statute took effect on January 1, 2014, and allowed for a two-year grace period for individuals to continue to apply under the previous pathways if they successfully completed all pre-licensure requirements on or before December 31, 2015.

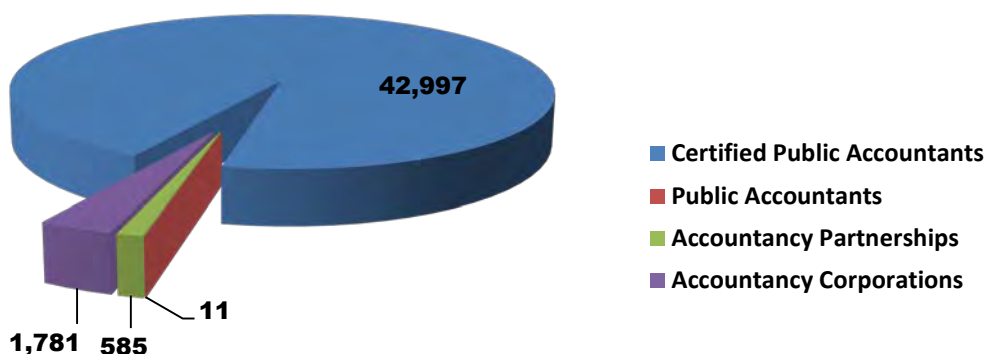
As part of the new educational requirements, a specific carve-out for three semester units (or four quarter units) in courses devoted to accounting ethics or accountants' professional responsibilities was established and became effective on January 1, 2017.

Leading up to the effective date, the Licensing Division experienced an influx of initial licensing applications received, a 70 percent increase over the prior monthly averages, and managed to effectively reallocate resources to successfully address the voluminous workload.

LICENSE RENEWAL AND CONTINUING COMPETENCY

CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birth month. For licensees electing to renew their license in an active status, the RCC ensures that all CE and renewal-related requirements are met. At the time of renewal, licensees holding a license in a retired status are exempt from both the renewal fee and CE requirements. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Accounting firms must submit certain shareholder or partner information. Additionally, a Fictitious Name Permit holder must renew every five years from the date of issuance unless renewed prior to expiration.

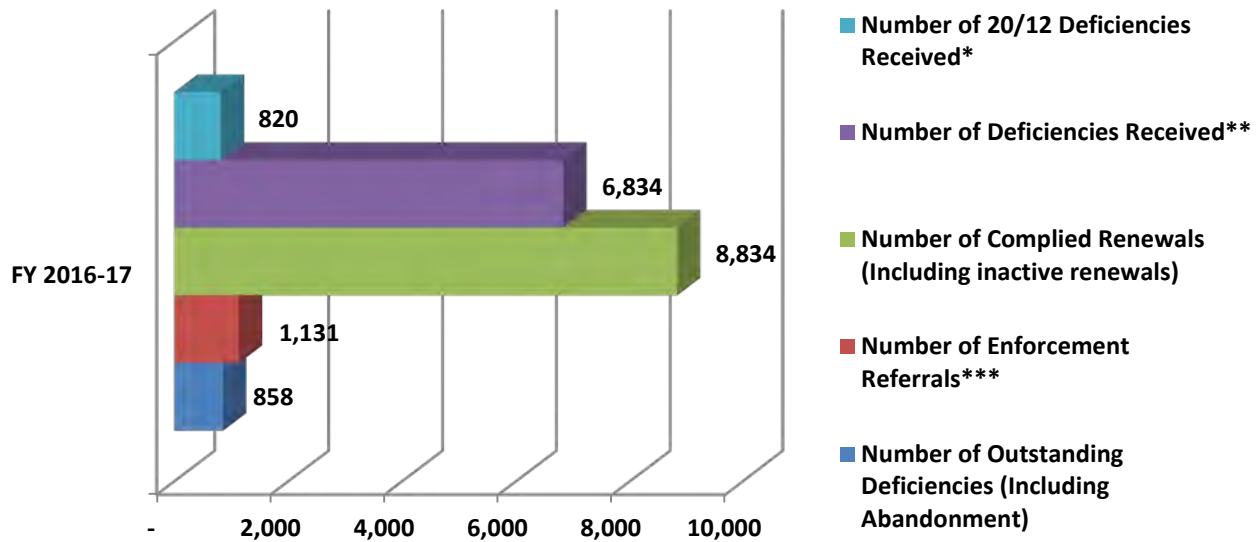
45,374 License Renewal Applications Processed



As part of the renewal process, each renewing licensee is required to pay a fee. In 2013, the CBA approved a reduction of renewal fees for a two-year period so that licensees with a license expiring between July 1, 2014 and June 30, 2016 were only required to pay a fee of \$50. A delinquency fee, also reduced to \$25, was added to the total amount due if the license renewal application was postmarked after the license expiration date. Effective July 1, 2016, renewal fees reverted to the previous levels. Licensees now pay a license renewal fee of \$120 and a delinquency fee of \$60.

The license renewal packet, including the renewal form and instructions, the CE Reporting Worksheet, and the Peer Review Reporting Form is reviewed to ensure all renewal-related requirements are met. When deficiencies occur, a letter is sent to the licensee informing them of the deficiency and how to gain compliance. The CE Worksheet Received Statistics, provided in the following chart, include the number of deficiencies identified by the RCC, including those referred to the Enforcement Division for further review.

CPA/PA CE Worksheets Received Statistics



*The number of 20/12 deficiencies reported, reference stand-alone 20/12 deficiencies.

**Includes 380 additional 20/12 deficiencies that were identified with a secondary CE deficiency.

***Consists of CE, peer review, CE audit, and second 20/12 deficiencies.

During FY 2016-17 proposed regulatory language was presented to the CBA for consideration to amend CBA Regulations and allow certain nano and blended learning delivery methods for CE programs and to allow CE credit to be earned in one-fifth increments. Additionally, the CBA adopted changes to CBA Regulations to require licensees who perform preparation engagements as their highest level of service to take CE specific to preparation engagements or accounting and auditing (A&A) and CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements.

At the time of license renewal, all corporations, partnerships, CPAs, and PAs are required to report peer review information. Since the implementation of the peer review reporting requirement, the RCC has seen significant increases in enforcement referrals, deficiencies and compliances. Peer review related issues accounted for more than half of the enforcement referrals. This increase was mainly due to licensees failing to submit peer review information at the time of license renewal. The CBA is working to simplify the Peer Review Reporting process by clarifying in regulations that only firms are required to report peer review information.

Licensees renewing in an active status are required to complete a two-hour Board-approved Regulatory Review course every six years. All Regulatory Review courses must comply with CBA Regulations section 87.9, which emphasizes 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.

Prior to offering a Regulatory Review course, providers must apply for Board approval of the course in which staff work directly with the provider to ensure the materials are

complete. 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. The term of the approval is for a two-year period. To maintain Board approval, providers must renew the course prior to the end of the two-year approval period. At the end of FY 2016-17 there were 25 Board-approved Regulatory Review courses.

The following outlines the number of Regulatory Review courses received, reviewed, approved, and renewed during FY 2016-17:

Regulatory Review Courses	
Number of Courses Received (first time submission)	2
Number of Outstanding Courses Reviewed with Deficiencies (initial submission returned for corrections)	2
Number of Courses Approved	0
Number of Courses Renewed	16

RETIRED STATUS

Currently, a total of 1,613 licensees are approved for retired status, with 500 first-time approvals in FY 2016-17.

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.

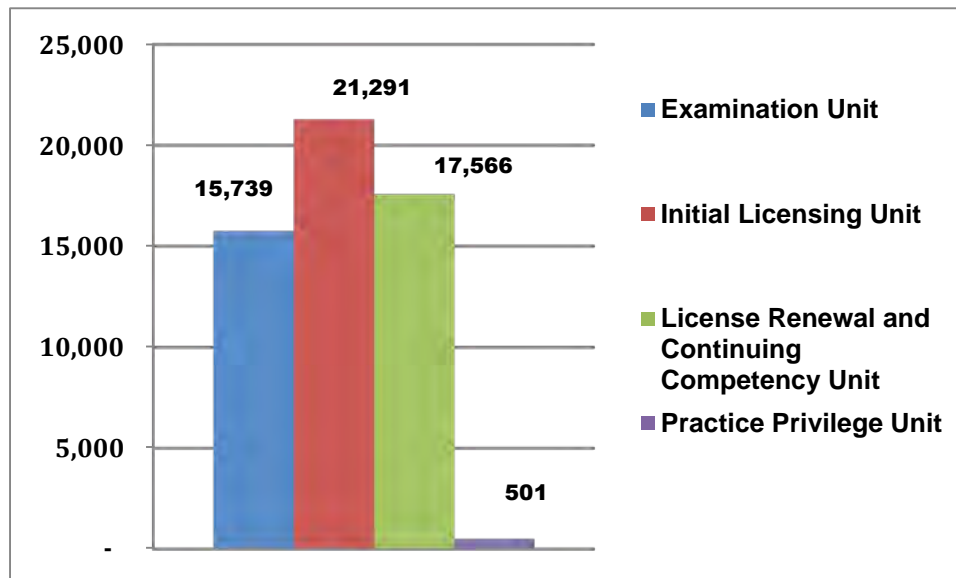
SERVICE TO CBA STAKEHOLDERS

In accordance with the *2016-2018 Strategic Plan*, the CBA strives 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.

The Licensing Division receives a high volume of telephone calls and emails through all three units. 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 CBA Stakeholder Satisfaction Survey regarding the high level of customer service and professionalism exhibited by Licensing Division staff. Due to an upgrade of CBA’s telephone services, fiscal year statistics are unavailable for the total calls received in each of the Licensing Divisions program areas.

Email statistics are identified in the following chart.

Emails Received Fiscal Year 2016-17



PROGRAM ENHANCEMENTS

The CBA has continued its ongoing efforts to implement changes within the Licensing Division to streamline workflow and assist licensees and applicants with a seamless process.

These efforts included:

- Re-evaluated procedures within the RCC Unit to improve processing timeframes and quality control;
- Cross-trained RCC Unit staff to gain experience and encourage staff growth;
- Implemented weekly communications to the Examination and Initial Licensing Units to highlight accomplishments and focus areas to coordinate workflow to maintain processing timeframes;
- Reorganized duties of the Examination and Initial Licensing Units to best allocate technical and clerical workload at the appropriate levels and maintain processing timeframes;
- Revised the records retention procedures and redirected selected duties to be handled in the Administration Division; and
- Maintained appropriate staffing levels within the Examination and Initial Licensing Units by establishing one seasonal clerk and one Associate Governmental Program Analyst (Limited Term) position.

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, including budgets, contracts, business services, personnel, mail, or handling in-person or over-the-phone consumer and licensee inquiries at the reception counter. 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 throughout the month and to CBA members at each CBA meeting. The CBA's budget for FY 2016-17 was \$14.350 million. A total of \$21 million in General Fund Loans principal was repaid in FY 2016-17, in addition, the CBA interest payments for those loans was also received in the amount of \$2,667,067. The CBA ended FY 2016-17 with a reversion of approximately \$535,000, which reflects the careful budgeting and spending of CBA funds.

CASHIERING AND MAILROOM

Annually, approximately 30,000 items (e.g. applications, fee payments, and certification requests) are received in the mailroom. This significant mail volume is, in general, submitted by licensees, applicants for licensure, consumers, and other stakeholders who provide necessary documentation and fee payments to apply for the CPA Exam or initial licensure, renew a license or registration, or comply with CBA enforcement actions.

Annually, the cashiering unit processes approximately \$6 million in various payments. Payments received each day are entered by cashiering staff into a master log by payment type, date, amount, payer name and check number for tracking purposes. The cashiering unit then separates all items by payment type, and processes the payments, while preparing and balancing the deposits for delivery to DCA in securely locked money bags. Accuracy is maintained through a final review by the Cashiering Lead, prior to being sent to DCA for deposit.

CONTRACTS

The CBA uses goods and services from many vendors to provide support to the CBA's three divisions. These goods and services are also necessary to maintain the day-to-day business operations of the CBA. Contracting vendors can only be used after a contract has been established, which entails research, bid requests, cost justification, and overseeing contract execution and fulfillment. Staff must follow stringent policies, procedures, and guidelines in accordance with DGS' State Contracting Manual and DCA to promote sound business decisions and practices in securing the necessary goods and services for efficient operation of the CBA. As of June 30, 2017, staff executed 17 new single to multi-year service contracts, 20 short-term goods/services/rental contracts, three

expert consultant contracts, and seven training contracts for a total of 47 contracts for FY 2016-17.

BUSINESS SERVICES

All business services and facility-related issues are handled within the Administration Division. These functions include ordering office supplies, furniture, paper and toner, records management, property and asset management, and participating in the Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) programs. In addition, staff worked with the DCA Facilities and Planning Unit and the Department of General Services-Real Estate Services Division to coordinate the CBA office relocation, which occurred in April 2017.



Left to Right: CBA's Christy Abate and Angela Crawford with Andrea Pina (DCA SB/DVBE Advocate)

In January 2017, Christy Abate, CBA Administration Services Unit Manager, and Angela Crawford, CBA Business Relations Analyst, attended the 17th Annual State Agency Recognition Award (SARA) Ceremony. The CBA was awarded for its success in exceeding state expectations in contracting, and furthering the “Best Practice” activities with SB and DVBEs for FY 2015-16. The SARA Ceremony honors departments statewide.

PERSONNEL AND TRAVEL

Administrative Division staff serve in a consulting role for CBA staff, CBA management, and CBA and Committee Members and assists with personnel and travel-related issues. Through their understanding of state personnel and travel policies, administrative staff offer many services, including:

- Oversee the recruitment, selection, and hiring process for CBA employees;
- Assist staff with payroll and benefits;
- Coordinate travel arrangements and the reimbursement of travel expenses.

LEGISLATION AND REGULATIONS

Administrative Division staff serve as a liaison with the Legislature and the CBA regarding pending legislation and regulatory changes. Legislation and regulatory activities are discussed on pages 23 and 27, respectively.

OUTREACH

The Information and Planning Officer, as a member of the administration management team, directs and supervises the implementation of CBA's Outreach, social media, and communication programs. These activities for FY 2016-17 are discussed on pages 29-38.

INFORMATION TECHNOLOGY ENHANCEMENTS

The CBA Information Technology (IT) staff completed the transfer of servers and equipment from the 2000 Evergreen location to the 2450 Venture Oaks location. The new office location's spacious conference room features enhanced technological capabilities that support all recording and web-based broadcasting for CBA meetings. Other DCA boards are invited to make use of the CBA's conference room.

The CBA's IT staff achieved these notable accomplishments during FY 2016-17:

- Completed a migration from the California Email System (CES) to the new Office 365 (O365) network. The new system allows for more cloud-based services for email communication, document sharing, and video conferencing through the Microsoft® network. The CBA phone system was upgraded and supports enhanced calling queues, conference bridging, and future integration of cross-platform communications.
- Developed secure network-based applications to assist Administration program areas to more accurately track and report payments to cashiering and assist with mailroom processing procedures.
- Upgraded password policies are being adjusted to prevent brute-force attacks while alleviating weaknesses in user-selected passwords. Password injection USB devices have been assigned to CBA staff and Board members to ensure a strong password is always used to access mission critical resources and data.
- Continued exploring enhanced security measures with increased availability of services.

CBA MEMBER PARTICIPATION

In FY 2016-17, staff secured approval for immediate past President Katrina Salazar, CPA and staff to attend two out-of-state events. Attendance at these key events provided opportunities for the CBA to gain and provide insight into significant regional and national issues.

Out-of-State Travel

Ms. Salazar attended the National Association of State Boards of Accountancy's (NASBA) Annual Meeting in Austin, Texas to give a joint presentation with NASBA's Regulatory Coordinator, Stacey Grooms, regarding California's mobility law on October 30 through November 2, 2016.

Executive Officer Patti Bowers attended the 35th Annual Board of Directors and Board Staff Conference, hosted by the National Associate of State Boards of Accountancy (NASBA) on March 14-16, 2017 in New Orleans, Louisiana.

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CBA MANAGEMENT

Patti Bowers
Executive Officer

Deanne Pearce
Assistant Executive Officer

Dominic Franzella
Enforcement Chief

Gina Sanchez
Licensing Chief

Christy Abate
Administration Manager

Aaron Bone
Information and Planning Officer

Veronica Daniel
Examination and Initial Licensing Units Manager

Paul Fisher, CPA
Technical Investigations Unit Supervisor

Cynthia Fuller
Renewal/Continuing Competency Unit Manager

Ashley Heebner
Attorney General and Citations Unit Manager

Kari O'Connor
Intake and Probation Monitoring Unit Manager

Dorothy Osgood, CPA
Technical Investigations Unit Supervisor

Corey Riordan
Non-Technical Investigations Unit Manager

Ben Simcox, CPA
Enforcement Deputy Chief