California Board of Accountancy

Consumer Protection through Licensure, Enforcement, and Regulation

Annual Report
Fiscal Year 2017-18

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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MESSAGE FROM THE EXECUTIVE OFFICER

Patti Bowers
Executive Officer

As the California Board of Accountancy's (CBA) Executive Officer, it is my pleasure to present our annual report for fiscal year 2017-18. This report details our efforts and innovations during the prior fiscal year to meet our consumer protection mission and serve our stakeholders, including consumers, applicants, and licensees.

The timing of this annual report intersects with the development of the CBA's 2019-2021 Strategic Plan and 2018 Sunset Review Report. Although we continuously look for ways to improve, creating these reports presents new opportunities for the CBA to examine how we do business and consider how to maximize our available resources.

In that vein, we are making progress to develop our Business Modernization Project, which will create an enterprise-wide information technology system to improve the speed and flexibility of our application and enforcement processes. This project is scheduled for completion in 2022, but we are not just waiting for that date to arrive. Rather, we are actively developing interim solutions that reduce our processing timeframes and improve the services offered to our stakeholders.

Another significant achievement during the prior fiscal year relates to our mobility program, which allows certain out-of-state CPAs to practice public accounting in California. In December 2017, the CBA published its report, *California's Mobility Program for Accountancy – Implementation, Enforcement and Its Consumer Benefits*, detailing the program and its various enhancements to consumer protection, one being the establishment of a national set of enforcement standards that are currently met by all state boards of accountancy. Following the issuance of this report, we supported Senate Bill 795 (Galgiani) which made this program permanent and appreciate that Governor Brown signed it into law on September 17, 2018.

Below are some additional highlights of the accomplishments discussed in this annual report:

Licensing
Worked aggressively to reduce CPA Examination and CPA licensure application processing timeframes. As of October 31, 2018, we are processing all applications within 30 days.

Developed, with the assistance of the Department of Consumer Affairs, a system to allow licensees to pay their renewal application fees online. We are excited to launch the system in November 2018.

Outreach
Held our September 2017 meeting on the campus of California State University, Fullerton – the first CBA meeting ever conducted at a college or university. In conjunction with that meeting, the CBA hosted two informational sessions to help students understand the requirements for licensure.

We are excited for what the future holds for the CBA. As you continue through this report, you will find examples of additional successes during the prior fiscal year and new developments and initiatives on the horizon in our various program areas.

Patti Bowers
Executive Officer

MISSION AND ORGANIZATION

MISSION STATEMENT

To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards

ORGANIZATION

For over 100 years, the California Legislature has entrusted the California Board of Accountancy with protecting the public related to the practice of public accountancy in California. The CBA's mission evokes this charge: "To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards."

The breadth of the CBA's influence in the regulatory environment stretches beyond California's borders. The CBA regulates over 105,000 licensees, including individuals (certified public accountants and public accountants) and accounting firms (partnerships, corporations, and out-of-state registered firms). Many of the accounting firms that the CBA regulates have national footprints and some with footprints worldwide. CPAs work in a wide range of areas including, accounting firms, private industry, government, and academia, and provide services to clients of all sizes and needs.

The CBA recognizes the scope of its regulatory influence. With stakeholders ranging from consumers needing accounting services; lenders, shareholders, and investors that rely on services rendered by CPAs; and businesses – large and small – that use CPAs to establish internal accounting controls (to name a few), the protection of the public shapes the policies, regulations, and enforcement decisions reached by the CBA.

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CALIFORNIA BOARD OF ACCOUNTANCY COMPOSITION

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.

Current California Board of Accountancy Members

Michael M. Savoy, CPA
President
Governor Appointee

George Famalett, CPA
Vice-President
Governor Appointee

Mark J. Silverman, Esq.
Secretary/Treasurer
Governor Appointee

Alicia Berhow
Speaker of the Assembly Appointee

Jose A. Campos, CPA
Governor Appointee

Nancy J. Corrigan, CPA
Governor Appointee

Karriann Farrell Hinds, Esq.
Governor Appointee

Mary M. Geong, CPA
Governor Appointee

Dan Jacobson, Esq.
Speaker of the Assembly Appointee

Xochitl A. León
Senate Rules Committee Appointee

Luz Molina Lopez
Governor Appointee

Carola A. Nicholson, CPA
Governor Appointee

Sunny Youngsun Park, Esq.
Senate Rules Committee Appointee

Deidre Robinson
Governor Appointee

Katrina L. Salazar, CPA
Governor Appointee

<u>Former California Board of Accountancy Members:</u>

Jian Ou-Yang, CPA, Governor Appointee
Kathleen K. Wright, CPA, Governor Appointee

BUDGET

Overview

The CBA's statutory mandate and highest priority is to protect the public. To achieve its mission, the CBA operates in a fiscally responsible manner to ensure its funds are spent exclusively to support this mandate. Through diligent monitoring and oversight of its budget, the CBA has remained fiscally solvent so appropriate resources are available to carry out its licensure- and enforcement-related activities.

Fiscal Year Highlights

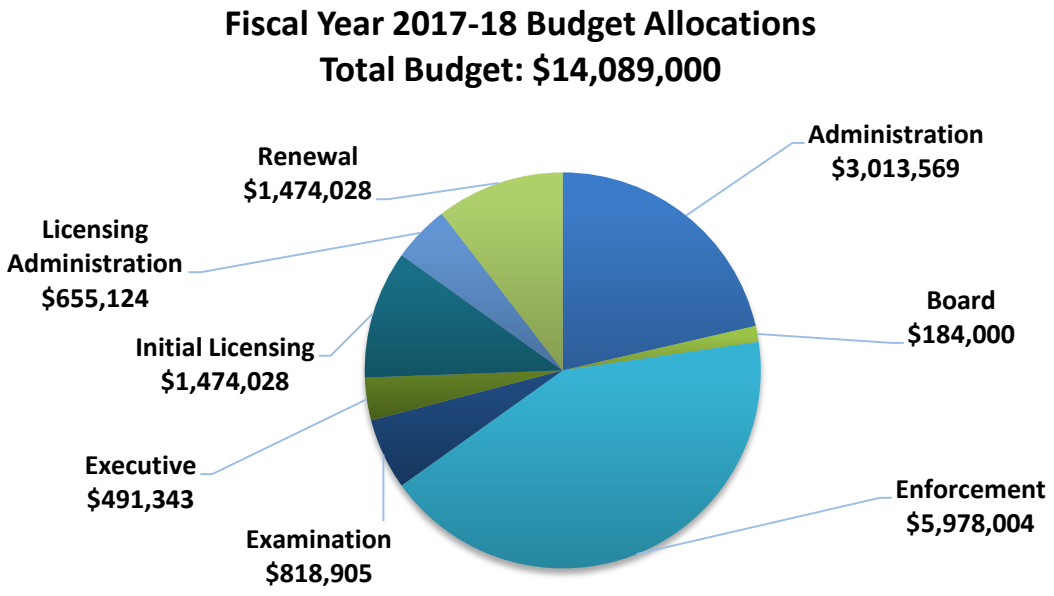
→ The CBA continued to meet and exceed state-wide directives and goals focused on purchasing goods and services from Small Business and Disabled Veteran Business Enterprises.

→ In February 2018, the Department of Finance approved a mid-year budget augmentation of $154,000 for Attorney General Office services to address unanticipated costs associated with the Enforcement Program. The CBA anticipates increased costs in enforcement over the coming years and is seeking an ongoing increase to its funding to ensure it has sufficient resources to address its enforcement inventory.

→ The CBA closely monitored its spending and performed significant internal tracking as state-issued budget reports were delayed due to a statewide transition to a new budget and accounting software.

→ The budget reports provided to the CBA were enhanced to ensure they provide detailed information to assist members and stakeholders in understanding the CBA's budget activities.

Statistics



EXPENDITURES	
Personnel Services	$8,807,396
General Expense	$100,000
Fingerprint Reports	$10,000
Minor Equipment	$40,000
Printing	$250,000
Communication	$48,000
Postage	$225,000
Insurance	$0
Travel In-State	$205,000
Travel Out-of-State	$2,294
Training	$23,000
Facilities Operations	$550,000
Consulting and Professional Services	$178,920
Interagency Services	$151,000
Department of Consumer Affairs ProRata	$1,929,000
Exam (NASBA Contract)	$85,000
Enforcement Costs	$1,455,000
Major Equipment	$0
Scheduled Reimbursements	($296,000)
Total	$13,763,610

NOTE: The expenditures for Fiscal Year 2017-18 are based on projections due to delayed budget reports. The total expenditure amount is consistent with the expenditure reflected on the Fund Condition Statement (page 9); however due to formatting purposes, that number has been rounded to $13,764,000.

Reserve Level

The CBA's reserve level at the end of fiscal year 2017-18 was $27,124,000, which is 22.0 months in reserve. There is no CBA-specific reserve level requirement in statute. The CBA complies with Business and Professions Code section 128.5(a), which limits its fund balance to no more than two years of expenditures, or 24 months in reserve.

The CBA operates within its legislatively established budget and ensures that spending does not exceed its authorized amount. The CBA reverts any unspent monies to its reserve.

ACCOUNTANCY FUND CONDITION STATEMENT				
	Fiscal Year 2016-17	**Fiscal Year 2017-18**	**Fiscal Year 2018-19[1]**	**Fiscal Year 2019-20**
Beginning Balance	$12,592	$31,789	$27,124	$22,789
Prior Year Adjustments	$311	n/a	n/a	n/a
Adjusted Beginning Balance	$12,903	$31,789	$27,124	$22,789
Revenues and Transfers (Revenue + GF Loan Repayments)	$33,572	$10,087	$10,427	$10,565
Interest Income Revenue	$99	$285	$337	$271
Total Revenue	$12,572	$10,087	$10,427	$10,565
Budget Authority	$14,054	$13,793	$13,685	$13,959
Actual Expenditures[2]	$13,905	$13,764	$13,685	$13,959
Disbursements to Other State Agencies[3]	$781	$988	$1,077	$1,077
Loans to General Fund	$0	$0	$0	$0
Accrued Interest, Loans to General Fund	$2,667	N/A	N/A	N/A
Loans Repaid from General Fund	$21,000	N/A	N/A	N/A
Fund Balance	$31,789	$27,124	$22,789	$18,318
Months in Reserve	25.9	22.0	18.2	14.4

1. Projected (fiscal year 2017-18 includes Attorney General Augmentation of $154,000)
2. CBA expenditures only – Does not include disbursements to other state agencies. Fiscal Year 2017-18 expenditures are based on projections due to delayed budget reports.
3. Includes Fi$Cal and Statewide Pro Rata disbursements

On the Horizon

The CBA is pursuing an increase to the license renewal and initial licensure fees and anticipates holding a public hearing on the proposed fee increase in mid-2019. If approved, the CBA will operate within a more structurally balanced budget, and the increased revenue will provide the CBA with at or near 24 months in reserve starting in fiscal year 2022-23.

Additional Resources

To keep CBA members and stakeholders apprised of the CBA's fiscal standing, budget reports are presented approximately five times per year during board meetings. The information includes expenditures, year-end projections, staffing allocations, and Accountancy Fund status. The budget information for CBA meetings is posted on the website, and the presentation on the CBA's budget can be viewed during the meeting webcast.

For additional transparency, an annual report on the CBA's budget is provided annually in the UPDATE publication. This report contains budget allocation information, expenditures and any upcoming budgetary changes.

Questions regarding the CBA's budget can be directed to:

Christy Abate, Administration Manager
(916) 561-1715
Christy.abate@cba.ca.gov

OUTREACH, COMMUNICATION, EDUCATION

Overview

Beginning in 2015, with CBA Past-President Katrina L. Salazar, CPA, outreach has been an increasing focus for the CBA. The CBA uses multiple methods to help educate consumers about the role of the CBA. Further, the CBA's outreach program educates applicants on the examination, education, and experience requirements for licensure. In addition, CBA's outreach efforts help licensees understand the requirements to maintain practice rights, including their continuing education requirements and ways to avoid enforcement actions.

The CBA has numerous methods to reach stakeholders, including the CBA website, the CBA's list service, known as "E-News," traditional and social media, and outreach events focused on consumers and applicants for examination and licensure.

Fiscal Year Highlights

→ The CBA enhanced its activities with college/university outreach events. During the various events attended (see specific events in "Statistics" section), CBA staff explained the requirements for CPA licensure and the CBA's application review process. As time and staffing resources were available, the CBA met with students at these events to review their transcripts and answer questions about their individual circumstances.

→ The CBA continues its successful partnership with the California Society of CPAs, including collaboration on several outreach events held at colleges and via webinar. The California Society of CPAs has been key in the CBA broadening its reach and connection with those who are starting on the path towards CPA licensure.

→ The CBA participated in a webinar during October 2018, facilitated by the California Society of CPAs. The focus of the webinar was CPA Examination and licensure requirements and process improvements were highlighted to ensure viewers understood the CBA's commitment to customer service. This communication tool was well received and watched by over 200 individuals.

→ The CBA's list serve, E-News, continues to be an effective method to reach various stakeholders. The CBA sent several emails to subscribers regarding topics such as upcoming meetings, UPDATE publication availability, and soliciting interest in various surveys regarding stakeholder satisfaction, peer review, and strategic planning.

→ The CBA's UPDATE publication serves as a solid communication tool to reach licensees, consumers, and other stakeholders. During fiscal year 2017-18, the CBA's UPDATE publication included articles regarding continuing education changes, keeping client information confidential, California cannabis regulations, peer review and consumer protection, and Employee Benefit Plan Audits. Further, the UPDATE publication continues to include all disciplinary actions, which have increased in prior years due to the Enforcement Program's continued work on obtaining timely complaint resolution.

→ The CBA added a resource page to its website with information on providing accounting services to cannabis-related industries. This was developed based on requests from licensees inquiring if the CBA has issued a position statement on providing accounting services to the cannabis industry.

→ In the Winter and Fall 2017 editions of the CBA's UPDATE publication, the CBA included an article on the "20/12" continuing education requirement. Licensees who are renewing in an active status must complete a minimum of 20 hours of continuing education in each year of the licensee's two-year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas.

→ In 2018, all staff completed training in customer service. Specifically, staff completed the Department of Consumer Affairs-developed training on the 7 C's of customer service – which emphasizes providing clear, complete, committed, concerned, courteous, concise, and correct service – and innovative telephone customer service techniques. This is consistent with the CBA's 2016-18 Strategic Plan that includes a goal of customer service, specifically to deliver the highest level of customer service.

Statistics

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

Speaking Engagements

- Philippine American Society of Certified Public Accountants' 31st Anniversary Celebration Dinner – Immediate Past-President Alicia Berhow delivered a keynote address (October 21, 2017)

- Braden Leadership Speaker Series – Immediate Past-President Alicia Berhow spoke at Golden Gate University regarding professional ethics and consumer impact (October 24, 2017)

- National Association of State Boards of Accountancy's Annual Meeting – Immediate Past-President Alicia Berhow attended this meeting in New York City (October 29, 2017 to November 1, 2017)

- National Association of State Boards of Accountancy's 36th Annual Conference for Executive Directors and Board Staff – Executive Officer Patti Bowers attended this annual meeting in Florida (March 13–15, 2018)

- National Association of State Boards of Accountancy's 23rd Annual Conference for Board of Accountancy Legal Counsel – Enforcement Chief Dominic Franzella attended this annual meeting in Florida (March 13–15, 2018)

Consumer-Oriented Outreach Events

The CBA participated in various consumer-oriented outreach events, including:

- Tax Resource Fair, sponsored by Congress member Karen Bass (March 10, 2018)
- Annual Financial Literacy Resource Fair, sponsored by the California Department of Business Oversight (April 17, 2018)
- California Senior Rally, sponsored by Seniors Count Coalition (May 8, 2018)

College and University Outreach Events

September 2017

CBA Meeting at California State University, Fullerton

The CBA held its September 2017 meeting on the campus of California State University, Fullerton, making it the first CBA meeting ever conducted at a college or university.

The CBA conducted its regular business meeting, which afforded students and faculty the opportunity to witness the CBA's activities in-person. In conjunction with that meeting, the CBA hosted two informational sessions for students to help them understand the requirements for licensure.

To make these sessions more successful, the CBA partnered with the California Society of CPAs. The California Society of CPAs helped promote the event and provided speakers relevant to the student audience.

This successful event helped stimulate awareness of the CBA's requirements and mission among university officials, faculty, and students. In addition, the relationship between the CBA and the university was strengthened.

October 24, 2017
Braden Leadership Series
The CBA participated in Golden Gate University's Braden School of Taxation and School of Accounting *Braden Leadership Speaker Series* – a sequence of talks in which renowned thought leaders share advice and expertise on business leadership with students, alumni, and the San Francisco Bay Area community. Immediate Past-President Alicia Berhow spoke about "Professional Ethics and the Consumer Impact." Approximately 45 students, university officials, and members of the public attended this event.

November 2017
California State University, Sacramento
The CBA attended the California Society of CPAs Sacramento Chapter's Student Outreach Luncheon at the California State University, Sacramento's Alumni Center. Staff distributed outreach materials to students in attendance and answered questions regarding the examination, education, and experience requirements for CPA licensure. This event provided an opportunity for students interested in accounting to hear career-oriented advice and comments from different panels of CPAs who work in a variety of settings.

February 2018
California State University, San Bernardino
At the request of faculty from the accounting department at California State University, San Bernardino, the CBA held an outreach event to explain to students and professors the current examination, education, and experience requirements for CPA licensure.

Kathryn Johnson, CPA, the 2017-18 Chair of the California Society of CPAs, who is also a professor at California State University, San Bernardino, helped to organize this event and welcomed the CBA to campus.

Attendees also heard from Past-President Jose A. Campos, CPA, who shared his perspective on current and future career opportunities in the CPA profession. Staff explained the requirements for CPA licensure and discussed how the accounting coursework offered at California State University, San Bernardino meets the CBA's educational requirements and met with students one-on-one to review their transcripts and answer any individual questions. The event attracted 105 students, and several faculty members, from the California State University, San Bernardino, Cal Poly Pomona, University of Redlands, and the University of California, Riverside. In addition, this event was broadcast live online and is available on the CBA's website.

April 2018
Cal Poly, San Luis Obispo
CBA President Michael M. Savoy, CPA and CBA staff spoke to approximately 40 members of the student-led Cal Poly Accounting Club at its monthly meeting. The topics discussed included getting started in your career as a CPA and the requirements to sit for the CPA Examination and obtain CPA licensure. CBA staff was able to answer questions from attendees regarding Cal Poly courses that would meet the educational requirements. This event was jointly sponsored by the Cal Poly Accounting Club and the California Society of CPAs Central Coast Chapter.

May 2018
University of California, San Diego
CBA Member Luz Molina Lopez and CBA staff conducted an outreach event on the campus of the University of California, San Diego Extension Program. Staff provided attendees an overview of the four parts to the CPA Examination, the various testing windows, and discussed the CBA's requirements to sit for the CPA Examination.

Traditional and Social Media

The CBA leverages traditional and social media to increase consumer awareness of the CBA and its mission.

In recent years, the CBA has grown its presence on social media and steadily increased its followers on Facebook, Twitter, and LinkedIn. The CBA also uses social media to respond to questions and comments about its program requirements and processes. Links to its social media accounts are available on the CBA website.

After the CBA approves its final disciplinary actions, and those actions are posted to the CBA website, staff shared links with the news media throughout California. Also, the CBA distributes a news release following the appointment of every new CBA member and after the CBA's annual election of its officers (President, Vice-President, and Secretary/Treasurer).

Social Media Engagement has increased during fiscal year 2017-18:

3,775	**4,468**	**2,324**
8.3 Percent Increase	**24.5 Percent Increase**	**40.5 Percent Increase**

Website Activity

The CBA has a robust website with extensive resources to assist all CBA stakeholders. The CBA had over 400,000 hits to its website during fiscal year 2017-18.

On the Horizon

→ The CBA is collaborating with the National Association of State Boards of Accountancy to update the CBA's existing communication materials and create new resources to help increase understanding of the CBA's policies and procedures among applicants, licensees, and other stakeholders. One of the first projects will focus on the initial licensure application requirements and process. The resources developed may include short and informative brochures and videos.

→ The CBA will continue to partner with the California Society of CPAs to conduct live webinars to help individuals understand the requirements and process to obtain CPA licensure. The CBA anticipates that the focus of webinars will be expanded and used as a tool to inform and educate licensees on various CBA-related topics, including license renewal, continuing education, and enforcement.

→ The CBA will be proposing legislation to transition its UDPATE publication to a primarily electronic distribution method. The CBA will be presented with a comprehensive implementation plan in 2019. The benefits of this distribution method include reduced costs for printing and mailing and the ability to provide more interactive articles with easy to access website links.

Additional Resources

The CBA has significant resources on its website at www.cba.ca.gov. There is detailed information for consumers, applicants, and licensees.

If you are interested in partnering with the CBA on an outreach event, please contact:

Aaron Bone, Information and Planning Manager
(916) 561-1792
Aaron.bone@cba.ca.gov

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ENFORCEMENT ACTIVITIES

Overview

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

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

Fiscal Year Highlights

→ The Enforcement Program continued to realize significant improvements in case management because of prior year best practice implementation, as illustrated below:

- The Enforcement Program closed 2,356 investigations – its highest volume over the prior three fiscal years. Over 65 percent of the investigations were closed within the first six months and 81 percent were closed within one year.

- The program experienced a significant decrease in complaints pending over 18 months. Overall, the Enforcement Program reduced this inventory from 190 cases at the close of fiscal year 2016-17 to 71 cases at the close of fiscal year 2017-18, a 63 percent decrease.

- Through collaborative efforts with the Attorney General's Office, the Enforcement Program reduced the pending cases at the Attorney General's Office by 25 percent (from 92 cases in fiscal year 2016-17 to 69 case in fiscal year 2017-18).

→ The Enforcement Program redesigned the Enforcement Activity Report. The Enforcement Activity Report now provides increased information related to the types of complaints the CBA receives, new graphs and charts focusing on trend analysis, new information on costs ordered and costs recovered by the CBA, and increased information related to probation monitoring activities.

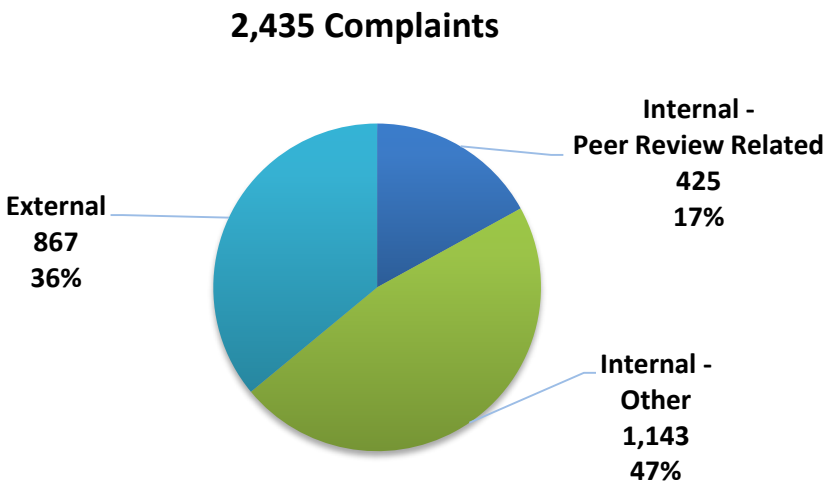
→ Assisting the Peer Review Oversight Committee, the Enforcement Program has worked throughout the year on developing a framework for monitoring the peer reviewer population for the American Institute of CPAs' Peer Review Program.

Statistics

Complaints

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

The internal complaints from the CBA Licensing Program include various licensing renewal-related deficiencies including continuing education, unlicensed activity, potential discrepancies in peer review reporting, and conviction and subsequent arrest notifications.



Investigations

The Enforcement Program closed a higher volume of cases, compared to the prior fiscal year. For fiscal year 2016-17, the CBA closed 2,222 cases, while for fiscal year 2017-18, the CBA closed 2,356 cases, a six percent increase. Additionally, the Enforcement Program's closed cases were almost comparable to the number of cases assigned to investigation.

Investigations	Fiscal Year 2017-18
Assigned for Investigation	**2,436**
Investigations Closed	**2,356**
Average Days to Close	**201**

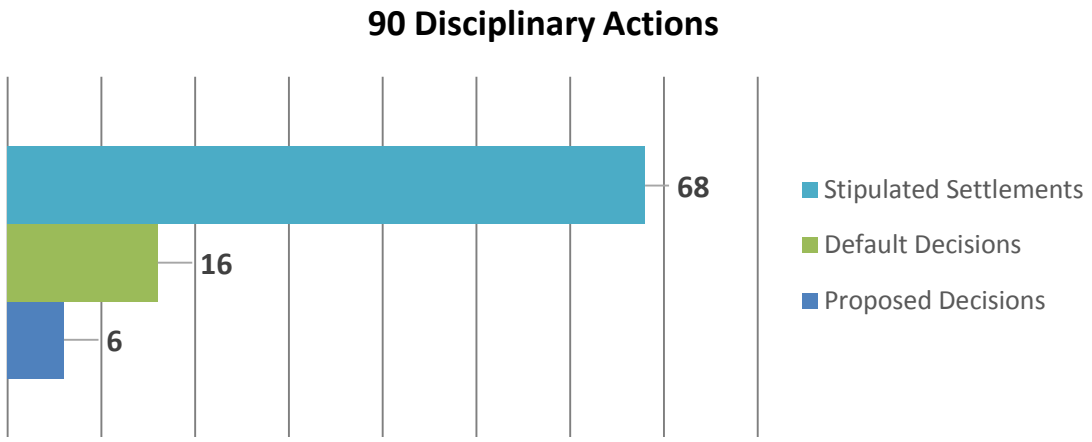
Working with the Attorney General's Office

The number of referrals to the Attorney General's Office decreased slightly in fiscal year 2017-18. The number of cases pending at the Attorney General's Office also decreased, which is primarily attributed to the Enforcement Program working to obtain settlement shortly after a pleading is filed.

Attorney General's Office	Fiscal Year 2017-18
Referrals	**81**
Cases Pending	**69**

Disciplinary Actions

For fiscal year 2017-18, the CBA took action on 90 matters, the majority of which were through stipulated settlements.



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. In fiscal year 2017-18, the CBA issued the **127 citations**. The top three violations included:

- CBA Regulations Section 87 (Continuing Education Rules[1])
- CBA Regulations Section 52 (Response to CBA Inquiry)
- CBA Regulations Section 45 (Reporting to the CBA)

[1] Most of the citations issued for continuing education related to licensees renewing in an active status and failing to complete a minimum of 20 hours of continuing education in each year of their two-year license renewal period (with a minimum of 12 hours in technical subject matter). This regulation is more commonly referred to as the "20/12 requirement."

Probation Monitoring

Probation monitoring is a vital and important program and an essential aspect of the CBA's consumer protection mission and helps ensure only qualified licensees practice public accountancy in accordance with established professional standards.

Practice Privilege Reporting

The following table depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms, Discipline by the Security and Exchange Commission and Public Company Accounting Oversight Board, Out-of-State Accounting Firms that Reported other Discipline, and External Complaints for fiscal year 2017-18.

Practice Privilege Reporting	Total
Pre-Notification Forms Received	1
Securities and Exchange Commission Discipline Identified	35
Public Company Accounting Oversight Board Discipline Identified	38
Out-of-State Accounting Firms that Reported Other Discipline	2
External Complaints Against Practice Privilege Holders	2

Performance Measures

2017-18 Enforcement Performance Measure	Target	Result
Number of Complaints and Convictions Received	**N/A**	**2,435**
Number of Complaints Closed or Assigned to an Investigator	**N/A**	**2,441**
Average Number of Days from Complaint Receipt, to the Date the Complaint was Closed or Assigned to an Investigator	**10 days**	**2 days**
Number of Investigations Closed (not including cases transmitted to the Attorney General)	**N/A**	**2,279**
Average Number of Days to Complete the Entire Enforcement Process for Cases Not Transmitted to the Attorney General (Includes Intake and Investigation)	**180 days**	**193 days**
Cases Closed After Transmission to the Attorney General for Formal Disciplinary Action. This Includes Formal Discipline and Closures without Formal Discipline (e.g., withdrawals, dismissals, etc.)	**N/A**	**90**
Average Number of Days to Complete the Entire Enforcement Process for Cases Transmitted to the Attorney General (Includes Intake, Investigation, and Case Outcome)	**540 days**	**865 days**
Number of New Probation Cases	**N/A**	**55**
Average Number of Days from Monitor Assignment, to the Date the Monitor Makes First Contact with the Probationer	**10 days**	**1 day**
Number of Probation Violation Cases	**N/A**	**72**
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**

The CBA's Investigation Cycle Time was 193 days, reflecting a slight increase when compared to the last fiscal year, 193 from 154. For fiscal year 2017-18, the CBA's average number of days for the Formal Discipline Performance Measure was 865 days compared to 965 days in fiscal year 2016-17, which represents a 12 percent decrease. These averages are the results 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 Program works to address its aging case inventory and the CBA acts on these matters, there will be a direct impact on this Performance Measure.

On the Horizon

→ Consistent with the CBA's mission of consumer protection, investigating unlicensed activity is an important element to ensuring that consumers are receiving services from appropriately licensed professionals. The CBA actively investigates unlicensed activities from both external/consumer complaints and internally identified matters. The CBA will work to increase its communications regarding efforts being performed to address unlicensed activity.

→ The Enforcement Program will continue to work with the Peer Review Oversight Committee to finalize a framework for evaluating the peer reviewer population.

Additional Resources

The CBA offers an on-line complaint form and information to assist consumers who may have concerns or a complaint against a licensee.

Additionally, there are helpful resources on the CBA website to assist licensees and applicants in understanding the Enforcement process, including:

- The Enforcement Handbook for Licensees
- The Enforcement Handbook for CPA Licensure Applicants

If you have additional questions, please contact:

Enforcement Unit
(916) 561-1705
Enforcementinfo@cba.ca.gov

LICENSING ACTIVITIES

Overview

The Licensing Program's primary charge in meeting the CBA's consumer protection mission 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 Examination
- Applicants for licensure who passed the CPA Examination 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 continuing education hours to renew their license and demonstrate minimum competency
- Out-of-state registered accounting firms that intend to perform specified accounting services for entities headquartered in California meet the minimum registration requirements

Fiscal Year Highlights

→ The CBA maintains a 30-day processing target for its applications. The 30-day processing timeframe is the target reported to the Governor's Office and Legislature as part of the performance-based budgeting and is included in the CBA 2016-2018 Strategic Plan. There has been an increase to the processing timeframes, primarily over the last two fiscal years. The two main contributors to the increase in processing timeframes are traced to reliance on temporary help to perform an ongoing workload and lack of automation.

→ Over the previous months, the CBA Executive Officer held numerous workgroups with program management and staff to review processes and procedures relating to all areas of the Licensing Program. The workgroups were created to initiate discussions on current practices and to explore potential solutions to improve program efficiencies and return processing timeframes to 30 days or less, without compromising the quality or customer service level that is presently offered.

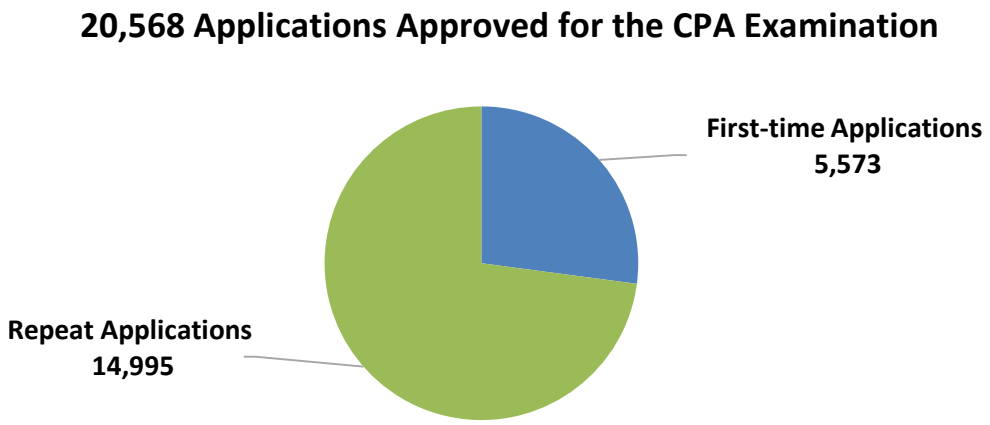
The CBA faced a similar situation in the Enforcement Program a couple years ago and through a similar review and restructuring of internal processes and resources, it achieved significant success.

→ As of October 31, 2018, application processing timeframes for the CPA Examination and CPA licensure are under 30 days. CBA management and staff are committed to maintaining reduced timeframes as we await the transition to a more automated and on-line application format.

Statistics

Examination

Prior to an individual taking the CPA Examination, s/he must first apply to, and be approved by, the CBA to ensure minimum educational qualifications are met.



Application and Licensure Statistics

Provided below is an overview of the application and licensure volume for both individual and firm licenses.

Application Type	Fiscal Year 2017-18
CPA Examination	
Received	**21,455**
Approved	**20,568**
Initial CPA Licensure	
Received	**3,234**
Approved	**2,187**
CPA Accountancy Firm	
Received	**474**
Approved	**305**

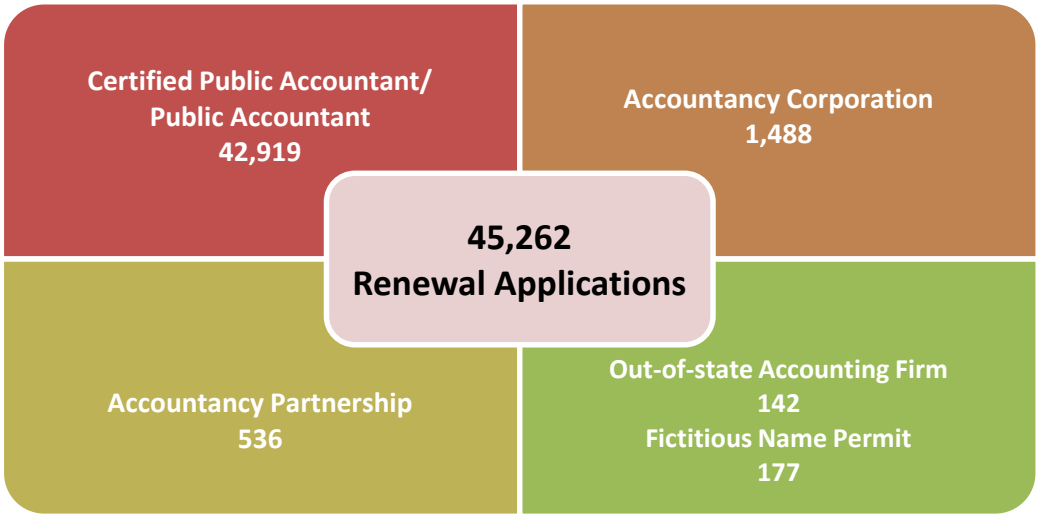
Out-of-State Accounting Firms

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 specified services.

Out-of-State Accounting Firm Registration	
Initial Registration Received	**70**
Initial Registration Approved	**49**
Renewed	**142**
Enforcement Referrals	**10**

License Renewal

CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birth month. Accountancy corporations, partnerships, and out-of-state accounting firms are also required to renew biennially, corresponding with their registration date with the CBA. Additionally, a Fictitious Name Permit holder must renew every five years from the date of issuance unless renewed prior to expiration.



Continuing Education Verification

The CBA uses two programs to verify continuing education: 1) Continuing Education Worksheet Review Program, and 2) Continuing Education Verification Program.

Continuing Education Worksheet Review

The Continuing Education Worksheet Review is a process where staff examine 100 percent of continuing education worksheets that list self-reported courses at license renewal completed by licensees in fulfillment of the 80-hour continuing education requirement.

Continuing Education Verification

Under the Continuing Education Verification process, the CBA randomly selects licensees to submit documentation substantiating the completion of the continuing education they reported at the time of license renewal.

Continuing Education Verification	
Continuing Education Worksheet Review	
CE Reporting Worksheets Reviewed	**33,194**
CE Deficiencies	**6,050**
Percentage Rate	**18%**
CE Verification Program	
Licensees Selected for CE Verification	**750**
CE Deficiencies*	**6**
Percentage Rate	**1%**

*This reflects individuals that were referred to the Enforcement Program for failing to respond to, or rectify, any identified deficiencies/discrepancies.

On the Horizon

→ The primary focus in the Licensing Program will be to ensure application processing timeframes remain under 30 days. The CBA will continue to streamline processes, create efficiencies, and leverage resources to timely process all applications and assist applicants on their pathway to licensure.

→ The CBA will offer online license renewal by the end of 2018. The online platform will allow licensees to use a credit card to pay all renewal fees. The CBA hopes to extend this payment method to examination and licensure applicants during 2019.

→ The CBA presently offers applicants for the CPA Examination the ability to create an online account, which is used to create a remittance application, receive application approvals, and notification of examination grades. The present database is being enhanced to allow individuals to apply for CPA licensure, following completion of the CPA Examination. It's anticipated that this will be available by the end of 2018.

→ To streamline and reduce processing time for the application review process, candidates are being directed to include their educational documents (originals in a sealed envelope) with their application for examination and CPA licensure.

→ The CBA will be monitoring the examination candidate pipeline and communicating with the California Society of CPAs, the National Association of State Boards of Accountancy, and the American Institute of CPAs regarding activities and actions to increase the candidate population following a national decrease in prior years.

Additional Resources

The CBA website contains significant resources for applicants and licensees, including:

- Handbooks for examination, CPA licensure, and licensees
- Frequently asked questions
- Webinars on examination and licensing requirements
- Links to helpful information

Contact Information:

Examinations
(916) 561-1703
Examinfo@cba.ca.gov

Initial Licensing
(916) 561- 4301
licensinginfo@cba.ca.gov

License Renewal
(916) 561-1702
licensinginfo@cba.ca.gov

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LEGISLATION AND REGULATIONS

Overview

The focus of the CBA's Legislative and Regulatory Program is to ensure statutes and regulations exist and remain relevant to assist the CBA in meeting its consumer protection mission. This is accomplished by:

- Developing and maintaining relationships with the Legislature to help ensure the CBA has the resources and policies in place to protect consumers

- Communicating with the authors of bills of interest to the CBA by inviting the authors 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

- Engaging with other stakeholders, including Department of Consumer Affairs (and other boards), and representatives of the California Society of CPAs, the national accounting firms, and consumer advocates. Staff attend the Department of Consumer Affairs' Legislative Roundtable meetings to discuss the impact of pending legislation. These meetings help staff foster and maintain valuable relationships.

- Following the CBA's Legislative Best Practices, which identify activities to assist the CBA in effectively engaging with the Legislature and appropriately advocating for its position on bills and emerging issues

- Initiating regulatory changes to implement statutes or change existing regulatory requirements following CBA policy direction

Fiscal Year Highlights

→ The CBA's involvement in the legislative process has been particularly heavy as two key bills with direct and lasting impacts to the CBA were considered by the Legislature:

- Senate Bill 795 (Galgiani) made permanent the CBA's current mobility program, which allows qualified out-of-state licensees to practice in California without providing notice and paying a fee. The program also enacted numerous enhancements to consumer protection.

  In its December 2017 report *California's Mobility Program for Accountancy – Implementation, Enforcement and Its Consumer Benefits*, the CBA found the current program offers equivalent, and in some areas superior, levels of consumer protection, as compared to the prior practice privilege program. To ensure that consumers continue to benefit from this program, staff devoted considerable time working with legislative staff and the sponsors of the bill to explain the program and provide technical assistance. Senate Bill 795 was signed into law by Governor Brown on September 17, 2018.

- Assembly Bill 2138 (Chiu and Low) restricts the authority of the CBA (and all other Department of Consumer Affairs boards and bureaus) to consider an applicant's history of criminal activity and unprofessional conduct when determining whether to grant a CPA license. The CBA adopted an Oppose Unless Amended position and directed staff to engage with the authors, the Governor's Administration, various Department of Consumer Affairs' boards/bureaus, and other stakeholders to secure amendments to the bill that would ensure the bill does not impede the CBA's consumer protection mission.

  Staff spent numerous hours in meetings, conference calls, and legislative committee hearings testifying on the impact of the bill and advocating for the CBA's position. Due to these efforts, the bill was amended to include provisions that mitigate certain consumer protection risks and delayed the effective date, providing the CBA and other boards and bureaus additional time to implement the bill. Assembly Bill 2138 was signed into law by Governor Brown on September 30, 2018.

→ The CBA requested three non-substantive statutory changes, which were included in Senate Bill 1492 (Committee on Business, Professions and Economic Development). The first proposal removed outdated language from the provisions in law related to attest engagement. The second proposal stated that the findings or events of an agency included in a certified or true and correct copy of the disciplinary or other action taken against a licensee shall be considered by the CBA as conclusive evidence. The third proposal added clarifying language to existing law. Senate Bill 1492 was signed into law by Governor Brown on September 14, 2018.

→ The CBA will be undergoing a thorough review by the Legislature, referred to as a sunset review. Part of this process requires the CBA to compile data and other information for inclusion in a Sunset Review Report. The data and information has been presented during several meetings throughout 2018. Following the issuance of the Sunset Review Report to the Legislature on December 1, 2018, the Legislature will evaluate the CBA's programs and effectiveness at protecting consumers since its last sunset review in 2014, and conduct a hearing with the CBA in 2019.

→ As directed by the Legislature, the CBA conducted an on-line survey of the licensee population related to the benefits of completing peer review. The information was included in the Sunset Review Report. During the survey, the CBA also took the opportunity to identify areas of concern that the licensees experienced with peer review. The CBA worked collaboratively with the American Institute of CPAs, California Society of CPAs, and National Association of State Boards of Accountancy in the development of the survey. Highlights from the report include:

- Nearly 60 percent of the respondents indicated that their firm benefited from peer review.

- Of the 198 respondents who provided further information regarding the identified benefits, 80 percent indicated that it assisted with ensuring that professional standards are maintained, a pillar on which peer review is predicated.

- Respondents noted a wide range of corrective actions they took to address issues that arose from peer review, with completion of additional continuing education being the most noted. Respondents also noted increased training activities, hiring new staff, or both as corrective actions taken.

The conclusions on the Peer Review Program reflected that it is an essential tool in the CBA's mission to protect consumers by ensuring that only qualified licensees are practicing public accountancy and providing services to California consumers. It builds trust in the quality and integrity of California's CPAs.

→ One of the major accomplishments the CBA has experienced was the successful implementation of the mobility provisions passed by the Legislature in 2012 (Senate Bill 1405, Chapter 411). Implementation of the mobility program was a multi-year effort, which began in 2012 and 2013 and concluded in 2015 through 2017, with the submission of the CBA's *California's Mobility Program for Accountancy, Implementation, Enforcement, and its Consumer Benefits* (Mobility Report).

The Mobility Report was a comprehensive review of all activities accomplished to conclude that mobility in California meets the CBA's mission of consumer protection. The conclusions reached by the CBA resulted in the passage of legislation, Senate Bill 795 (Chapter 447, Statutes of 2018), making the mobility program permanent.

→ The CBA has experienced a delay in the processing of its rulemaking packages. There were internal contributors to the delays, including vacancies, staff training, and work prioritization and external delays with the necessary reviews and approvals by other agencies. To address the challenges, the CBA initiated contact with Department of Consumer Affairs Legal Counsel along with staff from Department of Consumer Affairs' Legislative Affairs Office to provide an in-depth training to CBA staff.

Additionally, the rulemaking process has historically been managed by the CBA's Administration Division. However, to hasten the CBA's internal processing timeframes, staff board-wide are being trained to manage the proposed rulemakings that primarily impact their respective program areas. The increased amount of trained staff will assist the CBA in processing rulemaking packages in a timely manner. Additionally, at a prior Department of Consumer Affairs' Director's Meeting, it was acknowledged that efforts are underway to improve the processing timeframes for Legal, Budget, and Executive review of all rulemaking packages.

Statistics

The following reflects all legislation tracked and monitored by CBA.

2018 Legislation					
Bill#	**Author**	**Topic**	**Version**	**Board Position**	**Location/ Status**
AB 767	Quirk-Silva	GO-Biz Information Technology	8/24/2018	Watch w/Letter	**Vetoed**
AB 2087	Waldron	State Government Operations: technology modernization	7/2/2018	Watch	**Failed Passage**
AB 2138	Chiu/Low	Licensing Boards: denial of application: revocation or suspension of licensure: criminal conviction	8/24/2018	Oppose Unless Amended	**Chaptered**
AB 2958	Quirk	State Bodies: meetings: teleconference	8/24/2018	Watch w/Letter	**Chaptered**
SB 795	Galgiani	Accountancy: practice privileges	7/30/2018	Support	**Chaptered**
SB 930	Hertzberg	Financial Institutions: Cannabis	5/25/2018	Watch	**Failed Passage**
SB 984	Skinner	State Boards and Commissions: representation: appointments	7/3/2018	Watch	**Failed Passage**
SB 993	Hertzberg	Sales and Use Taxes: service tax: qualified business	5/9/2018	Watch	**Failed Passage**
SB 1121	Dodd	California Consumer Privacy Act of 2018	8/27/2018	Watch	**Chaptered**
SB 1244	Wieckowski	Public Records: disclosure	7/5/2018	Watch	**Chaptered**

On the Horizon

→ The CBA will be participating in Sunset Review hearings in early 2019. The CBA President and an additional CBA member will provide testimony regarding CBA operations and respond to various questions regarding activities and accomplishments over the prior four years. There will also be an opportunity to discuss new issues the CBA is facing and possible legislative solutions.

→ The CBA will be proposing legislation requiring applicants and licensees to provide an electronic address (email address) to the CBA. The email address will be used to increase communications, provide notification regarding upcoming changes, and as an additional communication method during the enforcement process.

→ The CBA will be proposing legislation to transition its UDPATE publication to a primarily electronic distribution method. The CBA will be presented with a comprehensive implementation plan during 2019. The benefits of this distribution method include reduced costs for printing and mailing and the ability to provide more interactive articles with easy to access website links.

→ The CBA will be working with the Department of Consumer Affairs and other boards to implement Assembly Bill 2138 (Chiu/Low), which may include pursuing statutory or regulatory changes, prior to the provisions becoming effective on July 1, 2020.

Additional Resources

The California Accountancy Act and CBA Regulations are posted on the CBA website for easy access and review. The CBA also posts comprehensive information and links to legislation being monitored and regulatory changes being proposed.

For additional information regarding the CBA's Legislative or Regulatory program, please contact:

Aaron Bone, Information and Planning Manager
Aaron.Bone@cba.ca.gov
(916) 561-1792

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TECHNOLOGY

Overview

The CBA has staff dedicated to its information technology resource needs. The information technology staff focus on system administration, database management, information security, website development and maintenance, procurement, and information technology support.

Fiscal Year Highlights

→ The CBA completed preliminary work on the Business Modernization Project. In July 2017, the CBA began discussions with the Department of Consumer Affairs' Information Technology Management regarding timeframes, resources, and next steps necessary to transition to a new Information Technology solution. The solution will enable the CBA to have the technology to better serve consumers, licensees, applicants and other stakeholders with a more robust online presence, online application submission, online renewals, online license functions, online payment, mobile enforcement capabilities, accessible data, and efficient reporting.

In December 2017 the CBA's Business Modernization Report was completed and in August 2018 the CBA, in collaboration with the Department of Consumer Affairs, prepared its Stage 1 Business Analysis. The Stage 1 Business Analysis must be submitted to the California Department of Technology and is a necessary step in the process to procure any Information Technology software and Information Technology solutions. It is anticipated that full implementation of the Business Modernization Project will occur in 2022.

→ The CBA enhanced its internal database used to track CPA licensure applications to allow staff to create and send communications electronically regarding the status of the application. This has reduced notification timeframes to applicants and reduces the CBA's paper and postage.

→ The CBA has increased its use of video meetings and presentations. The use of these platforms has enabled the CBA to provide presentations on various topics and reach a broader audience. Additionally, participating in video meetings has created another tool to communicate with stakeholders and vendors regarding CBA services and needs.

→ The CBA created an automated time off request interface to allow staff to fill out a web browser-based form to request time off, instead of copies of paper slips, eliminating paper tracking and usage.

→ The CBA developed new processes to the Computer-Based Testing system to better integrate with the new National Association of State Boards of Accountancy Gateway System. Rewriting portions this system allowed information technology staff to revisit security procedures and prepare for future integration with the Department of Consumer Affairs' systems.

→ The CBA updated and improved its database query functions and upgraded its web server, which allows replication across multiple web servers to handle peak traffic more reliably with fewer public traffic slowdowns.

→ The CBA upgraded conference room audio and visual equipment to allow meetings to be outfitted with 24 microphones and integrated with webcasting computers and room sound.

On the Horizon

→ In July 2019, the CBA anticipates beginning identifying its business needs for a new information technology system. The CBA anticipates that it will transition from its patchwork systems to a singular system in 2022. This timeframe is, however, contingent upon receiving additional staffing resources to address workload while current CBA subject matter experts are redirected to the Business Modernization Project.

→ Because the launch of a new licensing and enforcement system is years in the future, the CBA is working with the Department of Consumer Affairs on an interim process to allow licensees to pay their renewal fees via an online portal with a credit card. The current licensee database will interface with a third-party payment processor which will provide CBA with the ability to accept electronic payments, while meeting compliance with Payment Card Industry (PCI) Security Standards, via the third-party payment processor. It is anticipated that the credit card acceptance project will be implemented in late 2018.

→ The CBA is in the early stages of a document scanning project. The first phase of the project will target transcripts and experience forms that are contained in CBA files and awaiting to be matched with an application for examination or licensure. Scanning these will eliminate the current data entry and manual filing that is presently performed. The second phase of this project will be a multi-year effort to scan all CBA licensee files and transition to a paperless record system.

Additional Resources

If you have questions regarding information technology activities at the CBA, you can contact the CBA webmaster at webmaster@cba.ca.gov.