CALIFORNIA BOARD OF ACCOUNTANCY

California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

phone: (916) 263-3680 *fax:* (916) 263-3675 *web:* www.cba.ca.gov

CALIFORNIA BOARD OF ACCOUNTANCY (CBA) PUBLIC MEETING NOTICE FOR THE STRATEGIC PLANNING WORKSHOP, COMMITTEE ON PROFESSIONAL CONDUCT, MOBILITY STAKEHOLDER GROUP, AND CALIFORNIA BOARD OF ACCOUNTANCY MEETINGS

DATE:	Thursday, September 20, 2018	**CBA STRATEGIC PLANNING WORKSHOP** **TIME:** 12:00 P.M.
DATE:	Thursday, September 20, 2018	**COMMITTEE ON PROFESSIONAL CONDUCT MEETING** **TIME:** 3:00 p.m. Or upon adjournment of the Strategic Planning Workshop.
DATE:	Thursday, September 20, 2018	**MOBILITY STAKEHOLDER GROUP MEETING (one or more members will participate via teleconference)** **TIME:** 3:15 p.m. Or upon adjournment of the Committee on Professional Conduct Meeting.
DATE:	Thursday, September 20, 2018	**CALIFORNIA BOARD OF ACCOUNTANCY MEETING** **TIME:** 4:00 p.m. Or upon adjournment of the Mobility Stakeholder Group Meeting.
DATE	Friday, September 21, 2018	**CALIFORNIA BOARD OF ACCOUNTANCY MEETING** **TIME:** 9:00 a.m. to 5:00 p.m.

PLACE: **California Board of Accountancy**
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

Mobility Stakeholder Group Meeting – Alternative Teleconference Location
Executive Law Offices
3175-E Sedona Court
Ontario, CA 91764
Telephone: (909) 291-2435 ext. 202

Enclosed for your information is a copy of the agendas for the Strategic Planning Workshop, Committee on Professional Conduct, Mobility Stakeholder Group, and California Board of Accountancy meetings on September 20-21, 2018.

The Strategic Planning Workshop, Committee and CBA meetings will commence at 12:00 p.m. or later. The order and/or start times of the Strategic Planning Workshop, committee meetings, and the CBA meeting are subject to change without notice.

For further information regarding these meetings, please contact:

Rebecca Reed, Board Relations Analyst
(916) 561-1716 or rebecca.reed@cba.ca.gov
California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

An electronic copy of this notice can be found at http://www.dca.ca.gov/cba/about-cba/calendar.shtml

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DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

CBA MEETING
STRATEGIC PLANNING WORKSHOP
AGENDA

Thursday, September 20, 2018
12:00 p.m. – 3:00 p.m.

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

Important Notice to the Public

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Call to Order, Roll Call, and Establishment of Quorum (**Michael M. Savoy, CPA, President**).

I. Welcome and Introductions (**Trisha St. Clair, Strategic Planning Specialist, Department of Consumer Affairs**).

II. Overview of the Process to Develop the CBA's 2019-21 Strategic Plan (**Trisha St. Clair**).

III. Overview of the California Board of Accountancy Environmental Scan (**Trisha St. Clair**).

A. Review and Discussion of the CBA's Mission Statement, Vision, and Values.

B. Review of the CBA's 2016-18 Strategic Plan Goals and Development of the CBA's 2019-21 Strategic Plan Goals.

IV. Discussion Regarding the Establishment of Objectives to Further Define Strategies or Implementation Steps to Attain Goals Identified for the CBA's 2019-21 Strategic Plan (**Trisha St. Clair**).

V. Public Comments.*

Adjournment

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the California Board of Accountancy are open to the public. While the California Board of Accountancy intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources or technical difficulties.

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

CALIFORNIA BOARD OF ACCOUNTANCY
COMMITTEE ON PROFESSIONAL CONDUCT

MEETING AGENDA
Thursday, September 20, 2018
3:00 p.m.

Or Upon Adjournment of the Strategic Planning Workshop

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

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		CBA Item #
	Call to Order, Roll Call, and Establishment of Quorum (**Deidre Robinson, Committee Chair**).	
I.	Approve Minutes of the July 26, 2018 Committee on Professional Conduct Meeting.	XI.B.
II.	Discussion and Possible Action to Make Nonsubstantive ("Section 100") Changes to Form PP-13 (11/17) Incorporated by Reference in Title 16, California Code of Regulations Section 20, to Update the Reference from Board of Equalization to California Department of Tax and Fee Administration (**Aaron Bone, Information and Planning Officer**).	X.A.2.
III.	Discussion and Possible Action on the International Delivery of the Uniform Certified Public Accountant Examination (**Gina Sanchez, Chief, Licensing Division**).	X.A.3.

IV. Public Comments.*

V. Agenda Items for Next Meeting.

Adjournment.

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California Board of Accountancy members who are not members of the Committee on Professional Conduct may be attending the meeting. However, if a majority of members of the full board are present at the Committee on Professional Conduct meeting, members who are not Committee on Professional Conduct members may attend the meeting only as observers.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email rebecca.reed@cba.ca.gov, or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Ste. 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

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CALIFORNIA BOARD OF ACCOUNTANCY
MOBILITY STAKEHOLDER GROUP

NOTICE OF PUBLIC TELECONFERENCE MEETING AND AGENDA
Thursday, September 20, 2018
3:15 p.m.

Or Upon Adjournment of the Committee on Professional Conduct Meeting

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

Executive Law Offices
3175-E Sedona Court
Ontario, CA 91764
(909) 291-2435 ext. 202

Important Notice to the Public

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		CBA Item #
	Call to Order, Roll Call, and Establishment of Quorum (**Jose A. Campos, CPA, Chair**).	
I.	Approve Minutes of the March 22, 2018 Mobility Stakeholder Group Meeting.	XI.C.
II.	Discussion and Possible Action Regarding the Ongoing Determination of States' Substantial Equivalency to Enforcement Best Practices and Disciplinary Disclosures (**Dominic Franzella, Chief, Enforcement Division**).	X.B.2.

III.	Discussion Regarding the Mobility Activity Report (**Dominic Franzella, Chief, Enforcement Division**).	X.B.3.
IV.	Discussion and Possible Action Regarding Stakeholder Objectives Related to the Mobility Stakeholder Group (**Written Report Only**).	X.B.4.
V.	Public Comments.*	
	Adjournment.	

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California Board of Accountancy members who are not members of the Mobility Stakeholder Group may be attending the meeting. However, if a majority of members of the full board are present at the Mobility Stakeholder Group meeting, members who are not Mobility Stakeholder Group members may attend the meeting only as observers.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email rebecca.reed@cba.ca.gov, or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Ste. 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

MEETING AGENDA

September 20, 2018
4:00 p.m. – 5:00 p.m.
Or Upon Adjournment of the
Mobility Stakeholder Group Meeting

September 21, 2018
9:00 a.m. – 5:00 p.m.

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
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Thursday, September 20, 2018

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (**Michael M. Savoy, CPA, President**).

4:00 p.m. – 4:45 p.m.

I. Report of the President (**Michael M. Savoy, CPA**).

A. Resolution for Retired California Board of Accountancy Member, Jian Ou-Yang, CPA.

B. Resolution for Retired California Board of Accountancy Member, Kathleen Wright, CPA.

C. Resolution for Retiring Enforcement Advisory Committee Member, Joseph Buniva, CPA.

D. Resolution for Retiring Enforcement Advisory Committee Member, Nancy J. Corrigan, CPA.

E. Presentation Regarding Participation on National Association of State Boards of Accountancy and American Institute of Certified Public Accountants Committees and an Overview of the Development and Administration of the Uniform CPA Examination (**Katrina L. Salazar, CPA, Member, California Board of Accountancy**).

F. Discussion of Process for Annual Officer Elections.

G. Discussion of Process for Annual Executive Officer Evaluation.

H. Announcement of California Board of Accountancy Leadership Award of Excellence.

I. Discussion and Review of Proposed Responses for the 2018 Sunset Review Report (**Dominic Franzella, Chief, Enforcement Division**).

J. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position (**Nooshin Movassaghi, Legislative Analyst**).

   a. Assembly Bill 767 – GO-Biz Information Technology.

   b. Assembly Bill 2087 – State Government Operations: Technology Modernization.

   c. Assembly Bill 2138 – Licensing Boards: Denial of Application: Revocation or Suspension of Licensure: Criminal Conviction.

   d. Assembly Bill 2958 – State Bodies: Meetings: Teleconference.

   e. Senate Bill 715 – Vehicular Air Pollution: Regulations: Exemption.

   f. Senate Bill 795 – Accountancy: Practice Privileges.

   g. Senate Bill 930 – Financial Institutions: Cannabis.

h. Senate Bill 984 – State Boards and Commissions: Representation: Appointments.

i. Senate Bill 993 – Sales and Use Taxes: Service Tax: Qualified Business.

j. Senate Bill 1121 – Califronia Consumer Privacy Act of 2018.

k. Senate Bill 1244 – Public Records: Disclosure.

l. Senate Bill 1492 – The Department of Consumer Affairs.

K. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission (**Ileana Butu, Department of Consumer Affairs, Attorney III**).

L. Department of Consumer Affairs Director's Report on Departmental Activities (**Department of Consumer Affairs Representative, Office of Board and Bureau Services**).

M. Introduction of New California Board of Accountancy Member Mary M. Geong, CPA.

4:45 p.m. – 4:50 p.m.

II. Report of the Vice-President (**George Famalett, CPA, Vice-President**).

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

4:50 p.m. – 5:00 p.m.

III. Report of the Secretary/Treasurer (**Mark J. Silverman, Esq., Secretary/Treasurer**).

A. Fiscal Year 2017-18 Year End Financial Report.

Recess Until Friday, September 21, 2018.

Friday, September 21, 2018

Call to Order, Roll Call,and Establishment of a Quorum (**Michael M. Savoy, CPA, President**).

9:00 a.m.–
11:00 a.m.
Time Certain

IV. Petition Hearing.

A. James Michael Turnbull, CPA License Number 76917 – Petition for Reduction of Penalty.

B. Dennis Lawrence Duban, CPA License Number 22749 – Petition for Reinstatement of Surrendered Certificate.

V. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy will Convene into Closed Session to Deliberate on the Above Petitions.

Return to Open Session.

11:00 a.m. –
11:10 a.m.

VI. Report of the Executive Officer (**Patti Bowers, Executive Officer**).

A. Update on Staffing.

B. Report on Activities for the Business Modernization Project (**Deanne Pearce, Assistant Executive Officer**).

C. Update on the California Board of Accountancy's Communications and Outreach (**Aaron Bone, Information and Planning Officer**).

11:10 a.m. –
11:25 a.m.

VII. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (**Joseph Rosenbaum, CPA, Committee Chair**).

1. Approval of the 2019 Enforcement Advisory Committee Meeting Dates.

B. Qualifications Committee (**David Evans, CPA, Committee Chair**).

1. Approval of the 2019 Qualifications Committee Meeting Dates.

C. Peer Review Oversight Committee (**Jeffrey De Lyser, CPA, Committee Chair**).

1. Report of the August 17, 2018 Peer Review Oversight Committee Meeting.

2. Approval of the 2019 Peer Review Oversight Committee Meeting Dates.

11:25 a.m. – 11:45 a.m.

VIII. Report of the Enforcement Chief (**Dominic Franzella, Chief, Enforcement Division**).

A. Enforcement Activity Report.

11:45 a.m. – 12:00 p.m.

IX. Report of the Licensing Chief (**Gina Sanchez, Chief, Licensing Division**).

A. Licensing Activity Report.

B. Update on Project to Accept Credit Card Payment for License Renewal and Planned Outreach Activities.

12:00 p.m. – 1:00 p.m.

Lunch

1:00 p.m. – 1:15 p.m.

X. Report on the Committee on Professional Conduct and Mobility Stakeholder Group.

A. Committee on Professional Conduct (**Deidre Robinson, Committee Chair**).

1. Report of the September 20, 2018, Committee on Professional Conduct Meeting.

2. Discussion and Possible Action to Make Nonsubstantive ("Section 100") Changes to Form PP-13 (11/17) Incorporated by Reference in Title 16, California Code of Regulations Section 20, to Update the Reference from Board of Equalization to California Department of Tax and Fee Administration.

3. Discussion and Possible Action on the International Delivery of the Uniform Certified Public Accountant Examination.

B. Mobility Stakeholder Group (**Jose A. Campos, CPA, Committee Chair**).

1. Report of the September 20, 2018, Mobility Stakeholder Group Meeting.

2. Discussion and Possible Action Regarding the Ongoing Determination of States' Substantial Equivalency to Enforcement Best Practices and Disciplinary Disclosures.

3. Discussion Regarding the Mobility Activity Report.

4. Discussion and Possible Action Regarding Stakeholder Objectives Related to the Mobility Stakeholder Group.

1:15 p.m. – 1:20 p.m.

XI. Meeting Minutes (**Michael M. Savoy, CPA, President**).

A. Adoption of the Minutes of the July 26, 2018, California Board of Accountancy Meeting.

B. Acceptance of the Minutes of the July 26, 2018, Committee on Professional Conduct Meeting.

C. Acceptance of the Minutes of the March 22, 2018 Mobility Stakeholder Group Meeting.

D. Acceptance of the Minutes of the January 24, 2018, Qualifications Committee Meeting.

E. Acceptance of the Minutes of the May 11, 2018, Peer Review Oversight Committee Meeting.

1:20 p.m. – 1:35 p.m.

XII. Other Business.

A. American Institute of Certified Public Accountants.

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

a. State Board Committee (**Katrina L. Salazar, CPA**).

B. National Association of State Boards of Accountancy.

1. Discussion and Approval of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions (**Rebecca Reed, Board Relations Analyst**).

2. Report of the National Association of State Boards of Accountancy Pacific Regional Director (**Katrina L. Salazar, CPA**).

3. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member or Staff.

   a. Bylaws Committee
      (**Katrina L. Salazar, CPA**).

   b. Enforcement Resources Committee
      (**Katrina L. Salazar, CPA**).

   c. Relations with Member Boards Committee
      (**Katrina L. Salazar, CPA**).

   d. Strategic Planning Task Force
      (**Katrina L. Salazar, CPA**).

1:35 p.m. – 1:40 p.m. XIII. Closing Business.

A. Public Comments.*

B. Agenda Items for Future California Board of Accountancy Meetings.

1:40 p.m. – 5:00 p.m. XIV. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters.

Return to Open Session.

Adjournment.

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Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

WHEREAS, *Jian Ou-Yang, CPA, was appointed by Governor Edmund G. Brown Jr. and he has faithfully served as a Board member of the California Board of Accountancy from April 2, 2015 through August 17, 2018; and*

WHEREAS, *he served as member of the Enforcement Program Oversight Committee, Committee on Professional Conduct, Legislative Committee, and Strategic Planning Committee, and California Board of Accountancy member liaison to the Enforcement Advisory Committee; and*

WHEREAS, *throughout his term of service, at all times Jian Ou-Yang gave fully of himself and his ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

WHEREAS, *Jian Ou-Yang is a partner at Brown Armstrong where he has held positions including audit manager, senior accountant, and staff accountant; and*

NOW, THEREFORE, BE IT RESOLVED, *that the members of the California Board of Accountancy express heartfelt appreciation to Jian Ou-Yang for the outstanding contribution he made during his term of service on the California Board of Accountancy and to the consumers of California.*

Michael M. Savoy, CPA, President

Mark J. Silverman, ESQ., Secretary/Treasurer

Dated: September 20, 2018

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

WHEREAS, *Kathleen Wright, CPA, was appointed by Governor Edmund G. Brown Jr. and she has faithfully served as a Board member of the California Board of Accountancy from February 2, 2015 through August 17, 2018; and*

WHEREAS, *she served as Chair and member of the Enforcement Program Oversight Committee, and member of the Committee on Professional Conduct, and Legislative Committee, and California Board of Accountancy member liaison to the Enforcement Advisory Committee, and on the National Association of State Boards of Accountancy Continuing Professional Education Committee; and*

WHEREAS, *throughout her term of service, at all times Kathleen Wright gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

WHEREAS, *she is a member of the California Society of Certified Public Accountants, American Institute of Certified Public Accountants, and the American Bar Association, and*

WHEREAS, *Kathleen Wright is a professor at Golden Gate University School of Taxation where she is the Director of the State and Local Tax Program.*

NOW, THEREFORE, BE IT RESOLVED, *that the members of the California Board of Accountancy express heartfelt appreciation to Kathleen Wright for the outstanding contribution she made during her term of service on the California Board of Accountancy and to the consumers of California.*

Michael M. Savoy, CPA, President

Mark J. Silverman, ESQ., Secretary/Treasurer

Dated: September 20, 2018

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

WHEREAS, *Joseph Buniva, CPA has faithfully served as a member of the California Board of Accountancy Enforcement Advisory Committee from September 22, 2010 to September 30, 2018; and*

WHEREAS, *throughout his term of service, at all times Joseph Buniva gave fully of himself and his ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

WHEREAS, *he has discharged these important responsibilities in a manner reflecting great credit upon himself and the accounting profession; and*

WHEREAS, *his colleagues wish to express to him their high esteem and regard;*

NOW, THEREFORE, BE IT RESOLVED, *that the members of the California Board of Accountancy express heartfelt appreciation to Joseph Buniva for the outstanding contribution he made during his term of service on the Enforcement Advisory Committee and to the consumers of California.*

Michael M. Savoy, CPA, President

Mark J. Silverman, Esq., Secretary-Treasurer

Dated: September 20, 2018

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

WHEREAS, *Nancy J. Corrigan, CPA has faithfully served as a member of the California Board of Accountancy Enforcement Advisory Committee from November 15, 2012 to August 17, 2018; and*

WHEREAS, *she served as the inaugural Chair and member of the California Board of Accountancy Peer Review Oversight Committee (PROC) and was instrumental in the overall successful establishment of the PROC; and*

WHEREAS, *she served as Vice-Chair and member of the California Board of Accountancy Enforcement Advisory Committee, and served as Chair and member of the California Board of Accountancy Qualifications Committee; and*

WHEREAS, *she served on the following Task Forces as appointed by the California Board of Accountancy: The Auditor's Responsibility to Detect Fraud, Working Paper Documentation, Auditor Rotation, Auditors Becoming Employees of Clients, and Sarbanes-Oxley Cascade Effects; and*

WHEREAS, *throughout her term of service, at all times Nancy J. Corrigan gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

WHEREAS, *she has discharged these important responsibilities in a manner reflecting great credit upon herself and the accounting profession; and*

WHEREAS, *her colleagues wish to express to her their high esteem and regard;*

NOW, THEREFORE, BE IT RESOLVED, *that the members of the California Board of Accountancy express heartfelt appreciation to Nancy J. Corrigan for the outstanding contribution she made during her term of service on the Enforcement Advisory Committee and to the consumers of California.*

Michael M. Savoy, CPA, President

Mark J. Silverman, Esq., Secretary-Treasurer

Dated: September 20, 2018

CALIFORNIA BOARD OF ACCOUNTANCY

California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

phone: (916) 263-3680 *fax:* (916) 263-3675 *web:* www.cba.ca.gov

CBA Item I.F.
September 20-21, 2018

Discussion of Process for Annual Officer Elections

Presented by: Michael M. Savoy, CPA, CBA President

Purpose of the Item

The purpose of this agenda item is to inform the California Board of Accountancy (CBA) regarding the officer election process for President, Vice-President, and Secretary/Treasurer.

Consumer Protection Objectives

Annually electing a President, Vice-President, and Secretary/Treasurer assists the CBA in ensuring it meets its statutory mandate of consumer protection.

Action(s) Needed

Action is only needed by those CBA members who wish to be considered for an officer position.

Background

The process for the election of officers and a detailed listing of applicable duties is outlined in the CBA Member Guidelines and Procedures Manual, pages 8-11 (**Attachment**).

Comments

Each November, the CBA elects a President, Vice-President, and Secretary/Treasurer. CBA members who wish to be considered for a leadership position are encouraged to submit a one-page Statement of Qualifications to the Board Relations Analyst, Rebecca Reed, by e-mail at rebecca.reed@cba.ca.gov. If interested, please submit your Statement of Qualifications by October 10, 2018. The Statements of Qualifications will be included in the November 2018 CBA meeting materials, as part of an agenda item.

At the November 2018 CBA meeting, an opportunity will be provided for additional candidates for the officer positions to express their interest. All candidates may be given up to five minutes of floor time to describe why they are qualified for the position.

CBA leadership duties have historically assisted the CBA in guiding various pieces of legislation by attending meetings with legislators and legislative staff to relay the CBA's position on bills that the CBA is either sponsoring or following, bills that relate to the protection of consumers of accounting services, and in some instances bills that impact the accounting profession.

Leadership positions in 2019 will play a crucial role in the presentation of the CBA's Sunset Review Report. In early 2019, the CBA President and an additional CBA member will be tasked with testifying at Sunset Review hearings on behalf of the CBA. Providing testimony is a key factor to ensuring the CBA successfully completes the Sunset Review process and ensures the continued regulation of the accounting profession.

Please note that the President, Vice-President and Secretary/Treasurer each serve one-year terms, and may not serve more than two consecutive terms.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
Excerpt from CBA Member Guidelines and Procedures Manual

Attachment

California Board of Accountancy

CBA Member

Guidelines and Procedures Manual

Updated
January 2018

If the mentor is a current CBA member, s/he may wish to sit adjacent to the new member during his/her first CBA meeting and assist in providing guidance on the meeting materials and answer any procedural questions that may arise.

4. Executive Officer Evaluation.

Each November, members will complete an evaluation of the Executive Officer (EO). The CBA President will use the surveys to complete a written summary of the evaluations. The CBA has the option of meeting in closed session to discuss the Executive Officer's performance appraisal. The original evaluation is signed by the CBA President and EO and sent to the DCA Human Resources Office for placement in the EO's Official Personnel File.

In accordance with Government Code section 11126, the CBA may hold a closed session to consider complaints or charges brought against the EO or to consider the dismissal of the EO, unless the EO requests a public hearing. The CBA may deliberate on any decision to be reached on any of the aforementioned issues in a closed session. Any action taken must be publicly reported at a subsequent meeting. The CBA President should contact DCA Legal Counsel regarding proper compliance with Open Meeting Act requirements prior to considering any action.

E. TENURE (Ref. Business & Professions Code § 5002).

Each member is appointed for a term of four years and holds office until they are reappointed, a successor is appointed, or until one year has elapsed since the expiration of the term for which he/she was appointed, whichever occurs first.

No person shall serve more than two terms consecutively.

Vacancies must be filled by a person in the same capacity (public or licensee member) as the person being replaced.

The Governor must remove any licensee member whose permit to practice becomes void, revoked, or suspended.

Any member may, after an administrative hearing, be removed for neglect of duty or other just cause.

If a member is appointed to fill a vacant seat in what would be the middle of the previous member's term, the rest of that term does not count against the two term limit, as it is still defined as the previous member's term.

F. OFFICERS (Ref. Business & Professions Code §§ 5003, 5004 & 5007).

The officers of the CBA are President, Vice-President, and Secretary/Treasurer.

1. Election of Officers.

The process for the election of officers is as follows:

- At the September CBA meeting, the President shall inform members that the election of officers will be held at the November CBA meeting.

- Interested candidates are requested to prepare a one page written summary outlining their qualifications for the position for which they are applying, which will serve as a self nomination. Candidates are limited to being nominated for one officer position. The summary is to be sent to the Executive Analyst by a date determined by the Executive Officer and CBA President.

- The nominations shall be distributed as part of the agenda items for the November CBA meeting.

- At the November CBA meeting, the President shall ask if there are any additional nominations for the officer positions. Any member who is nominated may be given up to five minutes of floor time to describe why they are qualified for the position.

- After all nominations have been confirmed, the President will close nominations.

- The vote for officer positions shall be held in the following order: Secretary/Treasurer, Vice-President, and President.

- A roll call vote will be taken for each officer position nominee, starting in alphabetical order by the candidate's last name.

- Members can vote "Yes", "No", or abstain from the vote for each nominee.

- The first nominee to receive a majority vote will win the officer position.

- In the event none of the nominees receive a majority vote, the voting will continue until a majority vote is received. To assist in this process, the President may allow nominees to make a statement regarding their qualifications, within an established and reasonable time limit.

- The President, Vice-President, and Secretary/Treasurer serve one-year terms and may not serve more than two consecutive one-year terms. The newly elected President, Vice-President, and Secretary/Treasurer shall assume the duties of their respective offices at the conclusion of the annual meeting at which they were elected.

2. Vacancy.

   In the event of a vacancy of the Vice President or Secretary/Treasurer prior to the annual election of officers, the CBA President shall make an interim appointment to fill the vacancy effective until the next election cycle. In the event of a vacancy of the President, the Vice President shall become the president.

3. Duties.

   a. President.

The President shall perform general administrative duties, as well as the following:

- Preside over CBA meetings
- Approve the agenda and time schedule
- Appoint CBA members as Liaison to the Enforcement Advisory Committee (EAC) and Qualifications Committee (QC)
- Appoint CBA members to CBA committees and task forces
- Establish other CBA committees as needed
- Make decisions regarding CBA matters between meetings
- Coordinate the annual evaluation of the Executive Officer
- When necessary, make interim appointments to the EAC, Peer Review Oversight Committee (PROC) and QC, subject to ratification at the next CBA Meeting
- Monitor CBA Member attendance at CBA Meetings, and report issues to the Department of Consumer Affairs (DCA)
- Make interim appointments to the Vice-President and Secretary/Treasurer positions should they become vacant mid-term
- Assign travel expense claims to be reviewed internally by CBA staff for adherence to established travel guidelines and subsequently, delegate approval to DCA's Deputy Director, Board and Bureau Relations.
- Interface with the CBA staff regarding internal audit matters affecting the CBA. These matters include such issues as internal audit findings, requests for special reviews, and other related concerns or topics

b. Vice-President.

The Vice-President shall perform the following:

- Act in the absence of the President
- Review the EAC, PROC and QC members and recommend appointments and reappointments
- Perform any other duties as assigned by the CBA President
- Review and act upon time sensitive appeals to the CBA by CPA Licensure candidates

c. Secretary/Treasurer.

The Secretary/Treasurer shall perform the following:

- Act as Liaison to the staff of the CBA for fiscal/budgetary functions and routinely report to the CBA regarding relevant matters. This includes reviewing the quarterly and year-end financial statements, in concert with the President. After review, the Secretary/Treasurer presents the financial statement to the CBA

- Perform other duties as requested by the CBA President

G. MEETINGS (Ref. Business & Professions Code §§ 5016 & 5017).

All meetings of the CBA and its committees, subcommittees and task forces are subject to the Bagley-Keene Open Meeting Act. This Act is summarized in a document developed by the DCA, and includes statutory requirements for conducting Teleconference and/or Emergency Meetings. **(Appendix 2)**

1. Frequency.

   The CBA meets regularly during the year. The dates are normally established annually at the March meeting for the following calendar year.

2. Locations.

   The CBA chooses locations that are ADA compliant and easily accessible to the public, applicants, and licensees. Pursuant to Business and Professions Code section 101.7, the CBA must meet at least three times each calendar year, once in Northern California and once in Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations.

3. Attendance.

   Members are expected to attend all scheduled meetings of the CBA. Regular attendance ensures current knowledge of procedures and policies as well as an equitable sharing of duties and responsibilities.

   Should a member miss two consecutive meetings, the CBA President may notify the Director of the DCA.

   Arrival and departure times of each member are recorded in the CBA minutes.

4. Agenda.

   The CBA President, with the assistance of the Executive Officer, shall prepare the agenda and tentative time schedule.

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CBA Item I.G.
September 20-21, 2018

Discussion of Process for Annual Executive Officer Evaluation

Presented by: Michael M. Savoy, CPA, CBA President

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding the annual Executive Officer Evaluation.

Consumer Protection Objectives

This agenda item ensures that the CBA continues its mission of consumer protection by evaluating the Executive Officer on an annual basis.

Action(s) Needed

CBA members will be asked to complete and send the Performance Appraisal for the Executive Officer (**Attachment**) to CBA President Michael M. Savoy, CPA.

Background

The CBA President and Vice-President issue an evaluation to the Executive Officer on an annual basis, typically occurring at the November CBA meeting. The evaluation is based on input from all CBA members. Once the evaluation is complete, a copy is placed in the Executive Officer's official personnel file.

Comments

Each September, CBA members are provided with an evaluation form to offer feedback regarding the Executive Officer's performance. To assist in the evaluation, members may wish to reference the draft CBA Sunset Review Report (**CBA Agenda Item I.I.**) or the draft CBA Annual Report for fiscal year 2017/18, which will be sent to members in early November. Both of these reports provide detailed information regarding activities, projects, programs, and accomplishments for which the CBA Executive Officer has overseen.

Once members have completed the evaluation form, it can be scanned and emailed or directly mailed to President Savoy. Staff will send an electronic version of the evaluation form following the September CBA meeting.

During the November CBA meeting, a closed session item will be held to discuss the completed evaluation forms and to finalize the performance evaluation.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
Performance Appraisal for Executive Officer

Attachment

STATE OF CALIFORNIA

DEPARTMENT OF CONSUMER AFFAIRS

PERFORMANCE APPRAISAL

FOR

EXECUTIVE OFFICER

(including Executive Director and Registrar)

Prepared by
Department of Consumer Affairs
Office of Human Resources
1625 N. Market Blvd. Suite N-321
Sacramento, CA 95834

(Revised February 2015)

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL

INSTRUCTIONS

1. The DCA Performance Appraisal process system is based on the principle that performance should be evaluated on a regular basis in order to provide recognition of effective performance and as a tool to provide guidance in improving future performance.

2. If the Executive Officer (hereafter, "EO", which includes Executive Director and Registrar) is not at the maximum range of salary, the Board, Committee or Commission (hereafter, "Board") may recommend a salary increase for the EO. To qualify for such increases, the EO must meet or exceed performance expectations, as determined by the Board. This form is used to document the Board's recommendation for a salary increase.

3. To indicate the rating of any performance factor, an "X" mark should be placed in the appropriate rating column and in the "Overall Rating" column on each page. Additional spaces have been provided to accommodate other critical performance factors identified by the Board.

4. Comments to the Executive Officer should:

- Be constructive and provide guidance for future performance;
- Include factual examples of work especially well or poorly done, and
- Give specific suggestions for performance improvement.

5. The Overall Ratings must be consistent with the factor ratings and comments, but there is no prescribed formula for computing the Overall Rating.

6. Overall Comments may consist of a summary of comments from specific categories, general comments or comments on other job-related factors which the rater wishes to discuss. Additional pages may be attached.

7. The Board President/Chairperson will discuss the appraisal with the EO and give him or her a signed copy. In signing the appraisal, the EO merely acknowledges that s/he has reviewed the appraisal and has discussed it with the rater. His/her signature does not indicate agreement with the ratings or comments.

8. The original copy of the appraisal, signed by both the Board President/Chairperson and the EO, will be maintained by the Department of Consumer Affairs, in the Executive Officer's Official Personnel File.

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

EXECUTIVE OFFICER
PERFORMANCE APPRAISAL RATING SYSTEM

The rating system consists of five (5) Ratings Categories, as defined below:

☞Outstanding

Performance significantly exceeds the Board's expectations due to the efforts and ability of the Executive Officer when considering the job in its entirety. Significantly above-standard performance may be exhibited by consistently completing assignments in advance of deadlines; implementing plans and/or procedures to increase efficiency or effectiveness of work; working independently with little direction; and consistently meeting Board goals.

☞Above Average

Performance exceeds the Board's expectations due to the efforts and ability of the Executive Officer when considering the job in its entirety. Performance is beyond what is expected of an Executive Officer in this position.

☞Average

Performance of the Executive Officer meets the minimum expectations of the Board. The Executive Officer adequately performs the duties and responsibilities of the position.

☞Needs Improvement

The Executive Officer's performance fails to meet the Board's minimum expectations due to lack of effort and/or ability when considering the job in its entirety. Performance requires improvement in numerous and/or important aspects of the position.

☞Not Applicable

Rater is unable to assess the Executive Officer in this area, or the area is not applicable to the employee's job.

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL
OVERALL RATING

NAME OF EO:

NAME OF BOARD:

DATE OF BOARD MEETING WHEN RATING OCCURRED:

The overall rating must be consistent with the factor rating and comments, but there is no prescribed formula for computing the overall rating. The rating system is described on page 2.

☐ **OUTSTANDING**

☐ **ABOVE AVERAGE**

☐ **AVERAGE**

☐ **NEEDS IMPROVEMENT**

OVERALL COMMENTS *(Attach additional pages, if necessary)*

I HAVE PARTICIPATED IN A DISCUSSION OF OVERALL JOB PERFORMANCE

EO Signature: _____ Date:

Chairperson/President Signature: _____ Date:

Salary Increase recommendation (if applicable):

☐ No increase ☐ No increase (at maximum) ☐ Recommended Increase: _____%

Effective Date of Salary Increase:_____

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL

	Performance Factor	Ratings				
	1. Relationship with the Board	Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Maintains respect and trust of Board members.					
2	Provides Board with advice during consideration of issues.					
3	Keeps Board informed of progress of Board programs on a regular basis.					
4	Remains impartial and treats all Board members in a professional manner.					
5	Functions as an effective liaison between Board and Board Staff.					
6	Provides Board with complete, clear, and accurate reports, minutes, etc.					
7	Responds promptly to requests for information from Board members.					
8	Is readily available to Board members.					
9	Responds appropriately to constructive suggestions from Board members.					
	OVERALL RATING: **Relationship with the Board**					

Comments: (Attach additional pages, if necessary)

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL

	Performance Factor	Ratings				
	2. Execution of Board Policy	Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Understands and compiles with the overall policies, laws and regulations of the Board.					
2	Implements Board policies.					
3	Efforts lead toward successful accomplishment of goals.					
	OVERALL RATING: **Execution of Board Policy**					

Comments: (Attach additional pages, if necessary)

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL

	Performance Factor	Ratings				
	3. Board Programs	Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Ensures effective and efficient management of enforcement programs.					
2	Keeps Board apprised of enforcement program and process developments.					
3	Maintains security of examination process.					
4	Monitors validity/defensibility of examinations and provides appropriate recommendations for action.					
5	Monitors and identifies trends in candidate qualifications, pass/fail rates, etc.					
6	Resolves problems which arise in the exam process.					
7	Keeps Board apprised of exam program and process developments.					
8	Keeps Board apprised of licensing program and process developments.					
	OVERALL RATING: **Board Programs**					

Comments: (Attach additional pages, if necessary)

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL

	Performance Factor	Ratings				
	4. Governmental Relations	Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Keeps the Department of Consumer Affairs informed of Board issues, problems, and accomplishments.					
2	Maintains a positive working relationship with other State Agencies.					
3	Manages Board legislative program and efforts.					
4	Manages sunset review process.					
5	Acts a liaison and participates in national organizations, federations or alliances.					
6	Represents the Board effectively before the Legislature.					
	OVERALL RATING: **Governmental Relations**					

Comments: (Attach additional pages, if necessary)

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL

	Performance Factor	Ratings				
	5. Administrative Functions	Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Plans, organizes and directs Board administrative functions and staff.	☐	☐	☐	☐	☐
2	Provides oversight, direction and management of the Board's annual budget, expenditures and revenues.	☐	☐	☐	☐	☐
3	Keeps Board apprised of budget developments.	☐	☐	☐	☐	☐
4	Identifies, recommends and, as directed, seeks necessary changes to laws and regulations through proposed legislation and/or the Office of Administrative Law (OAL).	☐	☐	☐	☐	☐
5	Ensures compliance and enforcement of departmental, state and federal policies and procedures.	☐	☐	☐	☐	☐
6	Develops and executes sound personnel practices and procedures.	☐	☐	☐	☐	☐
	OVERALL RATING: **Administrative Functions**					

Comments: (Attach additional pages, if necessary)

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

Executive Officer
PERFORMANCE APPRAISAL

	Performance Factor	Ratings				
	6. Public Liaison	Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Represents the Board before the public.					
2	Directs consumer outreach programs.					
3	Manages Board's public relations effort.					
4	Directs liaison with educational institutions.					
5	Solicits and gives attention to problems and opinions of all groups and individuals.					
6	Represents the Board before industry associations to provide information regarding the Board's laws, regulations, programs and policies.					
	OVERALL RATING: **Public Liaison**					

Comments: (Attach additional pages, if necessary)

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item I.I.
September 20-21, 2018

Discussion and Review of Proposed Responses for the 2018 Sunset Review Report

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to consider proposed content for inclusion in the CBA's 2018 Sunset Review Report (Sunset Report) (**Attachment**).

Consumer Protection Objectives

The sunset review process helps ensure that boards and bureaus within the Department of Consumer Affairs (DCA) meet the goals and objectives of the California State Legislature as they pursue their consumer protection mission.

Action(s) Needed

The CBA is asked to provide comments and direction to staff on the issues identified in this agenda item, as the CBA prepares its Sunset Report, which is expected to be delivered to the Joint Legislative Sunset Review Committee (Sunset Committee) by the end of 2018.

Background

The Legislature created the sunset review process in 1994 to assist with its oversight responsibilities. The Sunset Committee was established in 1995 and tasked with reviewing all consumer-related boards every four years to determine whether each board has demonstrated a public need for the continued existence of that board.

The CBA had sunset reviews in 1995, 2000, 2003, 2011, and 2015. The CBA is expected to undergo the process again, and hearings are expected in the spring of 2019.

The sunset review process begins with the drafting and submission of the CBA's Sunset Report. The Sunset Committee prepares a list of requested data and questions to be answered in the Sunset Report.

At its March 2018 meeting, the CBA reviewed, discussed, and provided feedback on content for inclusion into two sections of the Sunset Report:

- **CBA Board Action and Response to Prior Sunset Issues** (Section 10) – This section is comprised of five issues identified by the Sunset Committee for the last sunset review in 2015. These included:
    - Issue #1 – CBA's Peer Review Program
    - Issue #2 – Disciplinary Case Management and Timeframes
    - Issue #3 – Permanent Practice Restrictions
    - Issue #4 – Reserve Levels in the Accountancy Fund
    - Issue #5 – Consumer Satisfaction

- **New Issues** (Section 11) – This section identifies certain issues that may impact that CBA's ability to fulfill its consumer protection mission. At the March 2018 meeting, the CBA consider a new issue related to staffing.

At the July 2018 meeting, the CBA considered the majority of the narrative content of the Sunset Report. With exception of a handful of questions, the CBA discussed and provided direction for Sections 1-9.

Comments

For this iteration of the Sunset Report, staff have included responses to the remaining questions or requests for information. Additionally, staff have taken prior CBA feedback on all the sections and incorporated accordingly. Below are the major changes broken down by section.

Section 1 – Background and Description of the Board and Regulated Profession

- Question 3 was updated to include enhanced outreach as a major accomplishment (see page 12).
- Question 5 was updated to include information on the benefits of the Governor's Office approving out-of-state travel (see page 26).

Section 2 – Performance Measures and Customer Satisfaction Surveys

- Question 7 was updated to include statistical charts for the two surveys (see pages 28-33).

Section 3 – Fiscal and Staff

- Questions 10 and 14 were updated to provide context on the fee changes over the past four fiscal years (see pages 35-36 and 39-40).
- Question 10 was updated to provided increased context for the CBA working to increase its Accountancy Fund reserve levels as directed by the Legislature as part of the prior sunset.

Section 4 – Licensing Program

- Responses to Questions 18, 19, and 21 were under construction for the last iteration, with responses now being provided for this second iteration (see pages 46-48 and 49).
- Statistics for Licensing Tables 6, 7a, 7b, 8 have been included (see pages 50-52 and 58).
- Question 22c has been updated to provide additional information (including a new table) regarding the volume and outcomes related to retroactive fingerprinting (see pages 53-54).
- A footnote has been added for the mutual recognition agreements the CBA accepts (see page 55).

Section 5 – Enforcement Program

- Responses to Questions 34 and 35 were under construction for the last iteration, with responses now being provided for this second iteration (see pages 65-70).

Section 8 – Workforce Development

- Responses to Questions 61 and 63 were under construction for the last iteration, with responses now being provided for this second iteration (see pages 87-88).

Section 9 – Current Issues

- Response to Question 67 was under construction for the last iteration, with a response now being provided for this second iteration (see pages 90-91).

Section 10 – CBA Action and Response to Prior Sunset Issues (see pages 92-98)

- Responses have been updated per prior direction from the CBA.
- Issue #1 – Peer Review will be provided to the CBA separately as part of a subsequent mailout of CBA materials.

Section 11 – New Issues (see pages 99-103)
Staff previously brought a singular new issue on Staffing to the CBA for its consideration at the March 2018 meeting. For this iteration, staff have brought four additional new issues:

- Issue #2 – Automation/On-Line Services
- Issue #3 – Increase Statutory Maximum for License Renewal Fees
- Issue #4 – Electronic Distribution of the UPDATE Newsletter
- Issue #5 – Require Licensees to Report an Email Address

To handle the voluminous nature of the attachments, staff are proposing that the CBA use links to the internet. This will reduce on the volume of paper used and allow individuals to quickly link to the associated attachment.

As the CBA considers the whole of the Sunset Report, below are the topics that the Committee, individual members, or both identified as areas of interest or concern during the prior year sunset hearing.

- Enforcement Processing Timeframes
- Enforcement of Unlicensed Activity
- Drug Diversion Program
- Continuing Education Audits
- Automation/BreEZe
- Staffing

At the November 2018 meeting, staff will provide a finished Sunset Report, incorporating in any feedback from the CBA on its message and narrative from its review of this second iteration, and provide a layout and design. The November 2018 meeting, represents the CBA's final opportunity to approve the Sunset Report.

Staff request that if individual members identify any grammatical or typographical issues/errors to provide those directly to the CBA's Executive Officer.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff recommend the CBA provide comments and feedback on the proposed responses for the Sunset Report.

Attachments
Draft Sunset Report

CALIFORNIA BOARD OF ACCOUNTANCY
BACKGROUND INFORMATION AND OVERVIEW OF THE CURRENT REGULATORY PROGRAM
As of June 30, 2018

SECTION 1 **Attachment**
BACKGROUND AND DESCRIPTION OF THE BOARD AND REGULATED PROFESSION

Provide a short explanation of the history and function of the board.[1] Describe the occupations/profession that are licensed and/or regulated by the board (Practice Acts vs. Title Acts).

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 and corporations). 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.

1. **Describe the make-up and functions of each of the board's committees (cf., Section 12).**

The CBA uses a combination of committees, some legislatively established and some CBA established, to aid the CBA in achieving its legislative mandate of consumer protection. Presently, the CBA has four legislatively established and four CBA established committees focused on furthering its efforts with consumer protection.

As a matter of standing business and beginning in 2016, the CBA reads into the record its mission statement at the start of all meetings. The CBA began this act to ensure the public and members attending the meetings understand the decisions reached by the CBA are in furtherance of meeting its consumer protection mandate.

Legislatively Established Committees

For the CBA's legislatively established committees (except for the Mobility Stakeholder Group, which has its membership composition established in statute), the CBA draws from volunteers throughout the licensee population. For all appointments to a committee, the CBA works with the

[1] The term "board" in this document refers to a board, bureau, commission, committee, department, division, program, or agency, as applicable. Please change the term "board" throughout this document to appropriately refer to the entity being reviewed.

current committee chair to discuss knowledge and skills to ensure that the appointee will contribute to the committee's function and enable it to carry out its mandated activities.

Enforcement Advisory Committee
The California Legislature established the Enforcement Advisory Committee to assist the CBA in serving in a technical advisory capacity to the CBA Executive Officer and Enforcement Program. The Enforcement Advisory Committee is comprised of 13 licensees, with broad-ranging experience in all areas of practice.

The Enforcement Advisory Committee reviews open investigations to provide the Enforcement Program with technical assistance, including assisting with possible next steps in an investigation. Additionally, the Enforcement Advisory Committee reviews closed investigations to evaluate the sufficiency of the investigation and, if any, areas where the investigation could have been improved. Lastly, the committee serves a critical role in participating in investigative hearings conducted with staff and counsel from the Attorney General's Office.

Qualifications Committee
The California Legislature established the Qualifications Committee to assist the CBA in an advisory capacity with its licensure activities. The Qualifications Committee is comprised of 13 licensees, with a background in performing audit-related services.

The Qualifications Committee interviews applicants and employers and conducts and evaluates work paper reviews to ensure that applicants meet California's experience requirements. Additionally, the committee performs annual audits of approved CPA applications.

Peer Review Oversight Committee
The California Legislature established the Peer Review Oversight Committee to ensure the effectiveness of California's Peer Review Program. The Peer Review Oversight Committee is comprised of seven licensees, with a background in attestation services.

The primary function of the committee centers on evaluating the administration of the American Institute of CPAs (the sole CBA-recognized peer review program provider) to ensure that it meets the requirements prescribed by the CBA in regulation. The Peer Review Oversight Committee performs a broad range of oversight functions including, performing an annual site visit of the administering entity, conducting sample reviews of completed peer reviews, and attending peer reviewer training courses.

Annually, the committee submits a report to the CBA describing the oversight functions it performed and making a recommendation to the CBA regarding the continued recognition of the American Institute of CPAs as a CBA-recognized peer review program provider.

Mobility Stakeholder Group
The California Legislature established the Mobility Stakeholder Group with the express purpose of determining whether California's practice privilege (more commonly referred to as mobility) provisions meet the CBA's duty to protect the public, and whether the provisions satisfy the objectives of stakeholders of the accounting profession, including consumers.

The Mobility Stakeholder Group is comprised of two members of the CBA, two representatives of the accounting profession, two consumer representatives, and one CBA Enforcement Program staff member. All seven members are appointed by the CBA President.

CBA Established Committees

The CBA established committees are comprised of seven CBA Members, all of which are appointed by the CBA President. The CBA President takes care to ensure appointment to these committees are inclusive of the makeup of the CBA (having both public and licensee members), and that CBA Members rotate through the committees to provide their respective perspectives during their tenures.

Committee on Professional Conduct

The CBA established the Committee on Professional Conduct to consider and develop recommendations on issues that affect consumers and that apply to the practice of public accountancy. The committee also considers, formulates, and proposes policies and procedures related to emerging and unresolved issues.

Enforcement Program Oversight Committee

The CBA established the Enforcement Program Oversight Committee to assist the CBA in considering issues related to the CBA Enforcement Program. The committee provides oversight of the enforcement goals and objectives. It also serves as the primary body for reviewing and proposing revisions to the CBA's *Manual of Disciplinary Guidelines and Model Disciplinary Orders*.

Legislative Committee

The CBA established the Legislative Committee to review, recommend, and advance legislation relating to consumer protection and the practice of public accountancy. The committee also coordinates the need for and use of CBA Members to testify before the Legislature.

Strategic Planning Committee

The CBA established the Strategic Planning Committee to assist in the development and implementation of the CBA Strategic Plan. The committee reviews the progress on the completion of the goals and objectives and provides an update to the CBA on a yearly basis.

FY 2014-15 – CBA Board Meeting Attendance						
Board Meetings	**07/24/14 – Sacramento**	**09/18-19/14 – San Diego**	**11/20-21/14 – Pasadena**	**01/22/15 – Los Angeles**	**3/19-20/15 – Irvine**	**05/28-29/15 – Los Angeles**
CBA Members	**CBA Board Meeting Date Attendance**					
Sarah Anderson, CPA	P	A	P	P	P	P
Diana Bell	P	P	P	*	*	*
Alicia Berhow	P	P	P	P	P	P
Jose A. Campos, CPA	P	P	P	P	P	P
Herschel Elkins, Esq.	P	P	P	P	P	P
Laurence Kaplan	P	P/A	P	P	P/A	P
Louise Kirkbride	A	A	P	A	A	A
Kay Ko	P	P	P	P	P	P
Leslie Lamanna, CPA	P	P	P	P	P	P
Xochitl A. León	-	-	-	P	P	P
Kitak Leung, CPA	P	P	P	P	P	*
Jian Ou-Yang, CPA	-	-	-	-	-	P
Manuel Ramirez, CPA	P	P	P	*	*	*
Katrina L. Salazar, CPA	P	P	P	P	P	P
Michael M. Savoy, CPA	P	P	P	P	P	P
Mark J. Silverman, Esq.	P	P	P	P	P	P
Kathleen K. Wright, CPA	-	-	-	-	-	P

Legend	
P	Present
A	Absent
-	Not Yet Appointed
*	Termed Off
P/A	Present 1st Day/Absent 2nd Day
A/P	Absent 1st Day/Present 2nd Day

FY 2015-16 – CBA Board Meeting Attendance						
Board Meetings	**07/22-23/15 – Sacramento**	**09/17-18/15 – Irvine**	**11/19/15 – Pasadena**	**01/21-22/16 – Irvine**	**3/17-18/16 – Anaheim**	**05/19-20/16 – Los Angeles**
CBA Members	**CBA Board Meeting Date Attendance**					
Sarah Anderson, CPA	P	P	P	*	*	*
Alicia Berhow	P	P	P	P	P	P
Jose A. Campos, CPA	P	P	P	P	P	P
Herschel Elkins, Esq.	P	P	P	P	A	P
George Famalett, CPA	-	-	-	P	P	A
Karriann Farrell Hinds, Esq.	-	-	-	-	P	P
Laurence Kaplan	P	P	P	P	P	P
Louise Kirkbride	A	A	P	A	A	A
Kay Ko	A	P	P	P	P	P
Leslie LaManna, CPA	A	P	P	P	P	P/A
Xochitl A. León	P	P	P	P	A	P
Jian Ou-Yang, CPA	A	P	P	P	P	P
Deidre Robinson	-	-	-	A	P/A	P
Katrina L. Salazar, CPA	P	P	P	P	P	P
Michael M. Savoy, CPA	P	P	P	P	P	P
Mark J. Silverman, Esq.	P	P	P	P	P	P
Kathleen K. Wright, CPA	A	P	P	P	P	P

Legend	
P	Present
A	Absent
-	Not Yet Appointed
*	Termed Off
P/A	Present 1st Day/Absent 2nd Day
A/P	Absent 1st Day/Present 2nd Day

FY 2016-17 – CBA Board Meeting Attendance						
Board Meetings	**07/21-22/16 – Los Angeles**	**09/15-16/16 – Irvine**	**11/17-18/16 – Sacramento**	**01/26/17 – Irvine**	**03/23-24/17 – Los Angeles**	**05/18-19/17 – Los Angeles**
CBA Members	**CBA Board Meeting Date Attendance**					
Alicia Berhow	A	P	P	P	P	P
Jose A. Campos, CPA	P	P/A	P	P	P	P
Herschel Elkins, Esq.	P	*	*	*	*	*
George Famalett, CPA	P	P	P	P	P	P
Karriann Farrell Hinds, Esq.	P	P	P	P	P	P/A
Laurence Kaplan	P/A	P	P	P	P/A	P
Kay Ko	P	P	A	A	A	*
Leslie LaManna, CPA	P	P	P	*	*	*
Xochitl A. León	P/A	A	P	P	P	P/A
Jian Ou-Yang, CPA	A	P	P	P	P/A	A
Sunny Youngsun Park, Esq.	-	-	-	-	P	P
Deidre Robinson	A	P	P	A	P	P/A
Katrina L. Salazar, CPA	P	P	P	P	P	P
Michael M. Savoy, CPA	P	P	A	P	P	P
Mark J. Silverman, Esq.	P	P	P	P	P	P
Kathleen K. Wright, CPA	P	P	P	P	P	P

Legend	
P	Present
A	Absent
-	Not Yet Appointed
*	Termed Off
P/A	Present 1st Day/Absent 2nd Day
A/P	Absent 1st Day/Present 2nd Day

FY 2017-18– CBA Board Meeting Attendance						
Board Meetings	**07/20-21/17 – Sacramento**	**09/14-15/17 – Fullerton**	**11/116/17 – Sacramento**	**01/18/18 – Sacramento**	**03/22-23/18 – Irvine**	**05/17/18 – Sacramento**
CBA Members	**CBA Board Meeting Date Attendance**					
Alicia Berhow	P	P	P	P	P	A
Jose A. Campos, CPA	P	P	P	P	P	P
George Famalett, CPA	P/A	P	P	P	P	P
Karriann Farrell Hinds, Esq.	P	P	P	P	A	P
Dan Jacobson, Esq.	-	P	P	P	P	P
Xochitl A. León	P/A	P	P	P	P	P
Luz Molina Lopez	-	-	P	P	P	P
Carola A. Nicholson, CPA	-	A	P	P	P	P
Jian Ou-Yang, CPA	P	A	P	A	A	A
Sunny Youngsun Park, CPA	P	P	P	P	A	P
Deidre Robinson	P	A	P	P	A	P
Katrina L. Salazar, CPA	P	A	P	P	P/A	P
Michael M. Savoy, CPA	P/A	P	A	P	P	P
Mark J. Silverman, Esq.	A	P	P	P	P	P
Kathleen K. Wright, CPA	P	P	P	P	P	P

Legend	
P	Present
A	Absent
-	Not Yet Appointed
*	Termed Off
P/A	Present 1st Day/Absent 2nd Day
A/P	Absent 1st Day/Present 2nd Day

TABLE 1B. BOARD MEMBER ROSTER					
Member Name	Date First Appointed	Date Re-Appointed	Date Term Expires	Appointing Authority	Type (public or professional)
Current					
Alicia Berhow	02/15/11	04/13/15	01/1/19	Speaker	Public
Jose A. Campos, CPA	12/14/12	01/15/16	11/26/19	Governor	Professional
Nancy J. Corrigan, CPA	08/17/18	N/A	11/26/21	Governor	Professional
George Famalett, CPA	11/23/15	N/A	01/01/19	Governor	Professional
Mary M. Geong, CPA	08/17/18	N/A	11/26/21	Governor	Professional
Karriann Farrell Hinds, Esq.	01/27/16	N/A	01/01/19	Governor	Public
Dan Jacobson, Esq.	09/01/17	N/A	01/01/21	Speaker	Public
Xochitl A. León	01/07/15	N/A	01/01/19	Senate	Public
Luz Molina Lopez	10/09/17	N/A	11/26/20	Governor	Public
Carola A. Nicholson, CPA	07/24/17	N/A	01/01/20	Governor	Professional
Sunny Youngsun Park, Esq.	01/11/17	N/A	01/01/20	Senate	Public
Deidre Robinson	06/26/15	N/A	11/26/18	Governor	Public
Katrina L. Salazar, CPA	12/14/12	01/5/16	11/26/19	Governor	Professional
Michael M. Savoy, CPA	12/21/10	11/25/14	11/26/18	Governor	Professional
Mark Silverman, Esq.	01/15/14	N/A	01/01/18	Governor	Public
Past					
Sarah Anderson, CPA	05/3/07	01/2/11	010/1/15	Governor	Professional
Diana Bell	09/4/09	01/12/11	01/01/15	Senate	Public
Herschel Elkins, Esq.	09/19/08	01/13/16	01/01/20	Senate	Public
Laurence Kaplan	03/15/11	01/15/13	01/01/17	Speaker	Public
Louise Kirkbride	03/18/08	01/02/11	01/01/15	Governor	Public
Kay Ko	12/03/13	N/A	11/26/16	Governor	Public
Leslie LaManna, CPA	01/12/07	12/14/12	01/01/16	Governor	Professional
Kitak Leung, CPA	12/21/10	N/A	11/26/14	Governor	Professional
Jian Ou-Yang, CPA	03/27/15	N/A	11/26/17	Governor	Professional
Manuel Ramirez, CPA	05/03/07	12/21/10	11/26/14	Governor	Professional
Kathleen K. Wright, CPA	01/27/15	N/A	11/26/17	Governor	Professional

2. **In the past four years, was the board unable to hold any meetings due to lack of quorum? If so, please describe. Why? When? How did it impact operations?**

No. The CBA has not missed any of its meetings or any of its committee meetings due to lack of quorum.

3. **Describe any major changes to the board since the last Sunset Review, including, but not limited to:**

- **Internal changes (i.e., reorganization, relocation, change in leadership, strategic planning)**
- **All legislation sponsored by the board and affecting the board since the last sunset review.**
- **All regulations changes approved by the board the last sunset review. Include the status of each regulatory change approved by the board.**

Restructure of Enforcement Program

The CBA performed a significant restructure of its Enforcement Program in the furtherance of its mission to protect consumers. Because of the restructure, the CBA has experienced:

- Reduced time to process and resolve complaints
- Increased number of disciplinary actions
- Reduced inventory of aging cases
- Enhanced probation monitoring

The restructure began with the CBA's Executive Officer hiring of a new Enforcement Chief in December 2014.

The new Enforcement Chief has a strong educational background, significant program management experience, and in-depth knowledge of consumer protection programs. He immediately acted to develop efficiencies within the Enforcement Program to keep up with the growing volume of complaints received, conduct more timely investigations, increase participation in field investigations, and monitor more closely licensees on probation.

At the end of 2015 and following an in-depth exploration of each area of the Enforcement Program, CBA Senior Management took necessary steps to reorganize positions throughout the CBA to ensure the CBA meets its mandate to protect consumers.

Recognizing the immediate and future needs of the Enforcement Program, CBA Senior Management redirected several positions to the Enforcement Program. Simultaneously, the Enforcement Program Managers began a project to streamline the workflow process.

Enforcement Program Management and staff met routinely to develop best practices related to case intake and case management, including:

- Developed new resources to assign and track cases
- Developed new checklists associated with case management
- Streamlined reports for administrative violations
- Revised communications associated with potential administrative violations designed to obtain increased compliance

- Developed comprehensive desk manuals designed to communicate expectations and provide useful training tools
- Instituted weekly meetings with non-technical analysts to discuss cases in a group setting, provide case direction and management, and share information regarding recent updates and changes
- Instituted bi-monthly meetings with technical investigators (the majority of whom work remotely throughout California) to discuss case direction and management and to share information regarding recent updates and changes

The CBA restructured its complaint intake process 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 CBA revised its best practices for its interactions with the Attorney General's Office. This included establishing procedures for following up on referred cases and obtaining resolutions for cases.

As more cases have been resolved, the CBA has experienced an increase in licensees on probation. The probation monitoring staff implemented several process improvements that clearly communicates the terms of probation to probationers and tracks compliance during the term of probation.

Each of these individually and collectively have resulted in increased consumer protection.

Successful Completion for Implementing Mobility

One of the major accomplishments the CBA 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* (also highlighted in Question 4).

The core elements of the final implementation stages focused on ensuring states operated under enforcement best practices and maintained necessary disciplinary disclosure information. In these two areas, California's mobility provisions laid the groundwork nationally for enforcement best practices and consumer-related disclosures for disciplinary information.

Historically, a significant concern regarding a no-notice mobility program centered on reliance of other states enforcement programs. For mobility to work effectively, states must maintain a level of confidence that other states have the resources and ability to effectively regulate their licensee population.

As part of the implementation, the National Association of State Boards of Accountancy developed Guiding Principles of Enforcement. The CBA reviewed these principles to determine if they met or exceeded enforcement practices used in California. After a public hearing on the Guiding Principles of Enforcement, the CBA determined they met California's own enforcement practices.

Using the Guiding Principles of Enforcement, and with the assistance of the National Association of State Boards of Accountancy in performing a state-by-state level assessment, the

CBA determined that other state boards of accountancy were operating under enforcement practices substantially equivalent to the principles.

The Guiding Principles of Enforcement have set a baseline for minimum expectations regarding other state boards' enforcement programs. As the CBA has determined that these principles are equivalent to California's own enforcement practices, this provides a greater level of assurance that California can rely on other states to effectively monitor and enforce their respective rules and regulations and provides a greater reliance on no-notice mobility.

Core to the National Association of State Boards of Accountancy's mission is encouraging states to employ best practices and bring increased uniformity to their rules, regulations, and enforcement practices. The National Association of State Boards of Accountancy has informed the CBA that while it conducted its work with the various states to determine substantial equivalency with the Guiding Principles of Enforcement, many states demonstrated areas of enforcement and disclosure improvement, including:

- One state shared that it drastically increased the number of on-site, unannounced visits to confirm that revoked licensees are no longer practicing.
- One state used California's mobility law and need to maintain adequate enforcement resources to successfully request additional staff/investigators from the Legislature.
- One state is using the list of factors, including mitigating and aggravating factors, in the Guiding Principles of Enforcement to add increased specificity to its own disciplinary guidelines.
- Several states have expressed interest in using CLEAR[2] and the National Association of State Boards of Accountancy Investigator Training Series. Since June 2016, the National Association of State Boards of Accountancy has identified 171 individual views of different modules within its Investigator Training Series and 14 states, including California, have represented taking advantage of the series to provide further training to their investigators, staff, or both.

It is also noteworthy that the National Association of State Boards of Accountancy Enforcement Resources Committee has added more tools to assist states in tracking probationary compliance, as several states expressed a desire during the interview process in using such tools if made available.

The greatest impact of the California mobility program is the movement of states to adopt the provision of a disciplinary marker through either CPAverify[3] or states' license look-up tool. When the National Association of State Boards of Accountancy presented its initial review of jurisdictions to the CBA in September 2015, 17 states were lacking disciplinary markers; now, all states maintain the required disciplinary flag. Consumers now have access to disciplinary information for all state boards of accountancy nationally.

Actions taken by the National Association of State Boards of Accountancy and the other states because of the passage of California's mobility program demonstrate a direct reflection of the positive impact the program had on increased consumer protection nationwide.

While the CBA has completed the successful implementation of the mobility program, it recognizes the importance of continued state-level oversight to ensure that states continue to

[2] CLEAR is an introductory training and certification program in investigations and inspection techniques and procedures.
[3] CPAverify is a CPA lookup tool populated by official state regulatory data sent from Boards of Accountancy to a central database.

operate under established enforcement best practices and maintain necessary disciplinary disclosure information. Therefore, the CBA has developed a framework for continued monitoring to further ensure the success of the mobility program and consumer protection.

Enhanced Outreach

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 their practice rights, including their continuing education requirements and ways to avoid enforcement actions.

The CBA website provides consumers and stakeholder with the easiest and most widely accessible tool. The CBA website includes a web-page dedicated to consumer-centric information and resources. As indicated in our response to Question No. 57, on the CBA website, consumers may find a wealth of useful information about CBA licensees, including guidance on how to choose a CPA suitable to their needs.

Also, the CBA website provides consumers easy access to the Accountancy Act, CBA Regulations, and several handbooks and other content that explains the requirements to obtain and maintain a license, how to file a complaint, and provides information about CBA meetings and related materials. For example, the CBA's *Consumer Assistance Booklet* is available for reading or download on the website. In addition, consumers may find phone numbers, fax numbers, and email addresses for the CBA's various programs.

The CBA website homepage includes an "Announcements" and "Upcoming Events" sections on its homepage that highlights current and future activities or events.

The CBA offers a list service, known as "E-News," that allows stakeholders, including consumers, to sign up to receive emails regarding the CBA's tri-annual newsletter, updates on regulatory changes, CBA meeting agendas and materials, and much more.

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 as we produce and share content relevant to our stakeholders. 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.

In addition, the CBA participates in various consumer-oriented outreach events, including:

- Annual Financial Literacy Resource Fair, sponsored by the California Department of Business Oversight
- California Senior Rally, sponsored by Seniors Count Coalition
- Tax Resource Fair, sponsored by Congressmember Karen Bass

Relocation of the CBA Offices

After 20 years at its prior location, in April 2017 the CBA relocated to a new office building at 2450 Venture Oaks Way, Sacramento, California.

The relocation to the new CBA facility was a result of several years of planning to ensure it met the CBA's logistical needs, provided added benefits to the CBA's Stakeholders, and would provide efficiency in its operations.

Because of limited space at its prior location, the CBA was required to lease a satellite office in a different building to accommodate staff. The new location provides sufficient space to accommodate all Sacramento area-located staff members in one location. With efficiencies in space allocation and layout, the CBA is occupying less space (less square footage) and has space for modest future growth.

The CBA designed its new conference room to meet its needs to hold all Northern California meetings at its office location. The conference room offers superior audio and webcasting capabilities and has sufficient space to accommodate a larger audience. This allows the CBA to reduce costs when meeting in Northern California, as it no longer needs to enter into contracts to secure offsite locations.

Since relocating, the CBA meets at its office three times each fiscal year, the Enforcement Advisory Committee and Qualifications Committee twice per fiscal year, and the Peer Review Oversight Committee holds all meetings at the CBA office four times per fiscal year. In addition, the Enforcement Advisory Committee and Qualifications Committee hold Northern California off-cycle subcommittee meetings at the new CBA office.

The new location also provides the following benefits:

- All workstations are ergonomically designed.
- Each workstation has a "sit-stand" station to allow staff the option of sitting or standing to do their work.
- Significant natural light, reducing the need for artificial lighting. All lighting is high-efficiency.
- The CBA office received LEED[4] certification. Additionally, all lights are on a motion sensor to reduce power usage.
- The building was designed to accommodate the CBA's program areas, producing a more cohesive working environment.
- The facility has improved heating and air conditioning units, which at the prior location experienced significant failures impacting CBA operations and staff productivity.
- The CBA is near the headquarters for the Department of Consumer Affairs, the Sacramento International Airport, and the State Capitol.

<u>Succession Planning</u>

Appropriate succession planning is central to the CBA's ability to continue providing effective consumer protection and service to its stakeholders. The CBA takes proactive steps to address succession issues that may develop in the future. The CBA's Succession Plan was updated in 2018 to continue guiding this process.

The Succession Plan is an invaluable document that identifies specific steps to take during the recruitment of staff in key positions. The recent Succession Plan was updated to address the restructuring that occurred with the Enforcement Program, specifically the creation of the Enforcement Deputy Chief position. Another valuable part of the Succession Plan provides a

[4] LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system in the world. Available for virtually all building, community and home project types, LEED provides a framework to create healthy, highly efficient and cost-saving green buildings.

snapshot of the number of staff who are at or near the retirement age, shedding light on possible upcoming vacancies.

As identified in the Succession Plan, but also to foster an environment of learning and career advancement, the CBA routinely cross trains staff in all areas to ensure that during an absence or extended leave there is no interruption of service to consumers.

The CBA does not anticipate any turnover to its Executive Officer, Assistant Executive Officer, Senior Management, or Information Technology Specialist positions.

Strategic Planning

The CBA's 2016-2018 Strategic Plan contains a mission, vision, values, goals and objectives which all serve as a roadmap to guide future CBA priorities and activities. The CBA's goal areas include: Enforcement, Licensing, Customer Service, Outreach, Laws and Regulations, Emerging Technologies, and Organizational Effectiveness.

The CBA's 2016-2018 Strategic Plan has 23 objectives, which are assigned to staff, who serve as project managers by identifying the steps and resources necessary to complete each objective. Including all levels of CBA staff in the Strategic Planning process allows employees to take ownership in the future of the CBA and deepen their contribution to the CBA's consumer protection mission.

The CBA's 2016-2018 Strategic Plan was developed through a collaborative process between the CBA and the Department of Consumer Affairs and included input from CBA Members, Committee members, CBA Stakeholders, and staff. Due to its success, a similar process will be used as the CBA develops its 2019-2021 Strategic Plan.

This section will be finalized after the September 2018 meeting as the CBA is considering its next strategic plan as an agenda topic at that meeting.

Leadership Changes

CBA Leadership

CBA Leadership, consisting of the President, Vice-President, and Secretary/Treasurer, guide the priorities of the CBA during their term. This includes conducting board meetings, attending legislative meetings, testifying at legislative hearings, and giving presentations at various outreach events.

Each year, the CBA votes to elect three leadership positions to serve for a 12-month period: President, Vice-President, and Secretary/Treasurer. Those three CBA Members collaborate with the Executive Officer, Assistant Executive Officer, and the Enforcement Chief to identify priorities and accomplish goals for the upcoming year. Some of the priorities in recent years include:

- Enhancing outreach to CBA Stakeholders
- Preparing and issuing a report to the Legislature regarding Mobility in California
- Initiating a project to accept credit card payments for license renewal
- Assessing the peer reviewer population

Staff Leadership
The CBA's Executive Officer and Assistant Executive Officer have not changed since the prior sunset review. In December 2014, a new Enforcement Chief, Dominic Franzella was hired.

Mr. Franzella graduated from California State University, Sacramento and began his career with the CBA in August 2005. Within a few years he was promoted to manager and managed several programs within the Licensing Program. He was promoted to Chief of Licensing in March 2012 where his dedication to the CBA and his commitment to excellence and leadership made him an effective Licensing Chief and a trusted and valued member of the CBA's Senior Management.

Since leading the Enforcement Program, he has guided the CBA to many accomplishments, including:

- Reduced processing timeframes for complaint intake and investigation
- Streamlined processes for cases referred to the Attorney General's Office
- Provided quick resolution of matters that result in a Default Decision or Stipulated Settlement
- Significantly increased the number of disciplinary actions taken against licensees by identifying efficiencies with internal procedures
- Addressed inventory of aging cases
- Represented the CBA at national conferences

Legislation

2018

Bill Number:	**Assembly Bill 2138, Chiu and Low (Chapter XX, Statutes of 2018)**
Subject Matter:	Applications: Revocation or Suspension of licensure: Criminal Convictions
Effective Date:	January 1, 2019
Summary:	This bill limits the current discretion provided to regulatory entities within the Department of Consumer Affairs to apply criminal history background, as it relates to denial of an application for licensure and suspension or revocation of an existing license, by specifying that these actions can be taken if the applicant or licensee was formally convicted of a crime directly and adversely related to the qualifications, functions or duties for which the individual is seeking licensure or is licensed.

Bill Number:	**Senate Bill 795, Galgiani (Chapter XX, Statutes of 2018)**
Subject Matter:	Accountancy Practice Privileges
Effective Date:	January 1, 2019
Summary:	This bill, as drafted, will remove the sunset date for the CBA's mobility program for out-of-state licensees who are authorized to practice public accountancy in California.
Bill Number:	**Senate Bill 1492, Senate Business, Professions and Economic Development Committee (Chapter XX, Statutes of 2018)**
Subject Matter:	The Department of Consumer Affairs
Effective Date:	January 1, 2019
Summary:	This bill is the CBA's omnibus bill and, as drafted, will delete obsolete language in provisions related to attest experience, and fee collection requirements for CPA licensure applicants. Additionally, this bill states that 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.

2017

Bill Number:	**Senate Bill 547, Hill (Chapter 429, Statutes of 2017)**
Subject Matter:	Professions and Vocations: Weights and Measures
Effective Date:	January 1, 2018
Summary:	This bill was the CBA's omnibus bill and clarified 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. Additionally, this bill allowed the CBA to quickly extend or remove the inoperative dates of the CBA's practice privilege regulations.
Bill Number:	**Senate Bill 800, Senate Business, Professions and Economic Development Committee (Chapter 429, Statutes of 2017)**
Subject Matter:	Professions and Vocations
Effective Date:	January 1, 2018
Summary:	This bill was the CBA's omnibus bill and corrected a minor inaccuracy in the name of one credentials evaluation organization by changing one word from singular to plural, and updating the name of another credentials evaluation organization to reflect its current name.

2016

Bill Number:	**Senate Bill 1348, Canella (Chapter 174, Statutes of 2016)**
Subject Matter:	Licensure applications: Military Experience
Effective Date:	January 1, 2017
Summary:	This bill requires regulatory boards and bureaus within the Department of Consumer Affairs to indicate on a license application that veterans may be able to apply military experience and training toward licensure requirements.
Bill Number:	**Senate Bill 1479, Senate Business, Professions and Economic Development Committee (Chapter 634, Statutes of 2016)**
Subject Matter:	Business and Professions
Effective Date:	January 1, 2017
Summary:	This bill was the CBA's omnibus bill and added flexibility to the CBA's ethics study requirements by changing it from a specific title requirement to a subject requirement.
Bill Number:	**Senate Bill 2560, Obernolte (Chapter 302, Statutes of 2016)**
Subject Matter:	Accountants: Practice Privileges: Out-of-State Individuals
Effective Date:	January 1, 2017
Summary:	This bill authorizes the CBA to promulgate emergency regulations if it determines, under the current Practice Privilege Program, that allowing individuals from a substantially similar state to practice in California violates its duty to protect consumers.
Bill Number:	**Senate Bill 2853, Gatto (Chapter 429, Statutes of 2016)**
Subject Matter:	Public Records
Effective Date:	January 1, 2017
Summary:	This bill authorized a public agency that posts a public record on its Internet website to refer a person who requests to inspect or obtain the record to the agency's website.

2015

Bill Number:	**Assembly Bill 1352, Eggman (Chapter 464, Statutes of 2015)**
Subject Matter:	Deferred Entry of Judgment: Withdrawal of Plea
Effective Date:	January 1, 2016
Summary:	This bill required the court to permit a defendant, who was granted deferred entry of judgment on or after January 1, 1997, and who has performed satisfactorily during the period in which deferred entry of judgment was granted and for whom the criminal charge or charges were dismissed, to withdraw his or her plea and enter a plea of not guilty.
Bill Number:	**Senate Bill 467, Senate Business, Professions and Economic Development Committee (Chapter 656, Statutes of 2015)**
Subject Matter:	Professions and Vocations
Effective Date:	January 1, 2016
Summary:	This bill extended the sunset date for the CBA to January 1, 2020. Additionally, it authorized the CBA, after notice and hearing, to permanently restrict or limit the practice of a licensee or impose a probationary term or condition on a license for unprofessional conduct. This bill authorized a licensee to petition the CBA for reduction of a penalty or reinstatement of the privilege, as specified, and provided that failure to comply with any restriction or limitation imposed by the CBA is grounds for revocation of the license.

2014

Bill Number:	**Assembly Bill 1702, Maienschein (Chapter 410, Statutes of 2014)**
Subject Matter:	Professions and Vocations: Incarceration
Effective Date:	January 1, 2015
Summary:	This bill specified that an individual who satisfied the requirements for licensure while incarcerated and applied for licensure after being released from incarceration shall not have his or her application delayed or denied solely on the basis that some or all of the requirements were completed while the individual was incarcerated.

Bill Number:	**Assembly Bill 2396, Bonta (Chapter 737, Statutes of 2014)**
Subject Matter:	Convictions: Expungement: Licenses
Effective Date:	January 1, 2015
Summary:	This bill prohibited boards within Department of Consumer Affairs from denying a professional license based solely on a criminal conviction that has been withdrawn, set aside, or dismissed by the court.

Bill Number:	**Assembly Bill 2720, Ting (Chapter 510, Statutes of 2014)**
Subject Matter:	State Agencies: Meetings: Record of Action Taken
Effective Date:	January 1, 2015
Summary:	This bill requires a state body to publicly report any action taken at an open meeting, and the vote or abstention on that action, of each member present for the action.

Bill Number:	**Senate Bill 1243, Lieu (Chapter 395, Statutes of 2014)**
Subject Matter:	Professions and Vocations
Effective Date:	January 1, 2015
Summary:	This bill contained the following provisions affecting the CBA:

- Required boards, within the Department of Consumer Affairs, to provide meeting notices by email, mail or both at the option of those that request it. In addition, a statement of intent to webcast must be included on the public notice.
- Expanded the CBA's authority to request telephone disconnection, for advertising of unlicensed activity in any form of advertisement, not just in a telephone directory.
- Required Department of Consumer Affairs to develop and offer enforcement training to enforcement employees at least once per year.
- Required Department of Consumer Affairs to conduct a study of the efficiency and cost-effectiveness of its pro rata system.
- Revised the information in Department of Consumer Affairs's annual report to the Governor to include the total number of restraining orders or interim suspension orders, and other performance related information.
- Required Department of Consumer Affairs to develop a board member mentor program through which experienced board members would mentor a new board member from a different board.

Bill Number: **Senate Bill 1467, Senate Business, Professions and Economic Development Committee (Chapter 400, Statutes of 2014)**

Subject Matter: Professions and Vocations

Effective Date: January 1, 2015

Summary: This bill was the CBA's omnibus bill and made the following changes:

Academia: This bill authorized the CBA, by regulation, to allow experience in academia to qualify as general accounting experience for the one-year general accounting experience requirement necessary for CPA licensure.

Email: This bill authorized the CBA to collect, but not require, a valid electronic mail address at the time of application for, or renewal of, a CPA license. By law, these electronic mail addresses shall not be considered public records and the new law would prohibit these electronic mail addresses from being disclosed pursuant to specified provisions of law, unless required pursuant to a court order.

Mobility (Practice Privilege): This bill required an individual who holds and is exercising a practice privilege in California to notify the CBA of any pending criminal charges other than a minor traffic violation, in any jurisdiction, in writing within 30 days of the date the individual has knowledge of those charges.

Regulations

2018

Title 16, California Code of Regulations, Section	Subject	Status
70	Fees	Under Development by CBA
9.1, 12, 12.1, 12.5, 15.1, 16, 19, 20, 43, 45, 87.9	Address Change to CBA Forms (Section 100)	Approved by Office of Administrative Law March 2018
87, 88	Continuing Education Enhancements	Under Development by CBA

2017

Title 16, California Code of Regulations, Section	Subject	Status
54.3, 54.4	Sale, Transfer, or Discontinuance of Practice	Under Review at Department of Consumer Affairs
98, 99.1	Disciplinary Guidelines and Rehabilitation Criteria	Under Review at Department of Consumer Affairs
88, 88.1, 88.2, 89	Continuing Education – Nano and Blended Learning; Reduce Fraud to Four Hours for Exceptions/Exentions	Under Development by CBA
7.1, 8, 70, 75.5, 87.6, 89.1	Outdated and Obsolete Regulations	Under Review at Department of Consumer Affairs
87	Continuing Education – Preparation Engagements	Approved by Office of Administrative Law June 2017
12.5	Attest Experience Form	Under Development by CBA
90	Reduce Fraud to 4 Hours – Exception and Extensions	Under Development by CBA

2016

Title 16, California Code of Regulations, Section	Subject	Status
70	Initial and Renewal Fee Increase	Disapproved by Office of Administrative Law May 2016
36.1	Out-of-State Licensees (Section 100)	Approved by Office of Administrative Law July 2016
45	Peer Review Reporting – Firms	Approved by Office of Administrative Law July 2016
42	Peer Review – Exclusion	Approved by Office of Administrative Law November 2016

2015

Title 16, California Code of Regulations, Section	Subject	Status
98	Disciplinary Guidelines and Model Orders	Approved by Office of Administrative Law July 2015
19	Practice Privilege Notification of Pending Criminal Charges Form	Approved by Office of Administrative Law July 2015
12, 12.5, 37	Continuing Education – Stale-Dated Experience	Approved by Office of Administrative Law August 2015
9.1	Credentials Evaluation Service	Approved by Office of Administrative Law September 2015
12.1	Licensure – Experience in Academia	Approved by Office of Administrative Law September 2015

4. Describe any major studies conducted by the board (cf. Section 12, Attachment C).

2018

Benefits of Peer Review Report

As part of its prior sunset review, the Legislature mandated that the CBA report to the Legislature the benefits of the peer review program. The CBA conducted a survey to assist in collecting specific empirical data for the report. The CBA is working closely with the American Institute of CPAs and the California Society of CPAs to assist in obtaining survey responses from participants in the peer review program and receive current input on the program's benefits.

2017

California's Mobility Program for Accountancy, Implementation, Enforcement, and its Consumer Benefits

The report represented the culmination of a multi-year effort to effectively implement the provisions of the mobility program and assess the impact on consumers and licensees, especially as it related to enforcement practices and disciplinary disclosure requirements of other states.

The CBA concluded that the mobility program, enacted by the Legislature with the passage of Senate Bill 1405 (Chapter 411 of 2012 Statutes), meets the CBA's mission to protect consumers. The report benefited from the active involvement of numerous stakeholders, including licensees and consumers.

In addition to meeting the CBA's mission to protect consumers, the CBA found that in many instances, the provisions included in the mobility program meet or exceeded the provisions of the original practice privilege program. Further, the CBA found that California's mobility law had a cascading effect on other states' enforcement and disciplinary disclosure practices.

The CBA noted in this report that a new national floor has been set regarding states' enforcement practices. Further, states now provide disciplinary flag disclosures on their website or through CPAverify. The CBA determined that these provided significant consumer protection and benefit both on a state and national level.

The CBA submitted the report in December 2017.

2016

Study on the Attest Experience Requirement

Over a two-year period, the CBA completed its Study on the Attest Experience Requirement for CPA licensure to determine if the requirement was necessary and sufficient to support the CBA's mission to protect consumers.

The CBA developed a comprehensive approach to evaluating the attest requirement on a state and national level, including developing a California-specific survey targeting various CBA stakeholders (applicants, individual licensees, licensed accounting firms, college/university accounting program faculty, and consumers). The survey received over 10,000 responses.

To assist the CBA in developing, collecting, and analyzing results from the survey, the CBA selected a third-party vender – CPS HR Consulting. CPS prepared a comprehensive data-driven report on the survey to aid the CBA in evaluating the attest experience requirement.

The study concluded with the CBA determining that the 500-hour attest experience requirement is sufficient for CPA licensure.

5. List the status of all national associations to which the board belongs.

- **Does the board's membership include voting privileges?**
- **List committees, workshops, working groups, task forces, etc., on which board participates.**
- **How many meetings did board representative(s) attend? When and where?**
- **If the board is using a national exam, how is the board involved in its development, scoring, analysis, and administration?**

National Associations

There are two primary national associations that the CBA is affiliated with: the American Institute of CPAs and the National Association of State Boards of Accountancy.

The American Institute of CPAs is the world's largest member association that serves the public interest. The American Institute of CPAs sets ethical and auditing standards for the public accounting profession and develops and grades the CPA Examination. The American Institute of CPAs has several volunteer committees that members may participate on to discuss national issues impacting the profession and consumer protection. The CBA votes on matters when an individual CBA member is present at the meeting.

The National Association of State Boards of Accountancy, which the CBA is a member of, is an association dedicated to enhancing the effectiveness of the country's 55 state boards of accountancy.

The National Association of State Boards of Accountancy, whose mission is to, *"Enhance the effectiveness and advance the common interests of the Boards of Accountancy,"* accomplishes its mission by creating a forum for accounting regulators and practitioners to address issues relevant to the viability of the accounting profession. The National Association of State Boards of Accountancy offers its member boards various products and services designed to effectively aid boards in their goal to protect the public.

The CBA may vote on any matter brought before the National Association of State Boards of Accountancy, while in attendance at a meeting requiring such vote.

The CBA has participated on committees and attended meetings with the National Association of State Boards of Accountancy and American Institute of CPAs, which are identified below.

2018

Meeting Information	Date(s)/Location(s)	Attendee(s)
National Association of State Boards of Accountancy – Bylaws Committee	March 6, 2018/Teleconference April 30, 2018/Teleconference	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Enforcement Resources Committee	January 24, 2018/Teleconference	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Strategic Planning Task Force	August 28-30, 2018/Teleconference	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Pacific Regional Director	April 26-27, 2018/Charleston, SC July 19-20, 2018/San Diego, CA November 25-26, 2018/Scottsdale, AZ	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Annual Meeting	November 25-26, 2018/Scottsdale, AZ	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Western Regional Meeting	June 26-28, 2018/Olympic Valley, CA	Katrina L. Salazar, CPA Michael M. Savoy, CPA Jose A. Campos, CPA Luz Molina Lopez Carola A. Nicholson, CPA
American Institute of CPAs – State Board Committee	May 29-June 1, 2018/New York City, NY	Katrina L. Salazar, CPA

2017

Meeting Information	Date(s)/Location(s)	Attendee(s)
National Association of State Boards of Accountancy – Computer-Based Testing Committee	September 25, 2017/Teleconference	Mark J. Silverman, Esq.
National Association of State Boards of Accountancy – Continuing Professional Education Committee	January 24, 2017/Teleconference September 25, 2017/Teleconference December 19, 2017/Teleconference	Kathleen Wright, CPA
National Association of State Boards of Accountancy – Enforcement Resources Committee	January 19, 2017/Teleconference March 16, 2017/Teleconference	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Annual Meeting	October 29-November 1, 2017/New York City, NY	Alicia Berhow

2016

Meeting Information	Date(s)/Location(s)	Attendee(s)
National Association of State Boards of Accountancy – Annual Meeting	October 30 – November 2, 2016/Austin, TX	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Eastern Regional Meeting	June 7-9, 2016/Ashville, NC	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Western Regional Meeting	June 22-24, 2016/Denver, CO	Katrina L. Salazar, CPA
National Association of State Boards of Accountancy – Strategic Planning Taskforce	January 10, 2016/Teleconference	Michael M. Savoy, CPA

2015

Meeting Information	Date(s)/Location(s)	Attendee(s)
National Association of State Boards of Accountancy – Strategic Planning Taskforce	June 5-6, 2015/Dallas, TX	Michael M. Savoy, CPA
National Association of State Boards of Accountancy – Annual Meeting	October 25-28, 2015/Dana Point, CA	Jose A. Campos, CPA
National Association of State Boards of Accountancy – Western Regional Meeting	June 17-19, 2015/Coronado, CA	Jose A. Campos, CPA

2014

Meeting Information	Date(s)/Location(s)	Attendee(s)
National Association of State Boards of Accountancy – Annual Meeting	November 2-5, 2014/Washington D.C.	Jose A. Campos, CPA

Over the past several years, the CBA has been successful in obtaining approval from the Governor's Office for out-of-state travel. California's participation on and attendance at various committee and national meetings allows it to represent the consumers of California and allows the CBA to learn from and share valuable expertise in the areas it regulates. California's voice and input are crucial and influential in sharing its experiences with colleagues from around the country. This interchange of valuable information allows the CBA to leverage the experience and lessons learned from its peers.

National Examination

The CBA has a contract with the National Association of State Boards of Accountancy, who participates in a tri-party agreement with the American Institute of CPAs and Prometric Testing Centers for the national examination, referred to as the CPA Examination. Each entity, including the CBA, participates in various ways for the development, administration, scoring, and analysis of the CPA Examination.

The CBA, and all other state boards of accountancy, require applicants to pass the CPA Examination, and meet education and experience requirements to make important determinations of qualification for licensure as a CPA.

The CPA Examination is a criterion-referenced examination, which means that it rests upon pre-determined standards. Every candidate's performance is measured against established standards to determine whether the candidate has demonstrated the level of knowledge and skills represented by the passing score. Every candidate is judged against the same standards, and every score is an independent result.

The American Institute of CPAs and its Board of Examiners, has primary responsibility for the development, scoring, and analysis of the CPA Examination, with consultation from all state

boards of accountancy. At appropriate intervals, the American Institute of CPAs initiates a comprehensive practice analysis to ensure that the CPA Examination continues to test the minimum competencies needed to become a licensed CPA.

During a practice analysis, the American Institute of CPAs issues an Exposure Draft and seeks input from a wide range of stakeholders, including state boards of accountancy. The most recent practice analysis was initiated in 2014 and at its November 2015 meeting the CBA conducted an in-depth overview of the next version of the CPA Examination and provided feedback via a comment letter. The feedback from the CBA, and other stakeholders assisted in the finalization of the CPA Examination that exists today, following its launch in April 2017.

Additionally, the CBA is fortunate to have one of its members, Katrina L. Salazar, CPA, serve on American Institute of CPAs' State Board Committee. The State Board Committee serves as a communication link between the Board of Examiners and state boards of accountancy. It is responsible for communicating state board concerns regarding the CPA Examination to the Board of Examiners.

Prior to an individual taking the CPA Examination, they must first apply to, and be approved by, the CBA to ensure minimum educational qualifications are met. The CBA maintains full authority and responsibility for establishing and enforcing the minimum qualifications a candidate must meet prior to being granted admittance to the CPA Examination, which provides a minimum competency assessment of all prospective CPA licensees. The CBA provides oversight of CPA Examination administration through various security measures that are enforced, including site inspections and secret shoppers.

Although the scoring of the CPA Examination is primarily handled by the American Institute of CPAs, the CBA receives the scores and is responsible for issuing them to each candidate. The CBA also approves exam passage following the receipt, verification, and issuance of passing test scores for each section of the CPA Examination.

6. Provide each quarterly and annual performance measure report for the board as published on the DCA website.

The links to each Department of Consumer Affairs quarterly and annual report that contains enforcement-related performance measures for the CBA are provided below.

Quarterly Reports
Q2, October - December 2017
Q1, July - September 2017
Q4, April - June 2017
Q3, January - March 2017
Q2, October - December 2016
Q1, July - September 2016
Q4, April - June 2016
Q3, January - March 2016
Q2, October - December 2015
Q1, July - September 2015
Q4, April - June 2015
Q3, January - March 2015

DCA Annual Reports
2017 (see pages 15-16)
2016 (see pages 14-15)
2015 (see pages 13-14)

7. Provide results for each question in the board's customer satisfaction survey broken down by fiscal year. Discuss the results of the customer satisfaction surveys.

One way the CBA seeks to assess and, where appropriate, improve its customer service is from information received through two surveys – the Department of Consumer Affairs Consumer Satisfaction Survey and CBA Stakeholder Satisfaction Survey. The CBA Stakeholder Satisfaction Survey covers all services provided by CBA staff. The Department of Consumer Affairs Consumer Satisfaction Survey focuses solely on enforcement activities and addresses consumer satisfaction after the conclusion of a complaint.

The surveys help the CBA gain insight and recommendations to improve operations throughout the CBA. The CBA carefully reviews all comments and suggestions received and makes a concerted effort to continually improve its programs based on respondents' feedback.

CBA Stakeholder Satisfaction Survey
The CBA prides itself on providing the highest level of customer service possible and measures satisfaction throughout all CBA operations, regardless of what program is contacted or the magnitude of the question or comment posed. The CBA strives to deliver exceptional customer service to all stakeholders – consumers, licensees, and applicants – and the topic of customer service is one of seven goals included in the CBA's Strategic Plan.

The CBA believes providing consistent high-level customer service is essential to ensuring that its consumer protection mandate is met. A foundational understanding of customer service is paramount in the day-to-day operations of the CBA.

Through the CBA Stakeholder Satisfaction Survey, any stakeholder (including consumers, licensees, and applicants) may provide feedback on their interactions with the CBA. Positive comments received were generally complimentary of the helpfulness and professionalism of the

CBA's staff, and mainly focused on the quality and speed of the services received. These positive comments are regularly shared with CBA staff to promote a positive working environment and to show appreciation for a job well done.

While over the totality of the four-fiscal year period, the CBA has experienced positive stakeholder satisfaction, over fiscal year 2017-18, the CBA has realized a decrease in satisfaction. The CBA is committed to leveraging negative feedback to continue to improve the quality of service provided. When received, respondents' negative comments primarily focus on frustrations related to the CBA's lack of technology – specifically in the areas of paper-based application, license renewal, and payment systems.

Regardless of whether the comments are positive, negative, or intended to provide constructive criticism, the CBA carefully reviews each and uses it to continually improve its programs and level of service. The CBA recently required all employees to participate in customer service training offered by Department of Consumer Affairs. This training focused on modern telephone customer service techniques and the "7 C's of Customer Service," which emphasizes providing clear, complete, committed, concerned, courteous, concise, and correct service.

Regarding comments relating to technology, the CBA is in the preliminary planning process of Department of Consumer Affairs's Business Modernization Project and, therefore, is still in the initial phases of updating the technology that supports its licensing, enforcement, and payment processes. As an interim step and short-term solution, the CBA is working to allow credit card payments for license renewal, which is anticipated to be implemented in late 2018.

CBA Stakeholder Satisfaction Survey								
Questions	**FY 2014-15**		**FY 2015-16**		**FY 2016-17**		**FY 2017-18**	
	Number	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**
How satisfied were you with the service received from CBA staff?								
Very Satisfied	172	77%	159	78%	100	64%	120	54%
Satisfied	20	9%	23	11%	21	14%	23	11%
Neutral	10	4%	5	2%	Identifies periods when the question changed and no response recorded			
Not Satisfied	17	8%	16	8%	33	21%	76	34%
Not Applicable	5	2%	2	1%	2	1%	3	1%
Total	**224**	**100%**	**205**	**100%**	**156**	**100%**	**222**	**100%**
How satisfied were you with the time it took CBA staff to respond to your inquiry?								
Very Satisfied	176	79%	159	78%	107	69%	129	58%
Satisfied	22	10%	19	9%	22	14%	42	19%
Neutral	8	3%	5	3%	Identifies periods when the question changed and no response recorded			
Not Satisfied	13	6%	9	4%	23	15%	41	18%
Not Applicable	5	2%	12	6%	4	2%	10	5%
Total	**224**	**100%**	**204**	**100%**	**156**	**100%**	**222**	**100%**

How satisfied are you with how information is organized and presented on the CBA website?								
Very Satisfied	82	36%	79	39%	61	39%	70	32%
Satisfied	65	29%	67	33%	52	33%	78	35%
Neutral	30	14%	27	14%	Identifies periods when the question changed and no response recorded			
Not Satisfied	30	14%	16	8%	26	17%	53	24%
Not Applicable	16	7%	12	6%	17	11%	20	9%
Total	**223**	**100%**	**201**	**100%**	**156**	**100%**	**221**	**100%**
When contacting the CBA by email, were you satisfied with staff's ability to answer your question(s)?								
Very Satisfied	135	61%	122	61%	Identifies periods when the question changed and no response recorded			
Satisfied	21	9%	14	7%				
Neutral	6	3%	3	1%				
Not Satisfied	12	5%	12	6%				
Not Applicable	48	22%	50	25%				
Total	**222**	**100%**	**201**	**100%**				
When contacting the CBA by telephone, were you satisfied with staff's ability to answer your question(s)?								
Very Satisfied	106	49%	89	44%	Identifies periods when the question changed and no response recorded			
Satisfied	19	9%	18	9%				
Neutral	9	4%	3	2%				
Not Satisfied	7	3%	9	4%				
Not Applicable	76	35%	84	41%				
Total	**217**	**100%**	**203**	**100%**				
How satisfied were you with the ability of CBA staff to answer your questions?								
Very Satisfied	Identifies periods when the question changed and no response recorded				99	63%	118	54%
Satisfied					20	13%	22	10%
Not Satisfied					32	21%	66	30%
Not Applicable					5	3%	14	6%
Total					**156**	**100%**	**220**	**100%**

Overall, how satisfied were you with the service you received from the CBA?								
Very Satisfied	158	71%	135	66%	95	62%	106	51%
Satisfied	27	12%	35	17%	16	11%	25	12%
Neutral	13	6%	6	3%	Identifies periods when the question changed and no response recorded			
Not Satisfied	19	9%	17	9%	39	26%	72	35%
Not Applicable	5	2%	9	5%	2	1%	5	2%
Total	**222**	**100%**	**202**	**100%**	**152**	**100%**	**208**	**100%**

To promote availability of the CBA's Stakeholder Satisfaction Survey, it is made available on the CBA website, promoted in its UPDATE newsletter, referenced in various letters, and a link included on most email correspondence with stakeholders. Additionally, the CBA continues to evaluate ways to increase feedback by using its social media platforms to promote the survey. The CBA is also partnering with state and national stakeholders to leverage their communications and marketing experience with consumers across the nation.

Department of Consumer Affairs Consumer Satisfaction Survey

The Consumer Satisfaction Survey is a Department of Consumer Affairs-developed and managed survey used to measure satisfaction among consumers who file a complaint with a board or bureau.

Since the prior Sunset Review, satisfaction with the CBA's enforcement processes has increased significantly. Between that four-year period (fiscal years 2013-14 to 2017-18), an average of 65 percent of survey respondents gave the CBA a rating of "Very Good" or "Good" regarding the handling of their complaint.

DEPARTMENT OF CONSUMER AFFAIRS CONSUMER SATISFACTION SURVEY								
Questions	**FY 2014-15***		**FY 2015-16**		**FY 2016-17**		**FY 2017-18**	
	Number	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**
How well did we explain the complaint process to you?								
Very Good	11	55%	13	42%	30	52%	19	56%
Good	4	20%	11	36%	13	22%	7	20%
Poor	2	10%	2	6%	5	9%	1	3%
Very Poor	3	15%	5	16%	10	17%	7	21%
Total	**20**	**100%**	**31**	**100%**	**58**	**100%**	**34**	**100%**
How clearly was the outcome of your complaint explained to you?								
Very Good	8	40%	14	47%	34	57%	18	55%
Good	4	20%	8	27%	9	15%	5	15%
Poor	4	20%	2	6%	5	8%	2	6%

Very Poor	4	20%	6	20%	12	20%	8	24%
Total	**20**	**100%**	**30**	**100%**	**60**	**100%**	**33**	**100%**
How well did we meet the timeframe provided to you?								
Very Good	11	58%	13	42%	29	49%	19	56%
Good	3	16%	8	26%	14	24%	7	20%
Poor	1	5%	5	16%	6	10%	1	3%
Very Poor	4	21%	5	16%	10	17%	7	21%
Total	**19**	**100%**	**31**	**100%**	**59**	**100%**	**34**	**100%**
How courteous and helpful was staff?								
Very Good	12	60%	14	47%	34	61%	18	58%
Good	2	10%	11	37%	8	14%	8	26%
Poor	2	10%	3	10%	5	9%	0	0%
Very Poor	4	20%	2	6%	9	16%	5	16%
Total	**20**	**100%**	**30**	**100%**	**56**	**100%**	**31**	**100%**
Overall, how well did we handle your complaint?								
Very Good	12	57%	15	48%	33	55%	16	50%
Good	1	5%	5	16%	7	12%	5	16%
Poor	2	9%	3	10%	5	8%	3	9%
Very Poor	6	29%	8	26%	15	25%	8	25%
Total	**21**	**100%**	**31**	**100%**	**60**	**100%**	**32**	**100%**
If we were unable to assist you, were alternatives provided to you?								
Good	0	0%	0	0%	0	0%	0	0%
Poor	6	55%	8	89%	16	84%	8	57%
Very Poor	5	45%	1	11%	3	16%	6	43%
Total	**11**	**100%**	**9**	**100%**	**19**	**100%**	**14**	**100%**
Did you verify the provider's license prior to service?								
Yes	9	60%	15	50%	16	27%	7	23%
No	6	40%	9	30%	15	25%	8	26%
Not Applicable	0	0%	6	20%	28	48%	16	52%
Total	**15**	**100%**	**30**	**100%**	**59**	**100%**	**31**	**100%**

* The Department of Consumer Affairs changed the survey questions and associated responses after Quarter 2 for fiscal year 2014-15; therefore, the data for fiscal year 2014-15 is for Quarters 3 and 4.

As further explained in Section 10, Issue #5 of this report (see page 96), the Department of Consumer Affairs Consumer Satisfaction Survey is only focused on the CBA's enforcement program and therefore does not speak to other areas of the CBA's operations. In addition, this survey is only directed at individuals who filed a complaint or had a case opened against them by the CBA. Due to its narrow focus, this survey receives a small number of responses from a limited portion of the CBA's stakeholder population. Further, the hardcopy format and through regular mail distribution of the survey likely contributes to the low response rates.

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.

The CBA has also continued to meet state-wide directives and goals focused on purchasing goods and services from Small Business and Disabled Veteran Business Enterprises. In January 2017, the CBA received an award for its success in exceeding state expectations in contracting and furthering the "best practice" activities with Small Business and Disabled Veteran Business Enterprises for fiscal year 2015-16.

Fiscal Issues

8. Is the board's fund continuously appropriated? If yes, please cite the statute outlining this continuous appropriation.

The CBA's fund is not continuously appropriated. It is developed annually and subject to legislative approval.

9. Describe the board's current reserve level, spending, and if a statutory reserve level exists.

The CBA's reserve level at the end of fiscal year 2017-18 was $27,515,800, which is 21.9 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. The reversion has been somewhat high in prior years; however, due to increased spending in enforcement, that reversion amount will significantly decrease.

In February 2018, the Department of Finance approved a mid-year budget augmentation of $154,000 for Attorney General services to address unanticipated costs associated with the Enforcement Program. The CBA projects 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.

A portion of the CBA's budget is paid to Department of Consumer Affairs for various support services. Services provided by Department of Consumer Affairs are provided by two primary divisions: Consumer and Client Services Division, and Division of Investigation. Provided below is a brief description of the services and the cost methodology.

1) Consumer and Client Services Division consists of:
   - Administrative and Information Services, Equal Employment Opportunity Office, legal affairs, SOLID Training, budgets, accounting, cashiering and personnel. *Costs are based on authorized position count.*

- Office of Information Services, which include telecom, PC support, LAN/WAN, and Web services. *Costs are based on service center usage.*
- Communications Division, which includes Public Affairs and Publications, Design and Editing: *Costs are based on authorized position count.*
- Consumer Information Center and Correspondence Unit: *Costs are based on client's past year workload*.

2) Division of Investigation consists of:
   - Investigative services
     Fee for service is based on a two-year roll-forward methodology. This methodology uses a client's actual workload/costs in the prior year to determine the client's budget in budget year, which will cover the budget year estimated workload, plus any credit or debit for services already provided.
   - Investigations and Services Team:
     Costs are based on authorized position count.

PRO RATA PAID TO DCA (DOLLARS IN THOUSANDS)				
	FY 2014-15	**FY 2015-16**	**FY 2016-17**	**FY2017-18**
Budget Amount	$13,776	$14,765	$14,350	$14,089
Pro Rata:	$1,318	$1,600	$1,852	$1,963
Client Services	$1,293	$1,569	$1,773	$1,893
Division of Investigations	$25	$31	$79	$70
Percentage of Budget	9.6%	10.8%	12.9%	13.9%

The percentage of the CBA's budget paid to pro rata is slightly below the Department of Consumer Affairs average of 15 percent. The CBA has seen an increase is the total dollars paid for Division of Investigations-related services. This is because the CBA has referred a higher volume of unlicensed activity cases to the Division of Investigations.

Additionally, at the beginning of 2018, Department of Consumer Affairs established the Pro Rata Workgroup. The workgroup will identify and prioritize the most critical services to be reviewed. The Department of Consumer Affairs will make available to the Legislature outcomes and any departmental efficiencies achieved. The CBA's Executive Officer serves as a member for the workgroup.

10. Describe if/when a deficit is projected to occur and if/when fee increase or reduction is anticipated. Describe the fee changes (increases or decreases) anticipated by the board.

The CBA operates within its legislatively established budget; however, due to reduced regulatory fees presently in place, the CBA is operating in a negative cash flow. This results in the CBA drawing from its reserve level to fund its yearly operating budget.

The license renewal and initial license fee were set at $200 in 200. The fee remained at this level until July 2011, when the CBA reduced the fee to $120. At the time, there was a statutory requirement to keep the CBA's reserve level at nine months. This requirement prompted the CBA to establish a reduced fee and operate at a negative cash flow to draw money from the Accountancy Fund as it was approaching historically high levels of around 17 months in reserve.

In July 2012, following the first year of lowered renewal fees, the CBA determined that the reduction did not have the anticipated impact to the reserve level because of several unanticipated cuts in spending and hiring freezes, mandated by the Governor due to the economic downturn. Therefore, the CBA initiated another fee reduction in January 2013 that became effective July 2014.

This reduction was for a two-year timeframe and lowered the license renewal and initial license fee to $50. The CBA also reduced several other fees associated with applications to ease entry into the practice of accountancy.

Prior to the conclusion of the two years, the CBA was required to conduct an analysis of its fee level and Accountancy Fund to determine whether fee changes were necessary. Absent any subsequent fee changes, the license renewal fee would be restored to the $120 level effective July 1, 2016.

In fiscal year 2014-15, the CBA conducted an analysis of the Accountancy Fund and fee level structure and initiated a rulemaking to restore the license renewal fee to $200. This was done to increase the CBA reserve, which at the time was projected to be at approximately six months. The Department of Finance disapproved the regulatory proposal and, as a result, the license renewal fee of $120 was reinstated beginning July 1, 2016.

The likely reason the Department of Finance disapproved the regulatory proposal centered around the fact the CBA was scheduled to receive repayment of various General Fund Loans which was anticipated to have a positive impact on its reserve. However, the $120 renewal fee continued the CBA's negative cash flow, which has reduced and will continue to reduce the reserve.

The CBA's Reserve is at $27,515,800 or 21.9 months in reserve. Even though the CBA is drawing money to fund its yearly operating budget, its Reserve will remain solvent for several years.

The CBA approved a fee increase at its January 2018 meeting, to increase the license renewal and initial license fees to the statutory maximum level of $250. 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.

TABLE 2. FUND CONDITION (DOLLARS IN THOUSANDS)						
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19[1]	FY 2019-20
Beginning Balance	$14,186	$6,818	$12,592	$31,789	$27,515	$23,183
Prior Year Adjustments	$210	$174	$311	n/a	n/a	n/a
Adjusted Beginning Balance	$14,396	$6,992	$12,903	$31,789	$27,515	$23,183
Revenues and Transfers	$5,298	$5,076	$12,473	$10,394	$10,672	$10,673
Interest Income Revenue	$25	$18	$99	$84	$73	$57
Total Revenue	$5,323	$5,094	$9,905	$10,478	$10,745	$10,730
Budget Authority	$13,992	$14,469	$14,054	$14,089	$14,000	$14,280
Actual Expenditures[2]	$12,891	$12,691	$13,905	$13,764	$14,000	$14,280
Disbursements to Other State Agencies[3]	$10	$23	$781	$988	$1,077	$1,077
Loans to General Fund	$0	$0	$0	$0	$0	$0
Accrued Interest, Loans to General Fund	$0	$2,950	$5,619	N/A	N/A	N/A
Loans Repaid from General Fund	$0	$10,270	$21,000	N/A	N/A	N/A
Fund Balance	$6,818	$12,592	$31,789	$27,515	$23,183	$18,556
Months in Reserve	6.4	10.3	25.9	21.9	18.5	14.5

1. Projected (FY 2017-18 includes Attorney General Augmentation of $154,00)
2. CBA expenditures only – Does not include disbursements to other state agencies
3. Includes Fi$Cal and Statewide Pro Rate disbursements

11. Describe the history of general fund loans. When were the loans made? When have payments been made to the board? Has interest been paid? What is the remaining balance?

The CBA made six loans to the General Fund totaling $31,270,000. The interest rate is determined at the time the General Fund Loan is made. Interest is repaid as simple interest and is computed at the time the loan repayment is authorized by the Executive Order and then is repaid by the State Controller's Office. The loan and interest amounts were as follows:

Fiscal Year	Loan Amount	Interest	Interest Accrued	Fiscal Year Repaid
2002-03	$6,000,000	2.640%	$2,077,449	2015-16
2003-04	$270,000	1.640%	$49,451	2015-16
2008-09	$4,000,000	2.780%	$825,033	2015-16
2008-09	$10,000,000	2.780%	$2,325,413.70	2016-17
2010-11	$10,000,000	0.515%	$319,824.65	2016-17
2011-12	$1,000,000	.0389%	$21,828.32	2016-17
TOTAL	$31,270,000		$5,618,999.67	

The loans to the General Fund were taken from boards who had a healthy reserve balance and who would not experience any impact to their operations should a loan be taken. During 2010, the CBA's reserve level was approaching 17 months. At the time, the CBA had a statutory provision to keep only nine months of expenditures in its Reserve. Given the reserve level, the CBA provided several loans to the General Fund.

12. Describe the amounts and percentages of expenditures by program component. Use *Table 3. Expenditures by Program Component* to provide a breakdown of the expenditures by the board in each program area. Expenditures by each component (except for pro rata) should be broken out by personnel expenditures and other expenditures.

The CBA is comprised of the Executive Office and three programs: Administration, Licensing, and Enforcement. There are approximately 100 staff members who serve throughout the CBA in various capacities. The CBA's heaviest expenditures are in its Enforcement Program.

TABLE 3. EXPENDITURES BY PROGRAM COMPONENT (LIST DOLLARS IN THOUSANDS)

	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18[4]	
	Personal Services	OE&E[3]	Personal Services	OE&E[3]	Personal Services	OE&E[3]	Personal Services	OE&E[3]
Enforcement	$3,508	$1,451	$3,681	$546	$3,897	$1,651	$4,049	$1,130
Examination	$593	$173	$629	$273	$596	$233	$542	$192
Initial Licensing	$773	$374	$796	$353	$40	$161	$758	$253
Licensing Renewal	$1,443	$584	$1,372	$545	$1,914	$556	$1,278	$452
Executive[1]	$396	$320	$400	$381	$411	$339	$442	$156
Administration[2]	$1,584	$374	$1,749	$366	$1,962	$293	$1,908	$675
DCA Pro Rata	N/A	$1,318	N/A	$1,600	N/A	$1,852	N/A	$1,929
TOTALS	$8,297	4,594	$8,627	$4,064	$8,820	$5,085	$8,977	$4,787

1. Executive expenditure includes costs for executive staff and CBA members
2. Administration expenditures include costs for administrative staff, support, and fiscal services
3. OE&E includes reimbursements
4. Projected

13. Describe the amount the board contributed to the BreEZe program. What are the anticipated BreEZe costs the board has received from DCA?

The CBA began contributing to the BreEZe project in FY 2009-10. Over nine fiscal years, the CBA has paid $889,248. Department of Consumer Affairs has informed the CBA that it will not have any future costs associated with BreEZe.

CBA BreEZe costs	
Fiscal Year	**Amount**
2009-10	$7,322
2010-11	$23,127
2011-12	$119,884
2012-13	$26,523
2013-14	$212,092
2014-15	$113,117
2015-16	$110,130
2016-17	$277,053
2017-18	$0

The CBA was slated for BreEZe Release 3; however, presently the CBA is collaborating with Department of Consumer Affairs regarding a Business Modernization project to replace the current legacy database systems. The project is scheduled to begin in fiscal year 2019-20 and the CBA anticipates that the cost of this project could reach $5 million.

14. Describe license renewal cycles and history of fee changes in the last 10 years. Give the fee authority (Business and Professions Code and California Code of Regulations citation) for each fee charged by the Board.

License Renewal Cycles

CPA

CPA licensees renew on a biennial cycle based on the month and year of their birth.

Accounting Firms

Accounting firm licensees (corporations and partnerships) renew on a biennial cycle based on the month and year the original license was issued.

Fictitious Name Permits

Fictitious name permits renew on a five-year cycle based on the month and year the original permit was issued.

Out-of-State Firm Registration

Out-of-State Firm Registrations renew on a biennial cycle based on the month and year the original registation was issued.

History of Fee Changes

During the last 10 years, CBA fees have been reduced twice and increased once. The fee reduction timeframes, fee changes, and present fees, are as follows:

Beginning July 2011, the CBA reduced its license renewal and initial license fee to $120 to operate at a negative cash flow and draw money from its reserve as it was approaching historically high levels. At the time, this reserve was out of compliance with a statutory requirement to keep the CBA's reserves at nine months.

In fiscal year 2011-12, the CBA implemented a four-year temporary fee reduction that took effect July 1, 2011 and ended June 30, 2015. The following fees were reduced:

- Initial license: $200 to $120
- Prorated license: $100 to $60
- License renewal: $200 to $120
- Delinquent fee for late license renewal: $100 to $60

In July 2012, following the first year of lowered renewal fees, the CBA determined that the reduction did not have the anticipated impact to the reserve level because of several unanticipated cuts in spending and hiring freezes, mandated by the Governor due to the economic downturn. Therefore, the CBA initiated another fee reduction in January 2013 that became effective July 2014.

This reduction was for a two-year timeframe and lowered the license renewal and initial license fee to $50. The CBA also reduced several other fees associated with applications to ease entry into the practice of accountancy. The following fees were reduced:

- License application: $250 to $50
- CPA Examination application: $100 to $50 for first-time exam applicants; $50 to $25 for repeat examination applicants
- Initial License: $120 to $50
- Prorated license: $60 to $25
- License renewal: $120 to $50
- Delinquent fee for late license renewal: $60 to $25

In fiscal year 2014-15, the CBA conducted an analysis of the Accountancy Fund and fee level structure and initiated a rulemaking to restore the license renewal and initial license fee to the $200. This was done to increase the CBA reserve, which at the time was projected to be at approximately six months. The Department of Finance disapproved the regulatory proposal and, as a result, the license renewal fee of $120 was reinstated beginning July 1, 2016. The following fees are now in place:

- License application: $250
- CPA Examination application: $100 for first-time exam applicants; $50 for repeat examination applicants
- Initial License: $120
- Prorated license: $60
- License renewal: $120
- Delinquent fee for late license renewal: $60

FEE AUTHORITY		
	Business and Professions Code Section 5134 (subdivisions listed below)	**Title 16, California Code of Regulations, Division 1, Article 10, Section 70 (subdivisions listed below)**
Application	(c), (d)	(b)
CPA Examination	(a), (b)	(a)
Initial License	(j)	(d)
Biennial Renewal	(f)	(e)
Delinquent Biennial Renewal	(i)	N/A
Certifications	(l)	(f)

TABLE 4. FEE SCHEDULE AND REVENUE (REVENUE DOLLARS IN THOUSANDS)								
Fee	**Current Fee Amount**	**Statutory Limit**	**FY 2014-15 Revenue**	**FY 2015-16 Revenue**	**FY 2016-17 Revenue[4]**	**FY 2017-18 Revenue**	**4-Year Average**	**% of Total Revenue[5]**
Application	$250	$250	$169	$197	$992		$340	6%
Exam	$50/$100[1]	$75/$600	2,112	$2,079	$2,973		$1,791	32%
Initial Permit	$120/$60[2]	$250/$125	$127	$162	$363		$163	3%
Biennial Renewal	$120	$250	$2,480	$2,223	$5,026		$2,432	43%
Delinquent Biennial Renewal	$60	$125	$206	$218	$292		$179	3%
Certification	$25	$25	$35	$36	$39		$28	0%
Other Misc. Income[3]			$623	$1,638	$568		$707	13%
		Total:	$5,752	$6,553	$10,253		$5,640	100%

1. The CPA Examination scheduling fee is $100 for first time applicants. Fees for applicants who are repeat candidates are $50.
2. The initial permit fee of $120 is equal to the biennial renewal fee. However, if the permit is issued for a period of one year or less, the initial permit fee is only 50 percent of the standard biennial renewal fee.
3. This category includes certifications, interest income, penalties and fines, and cost recovery.
4. Temporary fee reduction ended 06/30/2016.
5. The percentage of total revenue is averaged over four fiscal years.

15. Describe Budget Change Proposals(BCPs) submitted by the board in the past four fiscal years.

The CBA takes extensive internal assessments prior to initiating a request for additional staffing resources to determine if existing resources can address the workload needs. This assessment process includes:

- Each program manager monitors processes, streamlines tasks, assesses staff allocation, and reviews volume of workload.
- Each program manager, in conjunction with the Division Chief, works to explore whether program efficiencies and priority adjustments can meet the workload need.
- Each program manager explores the use of overtime (for short term use).
- Division Chiefs explore a temporary redirection of staff from other program areas within the Division.

- The Division Chief works with other Division Chiefs and the Executive Officer to assess the staffing resources throughout the CBA and determines if redirection between Divisions can be achieved without compromising the program activities, expectations for processing timeframes, and existing level of customer service.
- Explore the option of a budget change proposal to address long term needs.

Overview of the Budget Change Proposals

FY 2014-15

The CBA submitted five budget change proposals and three were approved.

Enforcement – Approved
Two budget change proposals were submitted to increase resources in the Enforcement Program.

The first addressed the workload from the CBA's peer review requirements, allowed the CBA to expand the scope and frequency of its investigations, and implement more effective probation monitoring steps. See BCP ID # 1110-01 in Table 5. *Contingent with the approval of this budget change proposal, the CBA was required to report to the Legislature regarding process and outcomes achieved with the staffing augmentation.*

The second addressed the CBA's increased workload to administer its mandatory fingerprinting requirement (pursuant to CBA Regulation section 37.5). This regulation required 27,716 licensees to be fingerprinted during their next biennial renewal cycle. See BCP ID # 1110-02 in Table 5.

Initial Licensing Unit – Approved
To address the Initiail Licensing Unit's anticipated workload increase associated with changes in the CBA's educational requirements for licensure effective January 1, 2014, the CBA submitted a budget change proposal to request a new permanent position. See BCP ID # 1110-05 in Table 5.

FY 2015-16

The CBA submitted one budget change proposal, which was not approved.

FY 2016-17

The CBA submitted four budget change proposals and one was approved.

Administration Services
To ensure compliance with the State Administrative Manual regarding its cashiering functions, the CBA submitted a budget change proposal to request new permanent positions. See BCP ID # 1111-005 in Table 5.

FY 2017-18

The CBA submitted two budget change proposals, which were not approved.

FY 2018-19

No budget change proposals were submitted for this fiscal year.

FY 2019-20

The CBA submitted three budget change proposals, which are presently under review by various control agencies.

TABLE 5. BUDGET CHANGE PROPOSALS								
BCP ID#	**Fiscal Year**	**Description of Purpose of BCP**	**Personnel Services**				**OE&E**	
			# Staff Requested (include Classification)	**# Staff Approved (include classification)**	**$ Requested**	**$ Approved**	**$ Requested**	**$ Approved**
1110-01	2014-15	Enforcement – Consumer Protection: Peer Review and Investigation Back log	6.0 – ICPA 2.0 – ICPA (LT)	6.0 ICPAs 2.0 ICPAs(LT)	814,000	814,000	126,000	126,000
1110-02	2014-15	Enforcement – Mandatory Retroactive Fingerprinting	7.0 – AGPA (LT) 1.0 – SSMI (LT) 1.0 – OT (LT)	7.0 – AGPA (LT) 1.0 – SSMI (LT) 1.0 – OT (LT)	521,000	521,000	267,000	267,000
1110-05	2014-15	Initial Licensure – Strengthening Educational Requirements	1.0 – OT	1.0 – OT	23,000	23,000	0	0
1111-005	2016-17	Administration – Cashiering Staff Augmentation	2.0 – OTs	2.0 – OTs	154,000	154,000	138,000	138,000

16. Describe any board staffing issues/challenges, i.e., vacancy rates, efforts to reclassify positions, staff turnover, recruitment and retention efforts, succession planning.

The CBA has budget authority to recruit temporary help, which can include student assistants, seasonal clerks, permanent intermittent, and limited-term positions. The temporary help authority is designed to recruit staff to address short-term work or seasonal increases in volumes; however, to meet the CBA's present statutory requirements, it has relied heavily on temporary help to meet the workload demands.

The CBA leverages its existing resources to meet new mandates, implement and maintain its Licensing Programs, and most importantly ensure the Enforcement Program has the tools necessary to ensure licensees practice public accountancy in accordance with established professional standards. In recent years, the CBA redirected staff and workload assignments, restructured its programs, and reorganized its Licensing and Enforcement Programs.

The CBA has previously requested an augmentation of its permanent staff to address ongoing workload that is being completed by temporary staff but has been unsuccessful in those efforts. Further complicating the matter is the CBA's current budget authority for temporary help is insufficient to address the current personnel volume.

With no additional avenues to pursue, the CBA is seeking to address its ongoing workload by securing permanent staff and funding to eliminate the use of temporary help. A budget change proposal was submitted and absent approval of the positions or securing additional funding to

address its workload needs, the CBA will likely experience increases in processing timeframes for examination, licensure, and enforcement, significantly impacting the CBA's ability to meet its consumer protection mandate.

17. Describe the board's staff development efforts and how much is spent annually on staff development (cf., Section 12, Attachment D).

The success of the CBA is largely dependent upon having well-qualified, motivated, and trained staff. Therefore, staff development is a key area of focus for the CBA so it may achieve and maintain high levels of customer service and stakeholder satisfaction.

The CBA fosters an environment of staff growth and career development. Provided below are highlights of CBA activities that occur to both promote and support upward mobility for staff.

Individual Development Plan

Annually, CBA management meets with staff to review and implement an Individual Development Plan, which is a document that guides a staff member's future learning objectives and goals for advancement. During these discussions, management works collaboratively with staff to determine training opportunities that may assist that employee in his/her job training and upward mobility.

Grow Your Career

The CBA created an internal website called "Grow Your Career," to assist staff in their development efforts. The Grow Your Career site is a "one-stop-shop" that contains significant resources to assist staff to further his/her state career. Information available includes:

- Job classifications at the CBA
- Link to California Department of Human Resources website for examination and job openings
- Upward Mobility Program information
- Training resources
- Creating professional resumes, cover letters, and statements of qualification
- Interviewing techniques
- Sample study guides, interview questions, and writing assignments

The Grow Your Career website was developed based on feedback through the CBA's Employee Satisfaction Survey and is regularly updated with new and helpful information.

Customer Service Training

In 2018, all staff completed training in customer service. Specifically, staff completed Department of Consumer Affairs-developed training on the 7 C's of customer service – 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.

Training Opportunities

CBA management provides staff with information on available training, including formal classroom and webinar-based training. The trainings range from customer service and program management to more focused training on topics such as contracts, personnel, and rulemaking.

CBA staff are encouraged to explore the wealth of training courses through the Department of Consumer Affairs and California Department of Human Resources, which are available at no additional charge (CBA's pro rata payments to Department of Consumer Affairs support the cost of Department of Consumer Affairs training).

Upward Mobility Program

Upward Mobility is the planned development and advancement of employees from positions in low-paying occupations to entry technical, professional and administrative positions. The CBA has provided presentations to staff regarding the Upward Mobility Program in addition to communications being sent from the Department of Consumer Affairs.

Specialized Training

The CBA pays for specialized staff training for those whose job duties require it, which the Department of Consumer Affairs and California Department of Human Resources are unable to provide. This is most common is for the CBA's Investigative CPAs, who must take various continuing education courses on a biennial basis to maintain their CPA license. Other examples include Information Technology training and budget/financial management training.

Training Costs

The following are the CBA's annual training expenditures:

- Fiscal Year 2014-15 $31,906
- Fiscal Year 2015-16 $11,323
- Fiscal Year 2016-17 $14,062
- Fiscal Year 2017-18 $10,300

A significant amount of training is offered at no cost through the Department of Consumer Affairs and California Department of Human Resources. Additionally, in fiscal year 2016-17, the CBA partnered with a continuing education vendor to offer courses to the CBA's Investigative CPAs at a fraction of the cost of other similar vendors. This partnership significantly lowered the CBA's training costs, compared to the fiscal year 2014-15 expenditures.

SECTION 4
LICENSING PROGRAM

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.

18. What are the board's performance targets/expectations for its licensing program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

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.

The following application types have remained consistently at or below the 30-day processing target for fiscal years 2014-15 through 2017-18:

AVERAGE DAYS TO PROCESS				
Application Type	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
Repeat CPA Examination	9	7	7	6
Testing Accommodations	18	15	17	22

As of the end of fiscal year 2017-18, the CBA has experienced processing timeframes outside of its 30-day target for the following applications:

AVERAGE DAYS TO PROCESS				
Application Type	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
First-Time CPA Examination	29	31	32	38
CPA Licensure	24	24	37	47
Corporation Licensure	16	15	21	39
Partnership Licensure	16	18	20	31
Fictitious Name Permit	16	13	20	31

As noted in the chart above, the increase to the processing timeframes has occurred primarily over the last two fiscal years. The two main contributors to the increase in processing timeframes are traced to reliance on temporary staff to perform an ongoing workload and lack of automation. (These two topics are also discussed in detail under Section 11 – New Issues and are Issues #1 and #2.)

Temporary Staff

The CBA undertook a significant restructure of staff in 2016, ensuring consumer protection remains its top priority, and redirected 10 staff members to the Enforcement Program. The redirection addressed the increased volume of enforcement workload and processing timeframes for complaint

resolution. There have been undeniable positive impacts of the use of permanent staff to address the Enforcement Program workload. The Enforcement Program experienced reduced processing timeframes for complaints, an increase in the number of cases that are referred to the Attorney General, and an increase in the number of disciplinary actions taken.

The redirected staff primarily came from the Licensing Program. The redirection, while positive for Enforcement, contributed to extended processing timeframes for examination and licensure applications. To address the workload demands, the Licensing Program began recruiting additional temporary help staff. While this has assisted the Licensing Program, it has not resolved the workload changes.

On average, the CBA has employed 12 temporary staff members each year, however, it presently employs 16 temporary staff members. Given the nature of temporary staffing positions, individuals in these positions look for opportunities to secure permanent positions, which, in turn, creates a high turnover rate. In fiscal year 2016-17, the CBA experienced a 44 percent turnover in its temporary staff, with this rate growing to 53 percent in fiscal year 2017-18.

The temporary staff employed at the CBA are addressing consistent and ongoing workload that is appropriately handled by permanent staff. The CBA is seeking permanent resources to replace its temporary staff. It is anticipated that, if received, this will address the increased processing timeframes and eliminate the backlog of work that presently exists.

The CBA has attempted to address the temporary staffing through prior budget change proposal submissions but has been unsuccessful to date. The CBA will continue its efforts to secure permanent staffing resources through the budget change proposal process.

<u>Lack of Automation</u>
The CBA's internal processes for licensing (and enforcement) are manual and its automated functions are few and limited. The CBA uses the Department of Consumer Affairs's antiquated database system, Consumer Affairs System or CAS, and several internal stand-alone legacy databases as workarounds to address workload demands. Until a singular and integrated Information Technology system is developed and used, the CBA will continue to rely on a patchwork set of systems.

The CBA is working with the Department of Consumer Affairs on a Business Modernization Project to implement a singular system; however, this will occur over a multi-year period. In the interim, the CBA is exploring increased automated services to improve the processing timeframes for applications. These include:

- Increased ability to submit documents electronically
- Opportunities for applicants to obtain status information of the application electronically
- Improved communications

The CBA is committed to reducing the timeframes associated with the processing of applications and returning to the levels the CBA experienced prior to fiscal year 2016-17.

19. Describe any increase or decrease in the board's average time to process applications, administer exams and/or issue licenses. Have pending applications grown at a rate that exceeds completed applications? If so, what has been done by the board to address them? What are the performance barriers and what improvement plans are in place? What has the board done and what is the board going to do to address any performance issues, i.e., process efficiencies, regulations, BCP, legislation?

Question 17 provides a thorough reporting on the performance measures, including steps the CBA has and continues to take to ensure that it works to meet all established performance measures.

The remaining area for this question focuses on pending (received) and approved (completed) applications.

APPLICATION TYPE				
	FY 2014-15	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
CPA Examination*				
Received	25,564	27,516	24,729	21,455
Approved	22,242	27,563	26,036	20,568
Initial CPA Licensure				
Received	3,158	3,725	3,817	3,234
Approved	2,682	3,470	3,339	2,187
CPA Accountancy Firm**				
Received	484	514	473	474
Approved	371	432	348	305

* This includes both first-time and repeat applications for the CPA Examination.
** This includes corporations, partnerships, and fictitious name permits.

Over the past four fiscal years, the CBA has consistently received more applications than it has approved, especially in the areas of initial CPA licensure and CPA accountancy firm applications. This has contributed to the spike in the average days to process applications.

It should be noted that a significant number of the applications received are deficient or missing documents, primarily for first-time CPA Examination and initial CPA licensure applications. This could include missing educational transcripts, missing experience forms, deficient core educational requirements, etc.

As a result, the CBA processes (in essences touches) these applications on multiple occasions. To keep applicants informed of the status of their applications, upon receipt of missing documents or satisfaction of certain deficiencies, the CBA will notify the applicant of any remaining items (provided the documents received do not satisfy any outstanding issues). This often results in the CBA processing an application multiple times.

Again, as noted in Question 18, The CBA is committed to reducing the timeframes associated with the processing of applications.

20. How many licenses or registrations does the board issue each year? How many renewals does the board issue each year?

On average, the CBA issues 3,373 and renews 44,365 licenses/registrations annually (based on fiscal year).

21. How many licensees or registrations has the board denied over the past four years based on criminal history that is determined to be substantially related to the qualification, functions, or duties of the profession, pursuant to BPC § 480? Please provide a breakdown of each instance of denial and the acts the board determined were substantially related.

Over the past four fiscal years, the CBA has denied a total of nine applications for criminal conviction. that were determined to be substantially related to the qualification, functions, or duties of the profession pursuant to Business and Professions Code section 480. There were seven denied applications in fiscal year 2014-15, one in fiscal year 2016-17, and one in fiscal year 2017-18. Of the nine denied applications, three were related to driving under the influence, while the others were denied for convictions and/or crimes such as insurance fraud, burglary, sale of stolen property, battery/drugs, frivolous lawsuits, and unprofessional conduct.

TABLE 6. LICENSEE POPULATION[1]					
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Certified Public Accountant	Active	54,198	55,674	56,532	55,710
	Out-of-State	8,869	9,417	10,089	10,621
	Out-of-Country	1,481	1,551	1,611	1,667
	Delinquent	9,045	9,065	9,486	10,788
Public Accountant	Active	24	19	15	9
	Out-of-State	0	0	0	0
	Out-of-Country	0	0	0	0
	Delinquent	39	33	30	28
Accountancy Partnership	Active	1,367	1,399	1,405	1,403
	Out-of-State	45	43	41	42
	Out-of-Country	0	0	0	0
	Delinquent	114	115	129	171
Accountancy Corporation	Active	3,817	3,970	4,078	4,152
	Out-of-State	40	46	50	56
	Out-of-Country	0	0	0	0
	Delinquent	333	373	435	495
Fictitious Name Permit	Active	1,954	2,082	2,175	2,261
	Out-of-State	23	28	34	40
	Out-of-Country	0	0	0	0
	Delinquent	6	6	6	7
Out-of-State Accounting Firm Registrations[2]	Active	0	0	0	0
	Out-of-State	346	458	537	578
	Out-of-Country	0	0	0	0
	Delinquent	0	42	46	146

[1] This table was not designed to reflect the population of licenses in an inactive status.
[2] The Out-of-State Accounting Firm registration was implemented on July 1, 2013 because of the passage of SB 1405 (Chapter 411, statutes of 2012). All firms holding this registration are located out-of-state.

Table 7A. Licensing Data by Type											
Application Type		Received	Approved	Closed	Issued	Pending Applications			Cycle Times		
						Total (Close of FY)	Outside Board control*	Within Board control*	Complete Apps	Incomplete Apps	combined, IF unable to separate out
FY 2015-16	Exam	8,381	8,120	N/A	N/A	1,859	[3]	[3]	34	100	N/A
	CPA License[1]	3,725	3,491	N/A	3,470	1,214	974	240	32	144	N/A
	Firm License	636	542	N/A	542	81	39	42	22	83	N/A
	Renewal[2]	44,091	N/A	N/A	45,886	N/A	N/A	N/A	N/A	N/A	N/A
FY 2016-17	Exam	6,830	7,061	N/A	N/A	1,445	[3]	[3]	41	115	N/A
	CPA License[1]	3,817	3,355	N/A	3,339	1,382	1,257	125	56	169	N/A
	Firm License	541	418	N/A	418	97	56	41	22	83	N/A
	Renewal[2]	45,374	N/A	N/A	42,021	2,540	2,540	N/A	N/A	N/A	N/A
FY 2017-18[3]	Exam	5,222	5,224	N/A	N/A	1,648	422	1,226	46	127	N/A
	CPA License[1]	3,021	2,160	N/A	1,993	1,718	1,236	482	59	207	N/A
	Firm License	500	299	N/A	299	165	82	83	24	154	N/A
	Renewal[2]	40,563	N/A	N/A	33,194	734	734	N/A	N/A	N/A	N/A

[1] CPA License –Approved represents the pre-approval for licensure pending payment of the initial licensing fee.
[2] Renewal – Renewals are issued upon receipt, as a result, pending is not applicable.
[3] Exam data for fiscal year 2017-18 was manually counted. Prior fiscal year data is not available.

TABLE 7B. TOTAL LICENSING DATA			
	FY 2015-16	FY 2016-17	FY 2017-18
Initial Licensing Data: (CPA and Firms)			
Initial License Applications Received	4,361	4,358	3,521
Initial License Applications Approved	4,033	3,773	2,459
Initial License Applications Closed	N/A	N/A	N/A
License Issued	4,012	3,757	2,292
Initial License Pending Application Data:			
Pending Applications (total at close of FY)	1,295	1,479	1,883
Pending Applications (outside of board control)	1,013	1,313	1,318
Pending Applications (within the board control)	282	166	565
Initial License Cycle Time Data (WEIGHTED AVERAGE):			
Average Days to Application Approval (All - Complete/Incomplete)	88	112	133
Average Days to Application Approval (incomplete applications)	144	169	207
Average Days to Application Approval (complete applications)	32	56	59
Initial Exam Data:			
Initial Exam Applications Received	8,381	6,830	5,222
Initial Exam Applications Approved	8,120	7,061	5,224
Initial Exam Applications Closed	N/A	N/A	N/A
Initial Exam Pending Application Data:			
Pending Applications (total at close of FY)			1,648
Pending Applications (outside of board control)			422
Pending Applications (within the board control)			1,226
Initial Exam Cycle Time Data (WEIGHTED AVERAGE):			
Average Days to Application Approval (All - Complete/Incomplete)	67	78	86
Average Days to Application Approval (incomplete applications)	100	115	127
Average Days to Application Approval (complete applications)	34	41	46
License Renewal Data:			
License Renewed	44,313	45,533	45,120
Certified Public Accountant	41,624	42,997	42,916
Public Accountant	5	11	3
Accountancy Partnership	671	585	536
Accountancy Corporation	1,791	1,781	1,488
Fictitious Name Permit	222	159	177

22. How does the board verify information by the applicant?

Consistent with the CBA's mission of consumer protection, to ensure only qualified licensees practice public accountancy, staff undertake a thorough review of all applications for licensure to ensure applicants have met all statutory requirements and that the documentation supporting licensure is valid and authentic.

Applicants for examination or licensure must submit a signed application verifying the information provided therein is true and correct. Additionally, to ensure authenticity, the CBA reviews and verifies documents submitted by applicants and third parties in support of their applications.

a. **What process does the board use to check prior criminal history information, prior disciplinary actions, or other unlawful acts of the applicant? Has the board denied any licenses over the last four years based on the applicant's failure to disclose information on the application, including failure to self-disclose criminal history? If so, how many times and for what types of crimes (please be specific)?**

   The CBA requires applicants to self-report prior criminal history and any enforcement actions taken against them by another state, federal agency, or foreign country. Further, the CBA requires all applicants submit fingerprints to the Department of Justice for a state- and federal-level criminal offender record information search.

   Additionally, applicants that are licensed by other state board(s) of accountancy go through an additional check. The CBA verifies disciplinary actions through a national database (the National Association of State Boards of Accountancy's Accountancy Licensee Database[5]), other state boards' online license lookup features, and/or written and verbal confirmation from the out-of-state licensing board as needed.

   The CBA has not denied any application over the past four years based on failure to disclose information on the application, including failure to self-disclose criminal history.

b. **Does the board fingerprint all applicants?**

   Since 1998, the Legislature has required applicants for CPA licensure to complete the fingerprint requirement as a condition of licensure.

   To further its consumer protection mandate, beginning in January 2014 and with licensees that renewed their license in an active status, individuals without fingerprint information on file with the Department of Justice were required to submit fingerprints.

   While the fingerprinting requirement allows the CBA to evaluate criminal history information to determine potential consumer risk, it also serves as a backstop to self-reporting to ensure any future arrest and criminal convictions are brought to the CBA's attention. This allows the CBA to further achieve its consumer protection mandate with the ability to act as necessary and warranted, including seeking interim suspension orders or other restrictions as authorized by law.

c. **Have all current licensees been fingerprinted? If not, explain.**

   No. Prior to mandatory fingerprinting at the time of initial licensure, a significant portion of the CPA population did not have fingerprints on file with the Department of Justice. To address this gap, beginning in January 2014 and with licensees that renewed their license in an active status, individuals without fingerprint information on file with the Department of Justice were required to submit fingerprints.

[5] The Accountancy Licensee Database is a central repository of license information for CPAs and accounting firms. Accountancy Licensee Database is designed to provide license information specific to each participating state board.

Most individuals who were subject to the retroactive fingerprint requirement were completed between fiscal years 2013-14 through 2016-17.

RETROACTIVE FINGERPRINT				
Activities	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
Notification Letters Sent	15,373	19,715	4,723	0
Compliance Received	5,643	11,971	6,103	92
Non-Compliance Audits	131	742	546	17
Non-Compliance Citations	0	45	62	3
Referred to Attorney General's Office	0	14	22	0

The CBA sent notifications to all licensees, regardless of whether their license was in an active status, for which the Department of Justice noted no record was on file for the CBA. The CBA waives the fingerprint requirement for all CPAs that are not in public practice – inactive, retired, or actively serving in the United States military.

The CBA performed compliance audits to ensure that licensees that renewed their license in an active status and who were required to submit fingerprints to the Department of Justice complied with the requirement. Licensees were provided an opportunity to rectify the deficiency, and those who failed to do so were issued a citation.

Additionally, the CBA reviewed the individual criminal offender record information and subsequent arrest reports to determine if it included a conviction(s) that warranted further action including formal discipline. The CBA identified 36 matters that required referral to the Attorney General's Office.

Presently, should CPAs for whom the fingerprint requirement was waived seek to convert their license to an active status, they are required to submit fingerprints for completing a state- and federal-level criminal offender record information search.

d. Is there a national databank relating to disciplinary actions? Does the board check the national databank prior to issuing a license? Renewing a license?

Yes. A national databank, does exist. The database was developed and is managed by the National Association of State Boards of Accountancy and is known as the Accountancy Licensee Database. At the time of initial licensure, staff searches the Accountancy Licensee Database to determine if applicants are licensed and if any disciplinary actions have been reported.

Further, the Enforcement Program receives weekly email notification alerts from the Accountancy Licensee Database manager regarding disciplinary actions taken against California licensees who are also licensed in other states. Investigations are opened to determine if any enforcement or disciplinary action is warranted.

At the time of license renewal, the CBA includes a question on the license renewal application inquiring whether the licensee has had any disciplinary actions taken by another licensing body. Additionally, licensees must report any disciplinary actions taken by another licensing body within 30 days.

e. Does the board require primary source documentation?

The CBA requires primary source documentation be submitted to verify whether an applicant has met the requirements to qualify to take the CPA Examination and to obtain CPA licensure:

- Official educational transcripts
- Evidence of the passage of the CPA Examination (received from National Association of State Boards of Accountancy)
- Completion of the experience requirement (received from the CPA supervising the applicant's work experience)
- Passage of the Ethics Examination (received directly from the testing administrator)
- Criminal offender record information (received directly from the Department of Justice)

23. Describe the board's legal requirement and process for out-of-state and out-of-country applicants to obtain licensure.

Out-of-state and out-of-country applicants are subject to the same requirements and undergo the same review as in-state applicants.

The Accountancy Act does provide some exceptions to certain requirements. These applicants must still complete all other statutory and regulatory requirements, including passage of a California Ethics Examination and submit fingerprints.

- Out-of-state CPAs applying for a California license may be deemed to have met California's examination, education, and experience requirement if they hold a valid and unrevoked CPA license in another state provided certain requirements are met.
- If an applicant is licensed to engage in the practice of public accountancy under the laws of any country with a CBA-recognized mutual recognition agreement, the applicant will be deemed to have satisfied the CPA Examination requirement.[6]
- An applicant who is a Canadian Chartered Accountant that passed the Canadian Charted Accountant Uniform Certified Public Accountant Qualification Examination is deemed to have satisfied the CPA Examination requirement.

Out-of-state accounting firms that intend to perform certain services (as outlined below) for a California-headquartered entity must register with the CBA:

- An audit or review of a financial statement.
- A compilation of a financial statement when it is expected, or reasonably might be expected, that a third party will use the financial statement.
- An examination of prospective financial information.

[6] The CBA recognized members from the following charted accountancy licensing bodies: Canadian Charted Accountants, Institute of Charted Accountants in Australia, CPA Australia Ltd., Mexican Dirección General de Profesiones de la Secretaría de Educación Pública, and the Instituto Mexicano de Contadores Públicos, Institute of Chartered Accountants in Ireland, New Zealand Institute of Chartered Accountants, Hong Kong Institute of Certified Public Accountants, and Institute of Charted Accountants of Scotland.

24. Describe the board's process, if any, for considering military education, training, and experience for purposes of licensing or credentialing requirements, including college credit equivalency.

The CBA has taken support positions on legislation that assist members of the military and their families. Further, the CBA created a webpage focused on providing information for military applicants and their spouses/domestic partners. The CBA has also provided information in its UPDATE newsletter and provided requested data for reports to the Legislature.

a. Does the board identify or track applicants who are veterans? If not, when does the board expect to be compliant with BPC § 114.5?

The CBA application requests information on military or veteran status to identify and track applicants who are currently in and who have been honorably discharged from the military. The CBA has received and approved 28 active military applications and 15 applications from veterans.

b. How many applicants offered military education, training or experience towards meeting licensing or credentialing requirements, and how many applicants had such education, training or experience accepted by the board?

The CBA accepts education and experience obtained via the military. Education from military colleges meets CBA's educational requirements as the education is earned from a degree-granting college or university, or other institution of higher learning that is regionally or nationally accredited. As military education and qualifying experience meet the requirements of the Accountancy Act and CBA Regulations, transcript and experience documents specific to the military are not tracked separately.

c. What regulatory changes has the board made to bring it into conformance with BPC§ 35?

Similarly, the CBA has the authority to consider government-earned experience towards the general accounting experience requirement. As the military is a branch of the government, provided the applicant obtained qualifying experience, it would qualify towards licensure. The Accountancy Act provides sufficient latitude for accepting military-earned education and experience. The CBA currently conforms to the provisions of Business and Professions Code section 35 as it historically has and continues to accept education and experience obtained in the military toward CPA licensure.

d. How many licensees has the board waived fees or requirements for pursuant to BPC § 114.3, and what has the impact been on board revenues?

Since July 2014, the CBA has waived the license renewal fee and continuing education requirements for one CPA licensee who was called to active duty as a member of the United States Armed Forces or the California National Guard. The total fee waived was $50 and it did not have a material impact on CBA revenues.

Additionally, effective January 1, 2014, the CBA implemented a military inactive status, with the passage of Senate Bill 1405. To date, the CBA has received and approved four requests for this license status in which one has been reinstated. The total fees waived were $510 which did not have a material impact on CBA revenues.

e. How many applications has the board expedited pursuant to BPC § 115.5?

The CBA has received and approved 77 applications for expedited licensure pursuant to BPC section 115.5.

25. Does the board send No Longer Interested notifications to Department of Justice (DOJ) on a regular and ongoing basis? Is this done electronically? Is there a backlog? If so, describe the extent and efforts to address the backlog.

The CBA sends No Longer Interested notifications to the Department of Justice monthly. The CBA partners with the Department of Justice to electronically transmit this information. No Longer Interested notifications are sent for applicants who did not complete the process and for licensees who are revoked, cancelled, or deceased. There is no backlog associated with sending these notices.

26. Describe the examinations required for licensure. Is a national examination used? Is a California specific examination required? Are examinations offered in a language other than English?

The CBA requires applicants for licensure complete two examinations: 1) the CPA Examination (national examination), and 2) an Ethics Examination (California-specific examination). Both examinations are offered only in English.

<u>The CPA Examination</u>
The CPA Examination is a national examination, developed to protect the public interest by helping to ensure that only qualified individuals become licensed. Individuals who pass the examination demonstrate they possess the minimum level of technical knowledge and skills necessary for initial licensure.

The CPA Examination tests candidates' knowledge in four areas:

- Auditing and Attestation
- Business Environment and Concepts
- Regulation
- Financial Accounting and Reporting

A candidate must obtain a minimum score of 75 on each section, with all four sections being passed within 18 months. Score information for the CPA Examination is electronically transmitted to the CBA.

<u>Ethics Examination</u>
Further supporting the CBA's efforts to increase consumer protection and ensure licensees recognize and appreciate their ethical obligations to consumers, all applicants for CPA licensure are required to pass an examination in professional ethics, acceptable to the CBA.

The CBA approved the California Society of CPAs Education Foundation's Professional Ethics for CPA's Examination to meet this requirement. The Ethics Examination is a self-paced online exam developed, maintained, and administered by the California Society of CPAs Education Foundation. The examination consists of 50 multiple choice questions covering a broad range of ethical questions drawn from the American Institute of CPAs Code of Professional Conduct, Accountancy Act, and CBA Regulations. Some of the key topics include:

- Basic concepts and philosophy of professional conduct
- Independence, integrity and objectivity
- Interpretation of Securities and Exchange Commission rules
- Commissions and contingency fees
- Advertising and solicitation
- Sanctions
- Tax services

A candidate must obtain a minimum score of 90 percent on the Ethics Examination. Score information for the examination is electronically transmitted to the CBA.

27. What are pass rates for first time vs. retakes in the past 4 fiscal years? *(Refer to Table 8: Examination Data)* Are pass rates collected for examinations offered in a language other than English?

Examinations

Table 8. Examination Data

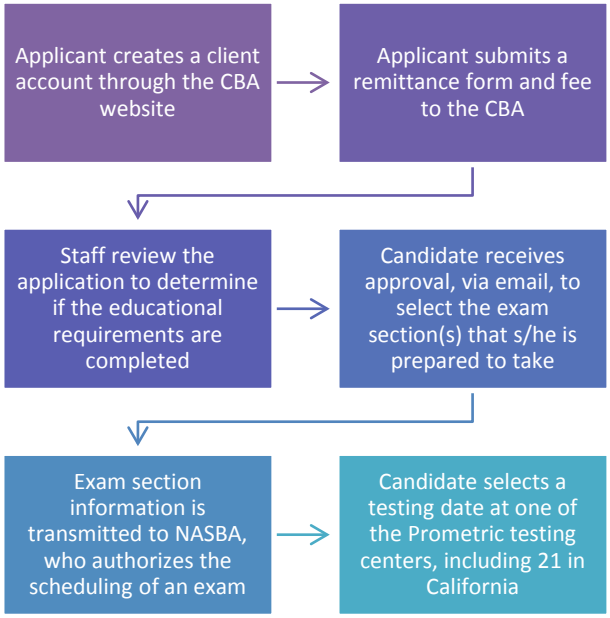
California Examination							
Exam Title	**Professional Ethics for CPAs**						
Fiscal Year	**# of 1st Time Candidates**			**Pass %**		**# of Repeat Candidates**	**Pass %**
FY 2014-15	1,099			68%		2,947	71%
FY 2015-16	1,560			65%		3,268	78%
FY 2016-17	1,579			78%		3,229	75%
FY 2017-18	1,083*			82%		2,004	72%
Date of Last Occupational Analysis				2016			
Name of Occupational Analysis Developer				California Society of CPAs Education Foundation			
Target Occupational Analysis Date				2019			
National Examination							
Exam Title	**Uniform CPA Examination**						
Fiscal Year	**Quarters**	**# of 1st Time Candidates**	**Total # of Sections**	**Pass %**		**# of Repeat Candidates**	**Total # of Sections**	**Pass %**
FY 2014-15	Quarter 1	1,850	4,900	53%		4,460	3,705	41%
	Quarter 2	1,866	4,702	49%		4,549	3,750	39%
	Quarter 3	1,516	3,567	46%		3,898	3,225	41%
	Quarter 4	1,643	4,186	51%		4,102	3,354	43%
FY 2015-16	Quarter 1	1,876	4,988	53%		4,534	3,609	41%
	Quarter 2	2,029	5,118	52%		4,749	3,856	42%
	Quarter 3	1,697	4,197	50%		4,420	3,391	41%
	Quarter 4	1,954	5,157	51%		4,932	3,846	40%
FY 2016-17	Quarter 1	1,894	4,654	54%		4,444	3,188	41%
	Quarter 2	2,323	6,143	52%		5,413	4,350	42%
	Quarter 3	2,420	6,597	50%		5,693	4,586	39%
	Quarter 4	1,164	2,698	50%		3,176	2,441	44%
FY 2017-18	Quarter 1	1,725	4,912	51%		4,245	2,804	44%
	Quarter 2	1,506	4,182	49%		4,460	3,468	43%
	Quarter 3	981	1,583	48%		3,998	4,456	46%
	Quarter 4							
Date of Last Occupational Analysis				2015			
Name of Occupational Analysis Developer				American Institute of CPAs Board of Examiners			
Target Occupational Analysis Date				As Needed			

28. Is the board using computer based testing? If so, for which tests? Describe how it works. Where is it available? How often are tests administered?

While both the CPA Examination and Ethics Examination are offered via computer-based testing, the Ethics Examination is also made available in hardcopy format.

Uniform CPA Examination

Applicants for the CPA Examination can apply for to sit for the examination year-round Prometric testing centers (with 21 in California).



A candidate for the CPA Examination can sit for any section of the examination in any of the following four windows:

Candidates are permitted to select the order in which they sit for the four sections of the CPA Examination but may sit for each section only one time per testing window.

Ethic Examination

The Ethics Examination is an open-book exam that is purchased through the California Society of CPAs Education Foundation. Individuals are offered the option of completing the course completely online or receiving hardcopy study and test materials.

The CBA recommends that candidates not complete the Ethics Examination until they have passed the CPA Examination and are prepared to apply for a CPA license, as the exam must be completed within one year of purchase and not more than two years prior to applying for CPA licensure.

The Ethics Examination is self-paced and available for purchase 24 hours a day on the California Society of CPAs Education Foundation's website or by calling the customer service department.

29. Are there existing statutes that hinder the efficient and effective processing of applications and/or examinations? If so, please describe.

The CBA does not have any existing statutes that hinder its efforts toward the effective processing of applications or examinations.

School Approvals

30. Describe legal requirements regarding school approval. Who approves your schools? What role does BPPE have in approving schools? How does the board work with BPPE in the school approval process?

The CBA accepts education completed at degree-granting colleges, universities, or other institutions of higher learning accredited by a regional or national accrediting agency.

Additionally, education from a college, university, or other institution of learning located outside the United States may be qualifying provided it is deemed by the CBA to be equivalent to the education obtained in the United States.

As accredited schools are approved by a United States regional or national accrediting agenc,y Bureau for Private and Post-Secondary Education does not have a role in approving schools or education accepted by the CBA. Bureau for Private and Post-Secondary Education has, however, been helpful in obtaining verification of qualifying classes for applicants applying for examination and licensure in the event of school closures.

31. How many schools are approved by the board? How often are approved schools reviewed? Can the board remove its approval of a school?

The CBA does not approve schools, nationally or internationally. The CBA relies on regional and national accrediting agencies for assessing whether the education earned will meet the educational requirements for CPA licensure.

32. What are the board's legal requirements regarding approval of international schools?

The CBA may determine education earned internationally as equivalent to education earned in the United States. Applicants that apply for examination or licensure with foreign education, must have their documents reviewed by a CBA-approved credentials evaluation service. The assessment of the applicant's education is then submitted to the CBA for review and final approval.

To obtain CBA approval as a foreign credentials evaluation service, an organization must submit a Credentials Evaluation Service Application and meet specified requirements. The requirements include, but are not limited to, national affiliations, internal procedures, employing staff with sufficient knowledge and/or education to conduct evaluations.

The CBA approves foreign credentials evaluation services for a five-year term. Presently, the CBA has 17 approved services.

Continuing Education/Competency Requirements

33. Describe the board's continuing education/competency requirements, if any. Describe any changes made by the board since the last review.

While ensuring individuals entering the profession possess appropriate competencies to safely practice is critical, it is also important that licensees practicing public accountancy maintain a continued level of appropriate competencies to ensure consumer protection.

With rapidly changing technology, continual revision of tax laws and professional standards, a strong focus on CPAs' continued competency is essential. Over the years, the CBA has refined its continuing education to ensure that CPAs maintain a currency of knowledge throughout the whole of the licensure period and are provided with the tools necessary to make objective and ethical decisions while practicing public accountancy.

CPAs are required to complete a minimum of 80 hours of continuing education every two years. As part of the 80 hours, the following must be met:

- A minimum of 40 hours in technical subject areas (*i.e.* accounting, auditing)
- A maximum of 40 hours in non-technical subject areas (*i.e.* communication skills, office management)
- A minimum of 20 hours must be completed in each year of the two-year license renewal period, with a minimum of 12 hours in technical subject matter
- Four hours of ethics education
- Every six years a two-hour Board-approved Regulatory Review course

<u>Practice Specific Continuing Education Requirements</u>
Licensees that perform certain services including accounting and auditing or governmental auditing are required to complete 24 hours of specified continuing education. The education is focused on providing them increased technical skills and understanding of the various industries in which they practice. Additionally, licensees that perform preparation engagements (if that is there highest level of service) must complete eight hours in specified continuing education.

Licensees required to complete any of the practice specific continuing education requirements also must complete four hours of continuing education in the prevention, detection, and/or reporting of fraud affecting financial statements.

The CBA allows for a high degree of flexibility in completing the required continuing education. Licensees can complete continuing education via various traditional delivery methods including live presentations, internet-based formats, or self-study with no limitations on the number of hours completed using any delivery method. Further, the CBA also allows for individuals to earn continuing education through teaching/instructing courses, developing continuing education course materials, writing published works, and developing questions for the CPA Examination.

<u>Changes Since the Last Sunset Review</u>
Since the last sunset review, one change has occurred to the continuing education requirements, a requirement that licensees who perform preparation engagements as their highest level of service

complete eight hours in specified continuing education and four hours of continuing education in the prevention, detection, and/or reporting of fraud affecting financial statements.

The CBA determined requiring licensees who perform preparation engagements as their highest level of service to take required continuing education specific to preparation engagements or accounting and auditing and continuing education related to the prevention, detection, and/or reporting of fraud affecting financial statements will assist the CBA in its mission of consumer protection by ensuring these licensees maintain their professional competency.

In addition to the changes that took effect since the last sunset review, the CBA is promulgating regulations to include new allowable formats (nano learning and blend learning) that licensees can avail themselves of to complete the required hours.

> Nano learning is a tutorial program designed to permit a participant to learn a given subject in a 10-minute timeframe through the use of electronic media (including technology applications and processes, and computer-based or web-based technology) and without interaction with a real-time instructor. A nano learning program differs from a self-study program in that it is typically focused on a single learning objective and is not paper-based. A nano learning program is not a group program. Nano learning is not a substitute for comprehensive programs addressing complex issues.
>
> Blending learning must use instructional methods that clearly define learning objectives and guide the participant through a program of learning. Pre-program, post-program, and homework assignments should enhance the learning program experience and must relate to the defined learning objectives of the program.

Also, the CBA is promulgating regulations to increase the maximum allowable hours (from 20 hours to 40 hours) for certain specified activities to qualify as continuing education. These include writing published articles or books that contribute to the professional competence, writing questions for the CPA Examination, and writing instructional materials for continuing education programs.

a. How does the board verify CE or other competency requirements?

The CBA uses two programs to verify continuing education: 1) Continuing Education Worksheet Review Program, and 2) Continuing Education Verification Program. In addition, accounting firms (which include sole proprietorships) must complete a mandatory peer review requirement once every three years and report that to the CBA at the time of license renewal.

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 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. Once the CBA receives all required documentation, it confirms that the continuing education was accurately reported, completed, and conformed to all laws and rules. The Continuing Education Verification process is performed in addition to the Continuing Education Worksheet Review.

Peer Review Reporting

Licensees must submit a peer review reporting form at the time of license renewal providing information regarding their compliance with and, if required, completion of peer review.

b. Does the board conduct CE audits of licensees? Describe the board's policy on CE audits.

Both the Continuing Education Worksheet Review and Continuing Education Verification processes work to ensure that licensees comply either through a form of self-certification or by requiring that substantiating documentation is provided for review.

c. What are consequences for failing a CE audit?

Staff work collaboratively to assist licensees in complying with all necessary continuing education requirements. If any deficiencies are identified, staff notify licensees to obtain compliance. As part of the notification process, licensees are granted a specified period to resolve any identified deficiencies.

Licensees who fail to respond, rectify any outstanding deficiency identified, or have falsified reporting documents are referred to the Enforcement Program for further investigation. Licensees can be issued a citation and assessed an administrative fine ranging from $100 to $5,000. In some cases, the CBA may seek formal discipline up to, and including, revocation.

d. How many CE audits were conducted in the past four fiscal years? How many fails? What is the percentage of CE failure?

CONTINUING EDUCATION AUDITS				
	FY 2014-15	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
CONTINUING EDUCATION WORKSHEET REVIEW				
CE Reporting Worksheets Reviewed	34,199	45,886	42,021	33,194
CE Deficiencies	9,725	11,539	6,834	6,050
Percentage Rate	28%	25%	16%	18%
CE VERIFICATION PROGRAM				
Licensees Selected for CE Verification	900	900	900	750
CE Deficiencies*	15	10	20	6
Percentage Rate	2%	1%	2%	1%

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

e. **What is the board's course approval policy?**
f. **Who approves CE providers? Who approves CE courses? If the board approves them, what is the board application review process?**
g. **How many applications for CE providers and CE courses were received? How many were approved?**
h. **Does the board audit CE providers? If so, describe the board's policy and process**

The CBA does not pre-approve continuing education courses except for the Regulatory Review Course. Licensees are obligated to select appropriate continuing education courses/programs that are consistent with the requirements as outlined in the CBA Regulations.

As licensees are located not only in California but also throughout the country and the world, this allows licensees the ability to select continuing education based on their specific needs and area of practice. Licensees can select continuing education from a wide range of providers, which include private institutions; national, state, and local accounting organizations; universities and colleges; and professional development courses offered by a licensee's accounting firm.

Providers seeking to offer a CBA-approved Regulatory Review course to licensees must apply to the CBA along with submitting supporting documentation to ensure the course meets the established requirements. For Regulatory Review courses, it must include information on specific sections of the CBA's Accountancy Act and CBA Regulations, a review of how specified sections relate to the practice of public accountancy, and a review of historical disciplinary actions.

The course provider must renew the course biennially with the CBA, or if the provider makes substantial changes to the course. This is to ensure that the course providers are reviewing the CBA Regulations on a recurring basis and are familiar with the ongoing changes associated with the CBA. The course is approved and/or renewed based upon the requirements outlined in section 87.9 of the CBA Regulations.

The CBA has 26 approved providers offering 36 courses. Over the past four fiscal years, the CBA has received 16 course applications and approved 11.

Should the CBA elect to audit the records of a continuing education provider, the provider must provide all materials requested by the CBA within 15 days of receipt of written notification. The CBA may cancel its approval of a two-hour Regulatory Review course if it is found not to comply.

i. **Describe the board's effort, if any, to review its CE policy for purpose of moving toward performance based assessments of the licensee's continuing competence.**

The CBA has a long history of evaluating its continuing education regulations to ensure that overall outcome is meaningful education that directly contributes to licensees' ability to practice public accountancy.

As it relates to performance-based assessments, over the years the CBA has eliminated non-interactive self-study programs requiring them to be interactive self-study programs, has pioneered regulations related to continuing education offered via webcast, and is working to institute additional methods of learning (*i.e*. nano learning and blended learning) providing licensees multiple avenues of meeting the continuing education requirements.

SECTION 5
ENFORCEMENT PROGRAM

The CBA Enforcement Program is instrumental in the CBA meeting its consumer protection mandate and aides in achieving its ability to protect consumers by:

- Ensuring that licensees comply with the provisions of the Accountancy Act and CBA Regulations.
- Conducting investigations of unlicensed practice.
- Referring matters to the Office of the Attorney General or local jurisdictions for prosecution.
- Imposing discipline consistent with the disciplinary guidelines.
- Imposing other enforcement actions, such as citations, fines, administrative suspensions, etc., where warranted.
- Monitoring probationers to ensure compliance with probationary terms.

34. What are the board's performance targets/expectations for its enforcement program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

The CBA has adopted the Department of Consumer Affairs Consumer Protection Enforcement Initiative performance measures for its Enforcement Program.

ENFORCEMENT DIVISION – PERFORMANCE MEASURES (IN DAYS)						
PERFORMANCE MEASURE	DESCRIPTION	TARGET	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
PM2| Intake – Cycle Time	Average Number of Days from Complaint Receipt, to the Date the Complaint was Closed or Assigned to an Investigator	10	4	4	2	2
PM3| Investigation – Cycle Time	Average Number of Days to Complete the Entire Enforcement Process for Cases Not Transmitted to the Attorney General (Includes Intake and Investigation)	180	180	158	154	193
PM4| Formal Discipline – Cycle Time	Average Number of Days to Complete the Entire Enforcement Process for Cases Transmitted to the Attorney General (Includes Intake, Investigation, and Case Outcome)	540	913	807	965	865
PM7| Probation Intake – Cycle Time	Average Number of Days from Monitor Assignment, to the Date the Monitor Makes First Contact with the Probationer	10	5	1	1	1

PM8| Probation Violation Response – Cycle Time	Average Number of Days from the Date a Violation of Probation is Reported, to the Date the Assigned Monitor Initiates Appropriate Action	15	3	2	1	1

At the close of fiscal year 2017-18, the CBA met all but PM3 and PM4. As noted in the table, for PM3, in the prior fiscal years, the CBA has met the target performance measure.

Leading into the present sunset reporting period, the CBA accrued a large volume of cases that resulted in many cases aging beyond the established performance measure target. The CBA recognized this phenomenon was occurring and took active steps to mitigate the impact on the increased targets.

The CBA performed a significant restructure of its Enforcement Program in the furtherance of its mission to protect consumers. The restructure began with the CBA's Executive Officer hiring of a new Enforcement Chief in December 2014.

The new Enforcement Chief, who has a strong educational background; significant program management experience; and in-depth knowledge of consumer protection programs, immediately acted to develop efficiencies within the Enforcement Program to keep up with the growing volume of complaints received, conduct more timely investigations, increase participation in field investigations, and monitor more closely licensees on probation.

At the end of 2015 and following an in-depth exploration of each area of the Enforcement Program, CBA Senior Management took necessary steps to reorganize positions throughout the CBA to ensure the CBA meets its mandate to protect consumers. This included the redirection of several positions to the Enforcement Program.

Enforcement Program Management and staff met routinely to develop best practices related to case intake and case management, including:

- Developed new resources to assign and track cases
- Developed new checklists associated with case management
- Streamlined reports for administrative violations
- Revised communications associated with potential administrative violations designed to obtain increased compliance
- Developed comprehensive desk manuals designed to communicate expectations and provide useful training tools
- Instituted weekly meetings with non-technical analysts to discuss cases in a group setting, provide case direction and management, and share information regarding recent updates and changes
- Instituted bi-monthly meetings with technical investigators (the majority of whom work remotely throughout California) to discuss case direction and management and to share information regarding recent updates and changes

The CBA restructured its complaint intake process 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 CBA revised its best practices for its interactions with the Attorney General's Office. This included establishing procedures for following up on referred cases and procedures for obtaining resolutions for cases.

As more cases have been resolved, the CBA has experienced an increase in licensees on probation. The probation monitoring staff implemented several process improvements that clearly communicates the terms of probation to probationers and tracks compliance during the term of probation.

As the CBA implemented these measures and took appropriate action to address the aged inventory – either through closure, citation, or formal discipline – these cases impacted the associated performance measures. This was especially true for PM3, which increased from 154 days in fiscal year 2016-17 to 193 days in fiscal year 2017-18, resulting in the CBA exceeding the performance measure by 13 days.

While the CBA always experiences fluctuations in PM4, for fiscal year 2017-18, the CBA saw a 100-day decrease over the prior fiscal year. The CBA believes an important component to the reduction in this area can be traced to improvements in CBA-related best practices associated with the Attorney General's Office.

The CBA works diligently to address disciplinary cases by actively monitoring for the filing of a Notice of Defense. If no Notice of Defense is received, the CBA requests that the Attorney General's Office prepare a default decision. When an Notice of Defense is received, the CBA works quickly to offer settlement terms and if a settlement cannot be reached, to set the matter for hearing.

The CBA has experienced significant improvements in the Enforcement Program because of the restructure. As a result, the CBA believes it has positioned itself to reestablish meeting PM3 and continue to work towards and more closely align with PM4.

35. Explain trends in enforcement data and the board's efforts to address any increase in volume, timeframes, ratio of closure to pending cases, or other challenges. What are the performance barriers? What improvement plans are in place? What has the board done and what is the board going to do to address these issues, i.e., process efficiencies, regulations, BCP, legislation?

Question 34 provides a thorough reporting on the performance measures, including steps the CBA has and continues to take to ensure that it works to meet all established performance measures.

The remaining areas for this question focus on other statistical areas the CBA collects to effectively monitor its Enforcement Program including: cases assigned and closed, case closure of inventory, pending investigation inventory, pending Attorney General's Office inventory, and discipline.

Cases Assigned and Closed

INVESTIGATIONS				
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Investigations Assigned	1,953	2,040	2,185	2,436
Investigations Closed	1,773	2,150	2,222	2,356

During fiscal years 2015-16 and 2016-17, the CBA closed more cases then were assigned to investigation. While the number assigned for fiscal year 2017-18 was slightly more than closed, this occurred at the end of the fiscal year because of an influx of cases related to peer review. Prior to the last quarter of fiscal year 2017-18, the CBA was closing more cases then were assigned.

The CBA anticipates continuing to maintain a balance between the cases assigned and closed. This is a crucial component to ensuring that the inventory maintains currency and significantly assists in minimizing case aging.

Case Closure of Inventory

Beginning in fiscal year 2017-18, the CBA took a more in-depth examination of the case closure of its inventory. While PM3 and PM4 does provide an overall average, it does not, necessarily, provide a full picture of how the case closure of inventory occurred. For this reason, the CBA explored case closure based on months to close and how many cases were closed during particular intervals.

INVESTIGATIONS CLOSED	
	FY 2017-18
Closed within 0-6 Months	1,552
Closed within 6-12 Months	347
Closed within 12-18 Months	217
Closed within 18-21 Months	53
Closed within 21-24 Months	42
Closed within >24 Months	145
Total Closed	2,356

Looking at the breakdown of cases from this view illustrates that 66 percent of the CBA's cases were closed within the first six months, and 75 percent were closed within one year. The remaining cases, especially those over 24 months, are the cases that significantly impact the performance measures. Addressing this aged inventory is crucial to maintaining a current inventory and meeting established performance measures.

Pending Inventory of Investigations

The CBA routinely evaluates its pending inventory of investigations. This provides the CBA another data point to determine case aging.

PENDING INVESTIGATIONS				
	FY 2014-15	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
Total Pending	1,081	1,056	1,080	1,172
0-6 Months	639	506	545	797
6-12 Months	211	203	250	200
12-18 Months	120	200	95	104
18-21 Months	39	37	24	19
21-24 Months	33	30	52	5
>24 Months	39	80	114	47

As the CBA closed out fiscal year 2017-18, most of the inventory of pending cases – 84 percent – was less than one year. When compared to the prior two fiscal years, (2016-17, 74 percent; and 2015-16, 67 percent), the CBA has taken steps to better control its inventory. Taken further, the cases that are less than six months make up 68 percent of the inventory for fiscal year 2017-18, whereas in the prior two fiscal years it was significantly less – 50 percent in 2016-17 and 48 percent in 2015-16.

Additionally, the CBA experienced significant case aging coming out of its prior sunset. At the close of FY 2016-17, the CBA had 114 cases over 24 months. As indicated in the table, this had increased over a three-fiscal year period. By the close of fiscal year 2017-18, the inventory was down to 47, and continues to trend downwards.

Pending Attorney General's Office Inventory

As note previously, with increased collaboration with the Attorney General's Office and through revised best practices employed by the CBA, the CBA has experienced a marked improvement in the inventory pending at the Attorney General's Office. This has resulted in an improvement to the performance measure associated with formal discipline.

PENDING INVESTIGATIONS				
	FY 2014-15	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
Referrals	97	105	83	81
Total Pending Cases	119	112	92	69
0-6 Months	42	54	44	22
6-12 Months	40	30	23	31
12-18 Months	28	13	13	12
18-21 Months	4	2	1	2
21-24 Months	0	5	4	0
>24 Months	5	8	7	2

Over the past four fiscal years, the CBA has collaboratively worked with the Attorney General's Office to effectively manage the pending case inventory. At its peak in fiscal year 2014-15, the total number of cases pending was 119. By the close of fiscal year 2017-18 the number of cases pending was significantly reduced to 69 – a 42 percent reduction in cases pending.

Disciplinary Action

As the CBA acted to reduce its internal inventory and the inventory of cases pending at the Attorney General's Office, it also experienced an increase in its disciplinary actions taken.

INVESTIGATIONS CLOSED	
	Disciplinary Actions Taken
FY 2014-15	63
FY 2015-16	83
FY 2016-17	94
FY 2017-18	90

These four fiscal years represent the highest number of actions taken by the CBA over any other period by far. For comparison purposes, between fiscal years 2010-11 and 2013-14, the CBA took a total of 140 actions. During the present four-fiscal year window, the CBA has taken a total of 330 actions – a 134 percent increase.

Overall, while the CBA recognizes that additional improvements to lower it processing timeframes exist and are necessary, it believes that it has instituted a structure to meet the processing timeframes. The statistics demonstrate that the case inventory is more effectively managed and, as a result, the CBA can take appropriate action to protect consumers.

TABLE 9A. ENFORCEMENT STATISTICS			
	FY 2015-16	**FY 2016-17**	**FY 2017-18**
COMPLAINT			
INTAKE			
Received	2,733	2,508	2,435
Closed	697	352	0
Referred to Investigation	2,040	2,185	2,436
Average Time to Close	4	2	2
Pending (close of FY)	1,056	1,073	1,172
SOURCE OF COMPLAINT			
Public	405	422	470
Licensee/Professional Groups	13	24	355
Governmental Agencies	53	49	10
Other	2,262	2,013	1,600
CONVICTION/ARREST			
Conviction Received	698	375	301
Conviction Closed	698	387	302
Average Time to Close	2	2	1
Conviction Pending (Close of FY)	0	0	0
LICENSE DENIAL			
License Applications Denied	2	2	1
SOIs Filed	2	1	1
SOIs Withdrawn	0	1	0
SOIs Dismissed	0	1	0
SOIs Declined	0	0	0
Average Days of SOIs	0	775	0
ACCUSATION			
Accusations Filed	90	98	73
Accusations Withdrawn	2	3	0
Accusations Dismissed	1	0	0
Accusations Declined	0	0	0
Average Days Accusations	539	807	301

Pending (close of FY)	85	110	69
DISCIPLINE			
DISCIPLINARY ACTIONS			
Proposed/Default Decisions	27	20	22
Stipulations	56	74	68
Average Days to Complete	807	965	865
AG Cases Initiated	105	83	81
AG Cases Pending (close of FY)	115	92	69
DISCIPLINARY OUTCOMES			
Revocation	25	17	20
Voluntary Surrender	16	17	12
Suspension	0	0	0
Probation with Suspension	2	3	5
Probation	40	56	51
Probationary License Issued	N/A	N/A	N/A
Other	0	1	2
PROBATION			
New Probationers	48	63	56
Probations Successfully Completed	20	16	22
Probationers (close of FY)	110	146	158
Petitions to Revoke Probation	5	6	6
Probations Revoked	1	1	4
Probations Modified	0	0	0
Probations Extended	0	0	0
Probationers Subject to Drug Testing	6	6	6
Drug Tests Ordered	29	25	22
Positive Drug Tests	2	0	0
Petition for Reinstatement Granted	4	2	1

DIVERSION	
New Participants	The CBA does not have a Diversion Program
Successful Completions	
Participants (close of FY)	
Terminations	
Terminations for Public Threat	
Drug Tests Ordered	
Positive Drug Tests	

TABLE 9B. ENFORCEMENT STATISTICS (CONTINUED)			
	FY 2015-16	**FY 2016-17**	**FY 2017-18**
Investigation			
ALL INVESTIGATIONS			
First Assigned	2,040	2,185	2,436
Closed	2,150	2,222	2,356
Average days to close	177	175	201
Pending (close of FY)	1,056	1,073	1,172
DESK INVESTIGATIONS			
Closed	N/A	N/A	N/A
Average days to close	N/A	N/A	N/A
Pending (close of FY)	N/A	N/A	N/A
NON-SWORN INVESTIGATION			
Closed	2,148	2,215	2,436
Average days to close	176	175	202
Pending (close of FY)	1,033	1,061	1,172
SWORN INVESTIGATION			
Closed	2	7	14
Average days to close	303	347	193
Pending (close of FY)	4	12	2
COMPLIANCE ACTION			
ISO & TRO Issued	0	0	0
PC 23 Orders Requested	0	5	0

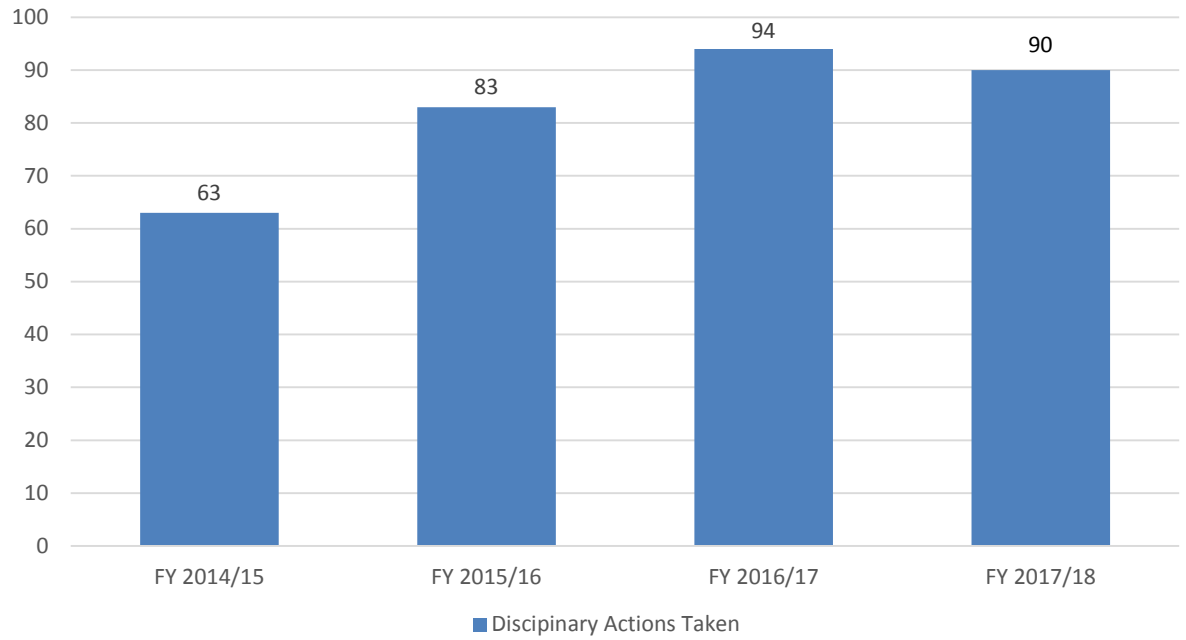
Other Suspension Orders	3	0	0
Public Letter of Reprimand	0	0	0
Cease & Desist/Warning	7	0	0
Referred for Diversion	N/A	N/A	N/A
Compel Examination	N/A	N/A	N/A
CITATION AND FINE			
Citations Issued	256	156	127
Average Days to Complete	147	192	231
Amount of Fines Assessed	$100,450	$55,650	$55,230
Reduced, Withdrawn, Dismissed	$0.00	$0.00	$10,200
Amount Collected	$65,067	$25,787	$26,252
CRIMINAL ACTION			
Referred for Criminal Prosecution	0	0	1

TABLE 10. ENFORCEMENT AGING

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Cases Closed	Average %
Attorney General Cases (Average %)						
CLOSED WITHIN:						
0-1 Year	4	1	8	15	28	8%
1-2 Years	14	29	28	25	96	29%
2-3 Years	25	27	17	19	88	27%
3-4 Years	7	19	41	17	84	26%
Over 4 Years	13	7	N/A	14	34	10%
TOTAL ATTORNEY GENERAL CASES CLOSED	63	83	94	90	330	100%
Investigations (Average %)						
CLOSED WITHIN:						
90 Days	859	1,041	1,191	1,118	4,209	50%
91-180 Days	333	379	448	434	1,594	19%
181 Days – 1 Year	348	444	213	347	1,352	16%
1-2 Years	174	188	242	313	917	11%
2-3 Years	54	94	99	107	354	4%
Over 3 Years	1	4	29	37	71	<1%
TOTAL INVESTIGATION CASES CLOSED	**1,769**	**2,150**	**2,222**	**2,078**	**8,497**	**100%**

36. What do overall statistics show as to increases or decreases in disciplinary action since last review?

One of the most tangible ways the CBA meets its consumer protection mandate is taking appropriate disciplinary actions against licensees. Since the CBA's last sunset review, it has experienced an increase in the number of disciplinary actions, as illustrated on the following chart.



Although the volume saw a slight decrease in FY 2017-18, it is still substantially higher than in prior years. The increase in disciplinary actions is a result of the CBA's ongoing efforts to improve caseload management and its active collaboration with the Attorney General's Office.

37. How are cases prioritized? What is the board's compliant prioritization policy? Is it different from DCA's *Complaint Prioritization Guidelines for Health Care Agencies* (August 31, 2009)? If so, explain why.

The CBA sees case prioritization as an instrumental component for its Enforcement Program to ensure that the CBA meets its mandate of consumer protection. Early identification of potential immediate and ongoing consumer harm is paramount to ensuring the appropriate resources are allocated to the appropriate cases. Additionally, maintaining flexibility to modify priority of a case is also necessary.

The CBA evaluates and prioritizes cases/complaints similar to those identified in Department of Consumers Affairs's *Complaint Prioritization Guidelines for Health Care Agencies* (revised December 2017). Specifically, the CBA uses the following categories: high, standard, and actionable.

- High – These are cases/complaints in which the CBA believes ongoing consumer harm is present and, therefore, the promptness of the investigation is paramount. It is as part of these cases/complaints that the CBA evaluates whether to seek an Interim Suspension Order or to recommend that the courts act under Penal Code section 23.

- Standard – These are cases/complaints such as matters referred from outside sources and that do not pose an immediate threat of harm to consumers, unlicensed activity not posing an immediate threat of harm to consumers, fraud, and making false/misleading statements.
- Actionable – These are cases/complaints with only minimal investigation necessary and generally result in the issuance of citations and fines.

38. Are there mandatory reporting requirements? For example, requiring local officials or organizations, or other professionals to report violations, or for civil courts to report to the board actions taken against a licensee. Are there problems with the board receiving the required reports? If so, what could be done to correct the problems?

a. What is the dollar threshold for settlement reports received by the board?

b. What is the average dollar amount of settlements reported by the board?

Mandatory reporting requirements are key to the CBA's consumer protection mandate, and work as a back stop to ensure that the CBA is reviewing all licensee conduct that may be grounds for disciplinary action. Through a combination of statutes and regulations, four groups have mandatory reporting requirements: licensees, courts, insurance companies, and Board-recognized peer review program providers.

Licensees

Licensees must report various events to the CBA generally within 30 days of the occurring event. The events are clearly defined in Business and Professions Code sections 5063 and 5076, and CBA Regulations section 46. These range from convictions of a crime, actions taken by other governmental entities, and civil settlement/judgments.

To ensure licensees are aware of their reporting requirements, the CBA has continually run articles in its UPDATE newsletter regarding licensees' reportable events. Additionally, the CBA maintains an interactive form on its website to assist licensees with their respective reporting requirements.

Courts

California courts must submit information regarding convictions or judgments against licensees. Courts must provide the CBA a copy of the conviction or judgment and any orders or opinions of the court. The CBA has developed a form to assist the courts in meeting their mandatory reporting requirement. The form is available on the CBA website and is mailed annually to all California courts reiterating the importance of the reporting requirement.

Insurance Companies

Insurance companies are required to report to the CBA any payment of all or any portion of any civil action settlement or arbitration award against licensees when the amount of the settlement or award is $30,000 or greater (Business and Professions Code section 5063.2). The CBA works closely with the nation's largest CPA-directed program of insurance products and risk management solutions for the accounting profession, CAMICO. The threshold for reporting is $30,000 with the average settlement being $260,000.

Board-Recognized Peer Review Program Providers

Board-recognized peer review program providers must provide the CBA with a copy of all substandard reports issued to California-licensed accounting firms within 60 days (Business and Professions Code section 5076).

The American Institute of CPAs routinely provides information on all substandard peer review reports. The CBA also has access to a database and performs monthly report queries to identify

firms that have failed peer review or have been dropped or terminated from the peer review program.

39. Describe settlements the board, and Office of the Attorney General on behalf of the board, enter into with licensees.

a. What is the number of cases, pre-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?

b. What is the number of cases, post-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?

c. What is the overall percentage of cases for the past four years that have been settled rather than resulted in a hearing?

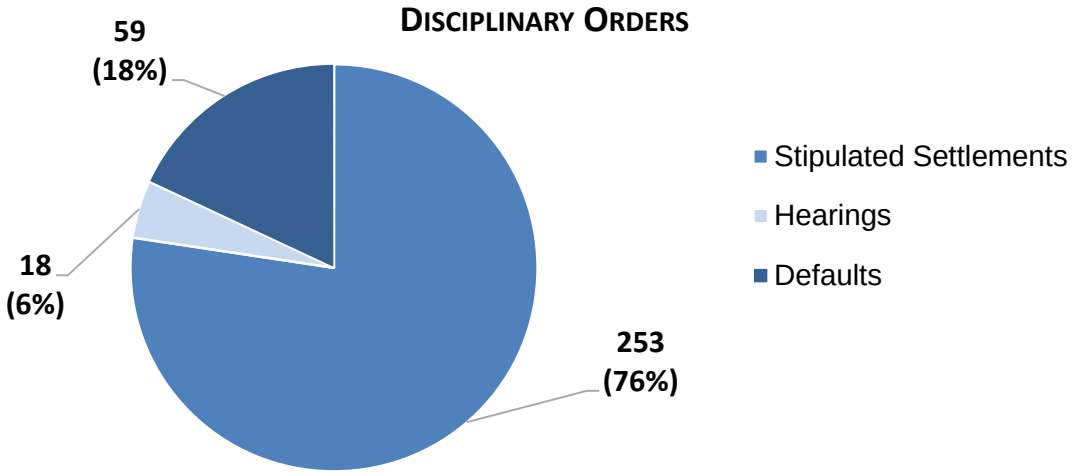
As with any settlement, the overriding consideration is that any final order (probation or revocation/surrender) supports the CBA's mission of consumer protection. The CBA's practice is to assess settlement immediately upon the filing of a pleading.

The CBA assesses the nature and scope of the causes of discipline alleged; any mitigating factors, aggravating factors, and rehabilitation that has occurred; and the ability of the licensee to safely practice and provide services to consumers during a probationary period and beyond.

The Administrative Procedures Act does not provide the authority for the CBA to settle cases pre-accusation. The CBA occasionally participates in what is referred to as a "pre-settlement conference" with a Respondent. A pre-settlement conference involves the Respondent (including their respective legal counsel, if any), a representative from CBA staff, and the Attorney General's Office. It provides the Respondent an opportunity to review the accusation prior to filing.

After a review is completed, parties will discuss possible settlement. Pre-settlement conferences allow the parties to come to an agreement before the filing of an Accusation and can lead to a quicker resolution; however, an Accusation must be filed before the Respondent can enter into any agreed upon stipulated settlement.

Over the past four years, the CBA has acted on 330 cases in which an accusation was filed.



40. Does the board operate with a statute of limitations? If so, please describe and provide citation. If so, how many cases have been lost due to statute of limitations? If not, what is the board's policy on statute of limitations?

There is no statute of limitations in the Accountancy Act. The CBA has no formal policy regarding administrative discipline and when the violation occurred. All complaints are investigated on a case-by-case basis, and discipline is taken based upon the individual circumstances of that case.

41. Describe the board's efforts to address unlicensed activity and the underground economy.

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 takes proactive measures to actively review the internet (including Craigslist, LinkedIn, and other social media websites) for advertisements that claim to provide accounting services.

Unlicensed Activity Investigations

The CBA opens and investigates cases when it identifies any potential unlicensed activity. The CBA sends a letter to individuals identified to be practicing without a license and inquires about their present practice activities. If individuals are a current licensee with an expired license or unregistered accounting firm, the CBA works with the accounting firm to gain compliance.

In instances where individuals are using protected terms, such as accounting and auditing, the CBA seeks to determine if the services they are providing rise to the level of licensure as a CPA. In these instances, the CBA works with the individuals to adjust their respective marketing materials to remove various terms, indicate that the services being performed do not require a license, or both.

If the CBA identifies that the work performed does rise to the level of needing to be licensed or individuals fail to address their advertising materials, the CBA will refer the matter to the Department of Consumer Affairs Division of Investigation. If the allegations prove to be true, the case is referred to the appropriate District Attorney's office for consideration of filing misdemeanor charges.

When the CBA receives correspondence, including applicant experience forms, license renewal applications, and peer review reporting forms, it reviews the information to assess potential for unlicensed activity. The CBA also actively monitors the licensee population for practice by unregistered accountancy firms.

Post Disciplinary Action Unlicensed Activity

Various disciplinary orders adopted by the CBA result in licensees losing their ability to practice public accountancy. Staff regularly review the internet to determine if revoked or surrendered licensees are still practicing public accountancy or if they are using the CPA designation without a valid license.

When staff find potential information that licensees continue to practice public accountancy with a revoked or surrendered license, a case is opened and assigned for investigation. Most often these cases are a result of individuals using the CPA designation on such websites as Facebook and LinkedIn.

A letter is sent to individuals instructing them to remove the content. The CBA has a high success rate in gaining compliance in these matters. In instances when the CBA cannot gain compliance, it refers them to the Division of Investigation.

Cite and Fine

42. Discuss the extent to which the board has used its cite and fine authority. Discuss any changes from last review and describe the last time regulations were updated and any changes that were made. Has the board increased its maximum fines to the $5,000 statutory limit?

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. Examples include licensees who have failed to comply with all aspects of the continuing education requirements, licensees who fail to respond to CBA inquiries, or licensees that have failed to submit their fingerprints to the Criminal Offender Record Information program. In instances where the licensee fails to comply with a citation, the case is referred for formal disciplinary action.

The CBA has not made any modification to its Citation and Fine program since the last sunset review. Further, the CBA has been at the statutory limit of $5,000 since 2008.

43. How is cite and fine used? What types of violations are the basis for citation and fine?

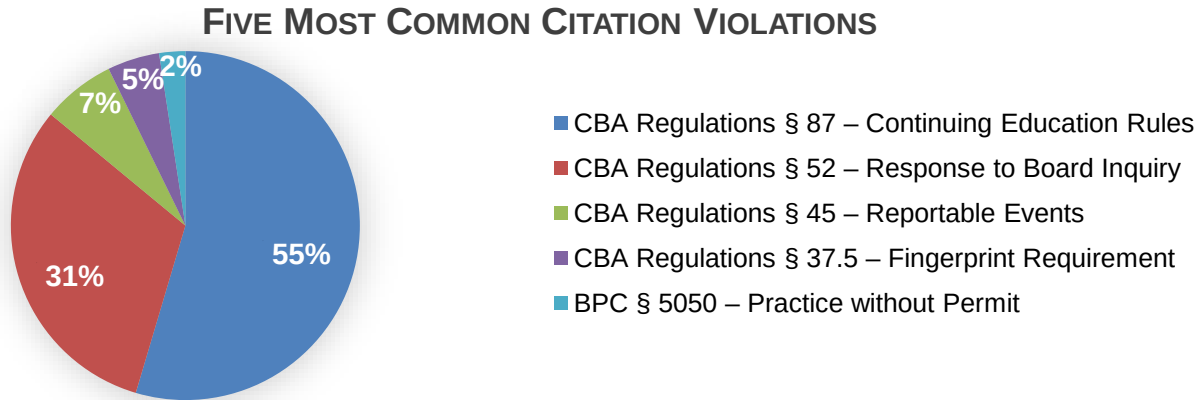
The CBA may issue a citation and fine for any violation of the Accountancy Act or CBA Regulations and as a mechanism for obtaining compliance. Generally, citations and fines are issued when a violation does not rise to the level of formal discipline. Types of violations for which the CBA issues citations and fines may include failure to respond to a CBA inquiry, continuing education deficiencies, operating an unregistered accounting firm, and practice with an expired permit.

44. How many informal office conferences, Disciplinary Review Committees reviews and/or Administrative Procedure Act appeals of a citation or fine in the last 4 fiscal years?

The CBA has referred 23 citations to the Attorney General's Office to schedule an appeal hearing in the past four fiscal years.

45. What are the 5 most common violations for which citations are issued?

The CBA has issued 887 citations within the last four fiscal years, all with an administrative fine included.



46. What is average fine pre- and post- appeal?

The average fine amount pre- and post-appeal is $435.

47. Describe the board's use of Franchise Tax Board intercepts to collect outstanding fines.

The Franchise Tax Board Intercept program provides a mechanism for state agencies to collect debts from California residents scheduled to receive a tax refund. The CBA began using the Franchise Tax Board Intercept Program in December 2015.

The initial collection amount submitted to the Franchise Tax Board was significant as the pool of unpaid administrative fines dated back to fiscal year 2011-12. Since implementing the program, the CBA has referred 1,060 citations totaling over $311,000 to the Franchise Tax Board for the collection of outstanding fines. The CBA has collected nearly $70,000 in outstanding fines through this program.

Cost Recovery and Restitution

48. Describe the board's efforts to obtain cost recovery. Discuss any changes from the last review.

It is CBA policy to pursue cost recovery in all disciplinary matters that proceed to the Attorney General's Office for preparation of an accusation. The CBA Executive Officer is authorized by statute to request an Administrative Law Judge, as part of any proposed decision in a disciplinary proceeding, to order the recovery of reasonable costs of investigation and prosecution, including, but not limited to, attorney's fees.

Generally, for licensees placed on probation, costs are a term/condition of probation and are collected throughout the period of probation.

There have been no changes to the CBA policies or procedures related to cost recovery since the last sunset review.

49. How many and how much is ordered by the board for revocations, surrenders and probationers? How much do you believe is uncollectable? Explain.

During the past four fiscal years, the CBA ordered $1,484,820 in cost recovery. Of this amount, $1,194,278 (80 percent) has been collected. The cost recovery is a combination of investigation and prosecution costs. Cost recovery may be ordered through a stipulated settlement, or through a proposed decision as ordered by an Administrative Law Judge.

Most of the cost recovery ordered comes from licensees who were placed on probation, either through a stipulated settlement or proposed order. However, an Administrative Law Judge may order costs when revoking a license. In fiscal year 2016-17, $97,779 was ordered payable in proposed decisions where the license was revoked.

Additionally, costs may be collected when a petition to reinstate is granted. When a license is revoked or surrendered, cost recovery is typically deferred until the Respondent petitions the CBA for reinstatement. In the past four fiscal years, CBA has collected $62,057 in cost recovery ordered in a granted petition for reinstatement.

The CBA has identified $88,650 in costs that it has ordered and remain outstanding. These are costs that have been ordered despite the license being revoked or surrendered. In these instances, collection is more difficult since the individual's earning potential is significantly reduced once their CPA license is revoked or surrendered.

50. Are there cases for which the board does not seek cost recovery? Why?

Yes. The Administrative Procedures Act prohibits the CBA from seeking cost recovery for cases involving applicants for CPA licensure.

As for cases involving licensees, it is the CBA's policy to seek cost recovery; however, the costs are not intended as a penalty but as a consideration in the overall disciplinary process. Respondents often express concern over the cost, which in turn can lead to delays in reaching resolution to the matter. By maintaining flexibility in ordering costs and considering reduction in costs, cases often resolve significantly faster. Quick resolution serves the CBA's ultimate goal of consumer protection by getting Respondents into an agreement and imposing terms on their license and/or practice. Additionally, quick resolution saves the CBA time and resources by reducing Attorney General costs and allowing staff to spend more time on other cases.

51. Describe the board's use of Franchise Tax Board intercepts to collect cost recovery.

The CBA has identified $88,650 in costs that it has ordered and remain outstanding. These are costs that have been ordered despite the license being revoked or surrendered. The CBA uses the process established by the Franchise Tax Board and refers those matters for collection as appropriate.

52. Describe the board's efforts to obtain restitution for individual consumers, any formal or informal board restitution policy, and the types of restitution that the board attempts to collect, i.e., monetary, services, etc. Describe the situation in which the board may seek restitution from the licensee to a harmed consumer.

The CBA's policy states that restitution is considered a mitigating factor when considering discipline against a licensee. Restitution considers the actual harm to a consumer; and is not intended for the CBA to award damages to a consumer.

TABLE 11. COST RECOVERY (DOLLARS IN THOUSANDS)

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Total Enforcement Expenditures	$589,316	$742,862	$970,159	$874,446
Potential Cases for Recovery[1]	39	76	88	90
Cases Recovery Ordered	25	41	59	56
Amount of Cost Recovery Ordered	$337,966	$376,930	$395,585	$374,339
Amount Collected	$214,007	$338,663	$324,987	$316,621

1. "Potential Cases for Recovery" are those cases in which disciplinary action has been taken based on violation of the license practice act.

TABLE 12. RESTITUTION (DOLLARS IN THOUSANDS)				
	FY 2014-15	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
Amount Ordered	$0	$0	$0	$0
Amount Collected	$0	$0	$0	$10,000[1]

1. The restitution was originally order in a disciplinary action that took effect in fiscal year 2013-14. The licensee had a three-year probation term, by the end of which the licensee was required to pay and provide proof of payment to the complainant.

53. How does the board use the internet to keep the public informed of board activities? Does the board post board meeting materials online? When are they posted? How long do they remain on the board's website? When are draft meeting minutes posted online? When does the board post final meeting minutes? How long do meeting minutes remain available online?

The CBA leverages three Internet-based resources to keep the public informed of board activities: the CBA website, email, and social media.

CBA Website
The CBA's website is the focal point of its public and stakeholder communications and was modernized in May 2016 so users could more easily navigate it and find the resources they need. In addition, the new website includes a design conducive to mobile devices.

Any visitor to the CBA website may access a wealth of information about the CBA's activities, including:

- CBA enforcement actions (including how to file a complaint)
- Updates to Accountancy Act and CBA Regulations
- Webcasts of CBA meetings (which are closed captioned) and archived outreach events
- CBA meeting agendas and related materials
- Subscribe to receive news and updates via email
- Links to the CBA's Facebook, Twitter, and LinkedIn accounts

Email
The CBA maintains an email list serve, E-News, that consumers and other stakeholders may sign-up for and that distributes information based upon subscribers' interests. The CBA uses E-News to share CBA meeting agendas and materials, information about law changes, the CBA's UPDATE newsletter, and other items of interest to applicants, licensees, and consumers.

Social Media
The CBA maintains accounts on Facebook, Twitter, and LinkedIn. These platforms provide consumers and other stakeholders a convenient option to get updates from the CBA and ask questions.

Board Meeting Materials and Minutes
The CBA, including all advisory and statutory committees, posts all meeting agendas and materials on the CBA website at least 10 days in advance of its meetings. Those materials are not removed from the website and continue to be accessible in perpetuity.

Draft meeting minutes are posted as part of the next meeting's materials. Once approved, the final minutes are posted to the CBA website within 10 days. Meeting minutes are not removed from the website and are accessible indefinitely.

54. Does the board webcast its meetings? What is the board's plan to webcast future board and committee meetings? How long do webcast meetings remain available online?

Yes, all CBA meetings are webcast through the CBA website. Like the CBA meeting materials, those webcasts are archived and available online permanently.

55. Does the board establish an annual meeting calendar, and post it on the board's web site?

Yes. The calendar of all CBA meetings, including all committee meetings, is accessible on the CBA website

56. Is the board's complaint disclosure policy consistent with DCA's *Recommended Minimum Standards for Consumer Complaint Disclosure*? Does the board post accusations and disciplinary actions consistent with DCA's *Web Site Posting of Accusations and Disciplinary Actions* (May 21, 2010)?

DCA developed its *Recommended Minimum Standards for Consumer Complaint Disclosure* as a model for how to handle disclosure. These standards contemplate and recognize that boards may have their own respective disclosure practices, which the CBA does. The CBA maintains the confidentiality of complaints and investigations, as allowed for by the Public Records Act. If the CBA takes enforcement action, either through formal discipline or citation, the public enforcement documents are placed on the CBA website.

57. What information does the board provide to the public regarding its licensees (i.e., education completed, awards, certificates, certification, specialty areas, disciplinary action, etc.)?

On its website, the CBA provides the public a significant amount of information regarding its licensees, including:

- Status (e.g. clear, delinquent, revoked) of a license for California CPAs and accountancy firms
- Access to CPAverify, a national database of licensed CPAs and CPA firms
- Pending and final enforcement actions taken by the CBA
- Date of initial licensure and most recent renewal
- Whether a licensee is authorized to sign reports on attest engagements
- Address of record

This information helps a consumer understand key aspects of a licensee's experience, authority to practice, and whether that licensee has been disciplined by the CBA. Posted disciplinary actions contain a detailed account of the CBA's investigation, its findings, and the discipline imposed (e.g. probation, practice restriction).

In addition, on the CBA website, consumers may access guidance to help them choose a CPA appropriate to their needs or file a complaint. This, and other helpful information is included in the CBA's *Consumer Assistance Booklet*

58. What methods are used by the board to provide consumer outreach and education?

Outreach and education are central to the CBA's consumer protection mission and has been an increasing focus, beginning in November 2015 with CBA Past-President Katrina L. Salazar, CPA. The emphasis on consumer and licensee education has continued with each successive CBA leadership team and is featured in the CBA's 2016-2018 Strategic Plan.

The CBA uses multiple methods to help educate consumers about the role of the CBA and their rights and opportunities under the law.

CBA Website and Email Subscriptions

The website provides consumers and stakeholder with the easiest and most widely accessible tool. The CBA website includes a web-page dedicated to consumer-centric information and resources. As indicated in our response to Question No. 57, on the CBA website, consumers may find a wealth of useful information about CBA licensees, including guidance on how to choose a CPA suitable to their needs.

Also, the CBA website provides consumers easy access to the Accountancy Act, CBA Regulations, and several handbooks and other content that explains the requirements to obtain and maintain a license, how to file a complaint, and provides information about CBA meetings and related materials. For example, the CBA's *Consumer Assistance Booklet* is available for reading or download on the website. In addition, consumers may find phone numbers, fax numbers, and email addresses for the CBA's various programs on the website.

The CBA website homepage includes an "Announcements" and "Upcoming Events" sections on its homepage that highlights current and future activities or events.

The CBA offers a list service, known as "E-News," that allows consumers to sign up to receive emails regarding the CBA's tri-annual newsletter, updates on regulatory changes, CBA meeting agendas and materials, and much more.

Traditional and Social Media

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

After the CBA approves its final disciplinary actions, and those actions are posted to the CBA website, staff share links to the relevant files 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).

In recent years, the CBA has grown its presence on social media and steadily increased its followers on Facebook, Twitter, and LinkedIn as we produce and share content relevant to our stakeholders. 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.

In-Person Events

In-person events provide consumers broad access to the CBA.

The CBA welcomes consumer participation at its meetings. At CBA meetings, consumers may interact directly with the CBA members and staff. If unable to attend CBA meetings in-person, anyone may watch a live or archived webcast through the CBA website.

In addition, the CBA participates in various consumer-oriented outreach events, including:

- Annual Financial Literacy Resource Fair, sponsored by the California Department of Business Oversight
- California Senior Rally, sponsored by Seniors Count Coalition
- Tax Resource Fair, sponsored by Congressmember Karen Bass

59. Discuss the prevalence of online practice and whether there are issues with unlicensed activity? How does the board regulate practice online? Does the board have any plans to regulate internet business practices or believe there is a need to do so?

The use of the Internet during the practice of public accountancy is commonplace and the CBA regulates in this area. For example, many CPAs who perform tax services transmit documents online.

Regardless of whether licensees practice via the Internet or through traditional means, licensees are subject to CBA regulatory requirements and enforcement action. For instance, the performance of audits only through the Internet is prohibited by professional standards and would subject a licensee to possible enforcement action.

Unlicensed Activity
There are two main categories of unlicensed activity related to online practice:

- CBA licensees who practice in an unauthorized manner.
- Non-licensed individuals and businesses that advertise to perform public accounting services or use a protected title such as CPA, accounting, or auditing.

If the individual is a current licensee with an expired license or an unregistered firm, the CBA works with individuals and accounting firms to gain compliance. If licensees fail to comply, the CBA will initiate enforcement action.

In instances where individuals are using protected terms, such as accounting and auditing, the CBA seeks to determine if the services they are providing rise to the level of licensure as a CPA. In these instances, the CBA works with the individuals to adjust their respective marketing materials to remove various terms, indicate that the services being performed do not require a license, or both.

If the CBA identifies that the work performed does rise to the level of needing to be licensed or individuals fail to address their advertising materials, the CBA will refer the matter to the Department of Consumer Affairs Division of Investigation. If the allegations prove to be true, the case is referred to the appropriate District Attorney's office for consideration of filing misdemeanor charges.

60. What actions has the board taken in terms of workforce development?

The CBA believes that contributing toward the development of the CPA workforce directly relates to achieving its consumer protection mission, including its vision that "[a]ll consumers are well-informed and receive quality accounting services from licensees they can trust."

The CBA's workforce development actions include timely application processing and educational outreach events to potential applicants.

Timely Application Processing
The CBA has established targeted timeframes for processing applications for examination and initial licensure that enable a qualified individual to quickly enter the profession.

As referenced in the 2016-2018 Strategic Plan, to maintain an effective and efficient program, the CBA's goal is to process these applications within 30 days.

Educational Outreach Events
The CBA's outreach program educates applicants on the examination, education, and experience requirements for licensure. In addition, this program helps licensees understand the requirements to maintain their practice rights, including their continuing education requirements and recent CBA enforcement activity.

The CBA uses the following communication channels to educate applicants and licensees:

- The CBA website
- UPDATE newsletter (published tri-annually)
- Conduct in-person licensing educational events
- Social media engagement through Facebook, Twitter, and Linkedin

61. Describe any assessment the board has conducted on the impact of licensing delays.

As noted in Section 4, Question 18, over the past two fiscal years, the CBA has experienced an increase in its processing timeframes for processing of applications, which now exceeds the 30-day processing target. The CBA recognizes that extended processing timeframes could impact applicants' ability for career advancement and is committed to returning to its established 30-day processing target.

62. Describe the board's efforts to work with schools to inform potential licensees of the licensing requirements and licensing process.

The CBA maintains its focus to build relationships with California colleges and universities and conducts outreach events on those campuses a few times each year. At college/university outreach events, CBA staff explain the requirements for licensure and the CBA's application review process. In addition, materials that describe the details of those requirements are provided to each individual in attendance.

If time and staffing resources are available, the CBA will meet one-on-one with students at these events to review their transcripts and answer questions about their individual circumstances. When feasible, these events are webcast and available for later viewing online.

September 2017 CBA Meeting at California State University, Fullerton
The CBA held its September 2017 meeting on the campus of California State University, Fullerton, which was 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. 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.

A few other examples of CBA events with colleges and universities include:

- October 2015 – staff spoke at an Accounting Society workshop held at California State University, Sacramento.
- April 2016 – the CBA Vice-President and staff spoke to students at the University of Southern California.
- February 2017 – staff spoke to students at California State University, Chico. This event was webcast and hosted by California Society of Certified Public Accountants.
- April 2017 – a member of the CBA's Mobility Stakeholder Group spoke to students at Orange Coast College.
- February 2018 – a CBA member and staff spoke at California State University, San Bernardino. This event drew students from other nearby colleges and was also co-hosted by California Society of Certified Public Accountants.

63. Describe any barriers to licensure and/or employment the board believes exist.

The CBA believes timely processing of applications is crucial to minimizing barriers to licensure and employment. As noted in Section 4, Question 18, over the past two fiscal years, the CBA has experienced an increase in its processing timeframes for processing of applications, which now exceeds the 30-day processing target. The recognizes that extended processing timeframes could impact applicants' ability for career advancement and is committed to returning to its established 30-day processing target.

64. Provide any workforce development data collected by the board, such as:
a. Workforce shortages
b. Successful Training Programs

To monitor the CPA workforce, the CBA periodically collects workforce development and outlook data from the Bureau of Labor Statistics.

The most recent findings include:

- The percent of projected job growth for CPAs between 2016 and 2026 is 10 percent.
- The number of new accounting and auditing jobs that will need to be filled between 2016 and 2026 is 139,900.
- The national median CPA Salary is $69,350, annually.

- The California median CPA Salary is $75,130, annually.
- The highest median CPA Salary in California is in the San Rafael Metropolitan market at $88,050, annually.
- As of 2017, the national unemployment rate for accountants and auditors is 2.5 percent.

As the pathway to CPA licensure is formal educational training, and the CBA relies on accreditation agencies and the Department of Education to provide that training, there are no formal training programs that the CBA oversees or monitors data.

Applicants do, however, have many CPA Examination Preparatory Courses to choose from to add to their formal training and prepare for taking the CPA Examination. These courses can be classrooms, computer courses, videos, self-tests, and even podcasts are available to students, normally for a fee.

CPA Examination Preparatory Courses are just one way for students to prepare. For example, as the American Institute of CPAs *This Way to CPA* website recommends, students must also:

- Find a study style
- Develop a plan
- Use free resources and tools found online through American Institute of Certified Public Accountants
- Manage their social calendar
- Read success stories of others who passed the CPA Exam

Although there is not current data as to the success rates of CPA Examination Preparatory Courses, the American Institute of CPAs oversees a website, *CPA Exam Prep Course Reviews*, that allows students to research the course format, rate the course and write reviews.

65. What is the status of the board's implementation of the Uniform Standards for Substance Abusing Licensees?

As a non-health board, the CBA does not have a diversion program and has not adopted the Uniform Standards for Substance Abusing Licensees.

66. What is the status of the board's implementation of the Consumer Protection Enforcement Initiative (CPEI) regulations?

While as a non-health board, the CBA has not adopted regulations associated with the Consumer Protection Enforcement Initiative, the CBA has proactively implemented many of the Consumer Protection Enforcement Initiatives to improve its overall Enforcement Program. Some examples include:

- Adopted the Department of Consumer Affairs Enforcement Performance Measures
- Reviewed internal enforcement processes to identify process improvements to reduce cycle and investigation times.
- Posted accusations (along with all publicly available enforcement documents) to the CBA website.
- Delegated subpoena powers to the Executive Officer and Chief of Enforcement.
- Require investigators (and seek opportunities to send all Enforcement Program staff) to the Department of Consumer Affairs Enforcement Academy. (Select staff have even participated in the development of various modules associated with the academy.)
- Implemented mandatory fingerprinting regulations.
- Submitted budget change proposals to ensure that the CBA has sufficient staffing resources to meet it consumer protection mandate.

67. Describe how the board is participating in development of BreEZe and any other secondary IT issues affecting the board.

a. Is the board utilizing BreEZe? What Release was the board included in? What is the status of the board's change requests?

b. If the board is not utilizing BreEZe, what is the board's plan for future IT needs? What discussion has the board had with DCA about IT needs and options? What is the board's understanding of Release 3 boards? Is the board currently using a bridge or workaround system?

The CBA is in BreEZe Release 3, which has now evolved to a Business Modernization Project. The Business Modernization Project has the same goal as BreEZe, which is to create/transition to a single enforcement and licensing database system that provides internal automation and online capabilities for CBA stakeholders. The Business Modernization Project differs from BreEZe in that instead of a "one size fits all" approach, the CBA will be able to select an IT solution to fit its specific business needs.

The CBA has completed preliminary work on the Business Modernization Project. In July of 2017, the CBA began discussions with Department of Consumer Affairs Information Technology Management regarding timeframes, resources, and next steps necessary to transition to a new Information Technology solution. In December 2017 the CBA's Business Modernization Report was finalized and in August 2018 the CBA, in collaboration with 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 IT software and Information Technology solutions.

The CBA uses the Department of Consumer Affairs's antiquated database, Consumer Affairs System or CAS, and several internal stand-alone legacy databases as workarounds to address workload demands. This will be in use until it is able to transition to a singular IT system.

In July 2019, the CBA is anticipated to formally begin identifying its business needs. It is anticipated that the CBA will transition from the current enforcement and licensing database and its many stand-alone internal databases to a singular system over a multi-year period. This timeframe is, however, contingent upon receiving additional staff resources to address workload while current CBA subject matter experts are redirected to the Business Modernization Project.

Department of Consumer Affairs Information Technology Management has been a key element in moving this project forward. They have maintained open communications and provided input on the development of time frames, identification of staffing options, and provided input on anticipated costs.

Because the launch of a new licensing and enforcement system is years in the future, the CBA is working with Department of Consumer Affairs on an interim process to allow licensees to pay their renewal fees via an online portal with a credit card. This is under development and implementation is anticipated by the end of 2018. The CBA will continue to use CAS until transition to a new Information Technology solution is completed.

The CBA's 2016-18 Strategic Plan states that the CBA is committed to developing and implementing technology solutions that ensure functionality and operational efficiency in response to consumer and licensee needs. The CBA has been anxiously awaiting a transition to an Information Technology solution that will address its significant automation needs for internal efficiencies and to address stakeholder needs for increased online capabilities.

SECTION 10
CBA ACTION AND RESPONSE TO PRIOR SUNSET ISSUES

ISSUE #1: (CBA's PEER REVIEW PROGRAM) Should the CBA's Peer Review Program (PR Program) be continued?

Committee Staff Recommendation: The PR Program of the CBA should be continued. However, in the meantime the CBA should attempt to do a more thorough analysis of the benefits of the PR Program and provide a report to the Legislature by November 1, 2018. The CBA may want to work more closely with the CalCPA and AICPA in determining how to survey the profession regarding the benefits of peer review and the survey should be completed by all who are required to participate in peer review. The CBA should also provide information to the respective Committees of action they are taking against firms that have been identified as providing substandard peer review reports.

CBA Response

The CBA agrees with the Committee's recommendation to continue the Peer Review Program. With the ongoing changes to generally accepted accounting principles and auditing standards, the Peer Review Program plays an important consumer protection role in ensuring accounting firms, including a sole proprietorship, maintain current knowledge of professional standards and are more likely to deliver high-quality accounting and auditing services to consumers.

Survey Results

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 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.

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

MY FIRM BENEFITED FROM UNDERGOING PEER REVIEW 346 RESPONDENTS		
	Responses	**Percentage**
Strongly Agree	60	17%
Agree	145	42%
Disagree	81	24%
Strongly Disagree	60	17%

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.

IDENTIFIED BENEFITS OF PEER REVIEW (RESPONDENTS COULD CHECK ALL THAT APPLIED) 198 RESPONDENTS		
	Responses	**Percentage**
Assisted with Ensuring Professional Standards are Maintained	159	80%
Improved Quality of Accounting and Auditing Services	82	41%
Improved Overall Services to Clients	24	12%

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. As for items respondents noted as "Other," this included updating engagement letters used with clients and ceasing to provide certain accounting and auditing services going forward.

IDENTIFIED CORRECTIVE ACTIONS (RESPONDENTS COULD CHECK ALL THAT APPLIED) 145 RESPONDENTS		
	Responses	**Percentage**
Completed Additional Continuing Education	51	35%
Other	42	29%
Trained Staff or Hired Additional Staff	29	20%
Submitted Additional Materials	23	16%
Updated Library	23	16%
Completed Additional Inspections or Reviews	19	13%
Completed Post Issuance Review	14	10%
Had Peer Review Team Captain Revisit	5	3%
Submitted Next Monitoring Report	3	2%
Submitted Work Paper for Next Audit Engagement	3	2%

In addition to identifying the benefits of peer review, the CBA also inquired with respondents the difficulties they experience. Of the 105 respondents to this area, most noted nearly three different difficulties.

As noted in the survey results, PRIMA has been an area of concern for respondents, with logging into PRIMA being a primary concern. Respondents also noted difficulties in uploading documents and discrepancies in their accounting firm's peer review rating in PRIMA. Respondents also noted the cost of peer review, scheduling a peer review and finding a peer reviewer as difficulties they have experienced.

DIFFICULTIES EXPERIENCED BY ACCOUNTING FIRMS (RESPONDENTS COULD CHECK ALL THAT APPLIED) 105 RESPONDENTS		
	Responses	**Percentage**
Logging into PRIMA	62	59%
Cost to Participate	61	58%
Scheduling a Peer Review	43	41%
Uploading Documents to PRIMA	42	40%
Finding a Peer Reviewer	36	34%
Enrolling in Peer Review	33	31%
Discrepancies in PRIMA Regarding the Firm's Peer Review Rating	31	30%

Over March and April 2017, the American Institute of CPAs – the CBA-recognized peer review program provider – launched a new database to streamline and meet the technological and operational needs of the American Institute of CPAs Peer Review program. The new Peer Review Integrated Management Applications database – better known as PRIMA – is the primary tool used by accounting firms, peer reviewers, and entities that administer the American Institute of CPA Peer Review Program.

The Peer Review Oversight Committee, which the Legislature charged with overseeing and reporting on the effectiveness of mandatory peer review to the CBA, has been active in evaluating and discussing the new American Institute of CPAs PRIMA database. The Peer Review Oversight Committee has integrated the evaluation of PRIMA into its oversight functions.

As for scheduling a peer review and finding a peer reviewer, the CBA has been actively working with the American Institute of CPAs regarding a decrease in the peer reviewer populations nationally. The CBA is actively monitoring the actions the American Institute of CPAs is taking to address this area. The CBA has tasked the Peer Review Oversight Committee with continued evaluation of and reporting on the peer reviewer population.

Enforcement Action Arising from Substandard Peer Review Reports

While a central component of the Peer Review Program is education, the Legislature added an important consumer protection element. The Legislature required accounting firms to submit substandard peer review reports to the CBA for the purposes of investigating. These reports represent the highest risk to consumers as an independent peer reviewer has determined that the accounting firm is not performing work in compliance with standards.

Between fiscal years 2014-15 and 2017-18, the CBA opened 500 cases associated with substandard peer review reports. The CBA evaluates the peer review report, associated responses, and information received by the accounting firm to determine if additional enforcement action is warranted to ensure consumer protection.

When warranted, the CBA proceeds with formal discipline against the licensee. When considering appropriate discipline, the CBA evaluates the severity of the causes for discipline and any factors of mitigation and aggravation, and whether the accounting firm intends on performing accounting and auditing services in the future.

Between fiscal years 2014-15 and 2017-18, the CBA took disciplinary action on 35 cases that arose from individuals with a substandard peer review report. Of these 32 disciplinary actions, the CBA placed 32

licensees on probation, with 17 of the 32 having a permanent restricted practice placed on certain services.

Conclusions

The Peer Review Program 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.

With ongoing change and evolutions to generally accepted accounting principles and auditing standards, accounting firms that undergo peer review maintain a currency of knowledge and are better equipped to deliver high quality accounting and auditing services to consumers. Peer review promotes knowledge, providing firms with an opportunity to learn ways to improve services, using up-to-date methods and ensure best practice techniques. Additionally, peer review allows consumers an extra measure of assurance knowing that the firms they hire are held to stringent, verifiable standards.

The Peer Review Program plays an important consumer protection role through the enforcement component, ensuring that only qualified firms are providing services to California consumers. In the case of substandard peer reviews, the CBA's enforcement program completes a deeper review of the firms and their practices as discovered through the peer review program. Consumer protection is increased through monitoring and educating firms to promote quality in the accounting and auditing services they provide.

SECTION 11
NEW ISSUES

The CBA has identified five new issues that it believes are instrumental to allowing it to maintain and further its consumer protection mandate and provide better service to its various stakeholders. These issues are:

1. Staffing
2. Automation/On-Line Services
3. Increase Statutory Maximum for License Renewal Fees
4. Electronic Distribution of the UPDATE Newsletter
5. Require Licensees to Report an Email Address

Issue #1 - Staffing

The CBA is seeking permanent staffing resources to replace its temporary staff. This will assist the CBA in decreasing its processing timeframes for review and approval of CPA Examination and CPA licensure applications.

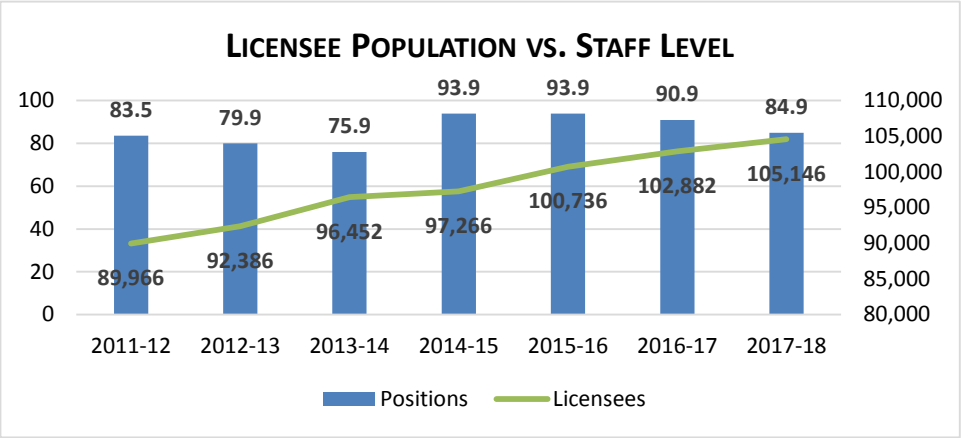
Staff play a critical part in assisting the CBA meet its mission of consumer protection and its mandate pursuant to Business and Professions Code section 5000.1, which states:

> *Protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.*

The CBA works diligently to ensure it has the appropriate staffing levels and resources to meet its consumer protection mission and stakeholder obligations. To enable the CBA to continue to meet its mission, reduce processing timeframes, and enhance programs and services, the CBA is seeking to establish permanent positions that will replace the use of temporary help.

The number of permanent staff has fluctuated in prior years due to many factors, including Administration directives for position reduction and staffing augmentations to address the enactment of new laws and implementation of programs. However, the CBA is presently operating at approximately the same permanent staff level as in FY 2011-12.

During this same time the CBA's licensee population has increased nearly 20 percent. As the licensee population is expected to continue to increase, workload will also grow. To address the workload, in the absence of permanent positions, the CBA employed temporary staff. Temporary staff can consist of seasonal clerks, intermittent positions or limited-term staff.



Although the use of temporary staff has assisted the CBA in addressing its increasing workload needs, there is often high turnover creating instability, backlogs, and increased processing timeframes. Temporary staff often seek permanent positions and as transition occurs, the CBA spends significant time on the recruitment and training of new temporary staff. The biggest impact during this continual transition is the increased processing timeframes and backlogs of work, primarily in the Licensing Program.

On average, the CBA has employed 12 temporary staff members each year, however, it presently employs 16 temporary staff members. Given the nature of temporary staffing positions, individuals in these positions look for opportunities to secure permanent positions, which, in turn, creates a high turnover rate. In fiscal year 2016-17, the CBA experienced a 44 percent turnover in its temporary staff, with this rate growing to 53 percent in FY 2017-18.

The CBA undertook a significant restructure of staff in 2016, and ensuring consumer protection remains its top priority, redirected 10 staff members to the Enforcement Program. The redirection addressed the increased volume of enforcement workload and processing timeframes for complaint resolution. There have been undeniable positive impacts of the use of permanent staff to address the Enforcement Program workload. The Enforcement Program experienced reduced processing timeframes for complaints, an increase in the number of cases that are referred to the Attorney General, and an increase in the number of disciplinary actions taken.

The redirected staff primarily came from the Licensing Program. The redirection, while positive for Enforcement, contributed to extended processing timeframes for examination and licensure applications. To address the workload demands, the Licensing Program began recruiting additional temporary help staff. While this has assisted the Licensing Program, it has not resolved the workload changes.

The temporary staff employed at the CBA are addressing consistent and ongoing workload that is appropriately handled by permanent staff. The CBA is seeking permanent resources to replace its temporary staff. It is anticipated that this will address the increased processing timeframes and eliminate the backlog of work that presently exists.

<u>Issue #2 – Automation/On-Line Services</u>
The CBA lacks automation and on-line services, which has impacted processing timeframes and its level of customer service.

The CBA's internal processes for licensing and enforcement are manual and its automated functions are few and limited. The CBA uses the Department of Consumer Affairs's antiquated database system, Consumer Affairs System or CAS, and several internal stand-alone legacy databases as workarounds to address workload demands. Until a singular and integrated Information Technology system is developed and used, the CBA will continue to rely on a patchwork set of systems.

The CBA is in BreEZe Release 3, which has now evolved to a Business Modernization Project. The Business Modernization Project has the same goal as BreEZe, which is to create/transition to a single enforcement and licensing database system that provides internal automation and online capabilities for CBA stakeholders. The Business Modernization Project differs from BreEZe in that instead of a one-size-fits-all approach, the CBA will select an Information Technology solution to fit its specific business needs.

The CBA has 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. 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.

In July 2019, the CBA anticipates beginning identifying its business needs. The CBA anticipates that it will transition from its patchwork systems to a singular system in FY 2021-22. 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 Department of Consumer Affairs on an interim process to allow licensees to pay their renewal fees via an online portal with a credit card. This is under development and implementation is anticipated by the end of 2018.

The CBA's 2016-18 Strategic Plan states that the CBA is committed to developing and implementing technology solutions that ensure functionality and operational efficiency in response to consumer and licensee needs. The CBA has been anxiously awaiting a transition to an Information Technology solution that will address its significant automation needs for internal efficiencies and to address stakeholder needs for increased online capabilities.

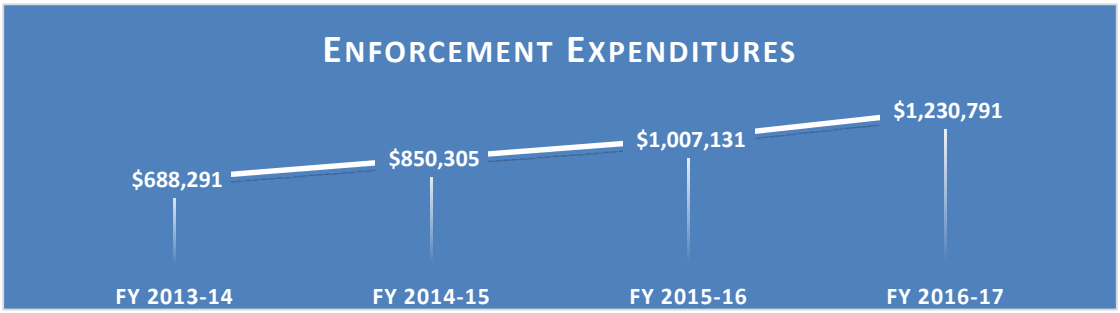
Issue #3 – Increase Statutory Maximum for License Renewal Fees

The CBA is seeking an increase to its statutory maximum fee for license renewal and initial permit to ensure it has sufficient flexibility for any future fee changes.

During the CBA's Sunset Review in 2015, the Legislature expressed concern regarding whether the CBA would be capable, from both a funding and staffing perspective, of investigating and prosecuting a case against a large accountancy firm. In responding to this concern, the CBA was able to convey that it is authorized, pursuant to Business and Profession Code sections 5025.1 and 5025.2, to obtain additional funding and resources it may need to address enforcement matters.

Business and Profession Code section 5025.1, which the CBA uses regularly, allows the CBA to contract with CPAs as consultants and experts to assist in investigation and prosecution of enforcement matters. Business and Profession Code section 5025.2 provides the CBA $2 million of additional expenditure authority from its reserve to fund unanticipated enforcement and litigation activities. The Legislature indicated, that to ensure sufficient resources are available for possible enforcement needs, it supports the CBA maintaining the Accountancy Fund at 24 months in reserves.

The CBA must prepare for additional increases in enforcement overhead costs (Attorney General, Office of Administrative Hearings, court reporter, witness fees). In the prior three fiscal years, the CBA has spent over $100,000 in expert witness costs. These have been used in investigating complaints or providing expert testimony in various cases. Costs with the Attorney General increased nearly 20 percent in FY 2016-17. Overall enforcement costs have nearly doubled since FY 2013-14.



In response to the Legislative guidance received during the prior Sunset Review, the CBA initiated two attempts to increase its fees to reach the 24 months in reserve level. The first attempt was not approved as the CBA was preparing to receive repayment of loans from the General Fund which would have a positive impact on the reserve fund level. In June 2017, the CBA did receive full repayment of all loans and its current reserve level is above the 24 months in reserve. The CBA is, however, presently operating on a yearly negative cash flow, which is drawing significant funds from its reserve.

The CBA is pursuing a second fee increase via regulation to address the disparity between revenues and expenditures and ensure its accountancy fund level is maintained at 24 months of expenditures. This second attempt will place the CBA at its statutory maximum level of $250. Provided this regulatory proposal is approved, the CBA will be at the statutory maximum for the license renewal and initial permit fee.

To ensure there is sufficient flexibility in the event the CBA needs to pursue a fee increase in the future, to address enforcement or operational needs, the CBA is seeking to increase the statutory maximum for its license renewal and initial permit fee from $250 to $500. The CBA's present statutory maximum of $250 has been in existence for approximately 30 years. The new level would provide sufficient growth for future years.

Issue #4 – Electronic Distribution of the UPDATE Newsletter

The CBA is seeking to automate the delivery of its UPDATE newsletter to increase its messaging, reduce its environmental impact, and reduce its overhead costs.

The CBA is seeking authority to distribute information, including its UPDATE newsletter, in an electronic format. The CBA is presently required to mail a hard copy of its UPDATE newsletter as mandated by Business and Professions Code section 5008, which states the CBA "shall, from time to time, but not less than twice each year, prepare and distribute to all licensees, a report of the activities of the board…and may likewise distribute reports of other matters of interest to the public and to practitioners."

In 1986, the CBA published and distributed the first issue its UPDATE newsletter to its licensee population. Since that time, the UPDATE newsletter has been published approximately three times per calendar year and contains important information about law and regulation changes, CBA and Committee meetings, new CBA programs, and information about enforcement, examination, licensure and continuing education.

In mid-2018 a survey was conducted seeking stakeholder feedback regarding whether the CBA should eliminate the print version the UPDATE newsletters. Seventy-one percent of the participants in the survey supported the elimination of the paper version and individuals indicated the CBA should allow people to opt-in to continue receiving a print copy.

The CBA spent approximately $280,000 in FY 2017-18 on the printing, mailing, and postage costs for the UPDATE newsletter. This has increased 44 percent since FY 2013-14 when the annual cost was approximately $194,000.

The CBA is one of the very few licensing boards/bureaus under Department of Consumer Affairs that continues to print and mail its newsletter. Thirty-eight of the 41 Department of Consumer Affairs boards/bureaus do not print their newsletter and instead post it on their website. Technology has significantly evolved, and a shift has occurred throughout private industry and government to use paperless processes. Further, the popularity of electronic distribution of publications has increased.

As Business and Professions Code section 5008 requires the CBA to "prepare and distribute" to all licensees a report of the activities of the board, the CBA requests this section be amended in a manner to facilitate the electronic distribution method.

Issue #5 – Require Licensees to Report an Email Address

The CBA is seeking to require licensees provide an email address to increase communications and provide an additional method of contact.

In 2014 the CBA pursued a legislative proposal, which was included in Senate Bill 1467 (Chapter 400, Statutes of 2014), to authorize the CBA to collect, but not require, a valid electronic mail address at the time of application for, or renewal of, a CPA license. This allowed an individual the opportunity to voluntarily provide the information. Staff use this information as an additional method of contact regarding any document/application that was submitted. As this provision is only optional, not every individual provides their email address to the CBA.

Recently, the CBA experienced challenges in properly serving documents to licensees with an address outside of the United States. The Attorney General's Office was able to resolve this with the use of email, as the licensees consented to accept the documents through email.

The use of email as a means of communication has increased significantly in both government and private industry – as well as for personal use. Requiring licensees to provide their email address will increase and streamline communications.

SECTION 12
ATTACHMENTS

Section 1
Committee Roster

CBA 2016-2018 Strategic Plan

California's Mobility Program for Accountancy, Implementation, Enforcement, and its Consumer Benefits

Study on the Attest Experience Requirement

Section 2
The links to each Department of Consumer Affairs quarterly and annual report that contains enforcement-related performance measures for the CBA are provided in the two charts below:

Quarterly Reports
Q2, October - December 2017
Q1, July - September 2017
Q4, April - June 2017
Q3, January - March 2017
Q2, October - December 2016
Q1, July - September 2016
Q4, April - June 2016
Q3, January - March 2016
Q2, October - December 2015
Q1, July - September 2015
Q4, April - June 2015
Q3, January - March 2015

DCA Annual Reports
2017 (see pages 15-16)
2016 (see pages 14-15)
2015 (see pages 13-14)

Section 3
Organizational Chart

Section 4
CBA 2016-2018 Strategic Plan

Additional Items
California Board of Accountancy Guidelines and Procedures Manual (in process of being placed on the website)

CBA Annual Reports
Fiscal Years 2017-18, 2016-17, 2015-16, 2014-15

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CBA Item I.J.
September 20-21, 2018

Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position

Presented by: Nooshin Movassaghi, Legislative Analyst

Purpose of the Item
The purpose of this agenda item is to present the status of legislation that the California Board of Accountancy (CBA) has taken a position on and is monitoring.

Consumer Protection Objective
The CBA monitors and takes positions on legislation related to its consumer protection mandate.

Action Needed
No action is needed on this item unless the CBA elects to change its position on a bill.

Background
Since January 2018, the CBA has been presented with various pieces of legislation to determine whether to take a formal position or monitor its progress should the legislation develop into a proposal that may impact the CBA or its consumer protection mission.

Comments
The CBA's 2018 Legislative Tracking Chart (**Attachment 1**) contains all bills on which the CBA has taken a formal position. As the Governor has until September 30, 2018 to make a decision regarding each bill listed, the most recent status available is being provided. Any additional updates will be conveyed during the September CBA meeting.

Additionally, staff is including the signature and veto letters that were sent to the Governor (**Attachment 2**) and the CBA's most recent position letter (**Attachment 3**).

Fiscal/Economic Impact Considerations
The fiscal/economic impact is identified on each bill analysis presented to the CBA. Of the bills presented, there was either no fiscal or economic impact or the costs identified were minor and absorbable.

Recommendation

Staff recommend the CBA maintain its current position on AB 767, AB 2087, AB 2138, AB 2958, SB 795, SB 993, SB 1121, SB 1244, and SB 1492.

Attachments

1. Legislative Tracking Chart
2. CBA Signature and Veto Letters to the Governor
3. CBA Position Letters

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Revised CBA Item I.J.
Attachment 1

2018 Legislative Tracking Chart

Bill#	Author	Topic	Version	Board Position	Location/Status
AB 767	Quirk-Silva	GO-Biz Information Technology	7/2/2018	Watch w/letter	Governor's Office/Enrolled
AB 2087	Waldron	State government operations: technology modernization	7/2/2018	Watch	Failed passage
AB 2138	Chiu/Low	Licensing boards: denial of application: criminal conviction	6/20/2018	Oppose, unless Amended	Governor's Office/Enrolled
AB 2958	Quirk	State bodies: meetings: teleconference	6/18/2018	Watch w/letter	Governor's Office/Enrolled
SB 715	Delgado	Vehicular air pollution: regulations: exemption	8/27/2018	Support	This bill is no longer relevant to the CBA
SB 795	Galgiani	Accountancy: Practice Privileges	7/3/2018	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	6/14/2018	Watch	Governor's Office/Enrolled
SB 1244	Wieckowski	Public Records: disclosure	7/5/2018	Watch	Chaptered
SB 1492	Senate B&P	Professions and vocations (Omnibus bill)	6/4/2018	Support	Chaptered

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August 28, 2018

Attachment 2

Governor Edmund G. Brown Jr.
State Capitol, 1st Floor
Sacramento, CA 95814

RE: SB 795 (Galgiani) – Signature Request

Dear Governor Brown:

On behalf of the California Board of Accountancy (CBA), I am writing to respectfully request your signature on Senate Bill (SB) 795, which would remove the sunset date on the CBA's mobility program. By statute, this program will sunset on January 1, 2019.

Under existing law, the CBA's current mobility program allows qualified out-of-state Certified Public Accountants (CPAs) to practice public accountancy in California without obtaining a California CPA license. In conjunction with this program, the CBA developed and implemented various other measures that enhance consumer protection. For example, this program led to the creation of a set of national enforcement best-practices consistent with the CBA's enforcement standards and followed by all other state boards of accountancy.

In December 2017, the CBA issued a report (*California's Mobility Program for Accountancy – Implementation, Enforcement and its Consumer Benefits*) to the Legislature and the Department of Consumer Affairs regarding its implementation of the program. In the report, the CBA concluded the program provides an equivalent, and in many respects a greater level of consumer protection in comparison to its prior practice privilege program. The report is available on the CBA's website at www.cba.ca.gov.

SB 795 makes permanent the CBA's mobility program, thereby allowing consumers to continue to receive these benefits. Therefore, the CBA respectfully requests your approval of SB 795.

Sincerely,

Michael M. Savoy, CPA
President

c: The Honorable Cathleen Galgiani, California State Senate
Members, California Board of Accountancy
Patti Bowers, Executive Officer

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September 4, 2018

The Honorable Governor Edmung G. Brown, Jr.
State Capitol, 1st Floor
Sacramento, CA 95814

RE: SB 1492 – Signature Request

Dear Governor Brown:

On behalf of the California Board of Accountancy (CBA), I am writing to respectfully request your signature on Senate Bill (SB) 1492.

SB 1492, includes two minor, non-substantive changes to law that help maintain and update the California Accountancy Act. In addition, the bill would allow the CBA's Enforcement Division to rely on certified or true and correct copies of a disciplinary action taken against a CBA licensee by another agency or state as conclusive evidence of past events.

For these reason, the CBA respectfully requests your signature on SB 1492.

Sincerely,

Michael M. Savoy

Michael M. Savoy, CPA
President

c: Honorable Senator Jerry Hill
Members, California Board of Accountancy
Patti Bowers, Executive Officer

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September 5, 2018

Governor Edmund G. Brown Jr.
State Capitol, 1st Floor
Sacramento, CA 95814

RE: AB 2138 (Chiu and Low) – Veto Request

Dear Governor Brown:

On behalf of the California Board of Accountancy (CBA), I am writing to respectfully request your veto of Assembly Bill (AB) 2138, which would significantly limit a licensing board's authority to consider an individual's history of unprofessional conduct and criminal activity when evaluating an application for licensure.

In addition to the CBA, 21 other licensing boards within the Department of Consumer Affairs (DCA) adopted an Oppose or Oppose Unless Amended position on AB 2138 because of the unnecessary risks the bill presents to consumers.

The CBA believes it is a laudable goal to assist individuals with a criminal history obtain gainful employment and provide them a more clear understanding of how a DCA board evaluates past criminal convictions. However, in pursuit of this quest, AB 2138 prioritizes certain applicants over consumers and unacceptably degrades the CBA's ability to meet its statutory mandate of consumer protection.

<u>Insufficient Data to Substantiate Inappropriate Denials at the CBA</u>
Proponents of AB 2138 argue that DCA licensing boards and bureaus inappropriately deny licensure, often due to convictions that are old or otherwise unrelated to the license sought.

It is our understanding that DCA licensing boards typically deny 1 percent, or less, of the applications received due to the applicant's criminal history. For the CBA, our overall denial rate over the past five fiscal years for those with a criminal history is 0.1 percent, or one tenth of one percent. During the same time period, the CBA granted a license to 97 percent of our applicants who had a criminal history. When viewed together, we believe this data indicates that the CBA considers the complete circumstances surrounding an applicant's criminal history, including mitigating factors and evidence of their rehabilitation.

We have not been presented with data or examples of the CBA inappropriately denying licensure. Nevertheless, the CBA is included within the scope of AB 2138.

Unprofessional, Anti-Consumer Conduct Ignored

In addition to the changes regarding consideration of an applicant's criminal history, AB 2138 prohibits the CBA from considering certain acts of unprofessional conduct.

For example, under current law, the CBA monitors sanctions and other actions taken by the U.S. Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) against individuals and firms. Such actions would subject a licensee to discipline and, in the case of an applicant, could be grounds for a denial.

AB 2138 removes the authority to consider such actions, and numerous other types of unprofessional and anti-consumer conduct, of its applicants, and instead limits the grounds for denial to two types of conduct: specified criminal actions (many within certain timeframes) and formal actions by a licensing board outside California within the seven years prior to the date of application. SEC and PCAOB sanctions (e.g. insider trading, filing false financial statements) are not necessarily criminal convictions and those bodies are not licensing boards.

Therefore, the CBA would be unable to consider those actions no matter how recent to the date of application or egregious the underlying behavior and circumstances. If a CBA licensee committed this type of unprofessional conduct, they would likely be disciplined by the CBA. However, AB 2138 prevents the CBA from taking into consideration the same unprofessional behavior when evaluating an application for licensure.

Unclear Rulemaking Authority

In the final days of the legislative session, the authors amended the bill to grant authority to the CBA to conduct a rulemaking to add certain financial crimes to the list of crimes not subject to the seven-year criminal history limitation in the bill. The rulemaking language in the bill requires these financial crimes to be related to the "fiduciary qualifications, functions, or duties" of a certified public accountant (CPA).

Unfortunately, two key areas of practice common to CPAs (auditing and tax preparation) do not involve a fiduciary relationship between the licensee and their client. This clouds our rulemaking activity, possibly leading to a denial from the Office of Administrative Law or litigation with future applicants that could delay our regulatory efforts.

New Challenges to Obtain Criminal History Information

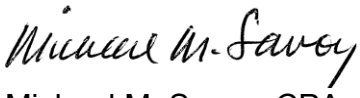
Under current law, the CBA requires applicants to submit their fingerprints for a criminal history search through the California Department of Justice and disclose their criminal history on application forms. AB 2138 prohibits the CBA (and numerous other boards) from requiring applicants to self-disclose their criminal history.

The CBA relies upon an applicant's self-disclosure to ensure we have complete criminal history information. Eliminating self-disclosure limits the data available and could lead to individuals, with a relevant criminal history, inappropriately receiving a CPA license.

We hope you will veto this bill so we may continue discussions with the authors and proponents in the hopes of finding a pathway to address their concerns without placing consumers at risk.

Thank you for your consideration of our position on AB 2138. If you have any questions, you may contact our Executive Officer Patti Bowers at (916) 561-1711.

Sincerely,



Michael M. Savoy, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer

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Attachment 3

June 22, 2017

The Honorable Sharon Quirk-Silva
State Capitol, Room 6012
Sacramento, CA 95814

Bill: AB 767
Position: Watch

Dear Assemblywoman Quirk-Silva:

On May 18, 2017, the California Board of Accountancy (CBA) voted to take a Watch position on Assembly Bill (AB) 767.

AB 767 would create within the Governor's Office of Business and Economic Development (GO-Biz), a business license center to develop and administer a computerized master business license system to simplify the process of engaging in business in California.

Although AB 767 authorizes GO-Biz and state agencies to borrow funding to implement this bill, it has a potential fiscal impact to the CBA as it would require it to change existing license and renewal applications to interact with the GO-Biz web-platform.

While the CBA appreciates the efforts to increase access and streamline the process for obtaining the necessary licenses to operate a business in California, the CBA has concerns with the information technology (IT) aspects of the project. State-wide IT projects can be difficult and costly to implement.

For these reasons, the CBA has taken a Watch position on AB 767.

Sincerely,

Alicia Berhow
President

c: Assembly Appropriations Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

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June 20, 2018

The Honorable David Chiu
State Capitol, Room 4112
Sacramento, CA 95814

The Honorable Evan Low
State Capitol, Room 4126
Sacramento, CA 95814

Bill: **AB 2138**
Position: **Oppose, Unless Amended**

Dear Assembly Members Chiu and Low:

On May 17, 2018, the California Board of Accountancy (CBA) voted to take an Oppose, unless Amended position on Assembly Bill (AB) 2138, as amended on April 2, 2018.

AB 2138, as approved in the June 18, 2018 hearing of the Senate Committee on Business, Professions, and Economic Development would continue to make significant changes to the licensing practices and processes for all boards within the Department of Consumer Affairs (DCA).

The CBA appreciates those recent amendments and believes they improve the bill, but unfortunately, the CBA continues to have significant concerns and, therefore, its position is unchanged.

The CBA believes it is a laudable goal to provide applicants with a more clear understanding of how a DCA board evaluates past criminal convictions and help ensure that individuals with certain prior bad acts are not, in some way, permanently impeded from obtaining licensure. However, AB 2138 would significantly affect the CBA's ability to meet its legislatively established mandate of consumer protection.

The CBA requests the following amendments to AB 2138 and believes they would balance the policy objective of this legislation against the CBA's legislatively mandated requirement to protect consumers:

<u>Business and Professions Code (BPC) 480</u>

- Include financial-based crimes to the list of convictions not subject to the "washout" period. Alternatively, provide a board within DCA the ability to adopt via regulation additional crimes specific to their business or profession that would not be subject to the washout period.

Although the CBA understands and agrees with the washout period not applying to serious felonies, the CBA also evaluates certain criminal acts more germane to the practice of public accountancy, including embezzlement, fraud, theft, and other financial-based criminal convictions. These types of crimes present a significant risk to consumers of accounting services.

- Clarify that periods of confinement are not applicable to the washout period.

- Delete the provision that prohibits a board from requiring applicants to self-report or disclose criminal conviction information. In our experience, criminal offender record information provided by the Department of Justice is not always complete and cannot be wholly relied upon. Requiring an applicant to self-report helps ensure the CBA has their complete criminal history.

- Restore the language that allows a board to deny licensure to applicants for the following:

    - Done any act involving dishonesty, fraud, or deceit with the intent to substantially benefit himself or herself or another, or substantially injure another.
    - Done any act that if done by a licentiate of the business or profession in question, would be grounds for suspension or revocation of license.

- Include references to specific sections of the Penal Code that indicate what crimes are considered to be "serious felonies."

- Clarify the meaning of "disqualification of licensure." This phrase is not defined in the bill and is not in the current BPC 480.

BPC 493

- Restore the language that allows a board to evaluate the underlying circumstances surrounding a criminal conviction.

  Evaluating the underlying conduct is a necessary step to determine the appropriate degree of rehabilitation and discipline, as, generally, no two convictions are alike. For example, someone convicted of embezzling $1,000 for a one-time occurrence should be evaluated differently than someone convicted of embezzling $100,000 over a multi-year period.

In addition, the CBA requests the following:

- Inclusion of a delayed effective date in the bill or emergency rulemaking authority for a board to adopt and amend regulations to effectuate the policies within the bill.

The CBA looks forward to continued collaboration with you and your staff to address its concerns with AB 2138.

If you have any questions regarding this letter, you may contact Aaron Bone, Information and Planning Officer at (916) 561-1792 or aaron.bone@cba.ca.gov.

Sincerely,

Patti Bowers
Executive Officer

c: Members, Senate Public Safety Committee
Mary Kennedy, Chief Consultant, Senate Public Safety Committee
Bill Gage, Chief Consultant, Senate Business, Professions, and Economic Development Committee
Sarah Mason, Consultant, Senate Business, Professions, and Economic Development Committee
Robert Sumner, Principal Consultant, Assembly Business and Professions Committee
Members, California Board of Accountancy

CALIFORNIA BOARD OF ACCOUNTANCY

California Board of Accountancy
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August 15, 2018

The Honorable Bill Quirk
State Capitol, Room 2163
Sacramento, CA 95814

Bill: AB 2958
Position: Watch

Dear Assemblyman Quirk:

Thank you for providing the California Board of Accountancy (CBA) an opportunity to review the conceptual changes to Assembly Bill (AB) 2958, prior to including them in the August 6, 2018 version of the bill.

After reviewing the June 18, 2018 version of the bill and the proposed amendments, the CBA voted to take a Watch position during its July 26, 2018 meeting. While the CBA appreciates the intent to provide flexibility to state bodies, we have concerns with the following provisions of AB 2958, as written:

- At least 24 hours prior to the meeting, that state body shall provide notice to the public that identifies which members are participating remotely. The location of any member participating remotely does not need to be disclosed in the notice and need not be accessible to the public.

  CBA concern: The public's lack of awareness of the physical location of a member participating remotely is not consistent with the transparency requirements of current law.

- Any member participating remotely shall not count towards establishing a quorum.

  CBA concern: If a member, who was not originally identified in the meeting notice posted 10 days in advance, does not count towards establishing a quorum, conducting meetings to discuss and adopt mission critical policies may be delayed, possibly creating challenges to the CBA's ability to pursue its consumer protection mission. Furthermore, it is unclear whether a member participating by phone would be able to vote.

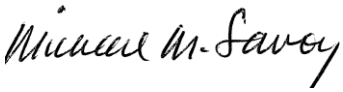
- If remote access fails due to technical difficulties, the meeting shall end and the state body shall provide notice of the meeting's end on its Internet website and send an email to any person who requests notice of meetings. Additionally, if the meeting will be adjourned and reconvened on the same day, the state body shall provide an automated message on a telephone line posted on the state body's agenda or by a similar means that will communicate how a member of the public may observe remotely, once the meeting reconvenes.

  CBA concern: Currently, CBA meetings can continue despite technical difficulties with the live webcast or a teleconference line. Under these alternate teleconference procedures, the CBA would have to delay or cancel a meeting if there are technical difficulties and staff would have to provide a phone line or similar means to notify the public of the meeting's adjournment and when the meeting will reconvene.

For these reasons, the CBA has taken a Watch position on AB 2958 and looks forward to continued collaboration with you and your staff to address its concerns.

If you have questions regarding this letter, you may contact Nooshin Movassaghi, Legislative Analyst at (916) 561-1742 or nooshin.movassaghi@cba.ca.gov.

Sincerely,



Michael M. Savoy, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer

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July 18, 2018

The Honorable Cathleen Galgiani
State Capitol, Room 5097
Sacramento, CA 95814

Bill: SB 795
Position: Support

Dear Senator Galgiani:

On January 18, 2018, the California Board of Accountancy (CBA) voted to take a Support if Amended position on Senate Bill (SB) 795. In light of the amendments to the bill on July 3, 2018, the CBA is pleased to now Support SB 795.

The CBA's current mobility program, enacted by SB 1405 (Chapter 411 of 2012 Statutes), replaced the prior practice privilege program, which required out-of-state licensees to provide notice and pay a fee prior to practicing in California. The current mobility program also required the CBA to develop and implement various other measures intended to enhance consumer protection.

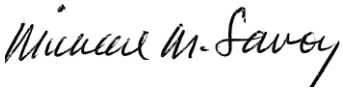
In December 2017, the CBA issued a report (*California's Mobility Program for Accountancy – Implementation, Enforcement and its Consumer Benefits*) to the Legislature regarding its implementation of the program and concluded that the current mobility program provides an equivalent, and in some aspects a greater, level of consumer protection in comparison to the prior practice privilege program. As the CBA implemented this program, consumers realized various benefits, including:

- All states now operate under consistent enforcement practices that meet or exceed the CBA's own enforcement practices;
- Consumers have greater online access to information on licensees;
- Other states increased the sharing of information about their licensees' enforcement outcomes; and
- Consumers have greater access to public accountancy services.

SB 795 allows consumers to continue to receive these benefits.

Thank you for your support of California's consumers. If we can be of further assistance, please contact Patti Bowers, the CBA's Executive Officer, at (916) 561-1711 or patti.bowers@cba.ca.gov.

Sincerely,



Michael M. Savoy, CPA
President

c: Assembly Appropriations
Senate Committee on Business, Professions, and Economic Development
Members, California Board of Accountancy
Patti Bowers, Executive Officer

CALIFORNIA BOARD OF ACCOUNTANCY

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April 5, 2018

The Honorable Jerry Hill
Chairman, Senate Business, Professions, and Economic Development Committee
State Capitol, Room 2053
Sacramento, CA 95814

Bill: SB 1492
Position: Support

Dear Senator Hill:

On March 23, 2018, the California Board of Accountancy (CBA) voted to take a Support position on Senate Bill (SB) 1492, specific to the CBA related provisions.

The CBA would like to thank you for including our two proposals to amend Business and Professions Code (BPC) sections 5095 and 5130.

The amendments to BPC section 5095, which establishes the attest experience requirement for Certified Public Accountant (CPA) licensure, would remove an obsolete reference to a previously removed code section in the CBA's Accountancy Act.

In addition, this bill would make a non-substantive update to the terminology used in BPC section 5130, which requires the CBA to collect a fee from CPA applicants.

On behalf of the CBA, I would like to thank you for including the CBA's proposals in SB 1492. This bill helps keep the CBA's Accountancy Act current.

Sincerely,

Michael M. Savoy

Michael M. Savoy, CPA
President

c: Assembly Member Evan Low, Chair, Assembly Committee on Business and Professions
Members, California Board of Accountancy
Patti Bowers, Executive Officer

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CBA Item I.K.
September 20-21, 2018

MEMORANDUM

DATE	August 29, 2018
TO	California Board of Accountancy Members
FROM	Ileana Butu, Attorney III Department of Consumer Affairs
SUBJECT	Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission

Ileana Butu, Legal Counsel, with the Department of Consumer Affairs, will provide an update regarding proposed Federal Legislation relating to the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

Attachment

Legislation Limiting Damage Awards Against State Regulatory Boards Has Backing of CPA Profession

AICPA's Goal Is To Remove Disincentive For Public Service

July 30, 2018

WASHINGTON, D.C. (July 30, 2018) – The American Institute of CPAs (https://www.aicpa.org/) (AICPA) supports legislation introduced in the United States Congress that would help ensure that members of state regulatory boards are not deterred from serving because of the potential for legal damages related to their public service.

U.S. Representative Mike Conaway (R-Texas) has introduced the Occupational Licensing Board Antitrust Damages Relief and Reform Act (H.R. 6515) to protect state boards – including accountancy boards – board members and staffs from damage awards.

"The accounting profession believes that a federal solution is necessary to ensure that current and prospective state board members are not dissuaded from serving because of uncertainty over any potential liability arising from their public service," said AICPA President and CEO Barry C. Melancon, CPA, CGMA (https://www.aicpa-cima.com/about-us/leadership/Barry-Melancon.html). "We commend Congressman Conaway for recognizing and addressing this very real threat to voluntary service on state boards of accountancy and other licensing boards."

"State licensing boards provide an invaluable service to the state," Rep. Conaway remarked. "Individuals who serve on these boards should enjoy the same legal protections for working on behalf of the state as all other state officials do. Having served on the Texas State Board of Accountancy myself, I understand that serving on a licensing board is performing an important public service. This legislation ensures that members of state licensing boards will continue to serve the state without fear of personal liability."

In 2015, in *North Carolina State Board of Dental Examiners v. Federal Trade Commission*, the U.S. Supreme Court ruled that the North Carolina Dental Board was not entitled to "state action" immunity from antitrust laws because its actions were not actively supervised by the state. The AICPA's goal is to remove the potential for personal financial liability of appointed state board members under antitrust laws – including those who serve on state boards of accountancy.

The AICPA first expressed its concern about the ruling's impact in a letter (/content/dam/aicpa/advocacy/issues/downloadabledocuments/letters-to-congress/20170913-letter-occupational-licensing-hearing.pdf) that was submitted for the record of the House Judiciary Subcommittee on Regulatory Reform, Commercial and Antitrust Law's September 12, 2017 hearing, "Occupational Licensing: Regulation and Competition." In the letter, Melancon cautioned that state professional boards could lose qualified and experienced members because of the risk of personal liability in lawsuits related to actions taken in the members' official capacities.

"There is widespread agreement regarding the importance of well-functioning licensing boards, in such learned professions as medical, legal, accounting, engineering, architecture and more, to promote and protect public health, safety and welfare," Melancon stated. "Therefore, the AICPA believes that a federal solution is important to ensure that current and prospective state board members are not deterred from serving because they are uncertain as to any potential financial liability that could arise from their public service. Such legislation should provide a balanced approach to protecting the public while also allowing for competition in the marketplace for consumers."

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H.R.6515 - Occupational Licensing Board Antitrust Damages Relief and Reform Act of 2018

115th Congress (2017-2018) | Get alerts

Sponsor: Rep. Conaway, K. Michael [R-TX-11] (Introduced 07/25/2018)

Committees: House - Judiciary; Education and the Workforce

Latest Action: House - 07/25/2018 Referred to the Committee on the Judiciary, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned. (All Actions)

Tracker: **Introduced** Passed House Passed Senate To President Became Law

Text: H.R.6515 — 115th Congress (2017-2018)

All Information (Except Text)

There is one version of the bill.

Text available as: XML/HTML | XML/HTML (new window) | TXT | PDF (PDF provides a complete and accurate display of this text.) ?

Shown Here:
Introduced in House (07/25/2018)

115TH CONGRESS
2D SESSION

H. R. 6515

To limit private antitrust damages against occupational licensing boards, to promote beneficial reforms of State occupational licensing, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2018

Mr. CONAWAY introduced the following bill; which was referred to the Committee on the Judiciary, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To limit private antitrust damages against occupational licensing boards, to promote beneficial reforms of State occupational licensing, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Occupational Licensing Board Antitrust Damages Relief and Reform Act of 2018".

SEC. 2. DEFINITIONS.

In this Act:

(1) CERTIFICATION.—The term "certification" means a voluntary program under which—

(A) a private organization (in the case of private certification) or the government of a State (in the case of government certification) authorizes an individual who meets certain personal qualifications to use "certified" as a designated title with respect to the performance of a lawful occupation; and

(B) a noncertified individual may perform the lawful occupation for compensation but may not use the title "certified".

(2) MEMBER, OFFICER, EMPLOYEE, OR AGENT.—The term "member, officer, employee, or agent", with respect to an occupational licensing board, means an individual appointed by, to, or employed by the occupational licensing board.

(3) OCCUPATIONAL LICENSE.—The term "occupational license" means a nontransferable authorization under law for an individual to perform a lawful occupation for compensation based on meeting personal qualifications established by the State government.

(4) OCCUPATIONAL LICENSING BOARD.—The term "occupational licensing board" or "board" means an entity established under State law—

(A) the express purpose of which is to regulate the personal qualifications required to engage in or practice a particular lawful occupation; and

(B) that has authority conferred by State law to interpret or enforce the occupational regulations of the State.

(5) OCCUPATIONAL REGULATION.—The term "occupational regulation"—

(A) means a statute, rule, regulation, practice, policy, or law that sets educational, examination, training and/or experience requirements to authorize an individual to work in a lawful occupation;

(B) includes any statute, rule, regulation, practice, policy, or law requiring certification or an occupational license; and

(C) does not include a business license, facility license, building permit, or zoning and land use regulation except to the extent that such a requirement or restriction substantially burdens an individual's ability to work in a lawful occupation.

(6) WIDELY REGULATED OCCUPATION.—The term "widely regulated occupation" means an occupation in which forty (40) or more States require an occupational license to engage in such occupation.

(7) STATE.—The term "State" means each of the several States, the District of Columbia, and any territory or possession of the United States.

SEC. 3. PRIVATE ANTITRUST DAMAGES.

(a) IN GENERAL.—No damages, or interest on damages, may be recovered under section 4, 4A or 4C of the Clayton Act (15 U.S.C. 15, 15a, or 15c) by any person, except for any State, instrumentality of a State, or employee of a State or instrumentality of a State acting in his or her official capacity, from an occupational licensing board, or any member, officer, employee, or agent of a board, acting in their official capacity, if—

(1) the State—

(A) has enacted a law requiring an occupational license to practice the lawful occupation regulated by the occupational licensing board;

(B) has set forth criteria outlining any personal qualifications necessary to obtain an occupational license and has required that licensees adhere to standards of practice and ethical standards in the performance of regulated lawful occupations; and

(C) has found that—

(i) the public needs, and can be reasonably expected to benefit from, occupational licensing of the lawful occupation; and

(ii) the unlicensed conduct of the lawful occupation would harm or endanger the health, safety, or welfare of the public;

(2) an occupation licensed by an occupational licensing board—

(A) is a widely regulated occupation; or

(B) (i) is not a widely regulated occupation and the State has implemented a periodic sunset review process of the occupational licensing board with regard to that occupation; and (ii) if previously unregulated by the State, the State has implemented a sunrise review process of the occupational licensing board with regard to its regulation of that newly-licensed occupation;

(3) the chief executive, legislature, or other elected officer of the State—

(A) has appointed all members of the occupational licensing board; and

(B) has required public representation on the occupational licensing board; and

(4) the State or the occupational licensing board has established a mechanism under which any person aggrieved by an action of the occupational licensing board has the right to—

(A) contest such action at a hearing before the occupational licensing board at which the individual may provide evidence, argument, and analysis;

(B) review, at a reasonable time before the hearing, all evidence that the occupational licensing board has gathered relating to the contested action;

(C) receive a final reasoned decision in writing from the occupational licensing board within a reasonable period after the hearing; and

(D) appeal an adverse decision of the occupational licensing board to an independent adjudicator, including judicial review.

(b) APPLICABILITY.—This section shall not apply to any case commenced before the date of enactment of this Act, unless it would be inequitable not to apply this section to a pending action.

(c) RULE OF CONSTRUCTION.—Nothing in this Act shall be construed to modify or impair the applicability or availability of—

(1) relief pursuant to section 4A or 4C of the Clayton Act (15 U.S.C. 15a, 15c);

(2) injunctive relief pursuant to section 16 of the Clayton Act (15 U.S.C. 26);

(3) equitable monetary or injunctive relief pursuant to section 13(b) of the Federal Trade Commission Act (15 U.S.C. 53(b)); or

(4) the ability of any person to recover the cost of the suit, including a reasonable attorney's fee, under section 4 of the Clayton Act (15 U.S.C. 15).

(d) SAVINGS CLAUSE.—The immunity from damages, or interest on damages, that is provided to members, officers, employees, or agents of an occupational licensing board of a State under subsection (a) shall not apply to any action unrelated to their official capacity, such as implementing rules governing minimum prices or fees.

SEC. 4. STATE LICENSING STUDIES TO BE CONDUCTED.

Not later than 120 days after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report on—

(1) how States can best address occupational licensing reform, particularly for those occupations that are not directly related to protecting the health, safety, or welfare of the public, including recommendations on how States can weigh the costs and benefits of occupational licensing against those of less restrictive alternatives, such as certification and other approaches;

(2) how States can conduct comprehensive cost-benefit assessments of occupational regulations and occupational licensing boards through sunrise reviews and periodic sunset reviews;

(3) how States can implement policies to support occupational licensing uniformity and occupational license portability, including streamlined licensing portability programs for veterans and military service members and spouses; and

(4) how occupational licensing requirements affect low-income workers, the unemployed, immigrants with work authorizations, and individuals with criminal records.

SEC. 5. RULE OF CONSTRUCTION.

Except as provided in section 3, nothing in this Act shall be construed to modify or impair the applicability or the enforcement of the antitrust laws, as defined in the first section of the Clayton Act (15 U.S.C. 12).

CALIFORNIA BOARD OF ACCOUNTANCY
Fiscal Year 2017-18
Year-End Financial Statement
as of Fiscal Month 12

MARK J. SILVERMAN, ESQ.
•
SECRETARY/TREASURER

NEW BUDGET SOFTWARE (FI$Cal) AND IMPACT ON CBA BUDGET REPORTS

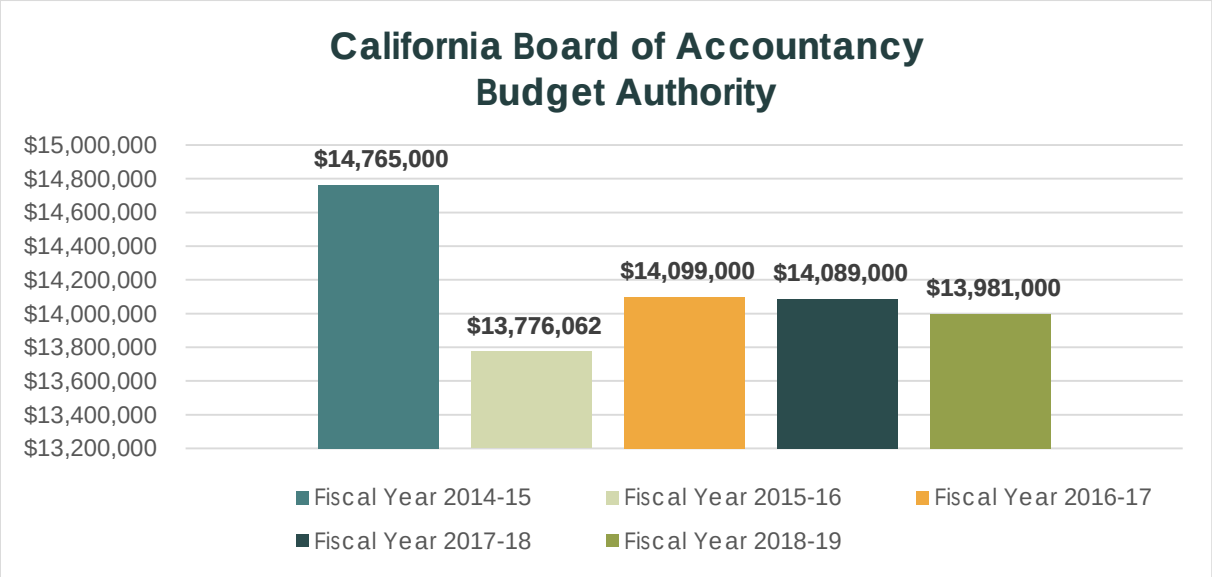
As reported at the March 2018 California Board of Accountancy (CBA) meeting, the Department of Consumer Affairs (DCA) recently transitioned to a new accounting, budget, cash management and procurement IT system as a part of a State-wide project to streamline all financial transactions and business processes into a single financial management operation. The new software applications would replace more than 2,500 legacy systems used to conduct the state's financial transactions.

During system implementation DCA encountered interface and other technical system issues that have hampered DCA's ability to produce, reconcile and distribute timely month-end closing, expenditure and revenue reports. Due to this issue, the Fiscal Year (FY) 2017-18 Year-End Financial Statement is based on preliminary Fiscal Month (FM) 12 statements that were issued by DCA in mid-September. DCA anticipates that FY 2017-18 year-end statements, including FM 13, will be ready for distribution in March 2019.

The CBA is in regular contact with DCA Budget and Executive staff regarding the status of FI$Cal reporting. DCA has indicated that this situation is a statewide issue impacting many of the Departments that are transitioning to the FI$Cal system.

BUDGET AUTHORITY

The CBA's FY 2017-18 budget was $14,089,000. This includes a mid-year budget augmentation in the amount of $154,000 to address a potential increase in unanticipated Attorney General's Office expenditures. The budget for FY 2018-19 is $13,981,000.



CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2017-18
YEAR END FINANCIAL STATEMENT (PRELIMINARY FM12)

LINE	OBJECT DESCRIPTION	FY 2016-17 ACTUAL EXPENDITURES (MONTH 13)	FY 2017-18 BUDGET STONE 2017-18	FY 2017-18 CURRENT YEAR EXPENDITURES MONTH 12	FY 2017-18 PERCENT SPENT
1	**PERSONNEL SERVICES**				
2	Salary & Wages (Staff)	5,198,342	**5,367,000**	5,287,781	99%
3	Statutory Exempt (EO)	125,559	**114,000**	136,603	120%
4	Temp Help Reg (Seasonals)	391,768	**137,000**	360,658	263%
5	BL 12-03 Blanket	80,624		81,095	
6	Temp Help (Exam Proctors)				
7	Board Member Per Diem	10,600	**10,000**	5,800	58%
8	Committee Members	11,000	**11,000**	8,100	74%
9	Overtime	47,852	**42,000**	6,909	16%
10	Staff Benefits	2,954,590	**3,062,000**	3,089,946	101%
11	***TOTALS, PERSONNEL SVC***	8,820,335	**8,743,000**	**8,976,892**	**103%**
13	**OPERATING EXPENSE AND EQUIPMENT (OE&E)**				
14	General Expense	355,487	**190,000**	216,243	114%
15	Fingerprint Reports	14,184	**123,000**	10,536	9%
16	Minor Equipment	45,250	**33,000**	73,765	224%
17	Printing	418,922	**90,000**	120,673	134%
18	Communication	54,937	**48,000**	37,369	78%
19	Postage	271,611	**137,000**	210,399	154%
20	Insurance	93		26,479	N/A
21	Travel In State	183,605	**134,000**	104,376	78%
22	Travel, Out-of-State	4,275		37,917	0%
23	Training	37,650	**23,000**	11,802	51%
24	Facilities Operations	599,274	**628,000**	599,865	96%
25	C & P Services - Interdept.	0	**4,000**	354	9%
26	C & P Services - External	55,219	**238,000**	8,195	3%
27	**DEPARTMENTAL SERVICES (PRO RATA):**				
28	Office of Information Services Pro Rata	427,936	**481,000**		0%
29	Administation/Executive Pro Rata	1,188,382	**1,260,000**		0%
30	Division of Investigations - Spec Ops	29,436	**36,000**		0%
31	Communications Division	149,274	**80,000**		0%
32	Program Policy Review Division Pro Rata	6,538	**72,000**		0%
33	Subtotal			1,558,115	81%
34	**INTERAGENCY SERVICES:**				
35	Interagency Services		**1,000**	0	0%
36	IA w/ OER				
37	Consolidated Data Center	128,515	**36,000**	71,796	199%
38	DP Maintenance & Supply	55,728	**50,000**	4,365	9%
39	Central Admin Svc-ProRata				
40	**EXAM EXPENSES:**				
41	C/P Svcs-External Expert Administrative	173,105		62,447	N/A
42	**ENFORCEMENT:**				
43	Attorney General	1,054,876	**1,231,000**	1,027,546	83%
44	Office Admin. Hearings	106,821	**231,000**	51,999	23%
45	Court Reporters	19,703		6,529	N/A
46	Evidence/Witness Fees	662	**186,000**	2,875	2%
47	Division of Investigations	49,509	**34,000**	60,526	178%
48	**MISC:**				
49	Major Equipment			0	
50	Special Items of Expense				
51	Other (Vehicle Operations)	400			
52	***TOTALS, OE&E***	5,431,392	**5,346,000**	4,304,171	81%
53	***TOTAL EXPENSE***	14,251,727	**14,089,000**	13,281,063	94%
54	Sched. Reimb. - External/Private		**(19,000)**		0%
55	Sched. Reimb. - Fingerprints	(14,308)	**(185,000)**	(12,103)	7%
56	Sched. Reimb. - Other	(2,115)			0%
57	Sched Interdepartmental		**(92,000)**	(3,760)	4%
58	Unsched. Reimb. - Other	(330,798)		(348,470)	0%
59	***NET APPROPRIATION***	13,904,506	**13,793,000**	12,916,730	94%
61				**SURPLUS/DEFICIT:**	**6%**

EXPENDITURES

Total expenditures through FY 2017-18 reflect a net decrease of 4 percent from FY 2016-17. Most of the decrease can be attributed to prudent spending due to the uncertainty of the timing of receipt of information from FI$Cal throughout the year. The following provides information regarding some categories where the CBA has exceeded its targeted budget allotment. CBA Staff are working with the DCA Budget Office to adjust some of these line items to more closely align the budget amount with prior expenditure levels.

Temporary Help (Line 4)
The CBA expended $360,000 for Temporary Help, exceeding its budget authority. Temporary help assist in every division within the CBA and consists of seasonal clerks, student assistants, limited term positions, and permanent intermittent staff, all of which are essential to the CBA meeting its consumer protection mandate. The CBA continues to work with DCA and other control agencies to obtain resources to address the permanent and ongoing workload.

Minor Equipment (Line 16)
The CBA spent approximately $73,000 for minor equipment, primarily for necessary information technology items. No major equipment was purchased.

Printing (Line 17)
The CBA's FY 2017-18 printing expenses decreased from FY 2016-17 when expenses were higher than normal due to printing necessary for the office relocation. Printing costs for FY 2017-18 continue to exceed the budgeted amount primarily due to the CBA's UPDATE publication.

Postage (Line 19)
Postage expenses decreased by approximately 28 percent from FY 2016-17, primarily due to the elimination of mailings related to the office relocation; however, they continue to exceed the target budget amount. This is based on a combination of regular mailings, and postage related to the mailing of the CBA's UPDATE publication, which averages approximately $100,000 per year.

Exam (Line 41)
The CBA has a contract with the National Association of State Boards of Accountancy to obtain testing accommodations for candidates of the Uniform CPA Examination (CPA Exam). There is presently no budgeted amount for this contract, so the funding is covered through underspending in other Operating Expense and Equipment categories. The CBA is working with DCA and other control agencies on an augmentation to establish dedicated funding for this contract.

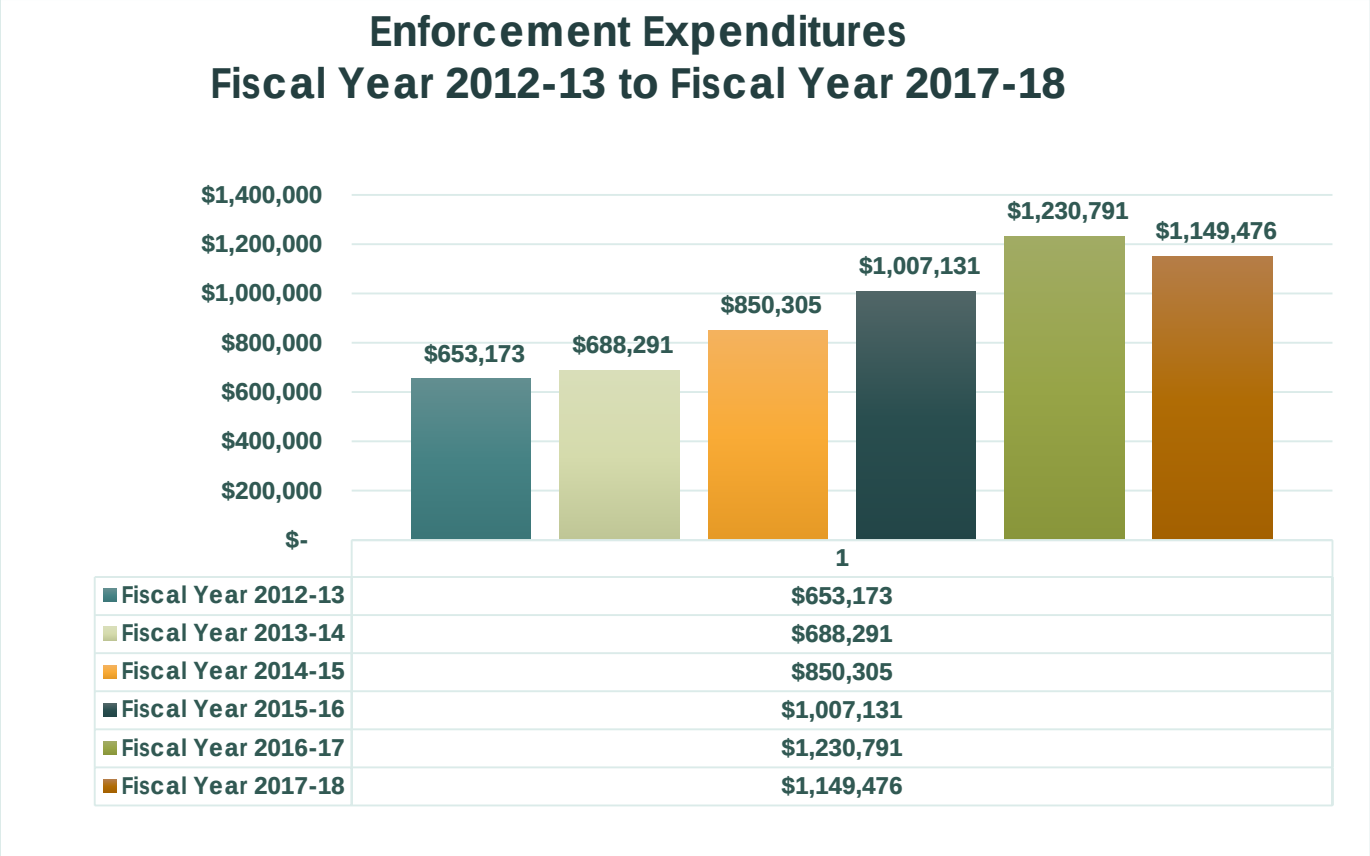
Enforcement (Lines 43-47)
Enforcement expenditures include the following:

- Attorney General (AG)
- Office of Administrative Hearings (OAH)
- Court Reporters
- Evidence and Witness Fees
- DCA Division of Investigation

The CBA received approval for a mid-year budget augmentation of $154,000 for its AG Office expenditures to address increased enforcement costs. The increase is due to a larger volume of cases being processed by the CBA's Enforcement Division and to address potential unanticipated litigation activities. Further, the increase in enforcement activities reflects the CBA's focus of ensuring consumer protection is its highest priority.

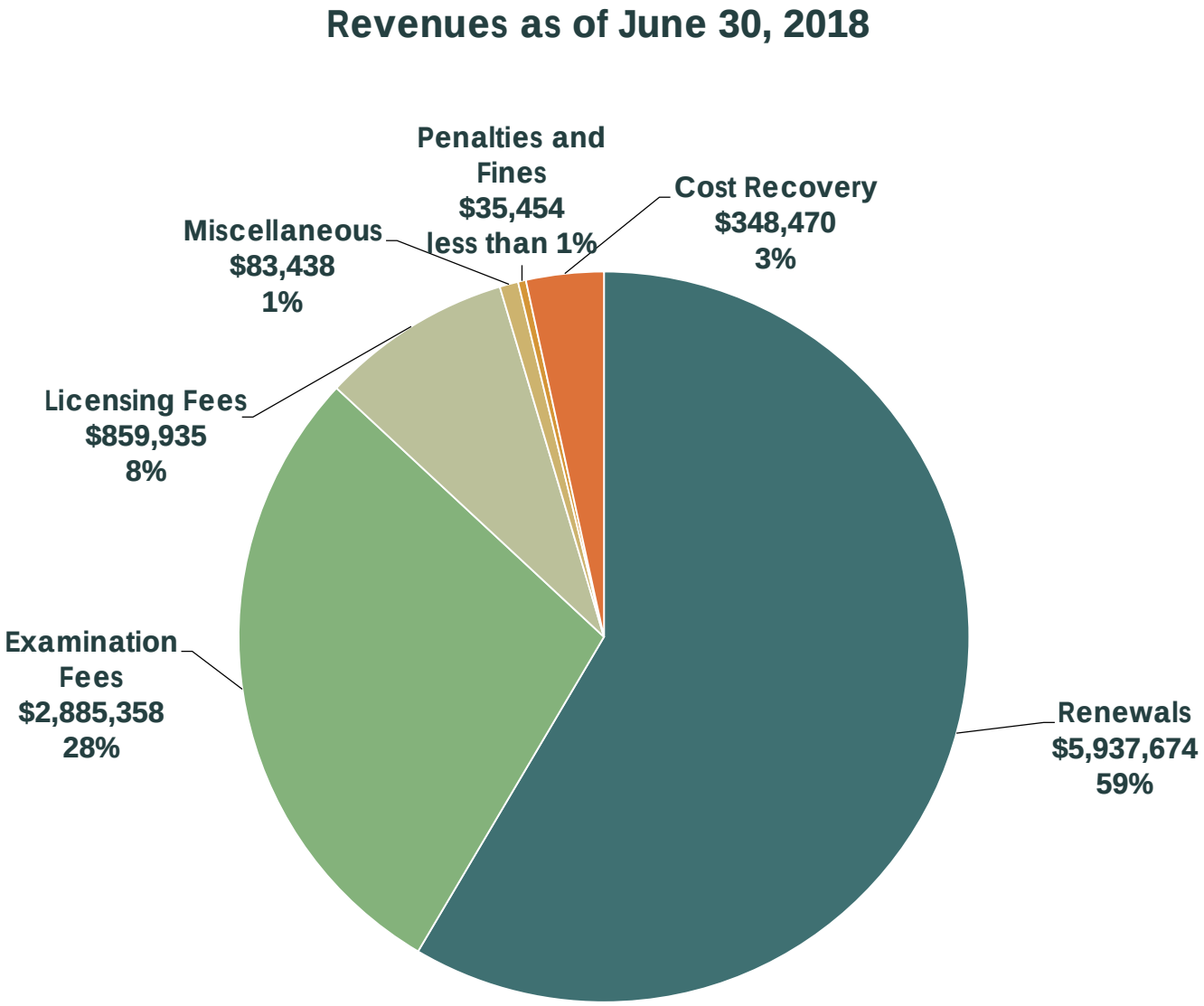
In addition to AG Office expenditures, other costs associated with Enforcement matters include the OAH. The OAH budget amount is set at $231,000 and has historically not been fully spent. This is likely based on the following factors:

- The CBA only takes approximately five percent of its matters to hearing. The majority of matters are resolved via a stipulated settlement.
- The CBA has had an increase in Enforcement activity in the prior two years, and some of the cases may have a hearing calendared, but not concluded during the same fiscal year.



REVENUES

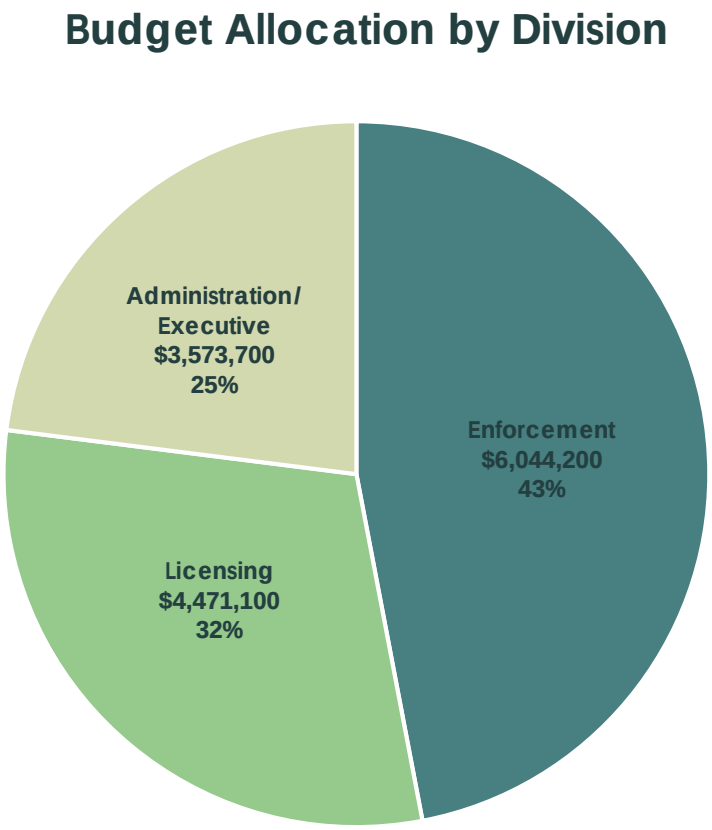
In FY 2017-18, the CBA collected approximately 10.15 million in total revenues. Total revenues increased slightly but were consistent with FY 2016-17. Revenue consists of CPA and Accountancy firm licensure application and renewal fees, CPA Exam fees, cost recovery, and other miscellaneous regulatory fees.



BUDGET ALLOCATION BY DIVISION

The chart below identifies how the CBA's budget is allocated to the Divisions. Allocations are calculated by Personnel Year (PY), which is a calculated figure that represents the actual or estimated portion of a position expended for the performance of work. It is calculated by taking the total number of workload task hours per fiscal year for the position, and dividing it by 1,776, the total number of work hours per fiscal year. Then the number of staff or PYs in each division is calculated, and a percentage allocated.

The CBA provides this information annually in its UPDATE publication. If there is additional information needed regarding how the budget is allocated, staff can provide that at a future meeting.



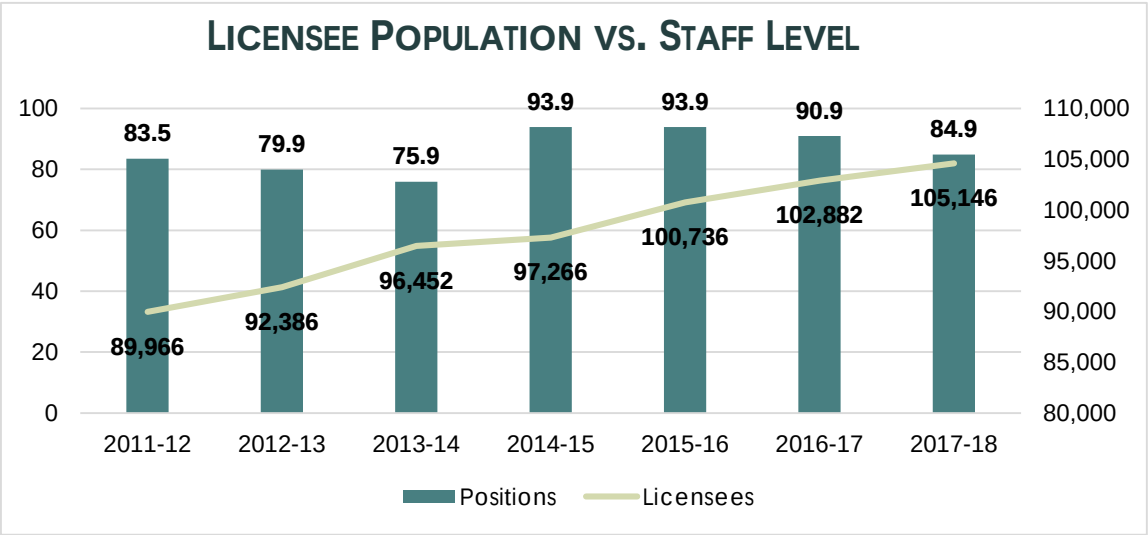
CALIFORNIA BOARD OF ACCOUNTANCY FUND CONDITION

The CBA's Fund Condition Statement has not yet been received, due to delays in the implementation of FI$Cal. The CBA has received preliminary information that the Fund Condition level at the end of FY 2017-18 is approximately $27 Million, or 22 months in reserve (MIR). The Fund Condition, once available, will include the prior year adjustment, expenses for FI$Cal, Statewide Pro Rata and Actual MIR.

During a prior CBA meeting, a question was raised regarding a reference to "prior year adjustment" that was included on the Fund Condition Statement. DCA conveyed that prior year adjustment is a State Controller's Office (SCO) reconciliation adjustment made at the beginning of each fiscal year. A drill is conducted between the Department of Finance and SCO to reconcile each fund. This drill consists of comparing budgeting and accounting records for the recently completed fiscal year. The resultant dollar figure is actual "cash" in the fund that the SCO located and reconciled, money that was otherwise unaccounted for but is technically in the fund. This is similar to the manner in which Statewide Pro Rata and FI$Cal Pro Rata are now displayed on the Fund Condition Statement as expenses, but the money doesn't actually come out of the CBA budget. This information will be referenced when the FY 2017-18 Fund Condition Statement is presented at a future CBA meeting.

LICENSEE POPULATION VS. STAFF LEVEL

The CBA presently has 84.9 permanent positions. The following charts provide a comparison between the CBA's licensee population and its staffing levels for the current and prior six years.



GUIDE TO READING THE FINANCIAL STATEMENT

OBJECT DESCRIPTION
Provides the name of the budget category (or line item) where expenditures occur

BUDGET STONE
Identifies the amount "budgeted" for the corresponding line item

PERCENTAGE SPENT
Provides a percentage reference of how much of the budget for a particular line item has been spent

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2017-18
YEAR END FINANCIAL STATEMENT (PRELIMINARY FM12)

		FY 2016-17	FY 2017-18		
LINE	OBJECT DESCRIPTION	ACTUAL EXPENDITURES (MONTH 13)	BUDGET STONE 2017-18	CURRENT YEAR EXPENDITURES MONTH 12	PERCENT SPENT
1	PERSONNEL SERVICES				
2	Salary & Wages (Staff)	5,198,342	**5,367,000**	5,287,78	99%
3	Statutory Exempt (EO)	125,559	**114,000**	136,60	120%
4	Temp Help Reg (Seasonals)	391,768	**137,000**	360,65	263%
5	BL 12-03 Blanket	80,624		81,09	
6	Temp Help (Exam Proctors)				
7	Board Member Per Diem	10,600	**10,000**	5,80	58%
8	Committee Members	11,000	**11,000**	8,10	74%
9	Overtime	47,852	**42,000**	6,90	16%
10	Staff Benefits	2,954,590	**3,062,000**	3,089,94	101%
11	***TOTALS, PERSONNEL SVC***	8,820,335	**8,743,000**	**8,976,89**	**103%**
13	OPERATING EXPENSE AND MENT (OE&E)				

ACTUAL EXPENDITURES
This column is provided for reference and reflects the amount the CBA spent in each budget area for all of FY 2016-17

CURRENT YEAR EXPENDITURES
Identifies how much has been expended in the current fiscal year, as of June 30, 2018 (FM 12)

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item VI.B.
September 20-21, 2018

Report on Activities for the Business Modernization Project

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an update on the activities related to the Business Modernization Project.

Consumer Protection Objectives

Ensuring access to information on licensees and establishing an enhanced online presence will provide increased opportunities for the CBA to meet its consumer protection mission.

Action(s) Needed

No specific action is required on this agenda item.

Background

The CBA's internal processes for licensing and enforcement are manual and its automated functions are few and limited. The CBA uses the Department of Consumer Affairs' (DCA) antiquated database system, Consumer Affairs System (CAS)[1], and several internal stand-alone legacy databases as workarounds to address workload demands.

The CBA is in BreEZe Release 3, which has now evolved to a Business Modernization Project. The Business Modernization Project has the same goal as BreEZe, which is to create/transition to a single enforcement and licensing database system that provides internal automation and online capabilities for CBA stakeholders. The Business Modernization Project differs from BreEZe in that instead of a one-size-fits-all approach, the CBA will select an IT solution to fit its specific business needs.

The CBA has completed preliminary work on the Business Modernization Project. In July 2017, the CBA began discussions with IT Management regarding timeframes, resources, and next steps necessary to transition to a new IT solution. In December 2017 the CBA's Business Modernization Report was completed.

[1] The CAS system presently serves as a repository for all licensee and enforcement information. License renewal payments, renewal forms, and pocket and wall permits are issued using the information contained in CAS.

During the prior few months, the CBA worked with DCA to prepare a request for additional staffing resources. The staffing resources will address critical workload at the CBA while seasoned and tenured staff are redirected to focus on identifying all programmatic needs within the CBA. This process is anticipated to begin in July 2019.

Comments

The development of a Business Modernization Project involves multiple agencies to both review and approve various parts of the project, for procurement and funding. In addition to DCA, there will be review and approval by the Business, Consumer Services, and Housing Agency, Department of Finance, and the Governor.

The first formal step in the process is to identify a business need for an IT solution. In August 2018 the CBA, in collaboration with DCA, prepared its Stage 1 Business Analysis (S1BA). The S1BA must be submitted to the California Department of Technology (CDT) and is the first stage in the CDT's Project Approval Lifecycle (PAL).

The CDT is responsible for reviewing and approving IT proposals to ensure that proposed projects are based on well-defined programmatic needs, consider feasible alternatives to address the identified needs, identify a sound technical solution, implement project management best practices, and comply with state policies and procedures.

CDT requires state agencies to do comprehensive upfront planning with an emphasis on establishing a strong business case before a project is approved to move forward. The PAL is a required process designed to improve the planning, quality, value and likelihood of IT projects success. The PAL is divided into four stages, each separated by gates of approval and each stage must be approved by CDT to move forward to the next.

Stage 1 – Business Analysis
Evaluates completeness, the sufficiency of the business case and whether the concept aligns with department and agency priorities.

Stage 2 – Alternatives Analysis
Ensure sufficiency of planning, organizational readiness and good documentation resulting in sufficient market research, alternative analysis, and justification for the selected alternative.

Stage 3 – Solution Development
Specify business level requirements, develop the procurement documents, and assemble the solicitation package.

Stage 4 – Project Readiness and Approval
Select vendor, contract award, update the final budget, project plans, and schedule. Once the project is assessed for final readiness, it could be approved for execution.

Because the launch of a new licensing and enforcement system takes significant planning, development, and testing as well as multiple levels of review and approvals, the planned implementation date is 2022. Due to the significant time necessary to implement a new enforcement and licensing database, the CBA is working with DCA on an interim process to allow licensees to pay their renewal fees via an online portal with a credit card. As previously reported to the CBA, this is anticipated to start by the end of 2018.

The CBA's 2016-18 Strategic Plan states that the CBA is committed to developing and implementing technology solutions that ensure functionality and operational efficiency in response to consumer and licensee needs. The CBA has been anxiously awaiting a transition to an IT solution that will address its significant automation needs for internal efficiencies and to address stakeholder needs for increased online capabilities.

Fiscal/Economic Impact Considerations
There will be fiscal impacts throughout the process, including staff resources and the procurement of a software system. As the CBA approaches these benchmarks, more detail will be available on the fiscal impact.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
None.

CALIFORNIA BOARD OF ACCOUNTANCY

Communications and OUTREACH

www.cba.ca.gov September 2018

Summer/Fall 2018 Outreach Activities

CBA Member Katrina L. Salazar, CPA, Serves as Keynote Speaker

On Sunday, September 2, 2018, California Board of Accountancy (CBA) Member Katrina L. Salazar, CPA gave the keynote address at the National Council of Philippine American Canadian Accountants (NCPACA) 32nd Annual Professional Convention, held at the Marriott Anaheim. The theme of the event was "Harnessing the Power of Information and Creating Diversified and Global Innovation."

NCPACA is an international non-profit organization represented by accounting professional organizations from major cities in the United States and Canada and whose memberships are mostly of Filipino descent. This event was hosted by the Philippine American Society of CPA's Los Angeles Chapter. Five hundred members and guests of NCPACA were expected to attend.

Planning Underway for "So, You Want to Be a CPA"

In September, the CBA and the California Society of CPAs (CalCPA) will partner to conduct a live webinar for aspiring CPAs. The CBA has previously participated in this event titled "So, You Want to Be a CPA," and it was extremely successful. There will be various speakers providing information regarding what to expect during the examination and licensure process and the requirements to obtain a CPA license.

CBA to Collaborate with CalCPA on Outreach to Licensees

To enhance CBA customer service and outreach, staff began discussions with CalCPA to identify new methods, including appropriate topics, to educate and communicate with California CPAs. While the CBA always seeks to innovate its communication practices, the current CalCPA Chair, Lewis E. Sharpstone, CPA, desires to strengthen its collaboration with the CBA and develop new channels of conversation between their members and the CBA. Staff will present more information on these discussions at a CBA meeting by early 2019.

President Savoy to Speak at Golden Gate University

President Michael M. Savoy, CPA has accepted an invitation to speak on Tuesday, November 27, 2018 at Golden Gate University (GGU) as a part of their 7th Annual Braden Leadership Speaker Series. The topic of his speech, is "Leaders: Born or Made." President Savoy is the third consecutive CBA President to speak during this series.

CBA Launches Cannabis Resource Webpage

The CBA has launched a webpage to provide resources to stakeholders regarding cannabis and the practice of public accountancy. It is available at www.dca.ca.gov/cba/licensees/cannabis.shtml.

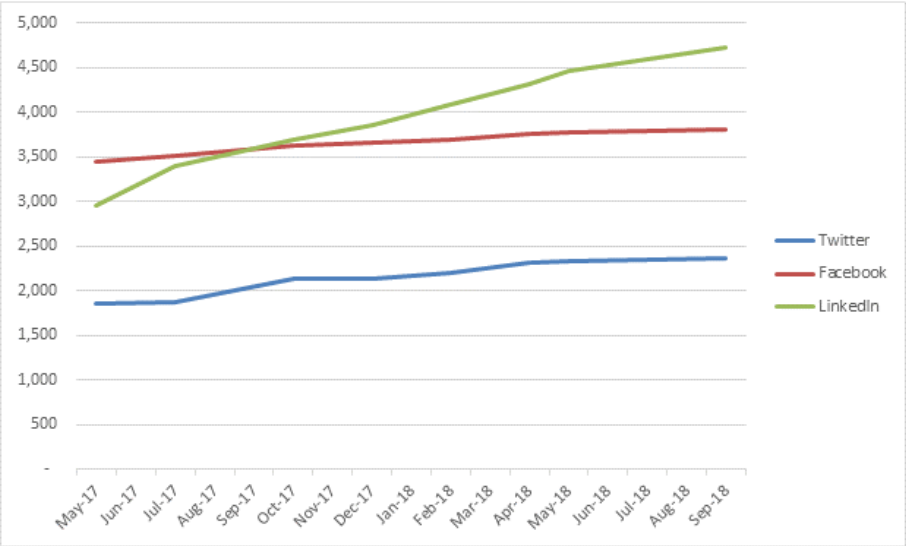
Revisions to CBA Handbooks and Communications

Staff are embarking on a large-scale project to update and modernize all CBA handbooks and communications. In the coming months, various letters, emails, and website content will be reviewed and revised as necessary to ensure the information is clear, concise, and conveys our high level of customer service. Additionally, the CBA is planning to modernize the look of its handbooks. Further information and sample communications will be presented at future meetings. The CBA will also look at new methods to deliver this updated information, which we anticipate occurring in early 2019.

Credit Card Acceptance

As presented under **Agenda Item IX. B.**, the CBA is diligently working to implement credit card acceptance for license renewal. As part of that project, the CBA will begin an outreach campaign to licensees regarding this new option for payment. One idea is to develop a video message on the CBA website that will guide licensees through the process. Additional information will be shared with members in the coming months.

Social Media Growth



SOCIAL MEDIA

3,802

4,731

2,365

E-News

E-News Subscriptions	Total
Consumer Interest	4,623
Examination Applicant	3,112
Licensing Applicant	3,765
California Licensee	9,886
Out-Of-State Licensee	2,500
Statutory/Regulatory	8,030
CBA Meeting Information & Agenda Materials	3,850
Update Publication	7,672
Total Subscriptions	43,438
Total Subscribers	**14,178**

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CBA Item VII.A.1.
September 20-21, 2018

Approval of the Proposed 2019 Enforcement Advisory Committee Meeting Dates

Presented by: Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with proposed Enforcement Advisory Committee (EAC) meeting dates for 2019.

Consumer Protection Objectives

Pursuant to Business and Professions Code, section 5020, the EAC is authorized to act as an advisory committee and assist the CBA in its enforcement activities and consumer protection mandate by providing technical expertise, advice and assistance related to the CBA's investigatory functions.

Action(s) Needed

The CBA may choose to adopt or modify the 2019 EAC proposed meeting dates.

Background

The 2019 CBA meeting dates (**Attachment**) are as follows:

- January 17-18, 2019 – Northern California
- March 21-22, 2019 – Southern California
- May 16-17, 2019 – Northern California
- July 25-26, 2019 – Southern California
- September 26-27, 2019 – Northern California
- November 21-22, 2019 – Southern California

Comments
The proposed EAC meeting dates are:

- February 7, 2019 – Southern California
- May 2, 2019 – Southern California
- July 11, 2019 – Northern California
- October 3, 2019 – Southern California
- December 5, 2019 – Southern California

Fiscal/Economic Impact Considerations
There are no fiscal/economic considerations.

Recommendations
EAC recommends that the CBA adopt or modify the proposed dates.

Attachment
2019 Year-at-a-Glance Calendar

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
2019 MEETING DATES/LOCATIONS CALENDAR
(CBA MEMBER COPY)

JANUARY 2019

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
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FEBRUARY 2019

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MARCH 2019

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APRIL 2019

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MAY 2019

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JUNE 2019

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AUGUST 2019

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SEPTEMBER 2019

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NOVEMBER 2019

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DECEMBER 2019

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COMMITTEES

EAC - Enforcement Advisory Committee
QC - Qualifications Committee
PROC - Peer Review Oversight Committee
MSG - Mobility Stakeholder Group

GENERAL LOCATION

NC-NORTHERN CALIFORNIA
SC-SOUTHERN CALIFORNIA

CBA OFFICE CLOSED
CBA MEETING
EAC MEETING
PROC MEETING
QC MEETING
MSG MEETING

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CBA Item VII.B.1.
September 20-21, 2018

Approval of the 2019 Qualifications Committee Meeting Dates

Presented by: David Evans, CPA, Chair, Qualifications Committee

Purpose of the Item
The purpose of this item is to present the California Board of Accountancy (CBA) with proposed Qualifications Committee (QC) meeting dates for 2019 (**Attachment**).

Consumer Protection Objectives
This agenda item is a necessary part of the CBA's normal course of business and will assist the CBA in continuing its mission of consumer protection as mandated in Business and Professions Code section 5000.1.

Action(s) Needed
The CBA may choose to adopt or modify the 2019 QC proposed meeting dates and locations.

Background
None.

Comments
At its July 25, 2018 meeting, the QC reviewed and voted to approve the proposed 2019 meeting dates and locations provided below.

- January 23, 2019 Southern California
- May 8, 2019 Northern California (CBA Office)
- July 24, 2019 Southern California
- October 23, 2019 Northern California (CBA Office)

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff recommend the CBA adopt or modify the proposed QC meeting dates.

Attachment
CBA 2019 Year-at-a-Glance Calendar

CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
2019 MEETING DATES/LOCATIONS CALENDAR

Attachment

JANUARY 2019

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FEBRUARY 2019

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MARCH 2019

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APRIL 2019

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MAY 2019

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JUNE 2019

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JULY 2019

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AUGUST 2019

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SEPTEMBER 2019

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OCTOBER 2019

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NOVEMBER 2019

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DECEMBER 2019

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NC-NORTHERN CALIFORNIA
SC-SOUTHERN CALIFORNIA

CBA OFFICE CLOSED
CBA MEETING
EAC MEETING
PROC MEETING
QC MEETING
MSG MEETING

9/4/2018

CALIFORNIA BOARD OF ACCOUNTANCY

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REVISED **CBA Item VII.C.2.**
September 20-21, 2018

Approval of the 2019 Peer Review Oversight Committee Meeting Dates

Presented by: Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with proposed Peer Review Oversight Committee (PROC) meeting dates for 2019.

Consumer Protection Objectives

Pursuant to Business and Professions Code, section 5076, the PROC is authorized to act as an advisory committee for the CBA by providing recommendations and assisting with the consumer protection mandate on any peer review activities to ensure the effectiveness of mandatory peer review.

Action(s) Needed

The CBA may choose to adopt or modify the 2019 PROC proposed meeting dates.

Background

The 2019 CBA meeting dates (**Attachment**) are as follows:

- January 17-18, 2019 – Northern California
- March 21-22, 2019 – Southern California
- May 16-17, 2019 – Northern California
- July 25-26, 2019 – Southern California
- September 26-27, 2019 – Northern California
- November 21-22, 2019 – Southern California

Comments

The PROC meetings will be held at the CBA Office in Sacramento. The proposed PROC meeting dates are:

- February 15, 2019
- May 3, 2019
- August 16, 2019
- December 13, 2019

Fiscal/Economic Impact Considerations

There are no fiscal/economic considerations.

Recommendations

The PROC recommends that the CBA adopt or modify the proposed dates.

Attachment

2019 Year-at-a-Glance Calendar

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
2019 MEETING DATES/LOCATIONS CALENDAR
(With Proposed Peer Review Oversight Committee Meeting Dates)

JANUARY 2019

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17 NC	18 NC	19
20	21	22	23	24	25	26
27	28	29	30	31		

FEBRUARY 2019

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17	18	19	20	21	22	23
24	25	26	27	28		

MARCH 2019

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10	11	12	13	14	15	16
17	18	19	20	21 SC	22 SC	23
24 31	25	26	27	28	29	30

APRIL 2019

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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

MAY 2019

S	M	T	W	Th	F	S
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5	6	7	8	9	10	11
12	13	14	15	16 NC	17 NC	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

JUNE 2019

S	M	T	W	Th	F	S
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16	17	18	19	20	21	22
23 30	24	25	26	27	28	29

JULY 2019

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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25 SC	26 SC	27
28	29	30	31			

AUGUST 2019

S	M	T	W	Th	F	S
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4	5	6	7	8	9	10
11	12	13	14	15	16 NC	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

SEPTEMBER 2019

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15	16	17	18	19	20	21
22	23	24	25	26 NC	27 NC	28
29	30					

OCTOBER 2019

S	M	T	W	Th	F	S
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20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER 2019

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21 SC	22 SC	23
24	25	26	27	28	29	30

DECEMBER 2019

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13 NC	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

COMMITTEES

EAC - Enforcement Advisory Committee
QC - Qualifications Committee
PROC - Peer Review Oversight Committee
MSG - Mobility Stakeholder Group

GENERAL LOCATION

NC-NORTHERN CALIFORNIA
SC-SOUTHERN CALIFORNIA

CBA OFFICE CLOSED
CBA MEETING
EAC MEETING
PROC MEETING
QC MEETING
MSG MEETING

California Board of Accountancy

ENFORCEMENT ACTIVITY REPORT

www.cba.ca.gov *As of June 30, 2018*

COMPLAINTS RECEIVED

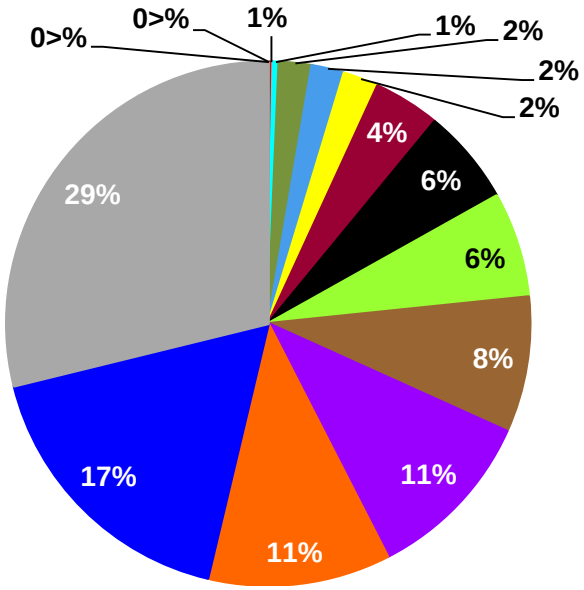
The California Board of Accountancy's (CBA) Enforcement Division receives complaints from both internal and external sources. Complaints received are issued complaint numbers and assigned a Complaint Type (CT) based on the initial matter identified. The CT may change as the case investigation proceeds and may result in multiple violations.

Complaints/Records of Convictions Received

FY 2017/18 (12 months of data)	***2,435 Received*** *-Internal 1,568* *-External 867*
FY 2016/17	***2,508 Received*** *-Internal 1,904* *-External 604*
FY 2015/16	***2,735 Received*** *-Internal 2,251* *-External 484*

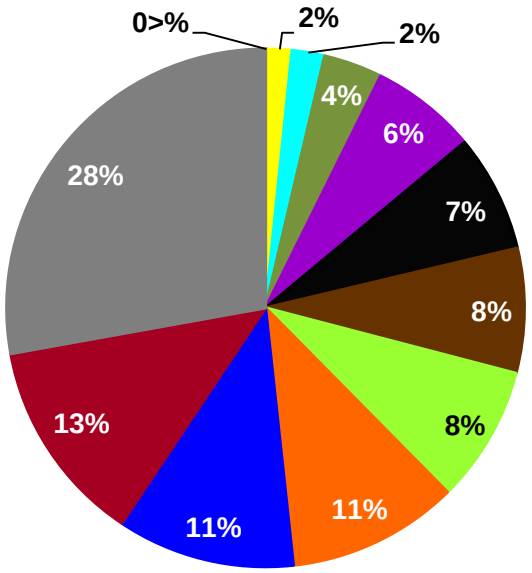
- During fiscal year (FY) 2017/18, the CBA received 2,435 complaints, with 63 percent of these complaints being internal referrals.

COMPLAINT TYPES RECEIVED



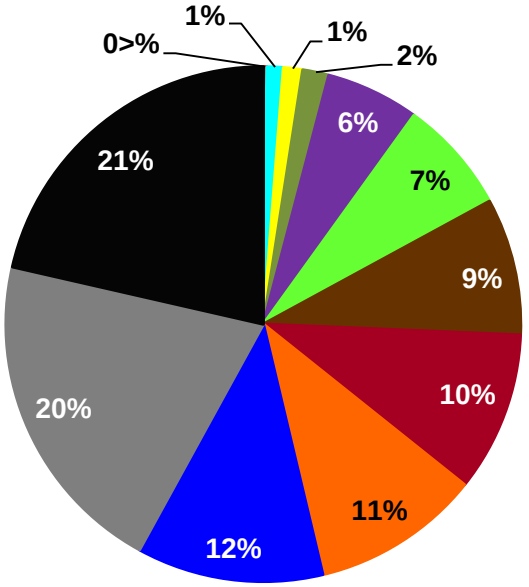
FY 2017/18

- Department of Justice (0>%, 1)
- District Attorney (0>%, 1)
- Department of Labor Referrals (1%, 5)
- Audit (1%, 9)
- Practice Privilege (2%, 49)
- Reportable Events (2%, 49)
- PCAOB/SEC and Out-of-State (2%, 53)
- Accounting License Database (4%, 100)
- Convictions and Subsequent Arrest (6%, 144)
- Applications (6%, 158)
- Tax (8%, 204)
- Other (11%, 261)
- Unlicensed Activity (11%, 274)
- Peer Review Related (17%, 425)
- Renewal Deficiency (29%, 702)



FY 2016/17

- Department of Labor Referrals (<0%, 3)
- PCAOB/SEC and Out-of-State (2%, 38)
- Audit (2%, 51)
- Practic Privilege (4%, 92)
- Other (6%, 166)
- Convictions and Subsequent Arrest (7%, 184)
- Tax (8%, 195)
- Applications (8%, 214)
- Unlicensed Activity (11%, 268)
- Peer Review Related (11%, 278)
- Accounting Licensee Database (13%, 321)
- Renewal Deficiency (28%, 698)



FY 2015/16

- Department of Labor Referrals (0>%, 6)
- Audit (1%, 28)
- PCAOB/SEC and Out-of-State (1%, 33)
- Practice Privilege (2%, 45)
- Other (6%, 160)
- Applications (7%, 195)
- Tax (9%, 235)
- Accounting Licensee Database (10%, 275)
- Unlicensed Activity (11%, 289)
- Peer Review Related (12%, 320)
- Renewal Deficiency (20%, 563)
- Convictions and Subsequent Arrest (21%, 586)

INVESTIGATIONS

The number of complaints assigned for investigations and closed.

Investigations	FY 2015/16	FY 2016/17	FY 2017/18
Investigations Assigned	2,040	2,185	2,436
Investigations Closed	2,150	2,222	2,356
Average Days to Close	177	175	201

Aged cases continue to be a focus in the Enforcement Division and the closure of these cases has increased the average number of days to close. However, since the May 31, 2018 report, the average number of days to close decreased from 204 to 201.

Investigations Closed	FY 2017/18
Total Closed FY 2017/18	2,356
Closed within 0-6 Months	1,552
Closed within 6-12 Months	347
Closed within 12-18 Months	217
Closed within 18-21 Months	53
Closed within 21-24 Months	42
Closed within >24 Months	145

- Of the total 2,356 investigations closed during FY 2017/18, 1,552 investigations were closed within the first six months from the date of complaint, which accounts for 66 percent of the total number of investigations closed. Further, 1,899 were closed within one year from the date of complaint, which accounts for 81 percent of the total number of investigations closed.

INVESTIGATIONS PENDING

Investigations Pending	FY 2015/16	FY 2016/17	FY 2017/18
Total Investigations Pending	1,056	1,080	1,172
0-6 Months	506	545	797
6-12 Months	203	250	200
12-18 Months	200	95	104
18-21 Months	37	24	19
21-24 Months	30	52	5
>24 Months	80	114	47
Average Age of Open Cases (days)	210	172	186

- Of the total 1,172 pending cases as of June 30, 2018, nearly 68 percent were less than six months old and approximately 85 percent were less than one year old.

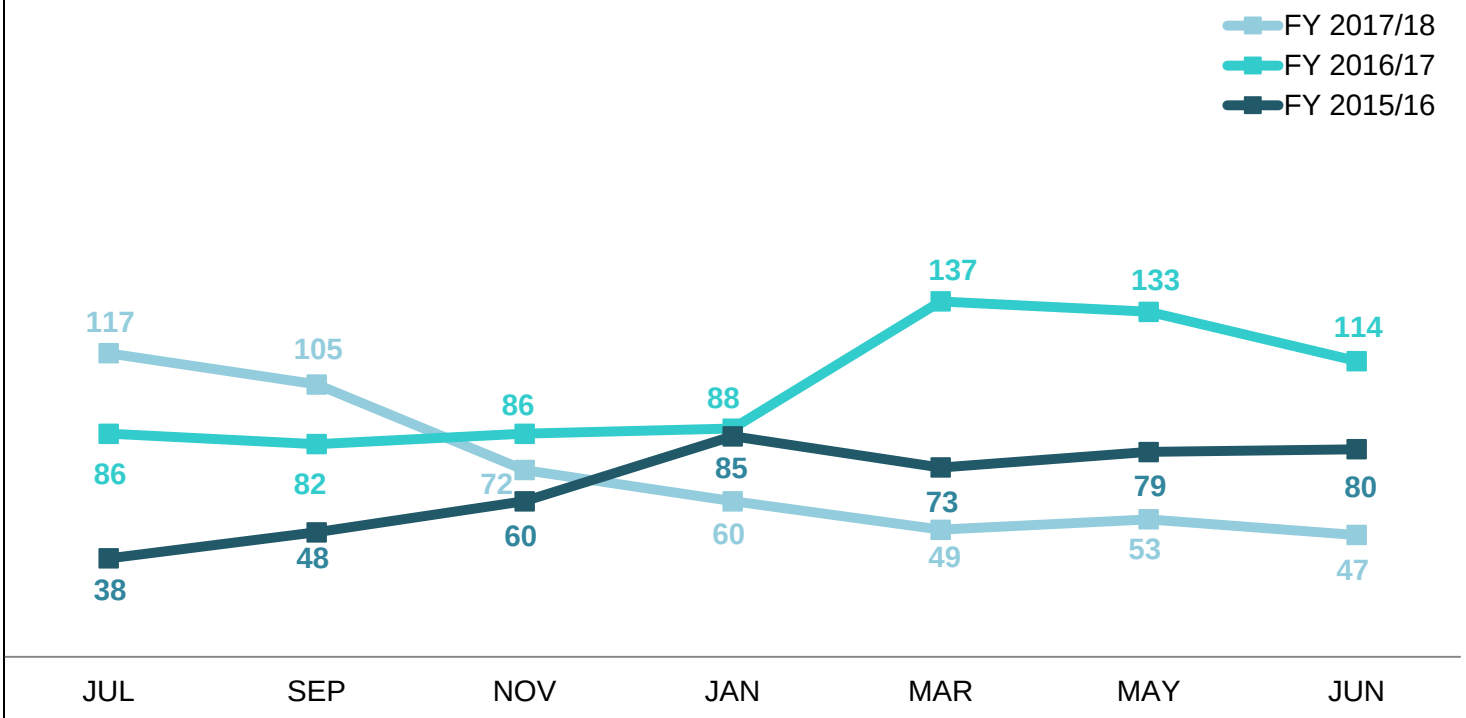
- Staff have made significant efforts to investigate and close all complaints promptly, especially aged cases. At this time last fiscal year, the number of complaints pending over 24 months was 114 while the same data point for this fiscal year shows only 47 complaints pending over 24 months, a 59 percent decrease from the prior fiscal year. Similarly, at this time last fiscal year the CBA had 76 cases between 18 to 24 months. As of this report, the CBA has only 24 cases between 18 to 24 months, over a 68 percent decrease from the prior fiscal year.

- As of May 31, 2018, there were 53 investigations pending over 24 months. Since then, staff have closed nine cases and accrued three additional cases, resulting in 47 investigations pending over 24 months as of June 30, 2018. Of the 47 investigations, staff have completed or are near completion on 11 of the cases, as follows:

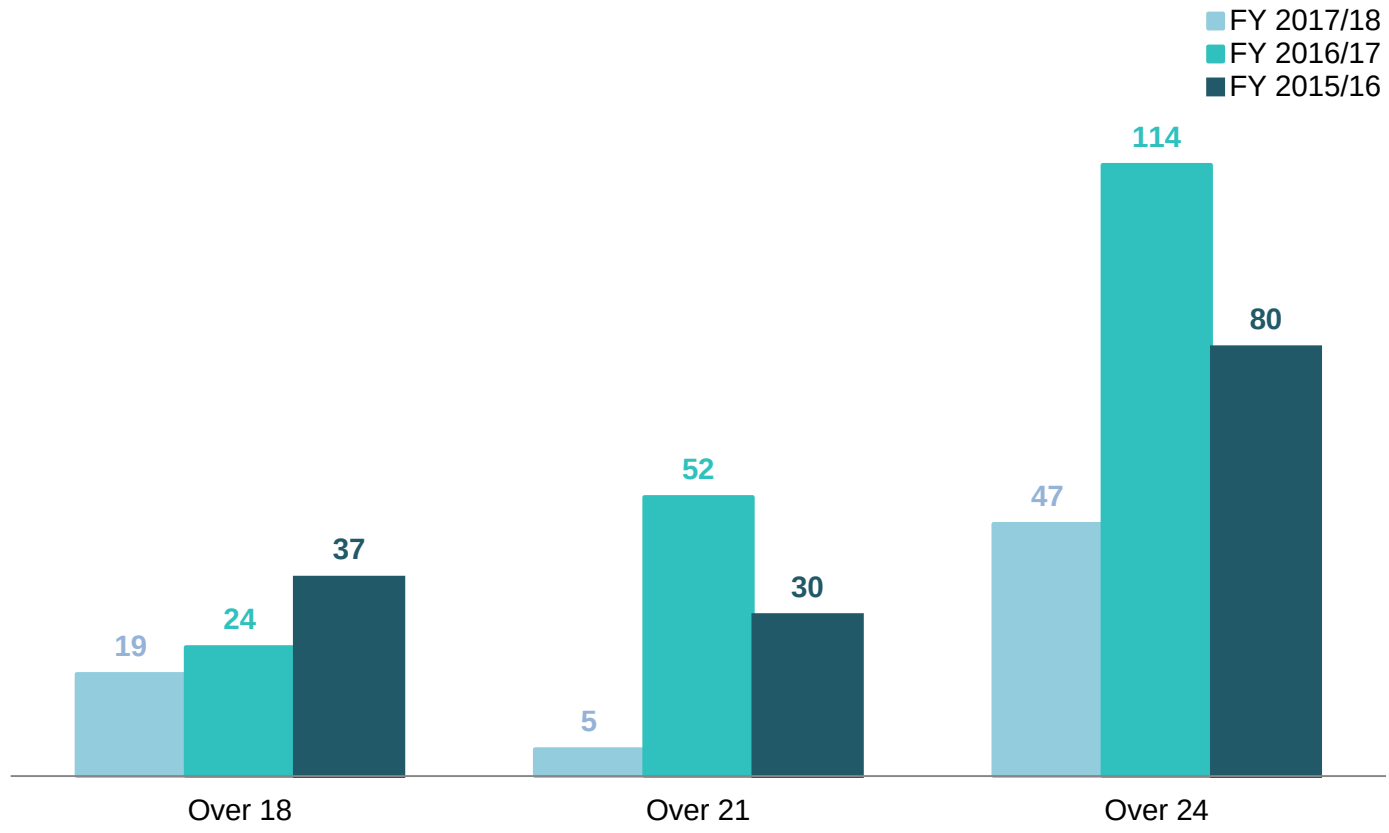
  - Seven cases have an investigation report completed and will be referred to the Attorney General's (AG) Office
  - Four cases have had completed investigations and are scheduled to be closed prior to the next report

- The average age of pending cases decreased from 191 to 186, a reduction of five days since the last report, and a total of 29 days since the January 31, 2018 report.

INVESTIGATIONS PENDING | OVER 24 MONTHS



INVESTIGATIONS PENDING | OVER 18, 21, and 24 MONTHS – JUNE TRENDS

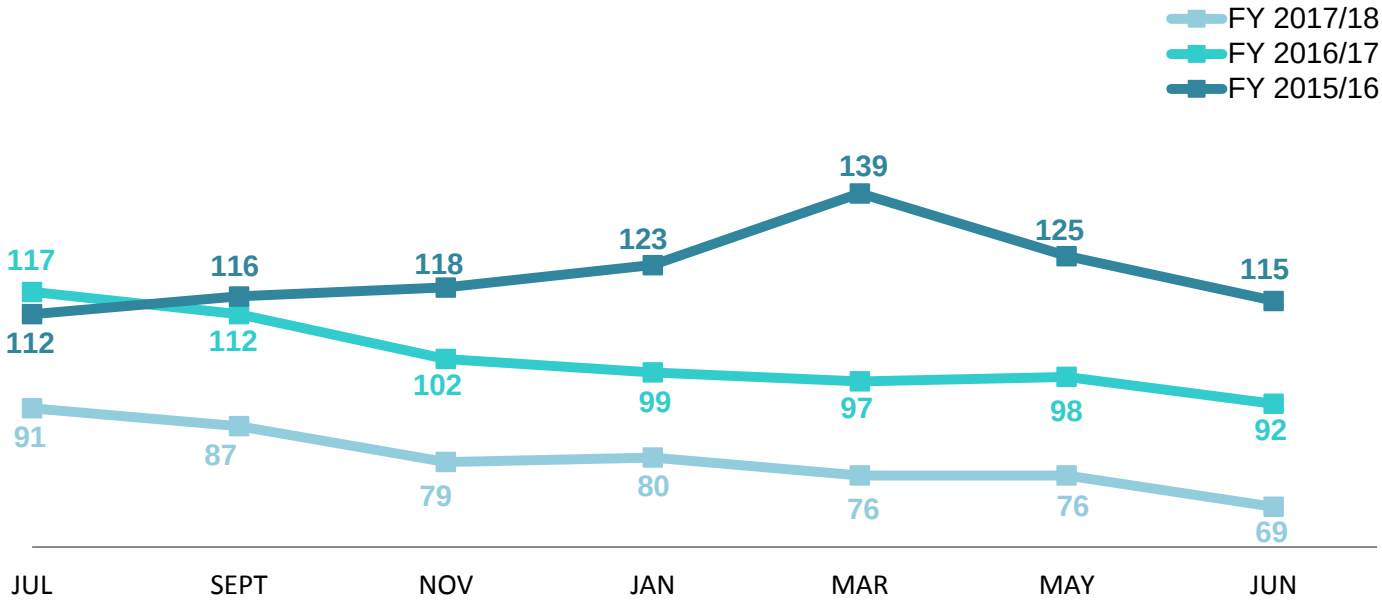


DISCIPLINE

As part of its mission of consumer protection, the CBA referred matters to the AG's Office for imposition of discipline.

Discipline	FY 2015/16	FY 2016/17	FY 2017/18
Attorney General Referrals	105	83	81
Accusations Filed	90	98	73
Statement of Issues Filed	2	1	1
Petition for Revocation Filed	5	6	6

DISCIPLINE | COMPLAINTS PENDING at ATTORNEY GENERAL'S OFFICE



As of June 30, 2018, there were 69 complaints pending at the AG's Office, consistent with the last report. Staff work diligently to address aging disciplinary cases by actively monitoring for the filing of a Notice of Defense (NOD). If no NOD is received, staff request that the AG's Office prepare a default decision. When an NOD is received, staff work quickly to offer settlement terms and if a settlement cannot be reached, to set the matter for hearing.

DISCIPLINE | AGE of COMPLAINTS PENDING at ATTORNEY GENERAL'S OFFICE

Pending at AG	FY 2015/16	FY 2016/17	FY 2017/18
Total Pending at AG's Office	*112*	*92*	*69*
0-6 Months	54	44	22
6-12 Months	30	23	31
12-18 Months	13	13	12
18-21 Months	2	1	2
21-24 Months	5	4	0
>24 Months	8	7	2

- Of the 69 cases at the AG's Office, 32 percent are less than six months old, and approximately 76 percent are less than 12 months old.

- There are two cases pending at the AG's Office for more than 24 months. The current status of the cases are as follows:

  – A Writ was filed with the California Superior Court in August 2012 following adoption of a proposed decision and denial of a Petition for Reconsideration in July 2012. A decision was issued on August 28, 2014 denying the writ of mandate. The stay previously issued was dissolved and the CBA's decision revoking the Petitioner's license became effective. The Petitioner immediately filed a Notice of Appeal with the Appellate Court seeking a stay of the decision. The motion requesting a trial was denied at a hearing on December 12, 2014. The CBA submitted its appeal to the superior court and currently a ruling from the Court of Appeals is pending.

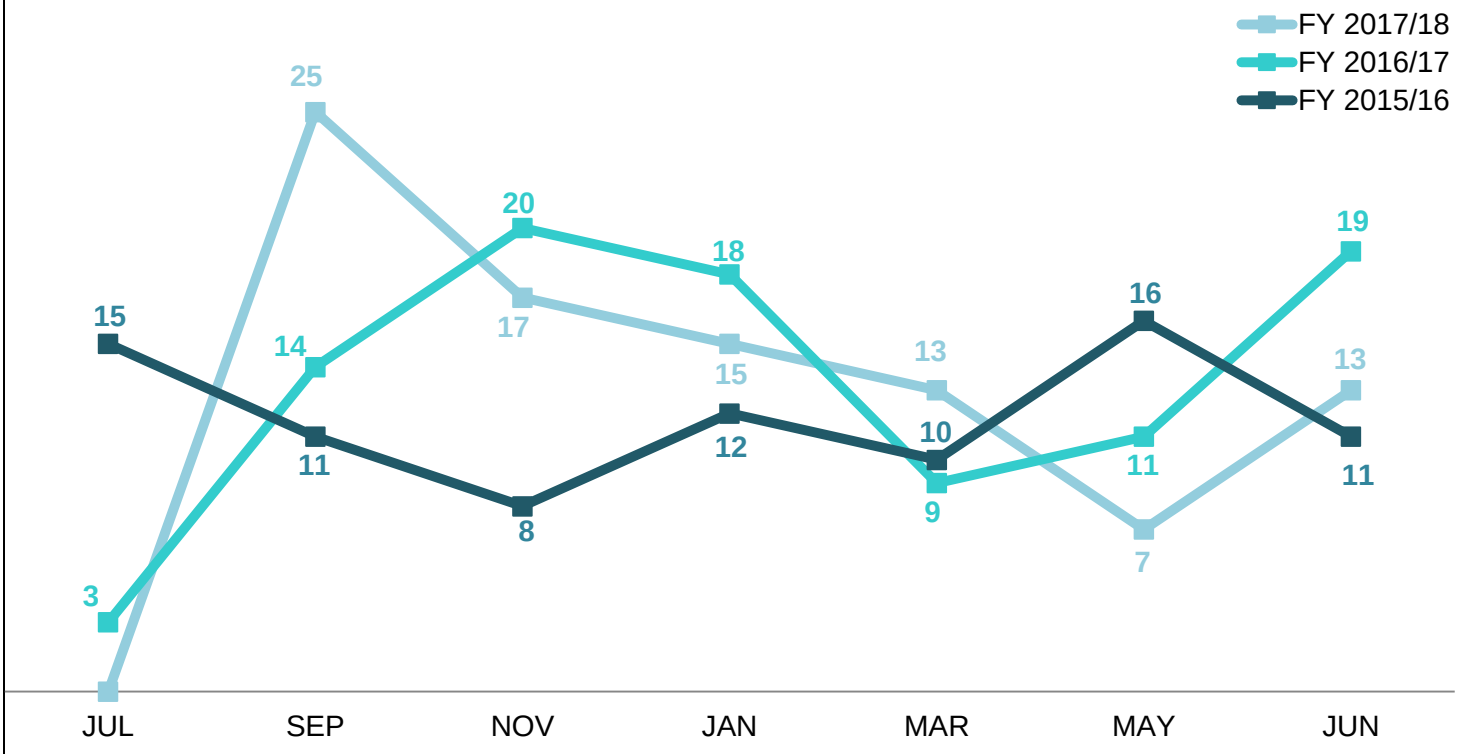
  – One case has an accusation filed and staff is working to obtain settlement or have the matter set for hearing.

DISCIPLINE | FINAL ORDERS

Disciplinary Actions	FY 2015/16	FY 2016/17	FY 2017/18
Final Decision Orders	83	94	*90*
-Stipulated Settlement	*56*	*74*	*68*
-Proposed Decision	*3*	*7*	*6*
-Default Decision	*24*	*13*	*16*

During FY 2017/18 the CBA took action on 90 matters, the majority of which were through stipulated settlements. This represents a four percent decrease since this same point last fiscal year, when the CBA took action on 94 matters.

DISCIPLINE | FINAL ORDER TREND



DISCIPLINE | COST ORDERS

Pursuant to Business and Professions Code section 5107, the Legislature authorizes the CBA to recover investigation and prosecution costs. These costs include the time spent by staff to conduct the investigation and the time spent by the AG's Office to prosecute each case.

FY 2017/18	Final Orders	Investigation & Prosecution	Total Amount Ordered
12 months of data →	*56* →	*$612,719* →	*$374,339*

COST RECOVERY

Cost Recovery	FY 2015/16	FY 2016/17	FY 2017/18
Amount Ordered	$378,930	$395,585	$374,339
-Number of Decisions	*41*	*59*	*56*
Amount Collected	$338,963	$324,987	$316,621

- Disciplinary cases resulting in ordered cost recovery are generally the result of a licensee placed on probation. Licensees can generally ask to pay cost recovery in monthly payments throughout the term of probation. As such the costs are generally paid within a two to two-and-one-half year timeframe.

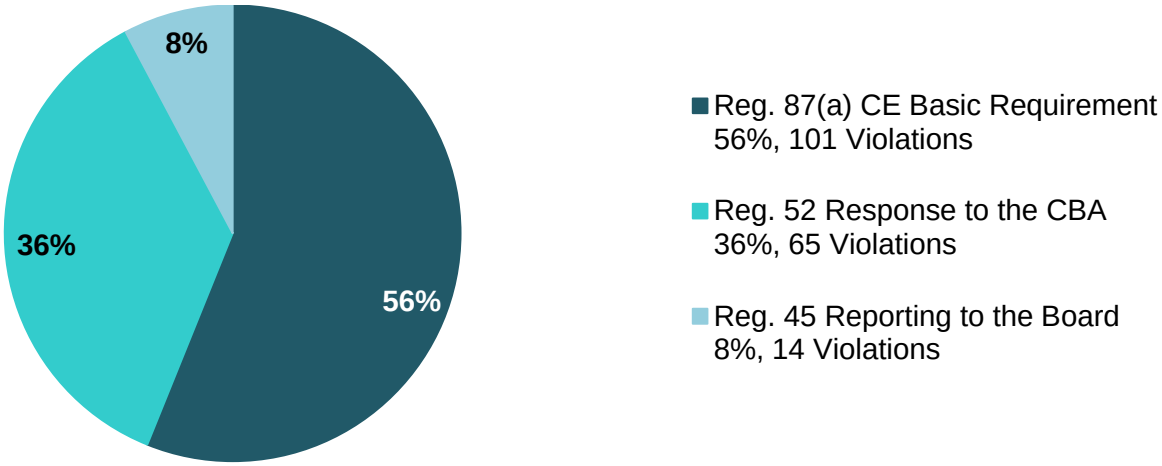
- The "Amount Collected," referenced above includes payments on cost recovery amounts ordered from both prior and current years. The "Amount Ordered," reflects only amount ordered in FY 2017/18 and will never reconcile with the "Amount Collected."

CITATIONS AND FINES

Citations	FY 2015/16	FY 2016/17	FY 2017/18
-Total Citations Issued	256	156	127
-Total Fines Assessed	$100,450	$55,650	$55,230
-Fine Average	$392	$357	$435
Average Number of Days from Receipt of Complaint to Issuance of Citation	147	160	231

CITATIONS AND FINES | FY 2017/18 TOP 3 VIOLATIONS

11 months of data



The fine amount assessed varies from $100 to $5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation occurred.

Over the past fiscal year, staff have revised various letters and increased communication efforts, especially in the area of email communications, designed to obtain compliance on enforcement matters. As a result, the number of citations issued has been decreasing.

The average number of days from receipt of a complaint to issuance of a citation has increased by one percent since the last three reports from 229 to 231.

Of the 127 citations issued, 31 cases were aged cases related to peer review and license renewal deficiencies, thus contributing to the increased average number of days to issuance of citation. Without the 31 aged cases, the average number of days to issuance of citation decreased to 130 days.

FRANCHISE TAX BOARD | INTERCEPT PROGRAM

In FY 2015/16 the CBA began using the Franchise Tax Board (FTB) Intercept Program in an effort to collect unpaid administrative fines associated with the issuance of citations. The initial collection amount submitted to the FTB was significant and the pool of unpaid administrative fines dated back to FY 2011/12.

FTB Intercept Program	FY 2015/16	FY 2016/17	FY 2017/18	TOTAL
Referred to FTB	$287,000	$10,150	$14,500	$311,650
Collected by FTB	$37,416	$22,921	$10,142	$70,479
Uncollected	--	--	--	$241,171

PROBATION MONITORING

Monitoring Activity	FY 2017/18
Numbers of Licensees on Probation as of Last Report	161
New Probationers Since the Last Report	8
Number of Probationer(s) Off Probation	11
Total number of Probationers	158
Out-of-State Probationers	16
Probation Orientations Held Since Last Report	4
Total Probation Orientations Completed	61
Number of Outstanding Orientations to Complete	2
Number of Practice Investigations Completed	10
Referrals to Revoke Probation	6

- Two probation orientations are scheduled to take place after June 30, 2018.
- Two probation work samples were reviewed for FY 2017/18.

PROBATION MONITORING | VIOLATIONS DETECTED

Licensed CPAs disciplined for various violations may be placed on probation for an ordered amount of time with required terms. To ensure probationers successfully fulfill their probationary terms, the CBA Probation Monitoring Unit, continuously review individual probation files and identify violations, notify probationers, record all monitoring activities, and communicate with the probationers to obtain compliancy with probation terms.

Violations detected between February 1, 2018 and June 30, 2018 includes:

Probation Violation(s) Types	Detected
Cost Reimbursement	9
Sample Review Requested	2
Submit Written Quarterly Report	6
Active License Status	1
Regulatory Review Course	1
Continuing Education	2

DIVISION HIGHLIGHTS AND RECRUITMENT EFFORTS

As of June 2018, the CBA Enforcement Division commenced participation in the Department of Consumer Affairs (DCA) Enforcement Workgroup Meeting with a focus on enforcement statistical reporting and monitoring.

The DCA Enforcement Workgroup met on May 14, 2018 and July 9, 2018 and discussed performance measures. The workgroup will meet on the following days in 2018:

- September 10, 2018
- November 5, 2018

The CBA Enforcement Division is recruiting for the following positions:

- Two Full Time Investigative Certified Public Accountant (ICPA) for the Technical Investigations Unit
- Two Limited-Term ICPAs for the Technical Investigations Unit
- One ICPA Retired Annuitant for the Technical Investigations Unit
- One Associate Governmental Program Analyst for the Attorney General's Desk
- One Limited-Term Associate Governmental Program Analyst for the Non-Technical Investigations Unit

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item IX.A.
September 20-21, 2018

Licensing Activity Report

Presented by: Patti Bowers, Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding:

- Fiscal Year (FY) 2017-18 Statistics for the Licensing Program
- Issues impacting the increase in processing timeframes
- Plans to reduce the processing timeframes to 30 days or less

Action(s) Needed

No specific action is required on this item.

Background

At each meeting, staff provide the CBA important statistical information pertaining to its Licensing Program. The information is provided via the Licensing Activity Report (LAR) (**Attachment 1**). The LAR covers FY 2017-18 and the two prior fiscal years for historical and comparative context.

As reflected in **Attachment 1**, although the volume of applications has decreased over the past couple years, the CBA has experienced an increase in processing timeframes for examination and licensing. The increased timeframe has exceeded the CBA's goal of 30 days or less.

Comments

Provided in this agenda item are specific issues that have impacted processing timeframes and the plans underway to return to the CBA's goal of 30 days or less.

Issues Impacting Processing Timeframes

There are two primary contributors to the increase in processing timeframes: 1) reliance on temporary staff to perform an ongoing workload; and 2) lack of automation.

Temporary Staff
The CBA undertook a significant restructure of staff in 2016 to ensure consumer protection remains its top priority. Specifically, there was a redirection of 10 staff members to the Enforcement Program. The redirection addressed the increased volume of enforcement workload and processing timeframes for complaint resolution.

There have been undeniable positive impacts though the use of permanent staff to address the Enforcement Program workload. The Enforcement Program experienced reduced processing timeframes for complaints, an increase in the number of cases that are referred to the Attorney General's Office, and an increase in the number of disciplinary actions taken.

The redirected staff primarily came from the Licensing Program. The redirection, while positive for Enforcement, contributed to extended processing timeframes for examination and licensure applications. To address the workload demands, the Licensing Program began recruiting additional temporary staff. While this has assisted the Licensing Program, it has not resolved the backlog and increased processing timeframes.

On average, the CBA has employed 12 temporary staff members each year; however, it presently employs 16 temporary staff members. Given the nature of temporary staffing positions, individuals in these positions look for opportunities to secure permanent positions, which, in turn, creates a high turnover rate. The CBA spends significant time on the recruitment and training of new temporary staff. The biggest impact during this continual transition is the increased processing timeframes and backlogs of work. In FY 2016-17, the CBA experienced a 44 percent turnover in its temporary staff, with this rate growing to 53 percent in FY 2017-18.

The CBA is seeking permanent resources to replace its temporary staff. It is anticipated that, if received, this will address the increased processing timeframes and eliminate the backlog of work that presently exists.

The CBA has attempted to address the temporary staffing through prior budget change proposal submissions but has been unsuccessful to date. The CBA will continue its efforts to secure permanent staffing resources through the budget change proposal process.

Lack of Automation
The CBA's internal processes for licensing (and enforcement) are manual and its automated functions are few and limited. The CBA uses the Department of Consumer Affairs' (DCA) antiquated database system, Consumer Affairs System or CAS, and several internal stand-alone legacy databases as workarounds to address workload demands.

Each unit within the Licensing Program uses a "database" or "tracking mechanisms" for monitoring workload and statistics. These systems are not connected and provide

minimal, if any, automation. The Initial Licensing Unit can pull reports from a tracking database; however, the Examination Unit (Exam Unit) and Renewal and Continuing Competency Unit (RCC Unit) rely on manual counting or manually entering a significant amount of data into an excel spreadsheet to obtain statistical data. The data is necessary for various reports including the LAR, DCA Annual Report, CBA Annual Report, Licensing Performance Measures, Sunset Review, and other statistics that are requested by DCA and the Legislature.

For example, in the RCC Unit, every license renewal application along with each type of deficiency is manually tracked via Excel spreadsheets by staff. At the beginning of each month staff pull renewal applications from drawers and staff desks to manually count and document statistics into spreadsheets.

As another example, in the Exam Unit, the number of pending applications that are provided on the LAR is obtained by doing a physical count of files in a cabinet:

Provided below are annual statistics to quantify this volume:

RCC Unit

- Renewal applications reviewed: 35,000 to 40,000
- Deficient applications identified: 6,500
- Deficiencies identified:
    - insufficient hours
    - no Peer Review Reporting form
    - no signature

Exam Unit

- Pending applications: 403

The CBA is working with the DCA on a Business Modernization Project to implement a singular system; however, this will occur over a multi-year period. In the interim, to the extent possible, the CBA is exploring increased automated services with the CBA's information technology staff. Depending on the scope of changes, there are approval requirements in place through DCA and California Department of Technology. This will determine the scope of automation that can be accomplished in the quickest timeframe. Due to prior DCA-wide IT projects, there was previously a moratorium on individual boards developing IT solutions.

Staff are working to implement the following automated services to improve the processing timeframes and assist applicants in their journey to become a licensed CPA:

- Increased ability to submit documents electronically
- Opportunities for applicants to obtain status of their application on-line
- Increased use of email communications to resolve issues and notify of approvals
- Easier access to applications and forms through their on-line account

Plans to Meet 30-Day Processing Timeframes
Over the previous months, the CBA Executive Officer held numerous workgroups with program management and staff to review all processes and procedures relating to all areas of the Licensing Program.

These workgroups were created to initiate discussions on current practices and to explore potential solutions that will improve program efficiencies and return processing timeframes to 30 days or less, without compromising the quality or customer service level that is presently offered.

Some of the efficiencies that were identified and will be implemented include:

- Expedited routing of applications to program
    - First-time Uniform CPA Examination (CPA Exam) applications and Initial licensure applications will be sent to program currently with the payments being routed to cashiering
- Repeat applications for the CPA Exam are now automatically approved upon receipt in the CBA's mailroom/cashiering office – typically within one to two days of receipt
- Notification of receipt of application, educational documents via email, or both
- Improved communications to applicants, licensees, stakeholders
    - Video messages and brochures
    - Revamp handbooks to provide easier to read content in different formats
    - Less bureaucratic tone of letters and emails
    - Increase use of phone calls to address deficiencies or obtain information

To implement these efficiencies quickly, a team of staff have been assembled to focus solely on process improvements throughout the Licensing Program. They will be temporarily redirected from their position to focus solely on process improvements. 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 the CBA works through these process improvements, there will likely be a continued period of increased timeframes; however, we anticipate this will be replaced with streamlined processes and faster service by January 2019.

Additional updates will be provided at the CBA meetings and future EO Reports.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff does not have a recommendation on this agenda item.

Attachments

1. Licensing Activity Report
2. 2017 Quarter 4 - CPA Exam Performance Summary
3. 2018 Quarter 1 - CPA Exam Performance Summary

California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

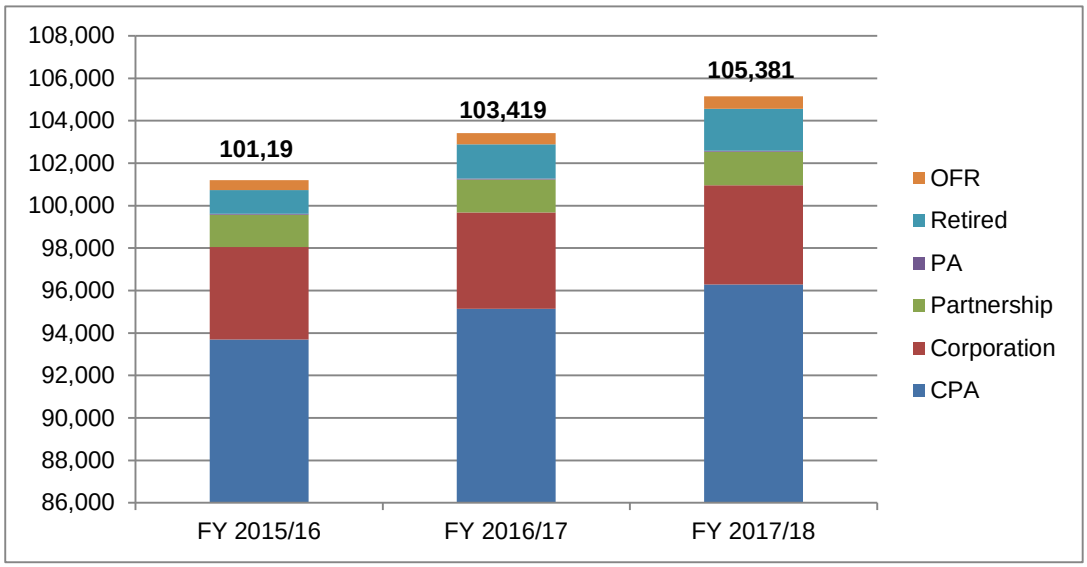
Attachment 1

Population Statistics

Population by License and Registration Type	FY 2015/16	FY 2016/17	FY 2017/18
CPA	93,686	95,141	96,450
Active	*55,674*	*56,532*	*55,710*
Inactive	*28,947*	*29,123*	*29,952*
*Delinquent **	*9,065*	*9,486*	*10,788*
Corporation	4,364	4,536	4,665
Partnership	1,520	1,547	1,582
PA	53	45	37
Retired	1,113	1,613	2,051
Out-of-State Firm Registration (OFR)	458	537	596
TOTALS	**101,194**	**103,419**	**105,381**

*Delinquent consists of those licensees who have not submitted their renewal form and those licensees whose renewal is in process pending review by CBA staff, which consists of less than four percent of the delinquent population.

Total Population



California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

Contact with CBA Stakeholders

Telephone Calls Received	FY 2015/16	FY 2016/17*	FY 2017/18**
Examination Unit	23,755	N/A	24,752
Initial Licensing Unit	26,220	N/A	18,988
License Renewal and Continuing Competency Unit	24,831	N/A	16,727

*Telephone calls received for FY 2016/17 were not available due to technical difficulties with obtaining statistics from the CBA phone system.
**Due to a system malfunction, telephone calls received for FY 2017/18 do not include statistics for the month of August, November and December.

Emails Received	FY 2015/16	FY 2016/17	FY 2017/18
Examination Unit	14,689	15,739	15,038
Initial Licensing Unit	18,474	21,792	17,616
License Renewal and Continuing Competency Unit	20,140	17,566	17,880

Certification Requests Requests from stakeholders for certification of CBA records primarily relating to license status, Uniform CPA Examination (CPA Exam) scores, or CPA Exam passage.	FY 2015/16	FY 2016/17	FY 2017/18
Total Received	991	1,116	1,001
Total Processed	788	904	954
Average Days to Process	21	28	24

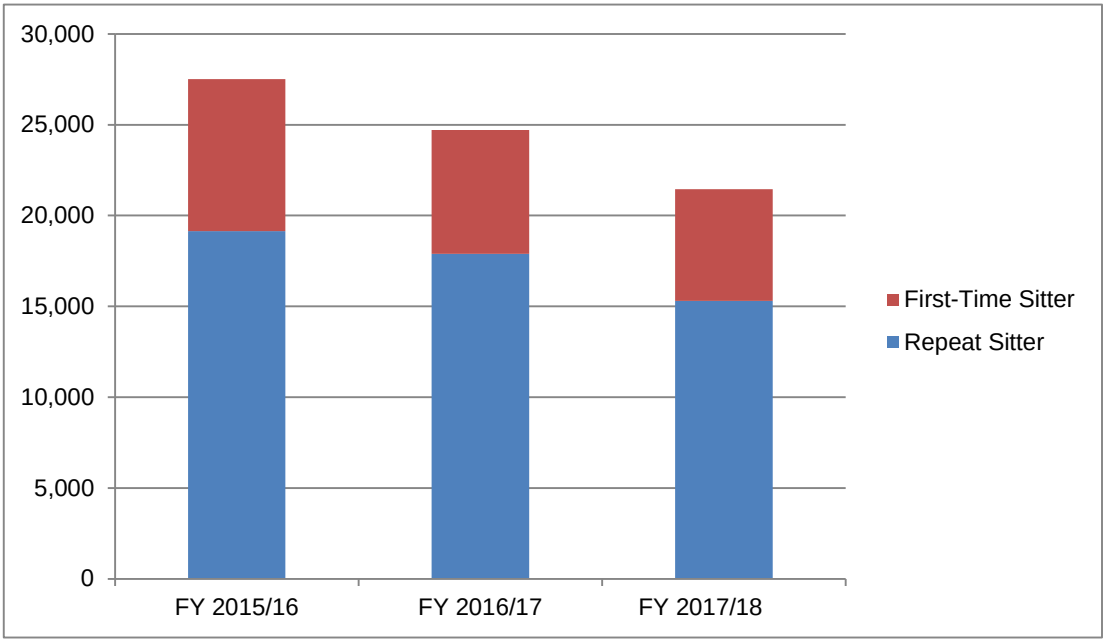
California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

Uniform CPA Examination Statistics

CPA Examination Applications	FY 2015/16	FY 2016/17	FY 2017/18
First-Time Sitter Individuals who have not previously sat for any section of the CPA Exam.			
Total Received	8,381	6,830	6,152
Total Approved	8,120	7,061	5,573
Average Days to Process	31	32	38
Total Deficient*			403
Repeat Sitter Individuals applying or re-applying to take unpassed sections of the CPA Exam.			
Total Received	19,135	17,899	15,303
Total Approved	19,443	18,975	14,995
Average Days to Process	7	7	6

*Applications that have been identified with a deficiency. This number may include applications from the prior fiscal year. The CBA began tracking this statistic in FY 2017/18.

First-Time and Repeat Sitter Applications Received by Fiscal Year



California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

Uniform CPA Examination Statistics (cont.)

CPA Examination Requests	FY 2015/16	FY 2016/17	FY 2017/18
Conditional Credit and Notice to Schedule Extensions Extension Requests are received from candidates who may have been prevented from sitting for an unpassed section due to an extenuating circumstance.			
Total Received	146	139	227
Total Completed	155	137	189
Average Days to Process	32	50	56
Accommodation Requests Requests are received from candidates requesting reasonable accommodations (for example: extra time, special equipment, etc.) in order to sit for the CPA Exam.			
Total Received	238	202	227
Total Completed	241	193	211
Average Days to Process	15	17	22

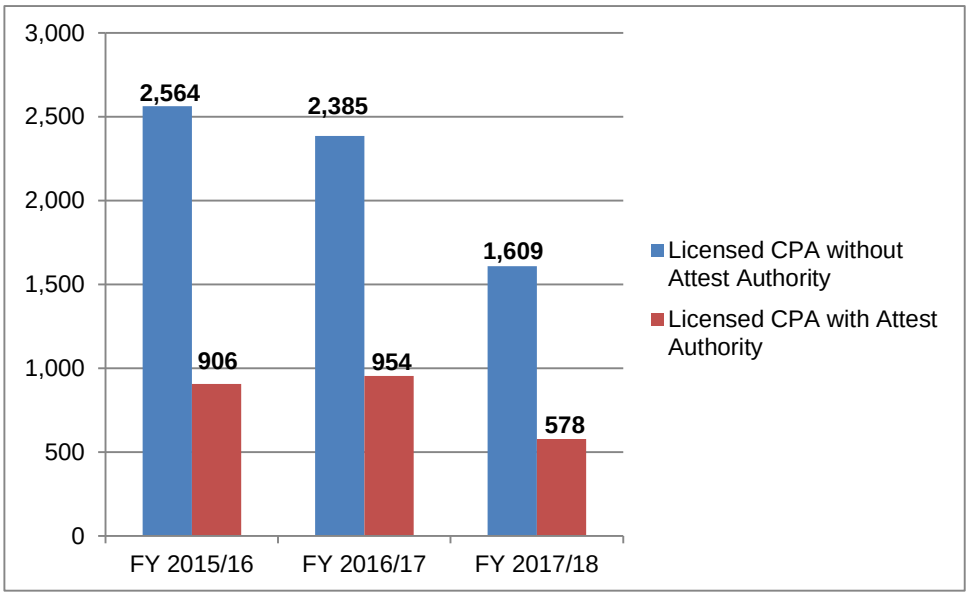
California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

Initial Licensing Statistics

Individual License Applications	FY 2015/16	FY 2016/17	FY 2017/18
Certified Public Accountant			
Total Received	3,725	3,817	3,234
Total Approved	3,470	3,339	2,187
General Authority	*2,564*	*2,385*	*1,609*
Attest Authority	*906*	*954*	*578*
Average Days to Process	24	37	47
Total Deficient*			739
Average Days in Deficient Status			122

*Applications that have been identified with a deficiency. This number may include applications from the prior fiscal year. The CBA began tracking this statistic in FY 2017/18.

Licenses Issued With and Without Attest Authority by Fiscal Year



California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

Initial Licensing Statistics (cont.)

Firm License Applications	FY 2015/16	FY 2016/17	FY 2017/18
Corporation			
Total Received	270	271	258
Total Approved	228	202	173
Average Days to Process	15	21	39
Partnership			
Total Received	87	91	84
Total Approved	72	70	48
Average Days to Process	18	20	31

Fictitious Name Permit Applications	FY 2015/16	FY 2016/17	FY 2017/18
Total Received	157	111	132
Total Approved	132	76	84
Average Days to Process	13	20	31

Out-of-State Accounting Firm Registration Forms	FY 2015/16	FY 2016/17	FY 2017/18
Total Received	122	74	70
Total Approved	110	70	49
Enforcement Referrals Referrals are made to the Enforcement Division when prior enforcement action has been taken against the firm or any of the licenses authorized to practice under that firm.	11	7	4

California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

Renewal Related Statistics

License Renewal	FY 2015/16	FY 2016/17	FY 2017/18
Total Licenses Renewed Includes active and inactive license status.			
Certified Public Accountant	41,624	42,997	42,916
Public Accountant	5	11	3
Corporation	1,791	1,781	1,488
Partnership	671	585	536

License Renewal Related Activities	FY 2015/16	FY 2016/17	FY 2017/18
License Renewal Verification Staff review each renewal application for completeness and compliance with continuing education and peer review reporting requirements.			
CPA/PA Applications Reviewed	45,886	42,021	34,958
Deficient Applications Identified	11,539	6,834	6,421
Compliance Responses Sent	9,981	8,835	6,222
Total Outstanding Deficiencies*			779
Continuing Education Audits			
Licensees Selected for Audit	900	900	900
Outstanding Audits	116	65	92
Compliance Letters Sent	779	915	798
Enforcement Referrals May include license renewal-related deficiencies such as insufficient CE and peer review.			
	849	1,131	990

*Applications that have been identified with a deficiency. This number includes applications that were abandoned after one year and may also include applications from the prior fiscal year. The CBA began tracking this statistic in FY 2017/18.

California Board of Accountancy
Licensing Activity Report
As of June 30, 2018

Renewal Related Statistics (cont.)

Retired Status	FY 2015/16	FY 2016/17	FY 2017/18
Applications Received	467	470	433
Applications Approved	453	500	438
Applications Failing to Meet Minimum Qualifications	4	11	7

Licensing Division Highlights

- Included in this report is the National Association of State Board of Accountancy CPA Exam Performance Summary for the fourth testing window of 2017 and the first testing window of 2018. There are two parts to each quarterly report: 1) a California-specific report and 2) an all jurisdiction report (**Attachments 1 and 2**).

- In August, staff attended the Licensing Workgroup (Workgroup) meeting hosted by the Department of Consumer Affairs (DCA). The purpose of the Workgroup is to collaborate with other boards and bureaus within DCA to identify best practices and high priority areas for improvement and potential standardization across all boards and bureaus.

  The main topic of discussion was in regards to a new DCA reporting tool for CAS (licensee database) that will be made available to the CBA by the end of 2018. The Workgroup will continue to meet every other month.

- The Licensing Division is currently recruiting to fill the RCC Program Technician II Limited Term position recently vacated.

CPA Exam Performance Summary: *2017 Q-4*

Attachment 2

California

Overall Performance

Unique Candidates	**5,966**
New Candidates	**1,506**
Total Sections	**7,650**
Passing 4th Section	**888**
Sections/Candidate	**1.28**
Pass Rate	**46.2%**
Average Score	**69.4**

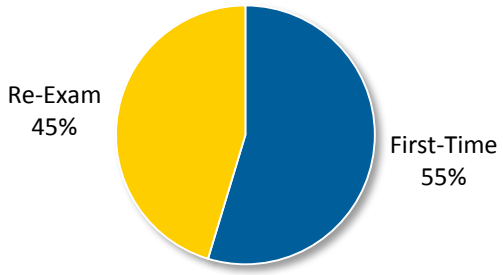
Section Performance

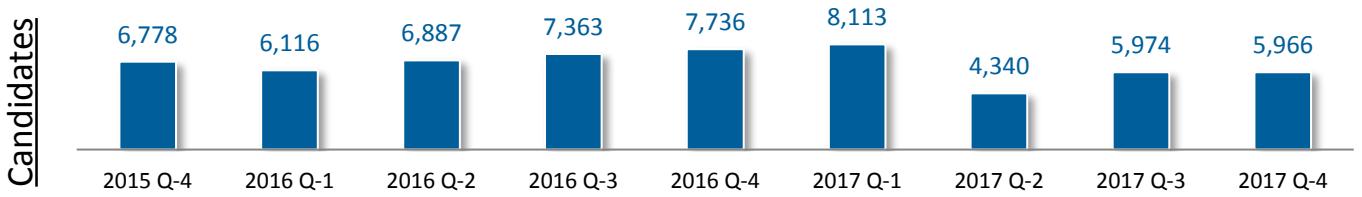
	Sections	Score	% Pass
First-Time	**4,182**	**69.1**	**48.5%**
Re-Exam	**3,468**	**69.9**	**43.3%**
AUD	**2,043**	**70.4**	**46.4%**
BEC	**1,475**	**72.9**	**52.0%**
FAR	**2,276**	**66.5**	**41.5%**
REG	**1,856**	**69.2**	**47.0%**

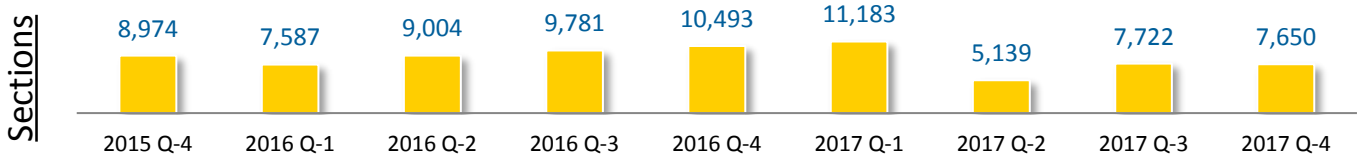
Jurisdiction Rankings (1 to 53)

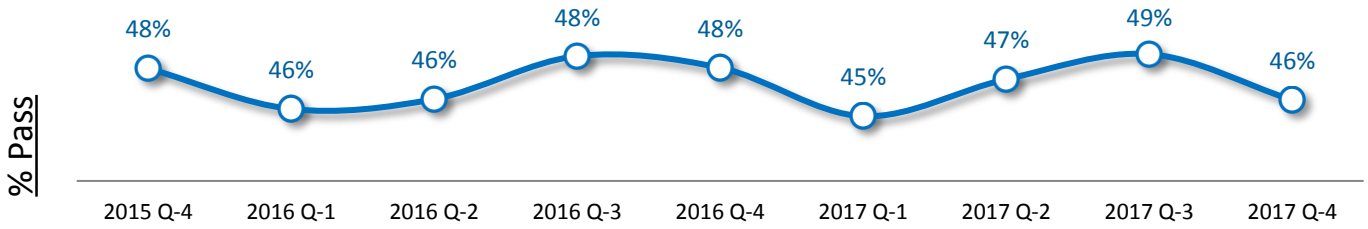
Candidates	Sections
1	**1**
29	**40**
Pass Rate	Avg Score

Exam Type by Percent



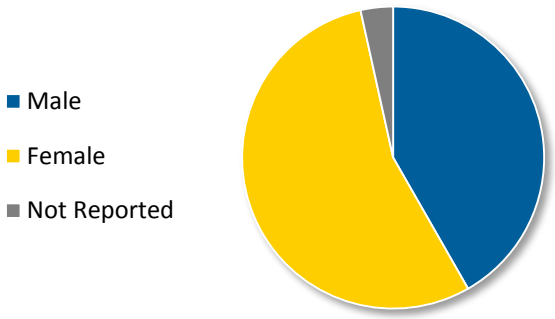






CPA Exam Performance Summary: *2017 Q-4*

Demographics



Male Candidates	**2,490**	**41.7%**
Female Candidates	**3,269**	**54.8%**
Not Reported	**207**	**3.5%**

Average Age	**29.7**
Age Rank	**34**

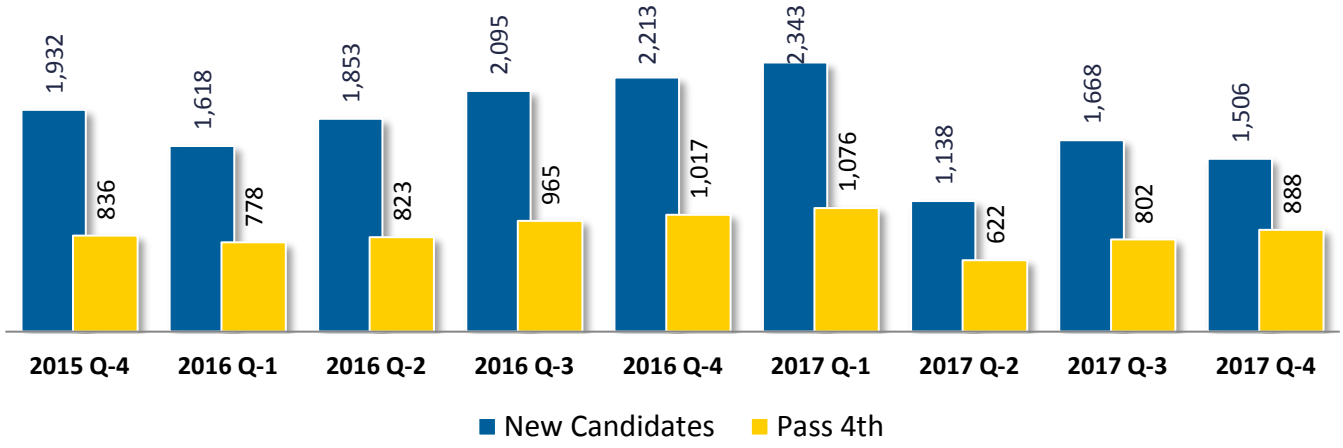
Residency

Candidate Count	
In-State Address	**5,015**
Out-of-State Address	**732**
Foreign Address	**219**
% of Candidates	
In-State Address	**84.1%**
Out-of-State Address	**12.3%**
Foreign Address	**3.7%**

Degree Type

Candidate Count	
Bachelor's Degree	**4,382**
Advanced Degree	**1,158**
Enrolled/Other	**426**
% of Candidates	
Bachelor's Degree	**73.4%**
Advanced Degree	**19.4%**
Enrolled/Other	**7.1%**

New Candidates vs Candidates Passing 4th Section



Notes about the Data

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 Jurisdictions.
2. The demographic data related to Age, Gender and Degree Type is provided by the individual candidates and may not be 100% accurate.

California

CPA Exam Performance: *All Jurisdictions*

2017 Q-4

Overall Performance

Unique Candidates	**43,828**
New Candidates	**10,531**
Total Sections	**56,492**
Passing 4th Section	**6,808**
Sections/Candidate	**1.29**
Pass Rate	**47.2%**
Average Score	**70.3**

Section Performance

	Sections	Score	% Pass
First-Time	**30,967**	**70.4**	**50.4%**
Re-Exam	**25,525**	**70.1**	**43.4%**
AUD	**15,154**	**71.3**	**47.7%**
BEC	**11,001**	**74.0**	**55.3%**
FAR	**16,319**	**67.3**	**42.5%**
REG	**14,018**	**69.7**	**45.8%**

Top 3 Jurisdictions

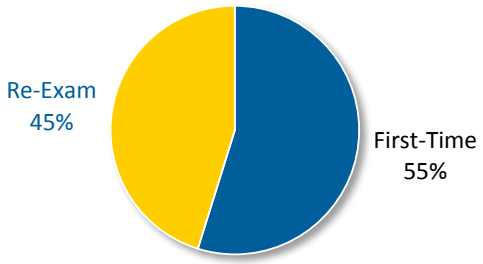
Most Candidates

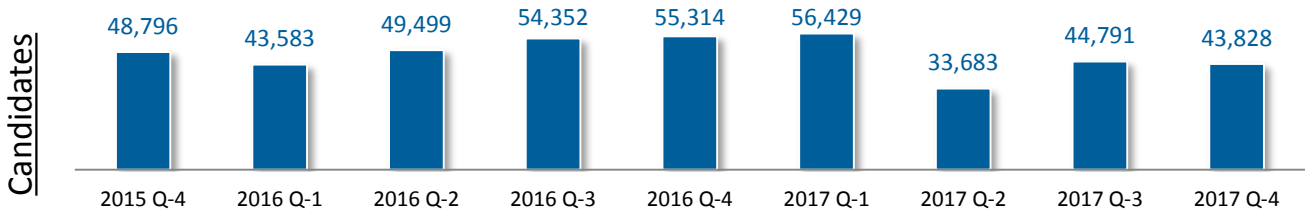
1. California **5,966**
2. New York **5,471**
3. Texas **2,881**

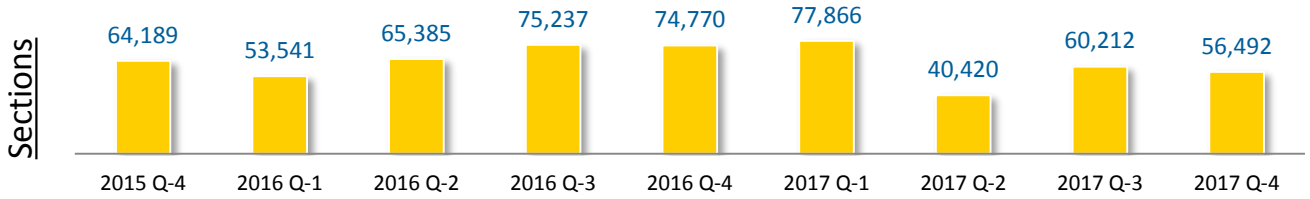
Highest Pass Rate

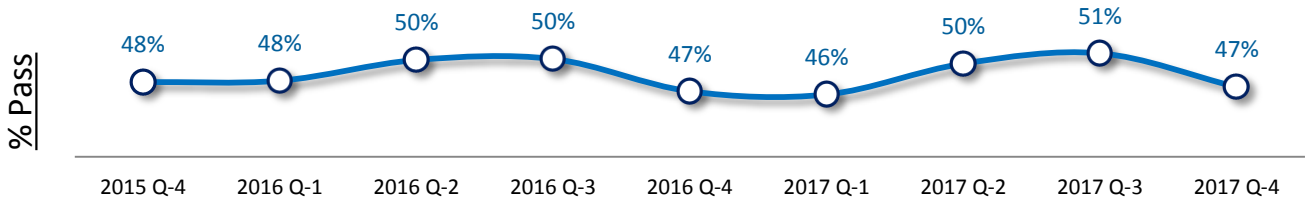
1. Utah **62.9%**
2. Wyoming **60.8%**
3. Wisconsin **57.5%**

Exam Type by Percent





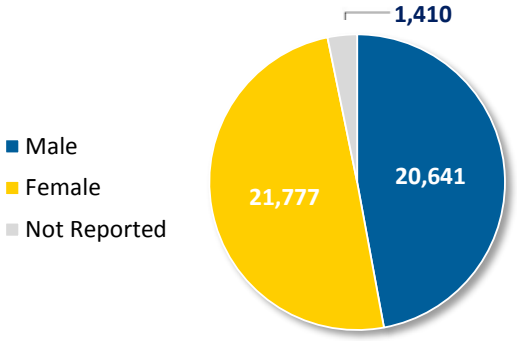




Data and Trends published by NASBA (www.nasba.org)
CPB@nasba.org

CPA Exam Performance: *All Jurisdictions*

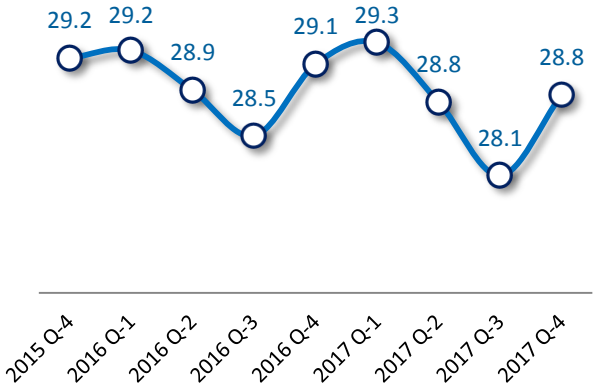
Demographics



Residency

Candidate Count	
In-State Address	**33,322**
Out-of-State Address	**6,672**
Foreign Address	**3,834**
% of Candidates	
In-State Address	**76.0%**
Out-of-State Address	**15.2%**
Foreign Address	**8.7%**

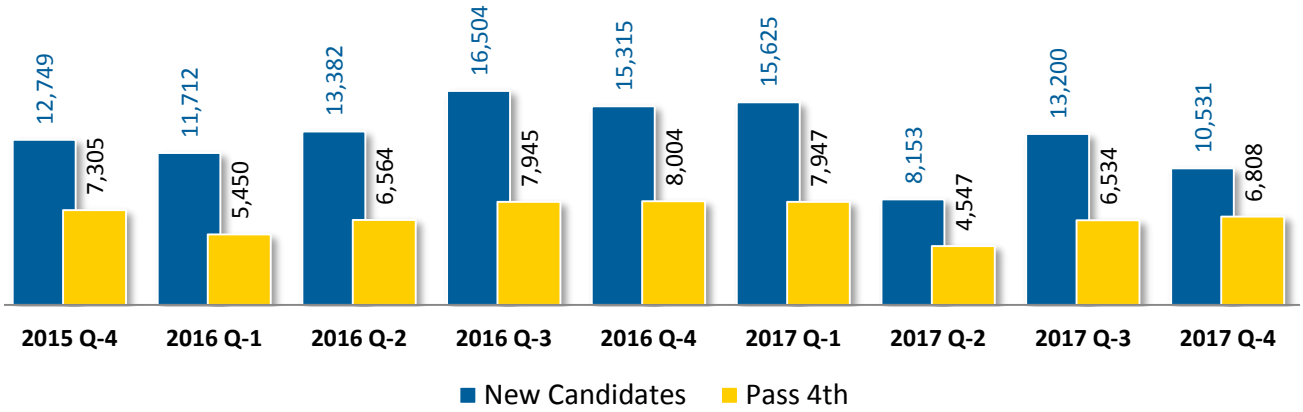
Average Age



Degree Type

Candidate Count	
Bachelor's Degree	**30,284**
Advanced Degree	**7,411**
Enrolled/Other	**6,133**
% of Candidates	
Bachelor's Degree	**69.1%**
Advanced Degree	**16.9%**
Enrolled/Other	**14.0%**

New Candidates vs Candidates Passing 4th Section



Notes about the Data

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2017 Q-4

Data and Trends published by NASBA (www.nasba.org)
CPB@nasba.org

CPA Exam Performance Summary: 2018 Q-1

Attachment 3

California

Overall Performance

Unique Candidates	4,979
New Candidates	981
Total Sections	6,067
Passing 4th Section	691
Sections / Candidates	1.22
Pass Rate	46.58%
Average Score	69.66

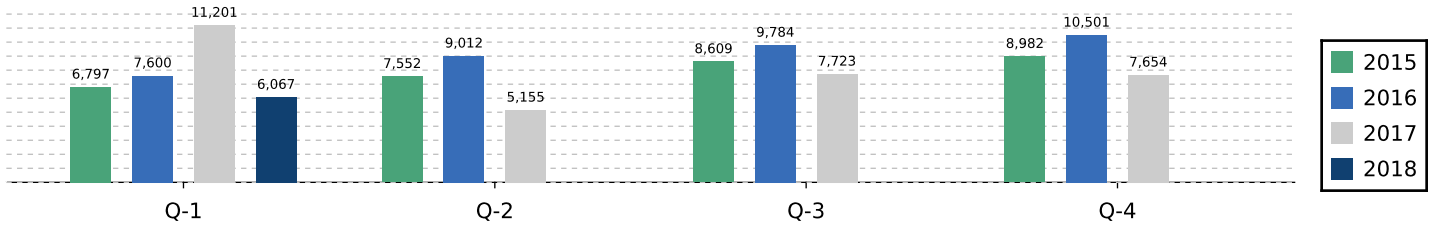
Section Performance

	Sections	Score	% Pass
First-Time	1,583	68.88	48.14%
Re-Exam	4,456	69.96	46.18%
AUD	1,634	70.16	45.78%
BEC	1,279	73.13	53.01%
FAR	1,619	66.19	40.46%
REG	1,535	69.89	48.53%

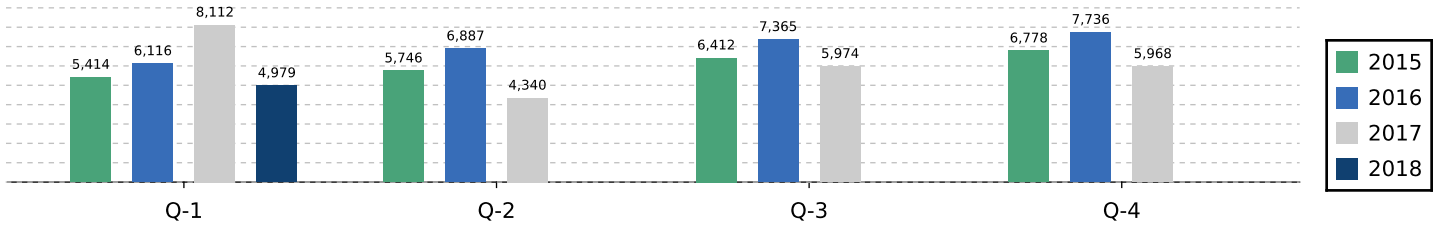
Jurisdiction Ranking

Candidates	Sections
1	1
Pass Rate	**Avg Score**
31	35

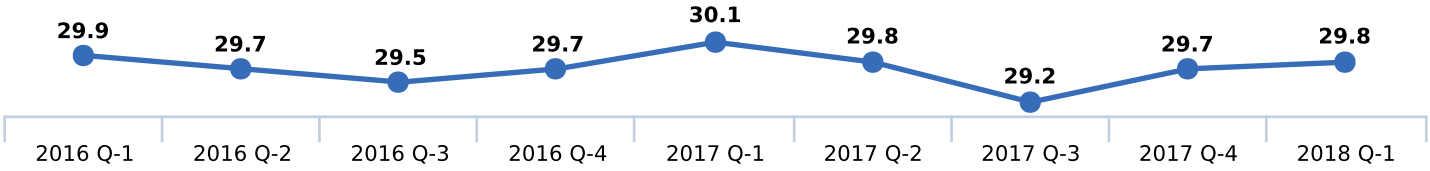
Sections



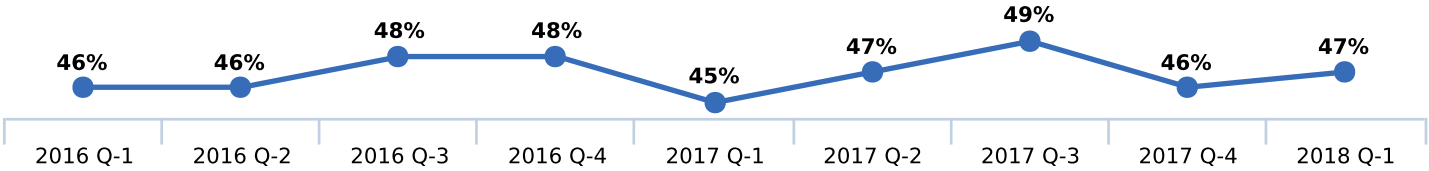
Candidates



Average Age



% Pass



CPA Exam Performance Summary: 2018 Q-1
California

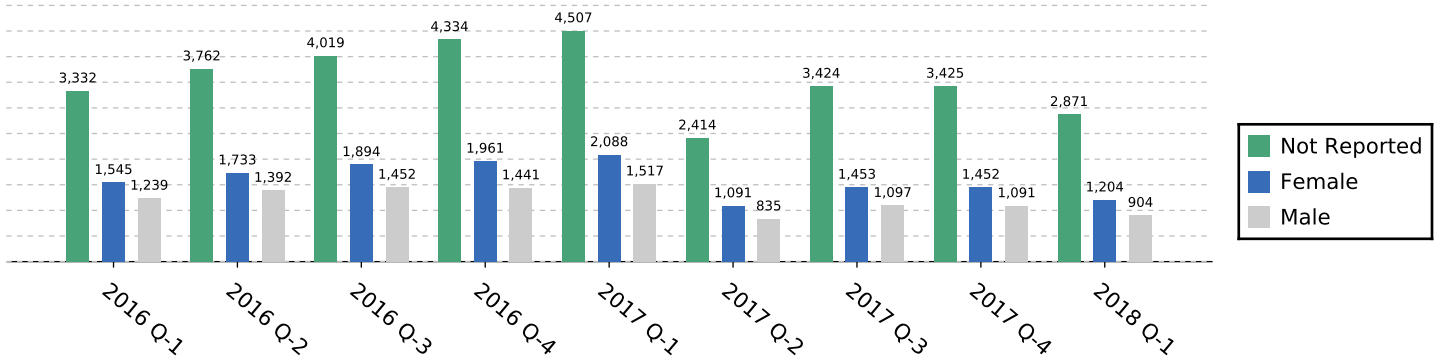
Degree Type

Bachelor's Degree	3,799	76.3%
Advanced Degree	1,084	21.8%
Enrolled / Other	96	1.9%

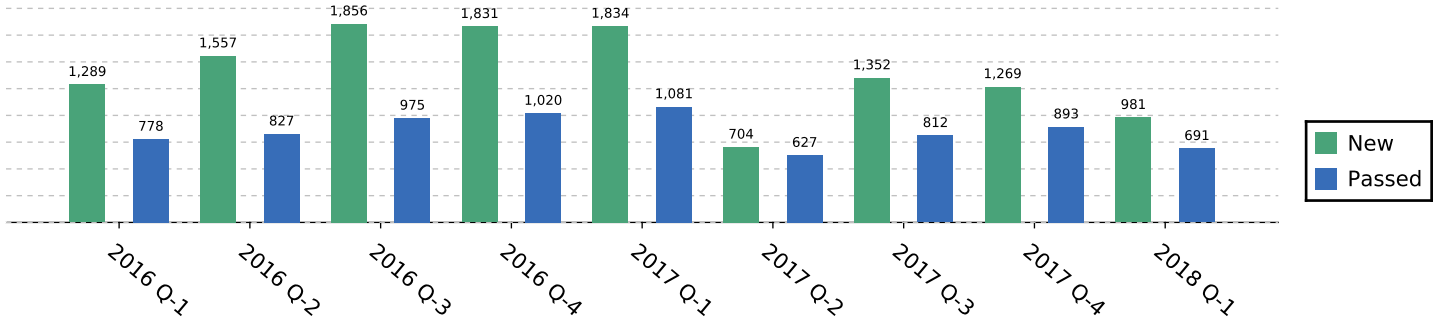
Residency

In-State Address	4,149	83.33%
Out-of-State Address	622	12.49%
Foreign Address	208	4.18%

Gender



New Candidates vs Candidates Passing 4th Section



Notes:

1. The data used to develop this report was pulled form NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 jurisdictions.
2. The demographic data related to age, gender, and degree type is provided by the individual candidates and may not be 100% accurate.
3. Some jurisdictions do not require candidates to report certain demographic data nor complete surveys gathering such data on a voluntary basis.

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CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item IX.B.
September 20-21, 2018

Update on Project to Accept Credit Card Payment for License Renewal and Planned Outreach Activities

Presented by: Gina Sanchez, Licensing Division Chief

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an update on the progress of implementing the credit card payment acceptance project and discuss planned outreach activities.

Consumer Protection Objectives

This project will allow licensees to pay their license renewal payment with a credit card via an online portal. Providing licensees this alternative payment method will reduce the timeframe for receiving a renewed license and enable a more seamless process to ensure they can continuously provide services to consumers.

Action(s) Needed

No specific action is required on this agenda item.

Background

As discussed at the May and July CBA meetings, the Department of Consumer Affairs (DCA) is in the process of creating an Interim Credit Card Acceptance Portal (ICCAP), which will enable the CBA and other boards to accept credit card payments for license renewal. This will be an interim solution until the CBA's Business Modernization Project is completed, which will provide for significant automation and online services to stakeholders. The CBA will be one of the first boards to pilot ICCAP, currently scheduled for implementation by the end of 2018.

At the May 2018 CBA meeting, a member requested that information be provided regarding potential changes to internal processes and requested staff to provide an outreach plan to inform licensees regarding the ability to pay their license renewal online with a credit card.

Comments

ICCAP will allow licensees to use a credit card for payment of their license renewal fees. The following provides an overview of the anticipated licensee process and CBA's internal process.

Licensee Process

A licensee who opts to use a credit card for payment of their license renewal fee will need to access the CBA's payment portal website and will be prompted to answer a set of prequalifying questions as well as enter identifying information which will be verified against their information in the CAS[1] database. Once the licensee information is validated, the licensee will be redirected to the credit card payment vendor's (Elavon) portal. The Elavon portal will appear to the licensee as an extension of the CBA payment portal website; however, all credit card information will be processed by Elavon and not processed, collected or stored by the CBA's or DCA's servers.

A nightly transmission of credit card payments will be transmitted from Elavon to DCA and imported into the CAS database. The license will be reflected as updated on License Lookup the next business day. Following the submission of payment online, the licensee will need to submit the renewal form to the CBA for review to ensure all renewal requirements have been met (continuing education, peer review reporting, etc.). The licensee will receive their renewed license approximately four weeks following the submission of their online payment. Currently, payments submitted via mail must be cashiered prior to the release of the renewed license. Alternatively, renewal payments submitted using the online payment system will see a two-week reduction in the renewal processing timeframe as it eliminates mail and cashiering times.

Internal Process

The internal process is still being finalized between CBA and DCA's Cashiering and Accounting Offices. However, as reported at the July CBA meeting, there will likely not be any additional workload impact on CBA staff and may reduce the internal volume of cashiering payments as a majority of licensees will pay via credit card. Additionally, as the online license renewal updates promptly, it is anticipated there will be a reduction in calls to verify receipt of payment and status of renewed license.

As identified under the Licensee Process, as part of the nightly transmission of credit card payments, a report will be generated documenting the monies received and identifying each licensee. These reports will be sent to CBA where, as the license renewal forms are submitted, they will be reviewed and reconciled to ensure proper payment was made and all renewal requirements have been met.

[1] The CAS system presently serves as a repository for all licensee and enforcement information. License renewal payments, renewal forms, and pocket and wall permits are issued using the information contained in CAS.

Outreach Efforts
To help ensure widespread awareness and adoption of the new credit card payment system, the CBA will be disseminating instructional materials to licensees via the following communication methods:

- A video announcement on the CBA's website explaining how to use the system
- Step-by-step procedures on the CBA's website
- Renewal application and insert modifications
- UPDATE Articles
- E-news notification to those who have provided the CBA with their e-mail address
- Collaboration with the California Society of Certified Public Accountants on outreach to their members

Additionally, the CBA will create a user satisfaction survey to gauge user sentiment of the new feature. Approximately six months after the system has been in operation, staff will review participation in the system and survey results to determine appropriate next steps to address any user concerns.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item; however, relevant updates will be provided as the project nears implementation.

Attachment
None.

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CPC Item II. September 20, 2018
CBA Item X.A.2. September 20-21, 2018

Discussion and Possible Action to Make Nonsubstantive ("Section 100") Changes to Form PP-13 (11/17) Incorporated by Reference in Title 16, California Code of Regulation Section 20, to Update the Reference from Board of Equalization to California Department of Tax and Fee Administration

Presented by: Aaron Bone, Information and Planning Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to consider taking action to amend CBA Regulation section 20 and Out-of-State Firm Registration (OFR) Form PP-13 (11/17) to update the reference from Board of Equalization (BOE) to California Department of Tax and Fee Administration (CDTFA).

Consumer Protection Objectives

Keeping the CBA's forms current helps ensure efficient CBA operations.

Action(s) Needed

The CBA will be asked to approve the proposed language for CBA Regulation section 20 (**Attachment 1**) and OFR Form PP-13 (11/17) (**Attachment 2**) and direct staff to initiate the rulemaking process.

Background

An accounting firm that is authorized to practice public accountancy in another state and that does not have an office in this state must obtain an OFR prior to performing specified services for an entity headquartered in California. CBA Regulation section 20 incorporates by reference the application form, OFR Form PP-13 (11/17), for this purpose.

At the time the form was developed, it incorporated references to the BOE. Since that time, the Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the BOE and separated its functions among three separate entities to guarantee impartiality, equity, and efficiency in tax appeals, protect civil service employees, ensure fair tax collection statewide, and uphold the California Taxpayers' Bill of Rights. These include the BOE, CDTFA, and the Office of Tax Appeals.

A rulemaking is required to update the information on the OFR Form PP-13 (11/17) to reflect CDTFA.

Comments
The proposed changes are non-substantive and do not alter any requirement, right, or responsibility of the CBA or its applicants or licensees. Rather, the proposed changes would simply update the name of a state agency from BOE to CDTFA.

As these changes are technical in nature, staff will submit these amendments to the Office of Administrative Law (OAL) as "Section 100" changes, which take effect 30 days following submission to OAL.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
If the CBA supports the proposed regulatory language and changes to OFR Form PP-13 (11/17), as indicated in the attachments, staff recommend the CBA make a motion to:

- Approve the regulatory text and form incorporated by reference in CBA Regulation section 20; and
- Authorize the Executive Officer to initiate the formal rulemaking process for a Section 100 change, including submitting the text and form changes to OAL.

Attachments
1. Proposed Regulatory Text – CBA Regulation Section 20 – Registration Form for Out-of-State Accounting Firms
2. Out-of-State Accounting Firm Form PP-13

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Attachment 1

Proposed Regulatory Text

Section 20 – Registration Forms for Out-of-State Accounting Firms.
(a) An out-of-state accounting firm organized and authorized to practice public accountancy under the laws of another state, as specified in Business and Professions Code Sections 5070 and 5035.3, that performs services pursuant to Business and Professions Code Section 5096.12(c), which requires the accounting firm to register with the Board, shall do so on the Out-of-State Accounting Firm Registration Form (PP-13 (~~11/17~~ 9/18)), which is hereby incorporated by reference.
(b) (1) An out-of-state accounting firm registered by the Board pursuant to subdivision (a) shall renew its registration on the last day of the month in which the registration was initially approved by the Board every second year.
(2) The out-of-state accounting firm shall provide the following information at the time of renewal:
(A) Current contact information;
(B) Current license information from all states in which the firm is licensed including license number, expiration date and any enforcement actions taken against the license including the following:
(i) Pending disciplinary action such as an accusation filed;
(ii) Revocation or suspension, including stayed revocation or stayed suspension;
(iii) Probation or other limitation on practice ordered by a state board of accountancy, including any interim suspension order;
(iv) Temporary restraining order or other restriction on practice ordered by a court;
(v) Public letter of reprimand issued;
(vi) Infraction, citation, or fine imposed; or,
(vii) Any other enforcement related orders of a state board of accountancy; and
(C) An update of the ownership information that was originally reported on the Out-of-State Accounting Firm Registration Form (PP-13 (~~11/17~~ 9/18)).
(3) An expired registration may be renewed at any time within five years after its expiration upon providing the information required in paragraph (2). A registration that is not renewed within five years following its expiration may not be renewed, and the registration shall be canceled immediately upon expiration of the five-year period. An out-of-state accounting firm with a registration that has cancelled pursuant to this paragraph may re-register pursuant to subdivision (a).
(c)(1) Each registered out-of-state accounting firm shall notify the Board of any change in its address of record within 30 days after the change. If the address of record is a post office box or mail drop, the change of address notification shall include the street address of the firm.

(2) Each registered out-of-state accounting firm shall notify the Board of any change in its ownership, as reported on the Out-of-State Accounting Firm Registration Form (PP-13 (~~11/17~~ 9/18)), within 30 days after the change.
(3) For purposes of this section "registered firm" includes any firm registered by the Board pursuant to this section even if the registration is suspended or otherwise subject to disciplinary action, provided the registration is not expired, canceled or revoked.
(4) All notifications required under this subdivision shall be in writing and shall be signed by an individual authorized by the registered firm to submit such notifications along with the individual's printed name and title, and a certification that the information is true and correct to the best of the individual's knowledge.

NOTE: Authority cited: Sections 5010 and 5096.9, Business and Professions Code. Reference: Section 5096.12, Business and Professions Code.

OUT-OF-STATE ACCOUNTING FIRM REGISTRATION FORM

This form must be completed by out-of-state accounting firms that intend to perform any of the following services for an entity headquartered in California:

- An audit or review of a financial statement;
- A compilation of a financial statement when it is expected, or reasonably might be expected, that a third party will use the financial statement and the compilation report does not disclose a lack of independence; or,
- An examination of prospective financial information.

Section A: Firm Information **Instructions:** Unless otherwise noted, all of the below information is required.			
Firm Name			
Address of Principal Place of Business (Address of Record)	City	State	Zip Code
Mailing Address (If different than above)	City	State	Zip Code
Business Telephone Number ( )	Fax Number ( )		
Business E-mail:			
Social Security Number (only required for sole proprietorships):*			
Federal Employer Identification Number (required for general partnerships, limited partnerships and limited liability partnerships):*			

Section B: Licensure Information

Instructions: Provide the state of licensure, license number, and license expiration date for all states in which the firm is licensed or otherwise authorized to practice public accountancy. Attach additional pages, if necessary.

State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date

Section C: Form of Legal Organization

Instructions: Check the box that corresponds to the form of legal organization under which the firm is licensed or otherwise authorized to practice public accountancy.

- ☐ Sole Proprietorship
- ☐ Corporation
- ☐ Limited Liability Company (LLC)
- ☐ General Partnership
- ☐ Limited Partnership (LP)
- ☐ Limited Liability Partnership(LLP)

Section D: Enforcement Actions

Instructions: Have any of the following enforcement actions been taken against any of the licenses listed in Section B? (Check all that apply)

- ☐ Pending disciplinary action such as an accusation filed.
- ☐ Revocation or suspension, including stayed revocation or stayed suspension.
- ☐ Probation or other limitation on practice ordered by a state board of accountancy including any interim suspension order.
- ☐ Temporary restraining order or other restriction on practice ordered by a court.
- ☐ Public letter of reprimand issued.
- ☐ Infraction, citation, or fine imposed.
- ☐ Any other enforcement related orders of a state board of accountancy.

Section E: Firm Ownership Information

Instructions: An out-of-state accounting firm must provide a list of all owners associated with the firm. Please complete Attachment 1 and provide all of the required information as described below. Attach additional pages, if necessary.

Sole Proprietorship
The full name, address, license number, state of licensure, and expiration date of the license.

General Partnerships, Limited Partnership, and Limited Liability Partnership
A list of all Certified Public Accountant (CPA) partners, including full name, address, license number, state of licensure, and expiration date of the license.

A list of all non-CPA partners, including full name and address** for each partner.

Corporations
A list of all Certified Public Accountant (CPA) shareholders, including full name, address, license number, state of licensure, and expiration date of the license.

A list of all non-CPA shareholders, including full name and address for each shareholder.

Limited Liability Company
A list of all CPA directors or members, including full name, address, license number, state of licensure, and expiration date of the license.

A list of all non-CPA directors or members, the list must include the full name and address for each director or member.

Section F: Important Notice

Instructions: By signing the penalty of perjury statement below and submitting this registration form, you are certifying that you have received and read this notice.

- The practice of public accountancy by the accounting firm is limited to authorized practice by the holder of a practice privilege provided for by California Business and Professions Code Section 5096.
- If the firm engages in the practice of public accountancy through a practice privilege holder, it has consented to the personal, subject matter, and disciplinary jurisdiction of the California Board of Accountancy.
- The California Board of Accountancy may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116 of the California Business and Professions Code), or otherwise restrict or discipline the firm for any act that would be grounds for discipline against a holder of a practice privilege through which the firm practices.
- Pursuant to Sections 2105, 15909.02, 16959, and 17451 of the California Corporations Code, before transacting intrastate business in California a business must first qualify and register with the California Secretary of State. For the purposes of determining if a business is transacting intrastate business, Section 191, subdivision (ai) of Section 15901.02, and subdivision (ap) of Section 17001 of the California Corporations Code defines transacting intrastate business as entering into repeated and successive transactions of its business in California, other than in interstate or foreign commerce.
- Any material misrepresentation of any information on the application is grounds for refusal or subsequent revocation of the registration.
- For sole proprietors and partnerships: The ~~California State Board of Equalization (BOE)~~ California Department of Tax and Fee Administration (CDTFA) and the California Franchise Tax Board (FTB) may share taxpayer information with the CBA. You are required to pay your state tax obligation and your license may be suspended or your renewal application denied if the state tax obligation is not paid and your name appears on either the ~~BOE~~ CDTFA or FTB certified list of top 500 tax delinquencies (Section 494.5 of the California Business and Professions Code).

Section G: Penalty of Perjury Statement

I hereby certify, under penalty of perjury under the laws of the State of California, that I am a person authorized to act for and bind the applicant and that all statements, answers, and representations made on this form and any accompanying attachments are true, complete, and accurate to the best of my knowledge. I further certify that I have read this entire registration form. By submitting this form and signing below, I am granting permission to the California Board of Accountancy to verify the information provided and to perform any investigation pertaining to the information I have provided on behalf of the firm as the California Board of Accountancy deems necessary.

Signature	Date
Printed Name	Title

NOTICE OF PERSONAL INFORMATION COLLECTION AND ACCESS:

The information provided in this form will be used by the California Board of Accountancy to determine whether the out-of-state firm qualifies for registration in California. Sections 30, 31, 5035.3, 5070, and 5096 through 5096.21 of the California Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the form as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, ~~Board of Equalization~~ California Department of Tax and Fee Administration, the Franchise Tax Board or to another government agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in California Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the California Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this form, and may be contacted at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833, telephone number (916) 263-3680 regarding questions about this notice or access to records.

*Disclosure of your social security number if you are a sole proprietor or federal employer identification number ("FEIN") if you are a partnership is mandatory. Section 30 of the California Business and Professions Code and Public Law 94-455 (42 USCA 405(c)(2)(C)) authorize collection of your social security number. Your social security number or FEIN will be used exclusively for tax enforcement purposes or compliance with any judgment or order for family support in accordance with section 17520 of the California Family Code. If you fail to disclose your social security number or your FEIN, your application for initial or renewal license will not be processed AND you may be reported to the Franchise Tax Board, which may assess a $100 penalty against you.

**If provided to the Board and identified as residential or home, addresses will not be made available to the public unless listed as the “address of record” on the application.

Attachment 1 – Detailed Firm Ownership Information				
CPA Owners, Partners, Shareholders, Directors, and Members				
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Non-CPA Owners, Partners, Shareholders, Directors, and Members				
Full Name	Address of Record			
Full Name	Address of Record			
Full Name	Address of Record			
Full Name	Address of Record			
Full Name	Address of Record			

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CPC Item III September 20, 2018

CBA Item X.A.3 September 20-21, 2018

Discussion and Possible Action on the International Delivery of the Uniform Certified Public Accountant Examination

Presented by: Gina Sanchez, Chief, Licensing Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to discuss whether the CBA would like to participate in the international delivery of the Uniform Certified Public Accountant Examination (iExam).

Consumer Protection Objectives

The purpose of this agenda item is to ensure only qualified applicants are approved for a certified public accountant (CPA) license to practice public accountancy in accordance with professional standards.

Action(s) Needed

The CBA will be tasked with determining whether California should participate in iExam.

Background

The iExam is the international administration of the Uniform CPA Examination (CPA Exam). In conjunction with the American Institute of CPAs (AICPA) and Prometric, the National Association of State Boards of Accountancy (NASBA) provides the opportunity for international administration of the iExam to be offered in Japan, Brazil, Bahrain, Kuwait, Lebanon and the United Arab Emirates.

The iExam application process is basically the same for the United States (US) and international candidates. In order to qualify to take the iExam, candidates must establish their eligibility through a participating jurisdiction. The iExam offers CPA candidates the opportunity to sit for the CPA Exam without excess travel requirements.

The CBA first deliberated this topic in 2009 when the iExam was introduced by NASBA, prior to its release. Although the CBA was supportive of candidates being able to take the CPA Exam at international locations, the CBA, at that time, had concerns related to the iExam, including the security of iExam, NASBA's International Informed Consent Agreement Form (Consent Form), and the benefits to California consumers.

Security of iExam
As the iExam had yet to be released, there was concern of the security measures in place and NASBA's oversight of the testing centers.

NASBA's *International Informed Consent Agreement* (Consent Form)
The Consent Form is part of the application process for candidates applying to the iExam. The CBA's main concern regarding the Consent Form related to the examination conditions that stated the applicant was consenting to obtaining a CPA license within three years of passing the exam. If a CPA license was not obtained, scores would be automatically withdrawn and the applicant would have no rights or privileges to them.

Benefits to California consumers
In order to obtain a CPA license in California in 2009, an applicant had to provide a social security number (SSN) issued by the US Social Security Administration. As this may be a difficult and timely process, there was discussion as to whether candidates would complete the process and become a U.S. citizen to obtain CPA licensure. This made members question the level of impact in California and whether the iExam is relevant to the California consumer.

It was decided at the July 2011 meeting that the CBA would not participate at that time but would continue to monitor the evolution of the iExam.

Comments
Because the timeframe that iExam has been in existence, staff are presenting this for CBA consideration to determine if it would like to become a jurisdiction that allows candidates to take iExam. Prior to preparing this agenda item, staff contacted NASBA for updated information and was provided the following regarding the security of iExam, NASBA's Consent Form, and the benefits to California consumers.

Information is also being presented regarding other requirements that must be met for California licensure and whether statutory or regulatory changes would be necessary.

Security of iExam
International test centers are vetted through NASBA and must have the same security procedures in place as domestic test centers. Candidates testing at international test centers must pay additional fees and are required to provide a passport or proof of residency at the test center.

The AICPA, NASBA, and Prometric Testing Centers have a team who review the following before recommending expansion into any country:

- Volume demand as demonstrated by candidates from those countries taking the CPA Exam in the US

- Ability to deliver the iExam without legal obstacles
- Security threat to the iExam (both physical security at test center and intellectual property security of exam content) assessed at levels equivalent to those presented domestically
- Existence of established Prometric test centers

The CBA has not been made aware of any security issues related to iExam.

NASBA's *International Informed Consent Agreement*
The Consent Form (**Attachment**) is separated into three sections: (I) Candidate Informed Consent, (II) Examination Conditions, and (III) Data Privacy. This Consent Form is required prior to allowing a candidate to participate in iExam. One of the requirements outlined under Examination Conditions, is that candidates must agree to obtain licensure in said jurisdiction within three years or the scores will be withdrawn.

During prior discussions, Legal Counsel raised concerns regarding the Consent Form. The Consent Form is not required by the CBA as part of the application process, but is necessary prior to registering for iExam. If the CBA would like to move forward with allowing California CPA Exam applicants the ability to participate in iExam, staff will work with Legal Counsel and NASBA to resolve any issues that may exist with the Consent Form.

Benefits to California consumers
During implementation of iExam, NASBA conveyed that one of the goals was to address a global issue of accounting firms having international affiliates that may require CPAs to be stationed worldwide to accommodate business relationships.

At the time the iExam was first introduced, California required an SSN for CPA licensure and the CBA questioned whether this group of individuals would seek licensure within the required timeframe. Since then and in accordance with Business and Professions Code (BPC) section 135.5, the CBA began accepting Individual Taxpayer Identification Numbers (ITIN) in lieu of an SSN for CPA licensure. As the process to obtain an ITIN is much easier than a SSN, it is more feasible for candidates to pursue the licensing process in California.

CPA Licensure Requirements
The CPA Exam, whether taken domestically or internationally, is the first step in obtaining a California CPA license, applicants must still meet the remaining licensure requirements of education and experience. As it can be presumed that most international candidates would also gain their experience internationally, as an added layer of consumer protection, CBA Regulations require applicants with foreign attest work experience appear at a Qualifications Committee Meeting to have their work papers reviewed. This process ensures that newly licensed California CPAs residing in

other countries are proficient in their knowledge and understanding to enter the accounting profession with the authority to sign attest engagements.

Statutory or Regulatory Changes
There are existing statutes and regulations governing the administration of the CPA Exam. Should the CBA move forward with iExam, it may require a regulatory change; however, staff will work with Legal Counsel and NASBA and provide the CBA with an update at a future meeting.

The CBA is one of 10 jurisdictions that do not participate in iExam. Some of the jurisdictions below have laws in place that prohibit their participation, mostly relating to residency requirements for CPA Exam applicants.

- Alabama
- California
- Commonwealth of the Northern Mariana Islands
- Delaware
- Idaho
- Kentucky
- Mississippi
- New Jersey
- North Carolina
- Virgin Islands

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
To support a growing accounting industry throughout the world, staff recommend the CBA approve participation in the international delivery of the CPA Exam and direct staff to prepare a communication to NASBA conveying the CBA's action.

Attachment
NASBA Consent Form

Electronic Version of Informed Consent for International Candidates

NOTE: The following consent consists of three parts. On the online registration, the candidate will be required to attest to each of the three separately. Only if the candidate attests to each part of the consent will they be allowed to complete the registration process.

****

I. CANDIDATE INFORMED CONSENT FOR SITTING FOR THE UNIFORM CPA EXAMINATION AT AN INTERNATIONAL LOCATION

NOTICE: This consent is a binding contract between you and your State Board of Accountancy (the "State Board"), and its designee, the National Association of State Boards of Accountancy ("NASBA"). This consent also provides rights to the American Institute of Certified Public Accountants ("AICPA"). This consent includes important obligations regarding the language of this agreement, applicable law and jurisdiction, currency, binding arbitration, examination policies, licensing requirements, liability limitations and data security and confidentiality. Your acceptance of this consent is required for your application to sit for the Uniform CPA Examination (the "test") in a test center outside the United States of America and its territories (an "international location"). Unless you indicate your agreement to each part of this consent, your request to sit at an international location will not be processed and you will not be allowed to sit for the Uniform CPA Examination outside the United States and its territories (the "USA"). If, at any time you attempt to revoke your consent, either directly, or by challenging the enforceability of any part, you will no longer be allowed to test at an international location.

In consideration for being permitted to sit for the Uniform CPA Examination in an International Location, I agree as follows:

(a) Applicable language is only English: This is an English-only legal document containing significant legal duties and requiring a high degree of competency in the English language. It is an essential part of an application to sit for the Uniform CPA Examination, which is administered exclusively in English for the purpose of CPA licensure in the USA. DO NOT indicate your agreement to this Consent unless you have read and understand each part. Since the Uniform CPA Examination is only administered in English, an applicant is presumed to have a thorough knowledge of the English language. By submitting the application and indicating your agreement to this Consent, you represent that you have a sufficient understanding of the English language and have read this Consent and understand and agree to each provision. The language of this Consent is English and it shall be interpreted exclusively in English. Any translation into another language is unauthorized and shall not be binding nor constitute evidence of the intent or meaning of any part or whole of this Consent or the application to sit for the Uniform CPA Examination.

(b) Applicable law: This Consent and my relationship with the State Board, NASBA and the AICPA shall be governed and construed in accordance with the laws of the United States and the state through which I applied.

EXAMPLE

(c) Dispute resolution: Any controversy or claim arising out of or relating to the Uniform CPA Examination, or the breach of this Consent, shall be determined by arbitration administered by the American Arbitration Association pursuant to its applicable rules. Any order of an arbitrator will be conclusive and binding. The number of arbitrators shall be one. The place of arbitration shall be in the state through which I applied. The language of arbitration shall be the English language and no other.

(d) Effective only upon receipt in the USA: This Consent and any application related thereto shall not be binding upon NASBA or the State Board until such Consent and such application have been received and accepted by NASBA in the USA.

(e) Examination Conditions Consent: In consideration for being permitted the convenience to sit for the Uniform CPA Examination in an International Location, I agree to comply with and be bound by each of the Examination Conditions, including any revisions posted from time to time in the Candidate Bulletin, which is available at www.nasba.org. Specific examination conditions applicable to persons desiring the convenience of sitting for the examination at an International Location are to be found through this link. You must review and agree to these conditions before proceeding to complete this Consent.

(f) Data Privacy Consent: In consideration for being permitted the convenience to sit for the Uniform CPA Examination in an International Location, I agree to submit data as described in the Data Privacy Consent. You must review and agree to the conditions contained in this document before proceeding to complete this Consent. In addition, you will separately have to provide biometric authentication data, including fingertip pattern images, required by the company providing technical assistance in administering the Test (the "Technology Vendor," hereby referred to as Prometric).

(g) Limitation of Liability: I agree that all fees and costs paid with an application for the Uniform CPA Examination are non-refundable and cannot be applied toward a future Uniform CPA Examination application. I agree further that, in the event my examination data are lost or damaged, or my examination results cannot be scored for any reason, or if the Test is not held for any reason, any claim I may have will not exceed the examination fee I paid. If there is an error in scoring the Test, any claim I have will be limited to having the Test re-scored and the results re-issued.

II.EXAMINATION CONDITIONS CONSENT

(a) I shall obtain a Certified Public Accountant (CPA) license from the State Board within three (3) years of passing all four sections of the Uniform CPA Examination, counting from the date my scores are issued. In the event I have not obtained such CPA license within three (3) years, under applicable state law, my scores can be automatically withdrawn and I shall have no rights or privileges to them.

(b) Any scores I have obtained will be rendered temporarily inactive if I do not maintain my CPA license.

EXAMPLE

(c) I shall not use the "CPA" designation in any form unless such use is authorized by the State Board of the state in which I am licensed as a CPA and only to the extent permitted by the jurisdiction in which I use the designation.

(d) My license status will be made available to the public in a publicly accessible database, including that, for any reason, my license is revoked, suspended or rendered temporarily inactive.

(e) NASBA or AICPA may refuse to process my Test results, refuse to release my scores, or recommend that the State Board cancel my Test scores in the event NASBA or AICPA have reason to believe my Test scores may not be valid.

(f) In the event of AICPA or NASBA's refusal to process or release my Test results or cancellation of my released results, my sole recourse will be to retake the Test section or sections without the payment of retesting fees or to obtain a refund of my Test fees.

(g) I agree to review and adhere to all testing policies and procedures any posted updates thereof, including all policies and procedures set forth in the "Candidate Bulletin."

(h) I agree that failure to provide adequate proof of citizenship and residency upon my arrival at the testing center may result in my scores being held and/or nullified. And I understand that I am responsible for understanding the meaning of adequate proof of citizenship and residency as it is defined in the Candidate Information Bulletin.

(i) Support services will be provided only during the normal business hours of NASBA, AICPA and Prometric.

(j) I may review my Test only under established procedures and only at a location on the mainland United States specified by the relevant State Board.

(k) Testing may be suspended in one or all countries or locations at any time.

(l) With the exception of the conditions described in paragraph (f) above, examination fees and a portion of the application fee are not refundable, and any fees paid will not be refunded if I change the location in which I wish to sit for a Test section.

(m) I understand that I am required to pass all sections of the Test within the stated time limitations, as outlined in the rules and/or instructions, and to meet the other requirements of licensure before I can be issued a license and be entitled to be known as a Certified Public Accountant under the laws of my state.

(n) I understand that the Uniform CPA Examination is the property of AICPA and agree that I will not remove any Test materials, notes or any other unauthorized materials from the examination room. I agree to keep confidential and will not disclose in any manner whatsoever any information concerning the questions or content of the Uniform CPA Examination, and I will report to the State Board any such disclosures to which I become aware. I understand that failure to comply with this provision may result in invalidation of

EXAMPLE

my grades, my disqualification from future testing, and possible civil and criminal penalties.

(o) I understand that the AICPA and NASBA logos and the term "Uniform CPA Examination" are trademarks and service marks of their respective owners and the Uniform CPA Examination is copyrighted material of the AICPA. I agree that the title "CPA" or "Certified Public Accountant" is regulated by the laws of the state to which I am applying and the laws of the USA and that I may not use or trade upon that title except as provided by the laws of the USA and the state laws applicable to the State Board.

III. DATA PRIVACY CONSENT

The State Boards, NASBA, the AICPA and Prometric take the privacy of candidates very seriously. Our current privacy terms are set forth in the "Candidate Bulletin."

I agree that the following information will be collected, received, transferred, stored, and processed in connection with my sitting for the Test:

(a) Personal and contact details, including:

(i) Date of birth;
(ii) Passport number;
(iii) National ID number;
(iv) Family contact details (in case of emergency);
(v) Credit card information;
(vi) Country of residence and country of citizenship;
(vii) Primary language;
(viii) Details of any other accounting designations held;
(ix) Educational history and qualifications;
(x) Photographs;
(xi) Signature;
(xii) Video/DVD recordings of the testing event; and
(xiii) Details of accounting hours; and

(b) my Test details, including candidate ID number, dates examinations taken, scores related to those exams, how many times any particular sections of exams have been taken, which are generated by NASBA and AICPA in connection with the Test process ("Personal Information") may be used and disclosed by NASBA and transmitted to and from the United States as set forth below:

Purposes for Data Collection

I understand and agree that my Personal Information may be used for the following purposes ("Test-related Purposes"):

(a) National ID numbers, including social security numbers (collectively "National ID Numbers"), may be used only for Test-related Purposes and compliance with legal

EXAMPLE

requirements. Access to National ID numbers shall be restricted to employees, agents, service providers and government entities with a need to access them for these purposes, and reasonable efforts shall be made to protect National ID numbers from unlawful disclosure and keep them confidential by maintaining physical, electronic and procedural safeguards that comply with applicable regulations.

(b) All other Personal Information may be used in:

(i) determining my eligibility to sit for the Uniform CPA Examination and obtain a CPA license;
(ii) facilitating examination management functions (e.g., recording examinations taken, those passed and failed, scores received and candidate's licensure status);
(iii) administration and operational purposes (e.g., in relation to attendance at exams, communicating results, examination times and other details);
(iv) tracking license status;
(v) psychometric forensic analysis and psychometric research;
(vi) verifying compliance with the State Board, NASBA, the AICPA and Prometric policies;
(vii) sending me information regarding benefits of licensure and AICPA membership and other business activities;
(viii) backup purposes to facilitate business continuity;
(ix) compliance with contractual, legal or regulatory obligations;
(x) detection or prevention of inappropriate behavior or breach of State Board, NASBA, AICPA or Prometric policies;
(xi) monitoring use of AICPA and Prometric electronic communications systems including access to the Internet, email and use of telephone; and
(xii) business management and other legitimate business purposes.

Disclosures

I understand and agree that my Personal Information may be disclosed to each of the following:
(a) The State Board, NASBA, the AICPA and Prometric; and (b) third parties that perform services related to the purposes listed above.

In addition, I understand and agree that my license status and professional contact details (such as business address) may be generally disclosed and freely available on websites managed by the State Board, NASBA, the AICPA or any of the other NASBA Member Boards.

Authorizations

In connection with my application, I hereby authorize:

(a) all relevant parties to release to the State Board or its designee any information necessary to verify the answers given on my application;

EXAMPLE

(b) the State Board or its designee to:

(i) examine or receive copies of my records maintained by the United States Armed Forces, the Federal Bureau of Investigation, my state's Department of Public Safety, the Immigration and Naturalization Service, other state and federal agencies, colleges, universities, boards of education, banks or credit agencies, in the same manner and to the same extent as if I, personally, had supplied these records. I hereby authorize such records to be furnished or disclosed in accordance with any request made by NASBA, the State Board or on behalf of the Attorney General of my state;

(ii) contact any of the references listed in my application; and

(iii) use my Personal Information for identification purposes in record keeping, information exchanges with USA and any other government agencies, and other data sources, and when performing criminal history checks and other background investigations that may be required to verify my Personal Information. I understand that discovery of false information in my application or of relevant criminal history may result in denial of my application, and I release the State Board and its designee from any and all liability and responsibility, damages and claims of any kind whatsoever arising from this investigation of my background; and

(c) the State Board or its designee to submit all of the information included in my application to NASBA for inclusion in the national candidate database, and for the State Board and NASBA to share my Personal Information with third parties for Test-related Purposes.

Data Retention and Storage

My Personal Information may be retained and stored as follows:

(a) The record of examinations (e.g., recording examinations taken, those passed and failed, scores received and candidate status (i.e., licensed or unlicensed CPA)) may be stored or retained permanently; and

(b) All other Personal information may be retained and stored in accordance with NASBA, State Board, AICPA and Prometric data retention policies in effect and as may be modified from time to time.

Fingertip pattern images may be retained and stored by Prometric for the period I am taking any exams until the earlier of:

(i) five (5) years after I have taken any section of the Uniform CPA Examination; or

(ii) five (5) years after I have completed and passed all four sections of the Uniform CPA Examination.

Consent to Transfer of Personal Information

EXAMPLE

I acknowledge that the levels of data protection and privacy laws in other countries may not be as high as those applicable in my jurisdiction and that the State Board, NASBA, the AICPA and Prometric will make commercially reasonable efforts to ensure that my Personal Information is kept secure at all times. I consent to the transfer to and storage and processing of my Personal Information in jurisdictions other than my own, including the USA.

EXAMPLE

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MSG Item II. September 20, 2018

CBA Item X.B.2. September 20-21, 2018

Discussion and Possible Action Regarding the Ongoing Determination of States' Substantial Equivalency to Enforcement Best Practices and Disciplinary Disclosures

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to establish a framework for continuing to make determinations regarding other state boards of accountancy's substantial equivalency related to enforcement practices and disciplinary disclosures.

Consumer Protection Objectives

Ensuring the effectiveness of California's mobility program assists in ensuring the CBA meets its mission of consumer protection.

Action(s) Needed

The MSG is being asked to adopt the framework and methodology proposed by staff to allow the CBA to continue to make determinations regarding other state boards of accountancy's substantial equivalency related to enforcement practices and disciplinary disclosures.

Background

BPC section 5096.21(a) requires the CBA to determine on and after January 1, 2016, whether allowing individuals from a particular jurisdiction to practice in California pursuant to a practice privilege violates its duty to protect the public. The factors the CBA is required to use, at a minimum, as part of its determinations, focus on enforcement and disciplinary disclosures.

Specifically, BPC section 5096.21(b) sets the minimum factors to include:

- Whether jurisdictions in a timely manner and adequately address enforcement referrals by the CBA;
- Whether jurisdictions makes disciplinary history of its licensees publicly available; and
- Whether jurisdictions impose discipline against licensees that is appropriate for the nature of the alleged misconduct.

The CBA worked with the National Association of State Boards of Accountancy (NASBA) to determine if other jurisdictions were conducting their enforcement divisions in a manner equivalent to NASBA's Enforcement Best Practices Guidelines (Guiding Principles). As of July 2017, all 55 jurisdictions have been determined to be substantially equivalent.

At its September 2017 meeting, the Mobility Stakeholder Group (MSG) discussed the value of providing ongoing oversight of the CBA's practice privilege program and its possible ongoing role. The MSG offered to the CBA the following options:

- Continue the MSG for a finite period until the MSG's functions and responsibilities are dispersed into other CBA Advisory Committees.
- Amending the MSG's statutory authority in BPC section 5096.21(e) to either broaden the scope of the MSG's role or enact other changes approved by the CBA.

The CBA approved the second recommendation.

At its January 2018 meeting, the CBA discussed the MSG's ongoing role and approved the following framework for MSG activities:

- Maintain the current authority and responsibility of the MSG to help ensure consumer protection and direct it make recommendations to the CBA regarding the MSG's activities that would effectively monitor the CBA's mobility program;
- Meet at least twice a year; and
- Direct staff to draft legislation to update BPC section 5096.21(e), to grant the MSG authority like the CBA's other existing advisory committees created in statute (Enforcement Advisory Committee, Peer Review Oversight Committee, and Qualifications Committee).

At its March 2018 meeting, the CBA discussed the MSG's recommendation related to ensuring states adhere to enforcement best practices and disclosure requirements associated with the MSG's ongoing role. The CBA approved the following:

Include as part of its evaluation two additional criteria:

1. Whether states in a timely manner and adequately address enforcement referrals by the CBA; and
2. Whether the state imposes discipline against licensees that is appropriate for the nature of the alleged misconduct.

Direct staff, working with the MSG Chair, to contact NASBA to gauge its willingness in assisting the CBA in these ongoing determinations, and that, at a minimum, NASBA provide:

- A scope of work/methodology for conducting a state-by-state review, taking into the additional criteria;
- Evaluation of states' continued disclosure of disciplinary information;
- A timeframe for conducting its review;
- Its process for evaluating the Guiding Principles and its plans on considering revisions and exposure for any revisions; and
- Any additional information it deems relevant for CBA consideration.

Comments

Staff, working with MSG Chair, have gauged NASBA on its interest in assisting the CBA in performing this important ongoing task. NASBA has expressed its willingness to assist the CBA in its ongoing endeavor.

Table 1 provides the areas that will aid the CBA in performing the necessary state-level determinations. The CBA, through staff, will take the primary lead in collecting the necessary information, with NASBA to assist and perform follow-up steps as necessary.

ANALYSIS REGARDING ONGOING STATE-LEVEL DETERMINATIONS SPECIFIC TO STATES' SUBSTANTIAL EQUIVALENCY TO ENFORCEMENT BEST PRACTICES AND DISCIPLINARY DISCLOSURES	
1.	A. Changes to board funding, availability of funds B. Reduction in Enforcement staffing levels C. Pending legislation that may affect the board's Enforcement Division D. Lawsuits against other states' board E. Communication with other states during meetings
2.	A. Evaluation of other states' disclosure of disciplinary information policy B. Evaluation of other states' use of a disciplinary flag C. Review of Internet web sites to ensure they contain proper disclosures and disclaimers
3.	A. Determine whether all jurisdictions timely and adequately address enforcement referrals made by the CBA to other states B. Determine whether jurisdictions impose discipline against licensees that is appropriate in light of the nature of the alleged misconduct C. Determine how states handle SEC and PCAOB referrals D. Monitor the outcome of cases referred to other states by CBA
4.	A. Peer Review oversight activities

Category 1

The CBA would monitor funding availability, pending legislation, and lawsuits for outcomes that may have a negative effect on a state's enforcement program. Available

funding is an important aspect of a successful enforcement program and a reduction in funding could potentially lead to understaffing in a state enforcement program. Understaffing may have detrimental effects to a program's efficiency and may have adverse consequences on the state's ability to meet NASBA's Guiding Principles of Enforcement.

Legislation passed may affect a state's ability to pursue disciplinary actions in certain circumstances, which may lead to inconsistencies among states and may also lead to a decrease in information sharing among states. Similarly, lawsuits may result in decisions that affect the policies and procedures of state enforcement programs leading to inconsistencies among states and decreased information sharing.

New information regarding funding and staffing would be collected annually through a CBA-developed survey. The CBA would routinely check NASBA's website for information regarding pending legislation. The CBA would also periodically receive information from NASBA regarding pending legislation and lawsuits that would help guide the CBA in the monitoring process. An example of a lawsuit that the CBA would monitor is the Supreme Court's 2015 decision in *North Carolina State Board of Dental Examiners v. Federal Trade Commission*.

NASBA currently has a "Legislative Support" website that monitors legislative bills that affect the regulation of the accounting profession, as well as any amendments made to a bill during the legislative process. Staff will routinely monitor this website for any changes that may affect enforcement for any state board. Additionally, NASBA provides information on lawsuits against all state boards of accountancy that might affect enforcement. Finally, at NASBA meetings, staff has the opportunity to discuss enforcement related issues with other state boards of accountancy, which might lead to information regarding a state's substantial equivalency to enforcement best practices and disciplinary disclosures.

<u>Category 2</u>
Consistency in disciplinary information reporting is vital to ensuring substantial equivalency to enforcement best practices amongst states. It is expected that all states will disclose all disciplinary matters pursuant to Business and Professions Code (BPC) section 5096.20, and will utilize a disciplinary flag on their state websites to indicate when a licensee has been disciplined pursuant to BPC section 5096.21.

CBA staff will conduct a yearly review of the websites of other states and CPAverify.org to ensure the use of disciplinary flags and to determine the level of the states' disclosures of disciplinary information. Staff will also review the websites to ensure that they contain the proper disclosures and disclaimers are posted.

The CBA does not anticipate requiring assistance from NASBA to collect this data; however, the CBA is intending to notify NASBA of any adverse findings. This will provide NASBA the opportunity to work with a state prior to the CBA possibly taking action to remove a state from mobility.

Category 3
As in Category 2, consistency amongst states is an important aspect of ensuring substantial equivalency to enforcement best practices. States are expected to impose discipline that is appropriate in light of the nature of the alleged misconduct based on NASBA's Guiding Principles of Enforcement. States are also expected to take appropriate action when receiving referrals from the U.S. Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB).

Staff will collect and review disciplinary information received from other states to monitor and ensure the consistency of all state enforcement programs. This will include monitoring how other states address enforcement referrals made to them by the CBA. Staff will actively monitor cases referred to other states from the CBA to ensure that appropriate disciplinary action is taken. The necessary information will be obtained by reviewing other states' websites and by making contact with enforcement program staff, either by telephone or written correspondence.

Currently, an out-of-state licensed CPA must submit a Pre-Notification Form to the CBA and obtain approval prior to practicing public accountancy in California if, among other things, within the previous seven years the individual's license, permit, registration, certificate, or other authority to practice any profession in this or any other state or foreign country or to practice before any state, federal, or local court or agency, or the Public Company Accounting Oversight Board was revoked, suspended, denied, surrendered, disciplined, or sanctioned. The information disclosed by this form will allow the CBA to determine how states handle SEC and PCAOB referrals.

The CBA does not anticipate requiring assistance from NASBA to collect this data; however, the CBA is intending to notify NASBA of any adverse findings.

Category 4
Peer Review plays a vital role in ensuring that all persons and firms engaging in and performing attestation work are competent and performing to professional standards.

Staff currently research and collect information regarding the Peer Review practices of other states to ensure consistency in the standards for persons or firms performing attestation work. This information is included in the Peer Review Oversight Committee Annual Report, which is presented to the CBA annually.

The CBA does not anticipate requiring assistance from NASBA to collect this data; however, the CBA is intending to notify NASBA of any adverse findings.

Methodology and Timing of Data Collection
Staff is recommending the following procedure for the initial review of other state boards of accountancy. Staff will evaluate the process and findings to determine if any future adjustments to the methodology are necessary.

The first states staff is recommending the CBA to review are the states that have the highest number of licensees practicing through mobility in California. The Peer Review Oversight Committee (PROC) oversees out-of-state administering entities of the peer review program. At the PROC's August 2018 meeting, it identified the jurisdictions with the highest volume of Out-of-State Firm Registrants (OFRs) in California (**Attachment 1**). Staff identified the top two of these states, and recommends that these states be selected for the first review: Texas and New York. Staff is also recommending that a state that is geographically close to California is selected for the first review. Staff identified Oregon and recommends that it be selected for the first review. It is expected that the survey will be sent to the first group of states in early 2019.

A survey of the selected state boards of accountancy will assist the CBA in determining the answers to subsections 1A, 1B, and 3B from Table 1.

Staff will be sending out an email communication (**Attachment 2**) to the selected states that will contain a link to an electronic survey. The answers to the survey questions, which are also listed in the email, will assist the CBA as it determines if a given state's discipline is appropriate and if a given state's licensees should be allowed to continue practicing in California under mobility.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff recommends that the CBA adopt the framework and methodology and timing of dates collection proposed by staff. Staff also requests feedback and approval of the proposed survey.

Attachment
1. Mobility Program and Practice Privilege Statistical Information
2. Proposed Survey

California Mobility Program | Accounting Firms with Out-of-State Firm Registrant (OFR)
Between July 1, 2013 and June 30, 2018

STATE	# of OFRs
BC	1
DC	1
KY	1
ME	1
WV	1
AR	2
IA	2
NE	2
NH	2
RI	2
SC	2
SD	2
MT	3
LA	4
NM	4
OK	4
CT	5
HI	5
ID	5
KS	5
MS	5
WI	6
AL	11

STATE	# of OFRs
MI	11
TN	11
PA	13
IN	14
MN	14
MO	15
OH	15
VA	15
NC	16
NJ	16
MD	18
UT	20
MA	21
NV	23
OR	24
GA	25
AZ	26
IL	28
CO	29
WA	31
FL	39
NY	43
TX	44

Top 20

TOP 20 - # of OFRs	476 or 81%
TOTAL # OFRs	587
TOTAL # OF STATES	46

California Practice Privilege Program | Practice Privilege Holders (PPH)
Between January 1, 2006 and June 30, 2013

STATE	# of PPH
GU	1
WY	2
PR	3
VT	4
DE	7
ME	8
NH	8
MS	11
AK	12
ND	12
SD	12
WV	12
RI	17
MT	25
SC	27
DC	31
KS	32
NE	32
AR	33
AL	41
LA	43
OK	48
NM	50
KY	58
ID	60
TN	64

Top 24

STATE	# of PPH
IA	95
HI	96
WI	124
NV	130
CT	137
UT	165
GA	173
NC	175
IN	177
NJ	183
MI	190
MO	190
MD	215
FL	231
MN	274
OH	297
PA	309
AZ	312
VA	326
CO	418
MA	419
OR	473
IL	619
NY	697
TX	722
WA	745

TOP 24 - # of PPH	7,701 or 91%
TOTAL # PPH	8,454
TOTAL # OF STATES	52

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Attachment 2

Proposed Communication to Other State Boards of Accountancy

Good Morning –

California's no notice, no fee mobility program requires the California Board of Accountancy (CBA) to make determinations regarding other state boards of accountancy's substantial equivalency related to NASBA's enforcement best practices guidelines and disciplinary disclosures. The purpose of which is to determine whether allowing licensees for a particular state under the no notice, no fee mobility program is consistent with the CBA's duty to protect consumers.

The information you provide in this survey will assist the CBA in determining which states' licensees will remain a part of the current California mobility program. It is important that you respond to this survey, as the results will be used to determine if your state meets the minimum requirements required to allow your licensees to practice in California under the current mobility program.

The CBA will notify you of the results of the determination regarding your state.

The link to the survey is provided below. However, below is the list of questions in the survey to facilitate gathering the requested information prior to completing the online survey.

1. Has your board experienced any increase or reduction to board funding or availability to board funds within the last fiscal year? If so, please explain.
2. Has your board experienced any increase or reduction to staffing levels? If so, please explain.
3. Does your board impose discipline against licensees that is appropriate in light of the nature of the alleged misconduct and in accordance with your disciplinary guidelines? If no, please explain.
4. Is there any additional information in your state regarding your enforcement program that you would like to add?
5. Please provide the information for a contact person at your board.

The survey may be completed at <link>. Thank you for your participation.

If you have any questions, please contact me at (916) 561-1711.

Sincerely,

Patti Bowers
Executive Officer

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MSG Item III. September 20, 2018

CBA Item X.B.3. September 20-21, 2018

Discussion Regarding the Mobility Activity Report

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to review and discuss the creation of a standing Mobility Activity Report (MAR) (**Attachment**).

Consumer Protection Objective

Ensuring the effectiveness of California's mobility program is essential to ensuring the CBA meets its mission of consumer protection.

Action(s) Needed

The MSG is being asked to determine whether to establish a standing MAR and determine the information to include to assist the MSG in its ongoing role.

Background

The CBA regularly uses reports to oversight the effectiveness of program areas. As the CBA considers the ongoing role of the MSG, certain statistical information and compliance checks will be necessary to determine the effectiveness of the mobility program.

Business and Professions Code (BPC) section 5096.21(a), requires the CBA to determine on and after January 1, 2016, whether allowing individuals from a particular state to practice public accountancy in California pursuant to a practice privilege violates its duty to protect the public.

A state may be allowed to remain under the, "no notice, no fee practice privilege" program under BPC 5096.21(c) if the following four statutory conditions are met:

1. National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines.

2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.

3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.

4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

Comments

Staff have created a draft version of the MAR for review. It is requested that the MSG review the report to ensure that it effectively captures and communicates the information that will be useful to the MSG with its ongoing role.

The items staff have included in the report draws from statistics the MSG compiles and reports in the MSG Annual Report to the CBA. This includes information regarding Out-of-State Firm Registration, service to stakeholders, webpage hits, and enforcement-related statistics.

This information is being presented as a starting point for the MAR. The CBA and MSG could direct staff to include additional data points for future iterations.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend the MSG adopt the draft MAR, with any recommended edits or additional data points.

Attachment

Draft Mobility Activity Report

Attachment
DRAFT

California Board of Accountancy

MOBILITY ACTIVITY REPORT

www.cba.ca.gov *As of June 30, 2018*

The following is statistical information as it pertains to the mobility program. The information listed is categorized into sections detailing Out-of-State Firm Registration (OFR) information, customer service and the volume of contact with consumers and licensees, website hits, and enforcement-related activities.

OUT-OF-STATE FIRM REGISTRATION

The Licensing Division is responsible for two main functions associated with the practice privilege program: (1) processing OFR forms and (2) providing customer service in response to telephone calls and emails.

Out-of-State Firm Registration	2016	2017	2018 six months of data
Total Out-of-State Registrants	458	537	586
Total Registrations Received	98	61	32
Total Registrations Approved	105	55	26
Total Registrations Renewed	113	140	53
Total Enforcement Referrals	11	7	3

SERVICE TO STAKEHOLDERS

The Licensing Division serves as the primary point of contact associated with the practice privilege program. Providing excellent service to stakeholders while effectively communicating the requirements of California's practice privilege law is critical. The next table provides the statistical data for the total number of telephone calls and -mails received.

Stakeholder Contacts	2016	2017	2018 six months of data
Telephone Calls Received	509[1]	200[2]	424
Emails Received	454	490	293

[1] Due to technical difficulties with the CBA phone system, telephone call statistics are only available through July 31, 2016. Therefore, the number provided is an estimate.

[2] Due to technical difficulties with the CBA phone system, telephone call statistics are available starting May 1, 2017.

WEBSITE USAGE

The CBA promotes consumer protection by striving to ensure consumers and out-of-state CPAs are equipped with updated information regarding the laws, rules, and regulations of the accounting profession in California. For this reason, the CBA created and maintains a robust website that provides information to consumers and licensees regarding the practice privilege program.

The CBA website contains a license lookup feature for out-of-state CPAs that includes all publicly disclosable information in the possession of the CBA on such licensees. It also contains a license lookup feature for all OFRs registered in California. A user may find information on out-of-state licensees on other state board of accountancy websites and the CPAverify website, which may be accessed through the CBA website.

The following reflects statistical data for various CBA webpages associated with the practice privilege program.

Website Usage	2016[3]	2017	2018 six months of data
Out-of-State Licensed CPA	6,630	5,983	3,111
Out-of-State Registered Firms	2,060	2,188	1,532
Practice Privilege Reporting	1,633	1,676	803
Practice Privilege Handbook	2,155	1,445	764

[3] Associated with the new CBA website launched in May 2016, certain usage data is unavailable. The statistics provided are an estimate based upon the available data.

ENFORCEMENT ACTIVITIES

The Enforcement Division is responsible for numerous consumer protection aspects of the practice privilege program, including processing pre-notification and cessation notification forms, reviewing the Securities and Exchange Commission's (SEC) and Public Company Accounting Oversight Board's (PCAOB) websites for CPAs that have been disciplined by those entities[4], reviewing OFR referrals from the Licensing Division, and reviewing complaints received against practice privilege holders. The following is statistical data associated with the various Enforcement Division activities.

Enforcement Activity	2016	2017	2018 six months of data
Pre-Notification Forms Received	2	0	1
Cessation Event Forms Received	0	0	0
SEC Discipline Identified	36	27	7
PCAOB Discipline Identified	17	31	20
Complaints Against Practice Privilege Holders	11	2	0
Out-of-State Accounting Firm Registrant Reported Other Discipline	0	0	2
Practice Privilege Revoked	0	4	3
Out-of-State Accounting Firm Registrant Denied	1	0	0
Out-of-State Accounting Firm Registrant Revoked or Surrendered	0	0	1
Out-of-State Accounting Firm Registrant Disciplined and on Probation	0	0	2

[4] Staff sends letters to all CPAs who were disciplined by either the SEC or the PCAOB to inform them that they must seek CBA authorization prior to practicing in California.

Staff plan to include in future MARs, updates on a staff proposed framework and methodology to allow the CBA to determine whether other state boards of accountancy's have substantially equivalent enforcement practices and disciplinary disclosures. The framework will allow the CBA to effectively monitor its mobility program.

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MSG Item IV. September 20, 2018

CBA Item X.B.4. September 20-21, 2018

Discussion and Possible Action Regarding Stakeholder Objectives Related to the Mobility Stakeholder Group

Presented by: Written Report Only

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) the opportunity to discuss and take action to revise its stakeholder objectives (**Attachment**).

Consumer Protection Objectives

Establishing stakeholder objectives helps to ensure that the MSG considers whether the California Board of Accountancy's (CBA) mobility law "satisfies the objectives of stakeholders of the accounting profession in this state, including consumers."

Action(s) Needed

The MSG will be asked to consider updating the stakeholder objectives.

Background

At its July 2014 meeting, the MSG established two stakeholder objectives and requested that they be provided as an agenda item at every MSG meeting so the MSG may revise and add to them as needed.

In the March 2018 meeting, the MSG identified a need to add an objective regarding internet disclosure of licensee's disciplinary history. The objective has been added to the Attachment.

Comments

Staff will continue to provide the stakeholder objectives identified by the MSG and include them as part of the standing agenda item, as a written report only unless otherwise directed by the MSG.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

Stakeholder Objectives

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Attachment

Stakeholder Objectives

Date Added or Revised	Objective
July 2014	Help out-of-state licensees know and understand their self-reporting requirements.
July 2014	Assure the CBA that all states have adequate enforcement.
March 2018	Internet disclosure of a licensee's disciplinary history.

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CBA Item XI.A.
September 20-21, 2018

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
July 26, 2018
CBA MEETING

Hilton Los Angeles Airport Hotel
5711 W Century Boulevard
Los Angeles, CA 90045
Telephone: (310) 410-4000

Roll Call and Call to Order.

California Board of Accountancy (CBA) President Michael M. Savoy, CPA, called the meeting to order at 9:57 a.m. on Thursday, July 26, 2018 at the Hilton Los Angeles Airport Hotel. The CBA recessed at 12:14 p.m. for lunch. The CBA reconvened from 1:40 p.m. until 2:17 p.m. The CBA convened into closed session at 2:17 p.m. until 2:40 p.m. The CBA reconvened into open session from 2:41 p.m. until 3:05 p.m. The CBA reconvened into closed session from 3:10 p.m. until 3:57 p.m. President Savoy adjourned the meeting at 3:58 p.m.

CBA Members	July 26, 2018
Michal M. Savoy, CPA, President	9:57 a.m. to 3:58 p.m.
George Famalett, CPA, Vice-President	9:57 a.m. to 3:58 p.m.
Mark Silverman, Esq. Secretary/Treasurer	9:57 a.m. to 3:58 p.m.
Alicia Berhow	9:57 a.m. to 3:58 p.m.
Jose A. Campos, CPA	9:57 a.m. to 3:58 p.m.
Karriann Farrell Hinds, Esq.	Absent
Dan Jacobson, Esq.	Absent
Xochitl León	Absent
Luz Molina Lopez	9:57 a.m. to 3:58 p.m.
Carola Nicholson, CPA	9:57 a.m. to 3:58 p.m.
Jian Ou-Yang, CPA	Absent

Sunny Youngsun Park, Esq.	9:57 a.m. to 3:58 p.m.
Deidre Robinson	Absent
Katrina L. Salazar, CPA	9:57 a.m. to 3:58 p.m.
Kathleen Wright, CPA	9:57 a.m. to 3:58 p.m.

Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Karen Nelson, Assistant Deputy Director, Office of Board and Bureau Services
Rich Andres, Information Technology Staff
Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, DCA
Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Dorothy Osgood, Supervising Investigative CPA
Rebecca Reed, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Carl Sonne, Deputy Attorney General, Department of Justice

Committee Chairs and Members
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)
David Evans, CPA, Chair, Qualifications Committee (QC)

Other Participants
Dean Andal, The Accounting Coalition
Andrea G. Cope, California Society of CPAs (CalCPA), Deputy Executive Officer
Jason Fox, Division Director, Government Relations, CalCPA
Matthew Goldsby, Administrative Law Judge, Office of Administrative Hearings
Michael Stephen Mitchell, Petitioner
Pilar Oñate-Quintana, The Oñate Group

I. Report of the President.

A. Discussion and Possible Action to a Make Nonsubstantive ("Section 100") Change to Section 18, Title 16, California Code of Regulations, Division 1, Article 3 or Section 26, Title 16, California Code of Regulations, Division 1, Article 4 to Modify the Operative Dates for the Practice Privilege Program Regulations.

Mr. Bone stated that the CBA currently has two sets of regulations that pertain to practice privilege. The first is contained within Article 3, and it implements the CBA's current mobility program, which allows qualified out-of-state licensees to practice in California without providing notice or paying a fee. He stated that these current regulations are set to become inactive on January 1, 2019, which coincides with the sunset date of the statutory authority for the CBA's current mobility program. He stated that Senate Bill (SB) 795

would make the CBA's mobility program permanent and is currently working its way through the Legislature.

Mr. Bone stated that the second set of regulations are contained within Article 4. He stated that those regulations pertain to the CBA's prior practice privilege program, which required out-of-state licensees to provide notice and pay a fee before practicing public accountancy in California. The Article 4 regulations are currently inoperative.

Mr. Bone requested the CBA to approve the changes to CBA Regulations sections 18 and 26, which would grant staff flexibility to pursue either change, depending on whether SB 795 is signed into law or not. He stated that if SB 795 is signed into law, as staff expect, the CBA would pursue the change to CBA Regulation section 18, which would make permanent the regulations for our current mobility program. If SB 795 is not signed into law, then by statute, the CBA's prior practice privilege program would go back into effect on January 1, 2019. In that case, staff would pursue the proposed change to CBA Regulation section 26, which would restore the regulations for the prior program, effective January 1, 2019.

Mr. Campos inquired if despite Article 4 being inoperative, the CBA has repeated regulations within Article 3 that is adequate for the CBA to fall back on.

Mr. Bone stated that SB 795 moving forward, enshrines the policy in statute that in case a state falls out of compliance, the CBA would have the have the ability to require notice and fees from those individuals.

It was moved by Mr. Campos and seconded by Ms. Salazar to:

- **Approve the text changes to CBA Regulations sections 18 and 26 and authorize the Executive Officer to initiate the formal rulemaking process for a Section 100 change. As follows:**
    - **Initiate the change to CBA Regulation section 18 if legislation to extend or make permanent the CBA's current mobility program is enacted into law; or**
    - **Initiate the change to CBA Regulation section 26 if legislation to extend or make permanent the CBA's current mobility program is not signed into law by September 30, 2018; and**
- **Submit the appropriate text changes, as necessary, to the Director of the DCA and the Business, Consumer Services and Housing Agency (BCSH) for review; and**
- **If no adverse comments are received, submit the Section 100 change to the Office of Administrative Law.**
- **If the Office of Administrative Law does not approve the Section 100 change, direct staff to submit the text changes to the Director of DCA and BCSH for review; and**

- **If no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the package, take all steps necessary to initiate the regular rulemaking process, and set the matter for hearing.**

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson.

B. Discussion and Possible Action Regarding the Progress of the Development of the Proposed Framework to Monitor the California Peer Reviewer Population.

Mr. Franzella requested the CBA provide feedback regarding the recent correspondence between the CBA, CalCPA, and the American Institute of Certified Public Accountants (AICPA) and consider the significant observations regarding statistical information relating to the California peer reviewer population, and identify concerns for the Peer Review Oversight Committee (PROC) to discuss at the August 17, 2018 PROC meeting.

Mr. Franzella stated that in a written response from Jim Brackens, Vice President, Ethics & Practice Quality, AICPA, Mr. Brackens acknowledges matters noted by the CBA relating to the ratio of firms to team captains in California as being significantly greater that the national average. He stated that Mr. Brackens highlighted AICPA's efforts to strengthen and grow the peer reviewer pool and provided information regarding seven proposed data points for inclusion in the framework to monitor the peer reviewer population.

Mr. Franzella stated that staff highlighted significant observations that may affect the peer reviewer population in California. He stated that there is a heavy reliance on a small number of peer reviewers, especially as it relates to must-select engagements and that the number of peer reviewers ceasing to perform peer reviews outpaces the number of new peer reviewers entering the pool.

Ms. Wright inquired if the AICPA has a committee to address the issue of the lack of peer reviewers and if so, would the CBA be allowed to be involved in the committee.

Mr. Franzella stated that the AICPA does have a Peer Review Board and attendance is done via telephone. He stated that the letter can be sent to the

Peer Review Board instead of Jim Brackens, Vice President of Ethics and Practice Quality, AICPA.

Ms. Berhow inquired if staff has been given any feedback as to why peer reviews are dropping off.

Mr. Franzella stated that AICPA has been reluctant to share any survey information because they believe that information is confidential.

Mr. Franzella also stated that peer reviewers are leaving the program due to the increased risk of liability and increase in insurance premiums.

Ms. Salazar stated that she can work with AICPA and staff regarding this issue, if authorized.

C. Discussion and Review of Proposed Responses for the 2018 Sunset Review Report.

Mr. Franzella stated that staff are requesting the CBA provide comments and direction on the responses prepared in the Sunset Review Report. He stated stated that there were various areas identified as areas of concern regarding the 2018 Sunset Review Report. He stated that Legislative and DCA staff have emphasized that the Sunset Committee wants to hear directly from board leadership and members, with the Executive Officer available to assist in responding to questions as necessary.

Mr. Franzella stated that one of the themes staff have focused on throughout the report is emphasis on the consumer protection mandate of the CBA, and working to integrate that into appropriate responses.

Mr. Franzella stated that section one covers topics from an overview of the of the history of the CBA and the profession it regulates; information on the CBA, its members, and its committees; major changes, including statutes and regulations affecting the CBA, accomplishments, and studies undertaken by the CBA since the last Sunset Review Report.

Mr. Franzella stated that enforcement timeframes are an important topic for the sunset committee. He stated that staff have made improvements to the CBA Enforcement Program. He stated that included in the report is the implementation of the mobility program as this was a significant change to the regulation of accountancy in California that occurred at the end of the prior sunset process.

Ms. Salazar requested staff incorporate into the report members being able to travel to various meetings and events held by NASBA and AICPA.

Mr. Campos requested to add more information regarding the mobility program regarding ongoing monitoring as a topic and acknowledge that it is an on-going effort. He stated that there was a concertive effort by staff providing outreach on college campuses as a forum to educate new licensees, which is included later in the report. He requested that staff include this information towards the beginning of the report.

Ms. Wright requested the CBA consider whether or not a focus on the strategic plan on outreach to licensees would be appropriate. She stated that section two discusses outreach to all stakeholders, including the public and licensees as being part of the overall objective, but the mission statement focuses on enforcement. She inquired on what the CBA's responsibility is with respect to customer service and licensees.

Mr. Franzella stated that section two includes performance measures and customer satisfaction surveys. He stated that in section two, staff placed a strong emphasis on creating a distinction on the two surveys that the CBA uses in assessing and analyzing customer satisfaction.

Mr. Franzella stated that the CBA Stakeholder Satisfaction Survey is a CBA-developed and managed survey, available on the CBA website that offers respondents the opportunity to provide feedback on a wide range of CBA program areas. The DCA Consumer Satisfaction Survey is a DCA-developed and managed survey with a very narrow focus of individuals that filed enforcement-related complaints.

Mr. Franzella stated that section three of the Sunset Review Report focuses on fiscal and staff issues. He stated that section three also discusses the number of budget change proposals the CBA submitted over the prior four fiscal years and whether they were approved or denied.

Mr. Campos suggested that staff incorporate into its response to questions eight and nine in the Sunset Review Report as to why the CBA took actions to reduce fees twice.

Mr. Franzella stated that section four included information regarding the Licensing Program. He stated that one of the topics of interest for the Sunset Committee focused on continuing education (CE) audits and the CE requirements and the CBA's efforts to ensure licensees are adhering to the requirements.

Mr. Campos stated that the CBA waives the fingerprint requirement for all CPAs that are not in public practice. He stated that it would be helpful to include the percentage of population that has the fingerprinting requirement waived.

Mr. Franzella stated that it is approximately 30 percent of the population and will provide the amount on a future enforcement report.

Mr. Campos inquired if staff provided input of the amount of licenses are not compliant with the fingerprinting requirement.

Mr. Franzella stated that that information is not provided in the report.

Mr. Franzella stated that section five focuses on the Enforcement Program. He stated that the four-year fiscal period comprising the report represent the highest disciplinary totals the CBA has experienced. He stated that this was due to an increase in the number of enforcement actions because of the CBA's ongoing efforts to improve caseload management and active collaboration with the Attorney General's Office.

Mr. Franzella stated that the Sunset Committee showed increased interest during the recent rounds of sunset hearings on unlicensed activity.

Ms. Wright inquired if the increase of enforcement cases could be the result of practitioners that are not knowledgeable of the regulations and not competent to administer engagements instead of the enhanced enforcement procedures.

Mr. Franzella stated that from his prospective, the majority of the increase is due to caseloads. He stated that they have had a high inventory of cases that has stayed consistent.

Ms. Bowers stated that looking at the enforcement activity report, the average number of complaints have not been increasing, but the amount of cases being closed is increasing.

Mr. Campos inquired regarding the amounts for cost recovery, specifically, if the amounts include costs for licensees that pay upon the reinstatement of a license.

Mr. Franzella stated that it does not include any deferred costs. He stated that it only includes those the CBA ordered through stipulations or adopted via proposed decisions.

Mr. Franzella stated that section six focuses on public information policies and outreach. He stated that this section focuses on the inter-net based resources that the CBA uses to keep the public informed of the CBAs activities, which include the CBA website, email, and social media.

Mr. Franzella stated that section seven focuses on online practice and unlicensed activity that may stem from unlicensed practice. He stated that the narrative of the section centers on the fact that online practice is a commonplace in public accountancy.

Ms. Wright inquired if this would be an area to address what set of ethical standards someone licensed by multiple professions would adhere.

Mr. Franzella stated the CBA has regulations that state licensees must comply with all applicable professional standards, but it does not specifically address dual licensure.

Mr. Franzella stated that section eight focused on workforce development and the CBA's efforts to work with schools to inform potential licensees of the licensing requirements and licensing process. He stated that outreach in this area was of critical importance to the CBA and shapes much of its outreach activities.

Mr. Franzella stated that section nine focused on current issues. He stated that drug diversion is a topic of interest for the committee, however, as a non-health board, the CBA does not have a diversion program.

D. Discussion and Possible Action to Recognize Mutual Recognition Agreements Between the Institute of Chartered Accountants of Scotland, CPA Australia Ltd., and the United States International Qualifications Appraisal Board.

Ms. Sanchez stated that the National Association of State Boards of Accountancy (NASBA) and the AICPA have jointly established the International Qualifications Appraisal Board (IQAB) to assist in eliminating barriers between the accounting profession of the United States and accounting professions in other countries. This is done thru the establishment of a Mutual Recognition Agreement (MRA). She stated that a MRA provides licensees from these countries who want to pursue licensure in the United States, to take the International Qualification Examination (IQEX) in lieu of the Uniform CPA Examination (Exam) as a way to meet the examination requirement of the licensure process.

Ms. Sanchez stated that in order for a country to obtain a Mutual Recognition Agreement (MRA), they must be sponsored by a United States board of accountancy who submits a formal request to IQAB to begin the evaluation process. IQAB's review determines whether the accountancy body's examination, education, and experience requirements are substantially equivalent to the United States established CPA licensing requirements under the Uniform Accountancy Act. She stated that if so, IQAB negotiates a MRA and recommends adoption of these agreements by all 55 boards of accountancy.

Ms. Sanchez stated that earlier this year, the IQAB entered into new MRAs with Institute of Chartered Accountants of Scotland and CPA Australia. She stated that as the CBA does not enter into reciprocity agreements, IQAB's MRAs are advisory; the CBA independently determines whether a candidate has met licensure requirements in accordance with CBA laws.

It was moved by Mr. Campos and seconded by Ms. Berhow for the CBA to recognize members of the Institute of Chartered Accountants of Scotland and CPA Australia as having satisfied the examination requirement under Business and Professions Code section 5082.3 upon successful completion of the IQEX.

The CBA directed staff to send a letter to the Chairperson of the NASBA/AICPA IQAB, notifying them that although the CBA does not enter into reciprocity agreements, the CBA will grant recognition to members of ICAS and CPA Australia, upon passing the IQEX.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, Ms. Robinson, and Mr. Silverman.

E. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

There was no report on this agenda item.

F. Department of Consumer Affairs Director's Report on Departmental Activities.

Karen Nelson, Assistant Deputy Director, Office of Board and Bureau Services, reported that on June 25 Director Grafilo conducted the first board member and leadership teleconference. She stated that there were over 30 participants including presidents, vice presidents, chairs, vice chairs and representative of advisory committees. She stated that Director Grafilo provided updates on Assembly Bill 2138, the executive officer salary study and regulatory process improvements.

Ms. Nelson stated that the next Director's Quarterly Meeting is scheduled for August 6, 2018.

Ms. Nelson thanked the CBA for its participation in the Licensing and Enforcement workgroups. She stated that there was dialogue regarding business processes and the workgroups looked at ways to collaborate and pinpoint the best practices in each of the programs.

Ms. Nelson stated that recruitment is underway for the second round of the Future Leadership Development and 48 applications have been received.

Ms. Bowers inquired on how many participants might be chosen for the program.

Ms. Nelson stated that it is not known how many will be selected, but 12 were chosen to participate in the first round.

II. Report of the Vice-President.

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

It was moved by Ms. Berhow and seconded by Mr. Campos to appoint Kathy A. Johnson, CPA, to the Enforcement Advisory Committee.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, Ms. Robinson, and Mr. Silverman.

It was moved my Ms. Nicholson and seconded by Mr. Campos to appoint Mehrnaz "Nasi" Raissian to the Enforcement Advisory Committee.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, Ms. Robinson, and Mr. Silverman.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

There was no report on this agenda item.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this agenda item.

III. Report of the Secretary/Treasurer.

A. Update on Fiscal Year 2017-18 and Fiscal Year 2018-19 Budgets.

Ms. Pearce stated that the CBA is waiting on the fiscal year-end information and anticipates that the year-end budget report will be presented at the September CBA meeting. She stated that included in that report will be the additional financial information that the CBA requested at the May 17, 2018 meeting.

Ms. Pearce stated that the CBA's fiscal year 2018-19 budget was approved at $13,981,000.

B. Update on Costs Associated With Accepting Credit Card Payment for License Renewal.

Ms. Pearce stated that at the May CBA meeting, Jason Piccione, DCA's Chief Information Officer and the CBA's System Administrator, Dave Hansen conducted a presentation regarding a project to accept credit cards for payment of license renewal fees. She stated that it is anticipated that the project will be implemented in November of this year and is an interim solution until the CBA transitions to a fully automated and on-line business solution for its licensing and enforcement processes. Ms. Pearce stated that as discussed in May, there will be a transaction fee associated with each credit card transaction. She stated this discussion is to determine if the CBA should absorb the transaction fee or if it should be paid by the licensees.

Ms. Pearce stated that if the CBA were to absorb the fee, a contract with the vendor would be based on a two percent transaction fee on the total amount charged. She stated that for the fiscal year 2018-19, based on an 80 percent participation rate, it is anticipated that the CBA would be absorbing $94,000. She stated that the estimate would increase to approximately $198,000, if the $250 licensee renewal fee renewal fee is approved.

Ms. Pearce stated that if the CBA did not want to absorb the transaction fee, the cardholder would receive two transactions on their statement, one for the renewal fee and the other for the transaction fee.

Ms. Salazar inquired if the CBA expects to save on staff time with the processing of on-line payments, in turn freeing up staff to work on other items.

Ms. Pearce stated that a majority of the renewal applications are processed at the cashiering unit at DCA. She stated that we would still receive the renewal information from DCA, but maybe in a different format. She stated that there

would be savings with regard to the cashiering staff time. She stated that because it would not be fully automated, staff will still need to review each renewal application and work with the licensee if additional information is needed.

Ms. Wright inquired if debits cards would be accepted or just credit cards for on-line payment.

Ms. Pearce stated that the way it is set up through the vendor, we would only be able to accept credit card payment. She stated that in the future, payment through debit cards could be added, but to get this launched as quickly as possible, we would just accept payment through credit cards.

Ms. Butu stated that state agencies are required to accept payment by credit cards. She stated that whether the CBA accepts payments through a direct transmittal vendor, it still needs to accept payment via credit cards.

Mr. Campos inquired if DCA would prefer the CBA to absorb the transaction fee or pass the fee onto the licensee.

Ms. Bowers stated that DCA does not have a preference, but the benefit of accepting credit card payment is significant. She stated that some of the negative feedback from the Customer Satisfaction Survey is the lack of the ability to pay online.

It was moved by Ms. Berhow and seconded by Ms. Nicholson for the CBA to absorb the transaction fees associated with using a credit card for license renewal payment.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, and Mr. Silverman.

No: Ms. Wright.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson.

IV. Report of the Executive Officer.

A. Update on Staffing.

There was no report on this agenda item.

B. Discussion on Research and Possible Action to Transition to an Electronic Format of the UPDATE Publication.

Mr. Bone stated that the purpose of this item is to consider whether to transition to a primarily electronic-based distribution of the CBA's UPDATE newsletter. He stated that the CBA is required by law to distribute to its licensees a report of its activities and the CBA meets this requirement through the publishing and mailing of the UPDATE.

Mr. Bone stated that over the years, the size of the CBA's licensee population has grown and the costs to source paper and purchase postage have steadily increased to nearly $300,000 annually to produce and mail the UPDATE.

Mr. Bone stated that to address the costs and speed up production, staff propose transitioning to a primarily electronic-based distribution of the UPDATE, but still allow readers, by request, to continue receiving a paper copy through the mail.

Mr. Savoy inquired on what the method of delivery would be for the UPDATE publication.

Mr. Bone stated that presently everybody gets a hard copy in the mail. He stated that for those who sign up to receive notification via email, an email is sent with a link to view the UPDATE publication on the CBA website.. He stated that currently over 7,000 stakeholders receive the notification via email.

Mr. Campos inquired if there would be a one-time opt in for the print version or if it would be annually. He stated that the only modification he would make to staff's suggestion, is the ability to opt in would be biannually.

It was moved by Mr. Campos and seconded by Ms. Berhow to instruct staff to:

- **Prepare for review and approval statutory language to allow for electronic distribution of the UPDATE publication**
- **Develop a campaign to inform UPDATE readers of this change and how readers may continue to receive a print version, including being able to opt-in for a print version of the UPDATE bi-annually**
- **Report periodically to the CBA on the progress of the transition.**

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and

Ms. Robinson.

C. Update on Activities to Develop the California Board of Accountancy's 2019-2021 Strategic Plan.

Mr. Bone reported that the CBA's Strategic Plan guides its actions and projects to help ensure that it continues to meet its consumer protection mission and other performance objectives. He stated that the current Strategic Plan, which runs through 2018, is organized around seven goals: Enforcement, Licensing, Customer Service, Outreach, Laws and Regulations, Emerging Technologies, and Organizational Effectiveness.

Mr. Bone stated that DCA has conducted interviews with CBA Members and the Executive and Assistant Executive Officer, along with committee member and stakeholder surveys, and a focus group with CBA managers. He stated that the information gathered will be utilized at the Strategic Planning Workshop, which will be held during the September 2018 CBA meeting. He stated that the draft 2019-2021 Strategic Plan will be presented for review and possible approval at the November 2018 CBA meeting.

D. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Bone stated that on May 31, Ms. Molina Lopez and CBA Licensing Manager, Suzanne Gracia attended an outreach event held on the campus of the UC San Diego Extension Campus. He stated that Ms. Gracia educated about 30 students regarding the requirements for licensure.

Mr. Bone stated that the CBA has been invited to join CalCPA for two upcoming events. The first is a live webinar entitled, "So You Want to Be a CPA?" and is tentatively scheduled for late September. This event is aimed at those late in their education or early in their career. He stated that the second will be held at Delta Community College, located in Stockton, likely in late October. This event is aimed at those who are early in their college education. At both events, the CBA would provide an overview of the licensure requirements, but with a focus on the aspects most relevant to each audience.

Mr. Bone stated that in November, President Savoy has been invited to speak in San Francisco at Golden Gate University as a part of their Braden Leadership Speaker Series. The topic of President Savoy's talk is "Leaders: Born or Made."

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the July 12, 2018, Enforcement Advisory Committee Meeting.

   Mr. Franzella reported that members reviewed two closed cases and held five investigative hearings.

B. Qualifications Committee.

1. Report of the July 25, 2018, Qualifications Committee Meeting.

   Mr. Evans reported at the two subcommittee meetings that were held in April there were a total of seven Section 69 reviews and one personal appearance. He stated that six were recommended for approval of CPA license and two deferred.

   Mr. Evans stated that at the QC meeting and subcommittee meeting that was held in July there were a total of 10 Section 69 reviews and three personal appearances. He stated that eight were recommended for approval of a CPA license and five were deferred.

C. Peer Review Oversight Committee.

   There is no report on this agenda item.

VI. Petition Hearing.

A. Michael Stephen Mitchell – Petition Reduction of Penalty and Termination of Probation of CPA License Number 20146.

   The CBA heard Mr. Mitchell's petition for reinstatement of surrendered certificate.

VII. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy will Convene into Closed Session to Deliberate on the Above Petition.

VIII. Report of the Enforcement Chief.

A. Enforcement Activity Report.

   Mr. Franzella provided an overview of this item.

IX. Report of the Licensing Chief.

A. Licensing Activity Report.

   Ms. Sanchez provided an overview of this item.

Ms. Wright inquired if the staff have an update on the decline of the number of CPA Exam candidates.

Ms. Sanchez stated that staff have reached out to NASBA and CalCPA and they have had only one meeting to discuss the decline of examination candidates. She stated that she will keep the CBA informed of any updates regarding the decline.

Mr. Campos inquired on what the process is for renewal applications that are deficient and the timeframes for processing renewal applications.

Ms. Sanchez stated staff reach out to the deficient licensees via sending a letter, telephone and email. She stated that staff make an effort to contact the licensee via telephone or email if the deficiency is minor. She stated that the timeframe goal is to process a renewal application within 30 days.

X. Report on the Legislative Committee and Committee on Professional Conduct.

A. Legislative Committee.

1. Report of the July 26, 2018, Legislative Committee Meeting.

2. California Board of Accountancy 2018 Legislative Tracking Chart.

   This was a written report only.

3. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position.

   a. Assembly Bill 767 – GO-Biz Information Technology.

      Ms. Salazar stated that AB 767 was amended and would establish the Information Technology Unit within the Governor's Office of Business and Economic Development for the purpose of using technology as an outreach and service delivery method. She stated that staff reached out to the author's office and it confirmed this bill does not impact the CBA.

      Ms. Salazar stated that the July 2, 2018 amendments are minor and staff suggested that the Legislative Committee (LC) maintain its Watch position on AB 767.

      Ms. Salazar stated that the LC maintained its Watch position and did not take any action on AB 767.

   b. Assembly Bill 2087 – State Government Operations: Technology Modernization.

Ms. Salazar stated that AB 2087 was amended and would now require each state agency to establish modernization goals by January 1, 2020.

Ms. Salazar stated that the LC maintained its Watch position and did not take any action on AB 2087.

c. Assembly Bill 2138 – Licensing Boards: Denial of Application: Revocation or Suspension of Licensure: Criminal Conviction.

Ms. Salazar stated that staff continued its participation in lobbying the CBA's position on this bill by attending various meetings, testifying at legislative committee hearings and providing feedback to the authors and other stakeholders. She stated that the June 20, 2018 amendments to AB 2138 were a positive development but that some concerning provisions remain in the bill.

Ms. Salazar stated that approximately 20 Department of Consumer Affairs boards and bureaus have taken an Oppose or Oppose Unless Amended position on this bill. She stated that although DCA has not taken a position, its Deputy Director of Legislative Affairs commended the CBA's efforts on this bill.

Ms. Salazar stated that the July CBA meeting is the final regularly scheduled meeting before the Legislature adjourns for the year on August 31, 2018, staff may request at a later date that the CBA call a special meeting to discuss and possibly change its position AB 2138.

Ms. Salazar stated that staff will continue to work with the author's office and other stakeholders to express the CBA's concerns.

Ms. Salazar stated that the LC maintained its Oppose Unless Amended position and did not take any action on AB 2138.

d. Assembly Bill 2483 – Indemnification of Public Officers and Employees: Antitrust Awards.

Ms. Salazar stated that AB 2483 missed a legislative deadline and will not move forward.

The LC recommended that the CBA discontinue following AB 2483.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicolson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson.

e. Assembly Bill 2958 – State Bodies: Meetings: Teleconference.

Ms. Salazar stated that AB 2958 was amended to change the requirement to adopt teleconferencing "regulations" to "guidelines", which would still require regulations.

Ms. Salazar stated that staff reached out to the author's office and was informed that the bill will be amended in August and may change significantly. She stated that according to the author, these provisions are meant to be permissive and would allow alternate teleconference requirements.

Mr. Bone stated that the CBA has the opportunity to provide input to the author's office regarding AB 2958 on the possible amendments. He stated that the possible amendments are regarding alternate requirements to include:

- At least 24 hours prior to the meeting, the advisory body shall provide notice to the public that identifies which members are participating remotely. The location of any member participating remotely does not need to be disclosed in the notice and need not be accessible to the public.

Mr. Bone stated that staff's concern is the public's lack of awareness of the physical location of a member participating remotely is not consistent with the transparency requirements of the law.

- Any member participating remotely shall not count towards establishing a quorum.

Mr. Bone stated staff's concern is if a member participating remotely does not count towards establishing a quorum, conducting meetings to discuss and adopt mission critical policies may be delayed. He stated that this would create challenges to the CBA's ability to pursue its consumer protection mission.

- If a member of a state body participates remotely, the state body must provide a means by which the public may observe audio of the meeting and address the state body remotely.

Mr. Bone stated that staff's concern is the cost to provide conference lines at a physical location other than the CBA office is unknown and

may be costly. He stated that the logistics of controlling public participation remotely may be challenging.

- If remote access fails due to technical difficulties, the meeting shall end and the state body shall provide notice of the meeting's end on its internet website and send an email to any person who requests notice of meetings. Additionally, if the meeting will be adjourned and reconvened on the same day, the state body shall provide an automated message on the telephone line posted on the state body's agenda or by similar means that will communicate how a member of the public may observe/participate remotely, once the meeting reconvenes.

Mr. Bone stated that staff's concern is that currently, CBA meetings can continue despite technical difficulties with the live webcast or teleconference line. He stated that under these alternate teleconference procedures, the CBA would have to delay or cancel a meeting if there were technical difficulties and staff would have to provide a phone line or similar means to notify the public of the meeting's adjournment and when the meeting would reconvene.

Mr. Savoy requested staff draft a letter to the authors of the bill stating the CBA's concerns with the new amendments.

f. Senate Bill 715 – Department of Consumer Affairs: Regulatory Boards: Removal of Board Members.

Ms. Salazar stated that SB 715 would grant the Governor the power to remove any member of a DCA board appointed by the Governor. She stated that this bill has not been amended since the last CBA meeting.

Ms. Salazar stated that the LC maintained its Support position and did not take any action on SB 715.

g. Senate Bill 795 – Accountancy: Practice Privileges.

Ms. Salazar stated that SB 795 was amended to include changes requested by the CBA in its Support if Amended letter. She stated that because these amendments satisfy the CBA's request, the CBA now has a Support position on SB 795. She stated that SB 795 is scheduled to be heard in the Assembly Appropriations Committee on August 8, 2018.

Ms. Salazar stated that the LC maintained its Support position and did not take any action on SB 795.

h. Senate Bill 984 – State Boards and Commissions: Representation: Appointments.

Ms. Salazar stated that SB 984 was recently amended to clarify the term "woman" to mean an individual who self-identifies her gender as a woman and delays the effective date of the requirements to have a certain number of women board members, until January 1, 2024. She stated that staff will be contacting the author's office to get additional information regarding the change in effective date.

Ms. Salazar stated that the LC maintained its Watch position and did not take any action on SB 984.

i. Senate Bill 993 – Sales and Use Taxes: Service Tax: Qualified Business.

Ms. Salazar stated that SB 993 was amended and would, starting January 1, 2020, impose up to a three percent tax on services and reduce the statewide base sales and use tax rate up to two percent. She stated that SB 993 does not have an impact on the CBA's mission of consumer protection. However, the bill would broaden the tax base by imposing a sales tax on services, including those provided by certified public accountants.

Ms. Salazar stated that the LC maintained its Watch position and did not take any action on SB 993.

j. Senate Bill 1121 – Personal Information.

Ms. Salazar stated that SB 1121 was amended and would define "breach" as unauthorized access, use, modification, or disclosure of personal information.

Ms. Salazar stated that the LC did not take any action on SB 1121.

k. Senate Bill 1159 – Accountancy: Inactive License.

Ms. Salazar stated that SB 1159 missed a legislative deadline and will not move forward.

The LC recommended that the CBA discontinue following SB 1159.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicolson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson.

l. Senate Bill 1492 – The Department of Consumer Affairs.

Ms. Salazar stated that SB 1492 is the CBA's omnibus bill and was amended to include the CBA's third and final proposal to amend Business and Professions Code section 5100, related to conclusive evidence in the CBA's enforcement practices. She stated that SB 1492 requires additional amendments to maintain the appropriate statutory structure to BPC section 5100. She stated that legislative staff are aware of the CBA's concerns and have agreed to make the necessary amendments.

Ms. Salazar stated that the LC maintained its Support position and did not take any action on SB 1492.

4. Consideration of Positions on Legislation.

a. Senate Bill 930 – Financial Institutions: Cannabis.

Ms. Salazar stated that SB 930 would establish cannabis limited charter banks and cannabis limited charter credit unions to provide limited banking services to the cannabis industry. She stated that although the bill does not directly impact the mission of the CBA, staff recommended a Watch position on SB 930, as it relates to the cannabis industry's financial services and therefore the accounting profession.

Ms. Berhow inquired on why the committee took a watch position and did not just support SB 930.

Mr. Bone stated that the LC took a watch position on SB 930 because the bill does not affect the CBA. He stated that the CBA does not normally follow banking bills, but because it involves cannabis, the LC decided to take a watch position.

The LC recommended that the CBA take a Watch position on SB 930.

Yes: Ms. Berhow, Mr. Campos, Ms. Molina Lopez, Ms. Nicolson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Mr. Famalett.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson.

5. Update on Legislation the California Board of Accountancy is Monitoring.

   a. Assembly Bill 827 – Department of Consumer Affairs: Task Force: Foreign-Trained Professionals.

   b. Assembly Bill 1659 – Healing Arts Boards: Inactive Licenses.

   c. Assembly Bill 1793 – Cannabis Convictions: Resentencing.

   d. Senate Bill 244 – Privacy: Agencies: Personal Information.

   e. Senate Bill 1137 – Veterans: Professional Licensing Benefits.

   This was a written report only.

6. Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee meeting agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4.

   There was no report on this agenda item.

B. Committee on Professional Conduct.

1. Report of the July 26, 2018, Committee on Professional Conduct Meeting.

2. Discussion and Possible Action to Obtain Authority for the CBA to Require Licensees Residing Outside of the United States and its Territories to Provide a Valid and Current Email Address and Telephone Number.

   Mr. Famalett stated that the purpose of this agenda item was to provide the opportunity to discuss and consider supporting a legislative change that would require licensees residing outside of the United States and its territories to provide a current and valid email address and telephone number to the CBA to increase the ability of the CBA to communicate with licensees.

Mr. Famalett stated that there are over 2,000 licensees with an address located outside of the United States and licensees presently provide email addresses and telephone numbers on a voluntary basis. He stated establishing a requirement for licensees residing outside of the United States to provide a valid and current email address and telephone number will create an additional method of communication to ensure proper receipt of CBA correspondence.

Mr. Famalett stated that as part of the Sunset Review Process, the Legislature has requested that the CBA identify current issues in its Sunset Review Report that may require a legislative proposal. He stated that by highlighting this issue in its Sunset Review Report, the CBA has the opportunity to include this legislative proposal in the Legislature's annual Sunset Review Bill.

Mr. Famalett stated that members were advised by Legal Counsel to consider requiring email addresses from all licensees not just those residing outside of the United Stated and its territories.

The CPC recommended that the CBA direct staff to include legislative language in its Sunset Review Report requiring email addresses from all licensees.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicolson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson

XI. Meeting Minutes.

A. Adoption of the Minutes of the May 17, 2018, California Board of Accountancy Meeting.

It was moved by Mr. Campos and seconded by Mr. Silverman to approve agenda item XI.A., with an amendment to page 20067, XII.B.1.a., second paragraph change "will be" to "include use of."

Yes: Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. Berhow.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson.

B. Acceptance of the Minutes of the May 17, 2018, Legislative Committee Meeting.

C. Acceptance of the Minutes of the May 17, 2018, Committee on Professional Conduct Meeting.

D. Acceptance of the Minutes of the May 3, 2018, Enforcement Advisory Committee Meeting.

It was moved by Mr. Campos and seconded by Mr. Silverman to accept agenda items XI.B. through XI.D.

Yes: Mr. Campos, Mr. Famalett, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. Berhow.

Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Mr. Ou-Yang, and Ms. Robinson.

XII. Other Business.

A. American Institute of Certified Public Accountants.

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

a. State Board Committee.

Ms. Salazar stated that on May 30-31, 2018 she attended the State Board Committee meeting that was held in conjunction with the Board of Examiners and Examination Committee meeting in New York. She stated that there was discussion regarding the psychometric process that happens in the development and preparation of the examination. She stated that the committee discussed globalization with the MRA locations in Scotland, England, Germany, and Ireland. She stated that the AICPA is exploring doing an examination launch in India.

B. National Association of State Boards of Accountancy.

1. Report of the National Association of State Boards of Accountancy Pacific Regional Director.

   Ms. Salazar stated that during the meeting there was much time spent evaluating the Western and Eastern Regional Meeting discussions She stated that there was discussion regarding the orientation process and how to improve the process.

   Ms. Salazar stated that there was discussion to consolidate the Eastern and Western Regional meetings to one regional meeting a year. She stated that at this point, there will continue to be an Eastern and Western meeting, unless a significant amount of boards come forward and request one meeting.

   Ms. Salazar stated that the IT pathway that was exposed through the Executive Director conference as well as the regional meetings has been identified as not being the correct pathway for the profession. She stated that NASBA will continue to discuss this pathway.

   Ms. Salazar stated that additional experience of licensure will be discussed at regional meetings, as well as MRAs highlighting a gap between international education and national experience requirements for the attest function.

2. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member or Staff.

   a. Report of the Western Regional Meeting Held June 26-28, 2018.

      Mr. Savoy reported that this was a very informative meeting and there was much discussion regarding MRAs.

      Mr. Campos stated that it was helpful to understand process issues that other boards were facing. He stated that cannabis was also a topic a lot of boards are discussing. He stated that mobility continues to be a topic of discussion and where California is in the area of mobility and the ongoing monitoring aspect of mobility.

      Ms. Nicholson stated that she found the meeting to be very useful and helpful. She stated that she learning about how the CPA Exam needs to stay consistant with the changes in technology.

      Ms. Molina Lopez stated that she enjoyed networking with others in and out of California. She stated that she enjoyed seeing other CBA

members on discussion panels. She stated that she enjoyed the topic of crypto currency.

Ms. Savoy stated that the topic of becoming a CPA through technology was very eye opening and helpful.

b. Bylaws Committee.

Ms. Salazar stated that amendments to the bylaws center around the nomination process.

c. Enforcement Resources Committee.

There was no report on this agenda item.

d. Strategic Planning Task Force.

Ms. Salazar stated that he Strategic Planning Task Force will be meeting August 28 through August 30 in Nashville, Tennessee. She stated that she will try to participate via telephone as Tennessee is a state that is restricted from travel due to discriminatory laws within the state.

e. Continuing Professional Education Committee.

There was no report on this agenda item.

XIII. Closing Business.

A. Public Comments.

There were no public comments.

B. Agenda Items for Future California Board of Accountancy Meetings.

XIV. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters.

XV. Closed Session: Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet in Closed Session to Receive Advice From Legal Counsel on Litigation (*David Greenberg v. California Board of Accountancy*, Los Angeles County Superior Court, Case No. BS155045).

Adjournment.

President Savoy adjourned the meeting at 3:58 p.m. on Thursday, July 26, 2018.

_____Michael M. Savoy, CPA, President

_____Mark J. Silverman, Esq., Secretary/ Treasurer

Rebecca Reed, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.

CALIFORNIA BOARD OF ACCOUNTANCY

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CPC Item I. September 20, 2018
CBA Item XI.B. September 20-21, 2018

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
July 26, 2018
COMMITTEE ON PROFESSIONAL CONDUCT (CPC) MEETING

DRAFT

Hilton Los Angeles Airport Hotel
5711 W Century Boulevard
Los Angeles, CA 90045
Telephone: (310) 410-4000

George Famalett, CPA, Acting Committee Chair, called the meeting of the CPC to order at 9:37 a.m. on Thursday, July 26, 2018 at the Hilton Los Angeles Airport Hotel. Mr. Famalettt requested that the roll be called.

CPC Members

Michael M. Savoy, CPA, President	Present
George Famalett, CPA, Acting Chair	Present
Alicia Berhow	Present
Jose A. Campos, CPA	Present
Dan Jacobson, Esq.	Absent
Sunny Youngsun Park, Esq.	Absent
Deidre Robinson	Absent

CBA Members Observing
Xochitl León
Luz Molina Lopez
Carola Nicholson, CPA
Katrina L. Salazar, CPA
Mark Silverman, Esq.
Kathleen Wright, CPA

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff

Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, Department of Consumer Affairs (DCA)
Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Dorothy Osgood, Supervising Investigative CPA
Rebecca Reed, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Carl W. Sonne, Deputy Attorney General, Department of Justice

Other Participants
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee
David Evans, CPA, Chair, Qualifications Committee
Jason Fox, California Society of CPAs (CalCPA)
Karen Nelson, Assistant Deputy Director, Office of Board and Bureau Services
Pilar Oñate-Quintana, The Oñate Group

I. Approve Minutes of the May 17, 2018 CPC Meeting.

It was moved by Mr. Campos and seconded by Ms. Berhow to adopt the minutes of the May 17, 2018, CPC meeting.

Yes: Mr. Campos, Ms. Berhow, Mr. Famalett, and Mr. Savoy.

No: None.

Abstain: None.

Absent: Mr. Jacobson, Ms. Park, and Ms. Robinson.

The motion passed.

II. Discussion and Possible Action to Obtain Authority for the CBA to Require Licensees Residing Outside of the United States and its Territories to Provide a Valid and Current Email Address and Telephone Number.

Mr. Franzella reported that the purpose of this agenda item was to provide CBA the opportunity to discuss and consider supporting a legislative change that would require licensees residing outside of the United States and its Territories to provide a current and valid email address and telephone number to the CBA to increase the ability of the CBA to communicate with this licensee population.

Staff informed the members that this change would give CBA the opportunity to assist staff in serving documents such as an initial pleading, or accusation via email during the enforcement process, with the licensee's consent.

Mr. Franzella indicated that the CBA has over 2,000 licensees with an address located outside of the United States. Presently, licensees and applicants provide email addresses and telephone numbers to the CBA on a voluntarily basis through various forms and applications.

Mr. Franzella stated that when a licensee resides outside of the United States, communicating with that individual may be more challenging. He stated that establishing a requirement for licensees residing outside of the United States to provide a valid and current email address and telephone number will create an additional method of communication to ensure proper receipt of CBA correspondence.

He informed the members that as part of the Sunset Review Process, the Legislature has requested the CBA identify current issues that may require a legislative proposal. By highlighting this issue in its Sunset Review Report, the CBA may have the opportunity to include this proposal in the 2019 legislation to extend the CBA's Sunset date.

The CPC members discussed this matter and were advised by Legal Counsel to consider requiring email addresses from all licensees, not just those residing outside the United States and its Territories.

It was moved by Mr. Campos and seconded by Ms. Berhow to recommend that the CBA direct staff to include legislative language in its Sunset Review Report requiring email addresses from all licensees.

Yes: Mr. Campos, Ms. Berhow, Mr. Famalett, and Mr. Savoy.

No: None.

Abstain: None.

Absent: Mr. Jacobson, Ms. Park, and Ms. Robinson.

The motion passed.

III. Public Comments.

None.

IV. Agenda Items for Next Meeting.

None.

There being no further business, the meeting was adjourned at 9:52 a.m.

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MSG Item I. September 20, 2018

CBA Item XI.C. September 20-21, 2018

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE March 22, 2018 MOBILITY STAKEHOLDER GROUP (MSG) MEETING

Wyndham Irvine-Orange County Airport Hotel
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 345-1856

CALL TO ORDER

Jose A. Campos, CPA, Chair, called the meeting of the MSG to order at 10:25 a.m. on Thursday, March 22, 2018 at the Wyndham Irvine-Orange County Airport Hotel. Mr. Campos requested that the roll be called.

MSG Members

Jose A. Campos, CPA, Chair	Present
Joe Petito, Vice-Chair	Present
Donald Driftmier, CPA	Absent
Dominic Franzella	Present
Ed Howard, Esq.	Absent
Katrina L. Salazar, CPA	Present
Stuart Waldman, Esq.	Absent

CBA Members Observing
Michael M. Savoy, CPA, President
Alicia Berhow
George Famalett, CPA, Vice-President
Dan Jacobson, Esq.
Xochitl León
Mark Silverman, Esq., Secretary/Treasurer
Kathleen Wright, CPA

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, Department of Consumer Affairs (DCA)
Angela Contreras, Executive Assistant
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Rebecca Reed, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Carl W. Sonne, Deputy Attorney General, Department of Justice

Other Participants
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee
Jason Fox, California Society of CPAs (CalCPA)
JoAnn Henkel
Karen Nelson, Assistant Deputy Director, Office of Board and Bureau Services
Pilar Oñate-Quintana, The Oñate Group
Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee
Jon Ross, KP Public Affairs

I. Approve Minutes of the September 14, 2017 MSG Meeting.

It was moved by Mr. Franzella and seconded by Mr. Petito to approve the minutes of the September 14, 2017 MSG Meeting.

Yes: Mr. Campos, Mr. Franzella, Mr. Petito, and Ms. Salazar.

No: None

Abstain: None.

Absent: Mr. Driftmier, Mr. Howard, and Mr. Waldman.

The motion passed.

II. Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group.

Mr. Franzella stated that the purpose of the agenda item was to provide an opportunity for the MSG to discuss its ongoing role.

He highlighted that the CBA will be asked to approve the activities associated with the MSG's ongoing role, specifically related to ensuring states are adhering to the

enforcement best practices and the disclosure requirements included in the mobility provisions.

Mr. Franzella stated that based on the National Association of State Boards of Accountancy's (NASBA) work on making determinations over the past several years, its long history performing substantial equivalency determinations, and its access to contacts from other states, staff suggested that the MSG recommend the CBA seek NASBA's assistance in performing these ongoing determinations.

The MSG discussed the importance of understanding the disposition of cases that the CBA refers to other states and agreed to authorize staff to engage in discussions with NASBA to determine whether future updates to the Guiding Principles of Enforcement are warranted.

It was moved by Ms. Salazar and seconded by Mr. Petito to recommend that the CBA:

- **Employ a similar process for determining that states continue to operate under substantially equivalent enforcement best practices.**

- **Include as part of its evaluation two additional criteria:**

    1. **Whether states in a timely manner and adequately address enforcement referrals by the CBA; and**
    2. **Whether the state imposes discipline against licensees that is appropriate for the nature of the alleged misconduct.**

- **Direct staff, working with the MSG Chair, to contact NASBA to gauge its willingness in assisting the CBA in these ongoing determinations, and that, at a minimum, NASBA provide:**

    1. **A scope of work/methodology for conducting a state-by-state review, taking into the additional criteria;**
    2. **Evaluation of states' continued disclosure of disciplinary information;**
    3. **A timeframe for conducting its review;**
    4. **Its process for evaluating the Guiding Principles and its plans on considering revisions and exposure for any revisions; and**
    5. **Any additional information it deems relevant for CBA consideration.**

- **Request that NASBA, should it agree with assisting in the determination process, to provide the above-identified information to the CBA for its consideration for the July 2018 Meeting.**

Yes: Mr. Campos, Mr. Franzella, Mr. Petito, and Ms. Salazar.

No: None

Abstain: None.

Absent: Mr. Driftmier, Mr. Howard, and Mr. Waldman.

The motion passed.

III. Discussion Regarding the Mobility Activity Report

Mr. Franzella stated that the purpose of this agenda item was to allow the MSG the opportunity to review and discuss the creation of a standing Mobility Activity Report, or MAR.

He highlighted statistics from previous MSG Annual Reports on the draft version of the MAR.

The MSG discussed the report and suggested that in the future, it be updated to include the following criteria:

- NASBA developments related to mobility
- Peer Review for out-of-state firms, and
- Internet disclosure

The MSG did not take any action on this item.

IV. Discussion and Possible Action Regarding Stakeholder Objectives Related to Mobility Stakeholder Group

Ms. Movassaghi informed the members that the purpose of this agenda item was to provide the MSG the opportunity to discuss and take action to revise its stakeholder objectives.

Ms. Movassaghi highlighted that the current definition of stakeholder groups, as found in the CBA's 2016-18 Strategic Plan, includes the following:

- Consumers of accounting services who require audits, reviews, and a wide variety of related tasks;
- Lenders, shareholders, investors, and small and large companies that rely on the integrity of audited financial information;
- Governmental bodies, donors, and trustees of not-for-profit agencies that require audited financial information or assistance with internal controls;
- Regulatory bodies such as the SEC, and the Public Company Accounting Oversight Board; local, state, and federal taxing authorities;
- Retirement systems, pension plans, capital markets and stock exchanges; and

- Other state boards of accountancy.

The MSG discussed the stakeholder objectives and decided to include one additional category.

It was moved by Mr. Campos, and seconded by Ms. Salazar to recommend that the CBA direct staff to add the internet disclosure of a licensee's disciplinary history to the stakeholder objectives.

Yes: Mr. Campos, Mr. Franzella, Mr. Petito, and Ms. Salazar.

No: None

Abstain: None.

Absent: Mr. Driftmier, Mr. Howard, and Mr. Waldman.

The motion passed.

V. Public Comments.

No public comments were received.

There being no further business, the meeting adjourned at 11:13 a.m.

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CBA Item XI.D.
September 20-21, 2018

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
JANUARY 24, 2018
QUALIFICATIONS COMMITTEE (QC) MEETING

Atrium Hotel at Orange County Airport
18700 MacArthur Boulevard
Irvine, CA 92612

The regularly scheduled meeting of the QC was called to order at 11:04 a.m. on January 24, 2018, by QC Chair, David Evans, CPA.

QC Members
David Evans, CPA, Chair
Kimberly Sugiyama, CPA, Vice-Chair
Joanna (Jenny) Bolsky, CPA
Saboohi Currim, CPA – Absent
Kristian George, CPA
Brad Holsworth, CPA
Angela Honzik, CPA – Absent
Cliff Leiker, CPA
Casandra Moore-Hudnall, CPA – Absent
Jose Palma, CPA – Absent
Nasi Raissian, CPA
Michael L. Williams, CPA

CBA Members
Sunny Youngsun Park

CBA Staff
Suzanne Gracia, Licensing Manager
Gina Sanchez, Licensing Division Chief
Ben Simcox, CPA, Enforcement Deputy Chief

I. Chairperson's Report.

Mr. Evans welcomed the QC Members and read the CBA Mission Statement to open the meeting.

Mr. Evans recognized and welcomed CBA Member liaison Sunny Youngsun Park.

Mr. Evans recognized the service of Thomas Sauer, CPA, whose term serving the QC ended in November 2017. He served two years on the QC.

Mr. Evans welcomed Ben Simcox, Enforcement Deputy Chief who was present to assist, new Licensing Manger, Suzanne Gracia, with conducting meeting. Mr. Simcox formerly acted as the CBA Staff Liaison for the QC.

A. Approval of the October 25, 2017, Qualifications Committee Minutes.

Ms. Bolsky asked if approval of recommendations from subcommittee was done at this time. Ms. Sanchez indicated approval to forward recommendations from subcommittee are done in closed session.

It was moved by Ms. Bolsky and seconded by Mr. Holsworth to approve the minutes of the October 25, 2017 QC meeting.

Yes: Ms. George, Mr. Leiker, Mr. Williams, Ms. Sugiyama, Mr. Evans.

No: None.

Abstain: Ms. Raissian

Absent: Ms. Currim, Ms. Honzik, Ms. Moore-Hudnall, Mr. Palma

II. Report of the CBA Liaison.

A. Report on the November 16, 2017 and January 18-19, 2018 CBA Meeting.

Ms. Park provided this report.

During the November meeting, the CBA elected the 2018 leadership, which includes:

- Michael M. Savoy, CPA, as President
- George Famalett, CPA, as Vice-President
- Mark Silverman, Esq., as Secretary/Treasurer

The CBA reappointed David Evans, CPA as Chair and Kimberly Sugiyama, CPA as Vice-Chair of the Qualifications Committee.

The CBA approved a change to the September 2018 CBA meeting date from September 13-14, 2018 to September 20-21, 2018, due to the former date coinciding with the final deadline to file tax returns for partnerships and S Corporations with extensions.

The CBA approved the report to the Legislature and Department of Consumer Affairs Director on the practice privilege or mobility provisions.

At the January 18, 2018 CBA meeting, the CBA approved language to amend Business and Professions Code (BPC) section 5058.2 to allow an exemption to current members of the Legislature or Congress, who renew their CPA license in an inactive status, from placing the term “inactive” after their CPA title or designation and directed staff to seek inclusion in a 2018 omnibus bill, or if necessary, seek an author to carry a legislative bill.

The CBA approved the proposed regulatory text in CBA Regulations section 70 to increase the initial licensing and renewal fee to $250. A public hearing will be held at a future CBA meeting.

It was announced that Katrina Salazar, CPA was elected by NASBA to serve in the role of Pacific Regional Director.

The CBA will hold its next meeting in Irvine, on March 22-23, 2018.

III. Report on the Activities of the Initial Licensing Unit (ILU).

Ms. Sanchez provided the licensing statistics for two prior fiscal years and through November 30, 2017 for the current fiscal year.

She reported that over 1,300 applications were received for CPA licensure and 967 applications were approved. Of those, 277 were approved with the authority to sign reports on attest engagements. The average processing time was 21 days. Sixty-one corporation license applications were approved and processed in an average timeframe of 15 days and19 partnership applications were approved and processed in an average of 16 days.

Ms. Sanchez stated that staff processed 419 certifications, within an average timeframe of 23 days, for official copies of CPA Examination or licensure information.

The ILU is currently recruiting to fill a coordinator position and in the interim, Suzanne Gracia, Licensing Manager, will be the point of contact for QC members.

Mr. Evans inquired if the number of licenses issued with the attest authority for the current fiscal year is expected to be in line with fiscal year 2015-16 fiscal year as the current numbers appear to be low. Ms. Sanchez indicated she will have a better gauge at the next meeting since it will include an additional two months of data.

Mr. Holsworth asked if the number drops in the first quarter of the year due to employees working. He also asked if there was a seasonal trend where the last months, May and June, of the fiscal year may have a spike. Ms. Sanchez offered to prepare a graph to determine if there is a trend, which will be emailed to Mr. Holsworth.

Mr. Evans stated his question was to determine whether the qualification to apply for CPA licensure with general accounting experience had an impact on the number of individuals obtaining licensure with the authority to sign attest reports, and further, whether this will have an effect on auditing work performed in the State of California.

IV. Public Comment for Items Not on the Agenda.

None.

V. Conduct Closed Hearings [The QC met in closed session as authorized by Government Code section 11126(c)(2) and (f)(3), and BPC section 5023 to conduct closed hearings to interview individual applicants for CPA licensure.]

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 4:56 p.m. on January 24, 2018. The next meeting of the QC will be held on April 25, 2018 in Northern California.

_____

David Evans, CPA, Chair

Prepared by: Suzanne Gracia, Licensing Manager

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CBA ITEM XI.E.
September 20-21, 2018

DRAFT

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
May 11, 2018
PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Jeffrey De Lyser, CPA, PROC Chair, called the meeting of the PROC to order at 11:00 a.m. on Friday, May 11, 2018. The meeting adjourned at 12:50 p.m.

Members

Jeffrey De Lyser, CPA, Chair	11:00 a.m. – 12: 50 p.m.
Kevin Harper, CPA, Vice-Chair	11:00 a.m. – 12: 50 p.m.
Renee Graves, CPA	Absent
Alan Lee, CPA	11:00 a.m. – 12: 50 p.m.
Sharon Selleck, CPA	11:00 a.m. – 12: 50 p.m.
Fiona Tam, CPA	11:00 a.m. – 12: 50 p.m.

CBA Member
Carola Nicholson, CPA, CBA Member Liaison

CBA Staff
Dominic Franzella, Chief, Enforcement Division
Ben Simcox, CPA, Deputy Chief, Enforcement Division
Alina Shev, Enforcement Analyst
Siek Run, Enforcement Analyst

Other Participants
Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)

Mr. De Lyser read the following into the record:

"The CBA's mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount."

I. Report of the Committee Chair.

Mr. De Lyser introduced and welcomed the newly appointed CBA member PROC liaison, Ms. Carola Nicholson and new PROC member, Mr. Alan Lee.

A. Approval of the February 9, 2018 Peer Review Oversight Committee Meeting Minutes.

PROC members reviewed and noted one spelling edit.

It was moved by Mr. Harper and seconded by Ms. Selleck to approve the meeting minutes as corrected.

Yes: Mr. De Lyser, Mr. Harper, Ms. Selleck, Ms. Tam, and Mr. Lee.

No: None.

Abstain: None.

Absent: Ms. Renee Graves

The motion passed.

B. Report on the March 22-23, 2018 California Board of Accountancy Meeting.

Ms. Nicholson provided a summary of the March 22-23, 2018 CBA Meeting. She noted the appointment of PROC member, Alan Lee, CPA. She stated that the CBA approved the 2017 PROC Annual Report. She further noted that the CBA took positions on several legislative bills and that the bills are available on the CBA's website for viewing.

She noted that the next CBA meeting will be held in Sacramento on May 17-18, 2018

C. Discussion of Emerging Issues and/or National Standards Regarding the Peer Review Program Impacting California.

No report.

II. Report on Peer Review Oversight Committee Oversight Activities Conducted Since February 9, 2018 and Future Activities.

A. Report on the March 7, 2018 California Society of Certified Public Accountants Report Acceptance Body Meeting.

Mr. De Lyser reported that Ms. Graves attended the meeting and submitted her checklist to CBA staff.

B. Report on the March 8, 2018 California Society of Certified Public Accountants Report Acceptance Body Meeting

Mr. De Lyser reported on this agenda item. He reported that there were 56 peer reviews reviewed, with 54 accepted and two deferred. He noted that he was impressed with the high level of expertise of the Report Acceptance Body (RAB) members.

C. Report on the April 24, 2018 California Society of Certified Public Accountants Report Acceptance Body Meeting.

Ms. Selleck reported on this agenda item. She reported that she was impressed that the committee reviewed 36 system reviews, 12 engagement reviews, eight corrective action extensions, and three failed peer reviews. She noted that there were discussions regarding technical peer reviewers and peer reviewer qualifications.

D. Report on the April 25, 2018 California Society of Certified Public Accountants Report Acceptance Body Meeting.

Ms. Tam reported on this agenda item. She reported that she had participated via conference call and felt that the committee members were knowledgeable and very engaged. She noted that the committee reviewed 47 engagement reviews and 11 system reviews.

E. Report on the May 2, 2018 American Institute of Certified Public Accountants Peer Review Board Meeting.

Mr. Harper reported on this agenda item. He noted that there were 152 participants on the conference call. He provided an overview of the items discussed during the call, which included updates to the peer review checklist and preparations for the 2018 AICPA Peer Review conference, scheduled to take place in Minneapolis between July 30, 2018 and August 1, 2018.

Mr. Harper highlighted key discussion topics relevant to the PROC specifically, the number of reviewers per state, shortage of team captains, must-select reviewers, plans to recruit reviewers, analysis of reasoning behind why reviewers were leaving, and training for peer reviewers.

Mr. Harper explained that the meeting also provided updates regarding the AICPA's enhanced oversight process. He explained that the AICPA subject matter experts (SME) observed 100 RABs in 2018 and detected that 47 percent of reviews completed were non-conforming, while state-level reviewers identified only 30 percent as non-conforming.

He further noted that AICPA is working to centralized peer review standards to eliminate duplication and that the AICPA Benchmark Model pilot period will start on July 2, 2018. He noted that 18 of 34 administrative entities (AE) had requested waivers for the staffing requirements to have a CPA, two AEs discontinued its peer review administration program, and two more announced their intent to discontinue.

F. Report on Notices Posted on the American Institute of Certified Public Accountants' and National Association of State Boards of Accountancy's Websites Regarding Changes and Updates to the Peer Review Program.

Ms. Tam reported on this agenda item. She commented on Mr. Harper's report regarding the AICPA Benchmark Model staffing requirements and noted that the waiver is only good for one year.

Ms. Tam noted that the last AICPA website update was in January of 2018, which announced revisions to peer reviewer's resume coding, specifically regarding coding types of audits each peer reviewer is qualified to review on the AICPA Peer Review Information Management Application (PRIMA).

She reported that recent updates to the National Association of State Boards of Accountancy (NASBA) website focused on a technological pathway to obtaining licensure. Lastly, she noted that NASBA called for AEs to submit plans to address familiarity threats.

The PROC briefly discussed the technological pathway to obtaining CPA licensure and concluded that there may not be any distinction between obtaining CPA licensure via the technological or the traditionally recognized pathways.

G. Assignment of Future Peer Review Oversight Committee Oversight Roles, Responsibilities, Activities, and Assignments.

Mr. De Lyser presented this agenda item. He highlighted new 2018 PROC oversight activities and requested PROC members to participate and accept new assignments for upcoming PROC oversight activities.

PROC Administrative Site Visit to CalCPA:

- Mr. De Lyser and Ms. Graves

CBA Meeting(s):

- May 17, 2018 – Mr. De Lyser (In-person)

- July 26 - 27, 2018 – Mr. De Lyser (In-person)

CalCPA RAB Meeting(s):

- June 18, 2018 – Ms. Selleck at 2:00 p.m. (Call)
- June 19, 2018 – Mr. Lee at 9:00 a.m. or 2:00 p.m. (Call)

CalCPA Peer Reviewer Training(s):

- June 26, 2018 – Mr. De Lyser, Advanced Peer Reviewer Update (Webinar)
- June 27, 2018 – Ms. Tam, New Peer Reviewer (In-Person)

AICPA PRB:

- August 2, 2018 – Mr. Harper (Call)

The PROC discussed the AICPA Benchmark Model and its staffing requirements. Ms. McCrone clarified that although the staffing requirement waiver is for one year, AEs can renew their waivers up to three times.

Mr. Franzella indicated a need to follow-up on the number of AEs requesting waivers as a focus has increased on out-of-state AEs and possible impacts to the California Mobility program.

III. Report of the Enforcement Chief.

A. Discussion on the Results and Response Letters Regarding the Administrative Oversight of the American Institute of Certified Public Accountants' National Peer Review Committee, Between September 15, 2017 and October 3, 2017.

Mr. Simcox presented this agenda item. He explained that this agenda item provides the PROC an opportunity to discuss the correspondence between the AICPA Oversight Task Force and the AICPA Peer Review Program, regarding the Administrative oversight results of the AICPA National Peer Review Committee (NPRC), issued on November 15, 2017.

He noted that AICPA concluded that the NPRC administrative processes were performed in a manner consistent with peer review standards in all material.

B. Discussion and Possible Action Regarding Improvements to the Peer Review Oversight Committee Oversight Procedures of Out-of-State Peer Review Administering Entities.

Mr. Simcox presented on this agenda item. He provided a brief overview of the PROC's oversight role and out-of-state AEs selection process. He cited that during the PROC December 9, 2017 meeting, the PROC expressed concerns regarding significant findings in the AICPA AE report for the Nevada State Society.

Mr. Simcox highlighted the California mobility program that was prompted by Senate Bill 1405, allowing qualified out-of-state accounting firms to practice accounting in California.

Mr. Simcox explained that the PROC expressed a need to revise its oversight of out-of-state AEs and its AE selection procedures after reviewing findings within the AICPA AE report on the Nevada State Society. He identified that the PROC noted a need to consider impacts deficient out-of-state AEs may have on the CPAs with practice privilege and the California mobility program.

The PROC discussed the existing PROC annual selection process of out-of-state AEs to oversight. Mr. De Lyser recommended that staff identify states where a majority of the out-of-state accounting firms are from and origins of out-of-state peer reviewers to oversight.

The PROC noted a need to consider the frequency of AEs with deficient findings, the total number of out-of-state firms, total number of AEs and total discontinued, and revisions to the PROC Procedures Manual to reflect the revised procedures to oversight out-of-state AEs.

Mr. De Lyser noted that the PROC is limited by the AICPA AE report and suggested that the PROC communicate via written correspondence with AICPA to follow-up and track progress of corrective actions as part of future PROC oversight activities. He also suggested that the PROC implement the revised oversight process in May 2019, allowing the PROC time to review prior reports and follow-up on subsequent reports to ensure all corrective actions are completed. The PROC noted that AICPA is charged with responding to the CBA.

C. Information and Possible Action Regarding the California Board of Accountancy Peer Review Program Survey and the Peer Review Report.

Ms. Shev presented on this agenda item regarding the development of a peer review program survey. She stated that in 2015 the Joint Legislative Sunset Review Committee requested the CBA to complete a thorough analysis of the benefits of peer review and to provide a report to Legislature by November 1, 2018. She explained that the Joint Legislative Sunset Review Committee recommended staff to work with AICPA and CalCPA to develop a survey directed at licensees. She concluded that staff worked with AICPA, CalCPA and NASBA to develop questions and initial strategies to market the California peer review program survey.

Ms. Shev explained that the survey requests information from accounting firms about their overall experience with the peer review process, difficulties with peer review, details regarding any enhancements or corrective actions taken as a result of peer review and the new PRIMA, and noted that the survey was launched on May 1, 2018.

Ms. Shev concluded that the CBA is continuing to work with both AICPA and CalCPA to market the survey and received 57 responses as of May 11, 2018. She noted that the survey is expected to close in June 2018 and findings from the survey will be included in a report to legislature regarding the benefit of the peer review program.

Ms. Shev asked the PROC for recommendations for marketing strategies. Mr. De Lyser suggested that the CBA send out another electronic communication regarding the survey.

Mr. Franzella explained that 60 percent of the responses received agreed that they benefited from peer review, 22 percent of the total responses received indicated difficulties in finding peer reviewers, the cost of peer review, and access to PRIMA. He also noted that staff would provide an update on the survey at the August PROC meeting.

D. Discussion on and Possible Action Regarding the Development of the Proposed Framework to Monitor the California Peer Reviewer Population.

Tabled to be discussed at the next PROC meeting.

E. Discussion on the American Institute of Certified Public Accountants' Peer Review Program Annual Report, Issued April 11, 2018.

Mr. Simcox reported on this agenda item. He noted that this report, unlike prior reports, focused specifically on AICPA's 2016 activities versus multiple years in prior reports. He noted that the statistics within the report are different from prior reports due to limitations with PRIMA and that the report concluded that the Peer Review Board oversight program objectives were met.

The PROC discussed the difference in peer review policies between SMEs with large firms and small peer review firms, and how they affect the number of non-conforming peer reviews identified within the report. The PROC noted the increased review fees as small peer review firms spend more time on must-select engagement reviews.

The PROC expressed interest in obtaining clarity regarding AICPA's enhanced peer review program and its benchmarks for non-conforming single audits and peer review trends, to determine whether the California peer review program is meeting expectations, and to incorporate any concerns in the PROC annual report.

IV. Closing Business.

A. Public Comments for Items Not on the Agenda.

Ms. McCrone provided updates on upcoming CalCPA RAB meetings and schedules. She noted that state firms will be subject to a fee for system engagements and that CalCPA is sending emails and letters to notify reviewers.

She spoke about the termination process for AICPA, the AICPA Benchmark Model, and familiarity threats.

B. Agenda Items for Future Peer Review Oversight Committee Meetings.

The PROC discussed future PROC agenda items.

V. Adjournment.

Having no further business to conduct, Mr. De Lyser adjourned the meeting at 12:50 p.m. on Friday, May 11, 2018.

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Jeffrey De Lyser, CPA, Chair

Siek Run, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4366.

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item XII.B.1.
September 20-21, 2018

Discussion and Approval of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions

Presented by: Rebecca Reed, Board Relations Analyst

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to review and comment on proposed responses to the National Association of State Boards of Accountancy (NASBA) Regional Director's Focus Questions.

Consumer Protection Objectives

NASBA assists the CBA with achieving its mission to protect consumers, by creating a forum for state boards of accountancy to discuss relevant issues, ideas, and opinions, thereby helping create consistency and uniformity amongst state boards of accountancy.

Action(s) Needed

The CBA will be requested to either approve or direct staff to make changes to the proposed responses.

Background

Staff has been informed that the Focus Questions are used to help NASBA regional directors stay apprised of each state's policies and procedures and to see where improvements or adjustments might be made. The eight regional directors review the states' answers and then present their findings to NASBA.

Comments

The responses to the NASBA Focus Questions (**Attachment**) were prepared by CBA staff from the Enforcement, Licensing, and Administration Divisions. The answers to these focus questions are due by October 16, 2018.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation
Staff recommend that the CBA delegate to staff completion of question number four after the Governor finishes signing bills and either approve or direct staff to make changes to the proposed responses.

Attachment
NASBA Focus Questions

FOCUS QUESTIONS

Attachment

August 2018 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

Name of the person submitting form on behalf of the Board of Accountancy:
Aaron Bone

Jurisdiction State:
California Board of Accountancy (CBA)

Email address of person submitting form on behalf of the Board of Accountancy:
aaron.bone@cba.ca.gov

Phone:
(916) 561-1792

1. Has legislation that seeks to deregulate professions been introduced in your state? If so, please give details.

   - ○ No legislation proposed in my state.
   - ◉ Yes. Please explain below.

   The following bills were introduced in the California State Legislature in 2018, but were not approved:

   Assembly Bill 2409 (Kiley) would have established a right to engage in a profession or vocation without being subject to an occupational regulation that imposes a substantial burden on that right, and creates a private right of action for individuals to sue a regulatory board in court, wherein the board must prove through a preponderance of evidence that any challenged occupational regulation is limited to what is demonstrably necessary and narrowly tailored to fulfill a legitimate public health, safety, or welfare objective.

   Senate Bill 247 (Moorlach) would have repealed 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. Modifies the regulation of certain landscapers, tree service contractors, and private investigators.

   Senate Bill 999 (Morrell) would have removed the practices of shampooing, arranging, dressing, curling, and waving hair from the practices of barbering and cosmetology, allowing any individual to perform these services for compensation

without training or licensure by the state. The bill would also remove the practice of cleansing or beautifying the hair of any person from the practice of cosmetology.

2. It has been mentioned that many colleges are bringing IT courses into their accounting programs.

   (a) Can you identify any schools in your jurisdiction which have done so?

   The CBA has received transcripts from schools that offer IT related courses in their accounting and business programs.

   Although the CBA does not have a complete listing for California schools, two examples are:

   - California State University, East Bay offers “Information Technology in Business” in their Accounting Department
   - California State University, Sacramento also offers IT courses in their accounting programs

   (b) Does your Board permit IT courses to be counted as accounting or business?

   - (•) Accounting - Yes.
   - ( ) Accounting - No.
   - (•) Business - Yes.
   - ( ) Business - No

   (c) If so, are there additional criteria those courses must meet?

   The CBA will accept IT courses towards CBA’s accounting or business-related subject requirement if the course was completed (and the student received credit) in the accounting or business department or if “accounting” is in the course title. This is in accordance with Business and Professions Code section 5093.

3. (a) As your rules are currently written, could your candidates take the Uniform CPA Examination continuously throughout the year?

   No, as stated in CBA Regulations section 7.1(d) “A candidate may sit for any unpassed section of the examination only one time during each testing window.

FOCUS QUESTIONS

A testing window is a three-month period as determined by the American Institute of Certified Public Accountants…"

(b) Can they only take sections once per window?

Yes, per CBA Regulations section 7.1(d), candidates may sit for an unpassed section only one time during each testing window.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

The CBA supports legislation (Senate Bill 795) that would make permanent the CBA's mobility program, which allows qualified out-of-state CPAs to practice public accountancy in California without providing notice or paying a fee. The bill is expected to be approved by the California State Legislature by the end of August 2018. After that, it will go to Governor Edmund G. Brown Jr. for his review and possible approval. [This should be updated in late September/early October after the Governor finishes signing bills]

Last year, the CBA determined that the enforcement practices of all state boards of accountancy are substantially equivalent to NASBA's Guiding Principles of Enforcement. Given the strong possibility that the CBA's mobility program will be made permanent, the CBA's Mobility Stakeholder Group (MSG) is reviewing and considering recommendations to the CBA regarding the methods to continue ongoing oversight of the various state's enforcement practices. Ongoing oversight would help ensure the protection of California consumers.

In 2019, the CBA will undergo a thorough review by the California State Legislature, known as a Sunset Review. The CBA's first key step in that process is to submit a comprehensive report detailing its activities since the prior Sunset Review. Included in that report will be an analysis of the benefits of the CBA's peer review program. The report will be submitted to the California State Legislature by December 1, 2018 and posted on the CBA's website.

5. Can NASBA be of any assistance to your Board at this time?

- ○ No.
- ◉ Yes. Please explain below.

FOCUS QUESTIONS

August 2018 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

The CBA is requesting NASBA's assistance in future Mobility Stakeholder Group activities associated with on-going state-level determinations specific to states' substantial equivalency to enforcement best practices.

Further, the CBA would like to explore the possibility of allowing California CPA Exam candidates to view their CPA Exam scores in the Gateway system.

6. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- ○ Input only from Board Chair.
- ○ Input only from Executive Director.
- ○ Input only from Board Chair and Executive Director.
- ◉ Input from all Board Members and Executive Director.
- ○ Input from some Board Members and Executive Director.
- ○ Input from all Board Members.
- ○ Input from some Board Members.
- ○ Other (please explain).