CALIFORNIA BOARD OF ACCOUNTANCY

**DEPARTMENT OF CONSUMER AFFAIRS**
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: *http://www.cba.ca.gov*

# CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
# PUBLIC MEETING NOTICE FOR THE LEGISLATIVE COMMITTEE (LC), AND CBA MEETINGS

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**DATE:** Thursday, July 21, 2011

**LC MEETING**
**TIME:** 9:00 a.m.

**CBA MEETING**
**TIME:** 9:30 a.m. to 4:30 p.m.

**PLACE**: The Hilton Pasadena
168 South Los Robles
Pasadena, CA 91101
Telephone: (626) 577-1000
Facsimile: (626) 584-3148

Enclosed for your information is a copy of the agendas for the LC and CBA meetings on July 21, 2011. For further information regarding these meetings, please contact:

Veronica Daniel, Board Relations Analyst
(916) 561-1716, or vdaniel@cba.ca.gov
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

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

**The next CBA meeting is scheduled for September 22-23, 2011 in Northern CA.**

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**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 Veronica Daniel at (916) 561-1718, or email vdaniel@cba.ca.gov, or send a written request to the CBA Office at 2000 Evergreen Street, Ste. 250, Sacramento, CA 95815. Providing your request is at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.**

CALIFORNIA BOARD OF ACCOUNTANCY

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# CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
# LEGISLATIVE COMMITTEE (LC)

## LC MEETING
## AGENDA

**Thursday, July 21, 2011**
**9:00 a.m.**

The Hilton Pasadena
168 South Los Robles Ave.
Pasadena, CA 91101
Phone: (626) 577-1000
Fax: (626) 584-3148

(CBA members who are not members of the LC may be attending the meeting. However, if a majority of members of the full board are present at the LC meeting, members who are not members of the LC may attend the meeting only as observers.)

Roll Call and Call to Order **(Michelle Brough, Acting Chair)**.

I. Adoption of Draft Minutes of the May 19, 2011 LC Meeting **(Michelle Brough, Acting Chair)**.

II. Update on Bills on Which the CBA Has Taken a Position (AB 229, AB 675, AB 958, AB 991, AB 1193, SB 366, SB 541, SB 706) **(Matthew Stanley, CBA Staff)**.

III. Discussion on Status of AB 431 – Retired Status **(Matthew Stanley)**.

IV. Reconsideration of Positions on Legislation **(Matthew Stanley)**.

   A. AB 410 – Regulations: Narrative Descriptions
   B. SB 103 – Teleconferencing
   C. SB 306 – Safe Harbor Extension
   D. SB 543 – Sunset Review

V. Public Comments for Items Not on the Agenda.

VI. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the LC Chair and may be taken out of order.

In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CBA are open to the public.

Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the LC prior to the LC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the LC. Individuals may appear before the LC to discuss items not on the agenda; however, the LC can take no official action on these items at the time of the same meeting. (Government Code sec. 11125.7(a).)

CALIFORNIA BOARD OF ACCOUNTANCY

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

# CBA MEETING
# AGENDA

**Thursday, July 21, 2011**
**9:30 a.m. – 4:30 p.m.**

The Hilton Pasadena
168 South Los Robles Ave.
Pasadena, CA 91101
Telephone: (626) 577-1000
Facsimile: (626) 584-3148

Roll Call and Call to Order **(Sally Anderson)**.

I. Report of the President **(Sally Anderson)**.

Presentation on CPAVerify **(Kenny Denny, National Association of State Boards of Accountancy)**.

II. Report of the Vice President **(Marshal Oldman)**.

A. Recommendation for Appointments to the Enforcement Advisory Committee (EAC).

B. Recommendation for Appointments to the Qualifications Committee (QC).

C. Resolution for Retiring QC Member, Bobbie Hales.

III. Report of the Secretary/Treasurer **(Leslie LaManna)**.

Discussion of Governor's Budget.

IV. Accounting Education Committee (AEC) and Ethics Education Committee (ECC) Reports.

A. Report of the June 7, 2011 AEC and ECC Joint Meeting **(Deanne Pearce, Licensing Chief)**.

B. Discussion Regarding the Additional 30 Units of Education Required for CPA Licensure Beginning January 1, 2014.

1. History/Background Regarding the Requirement to Further Define the Additional 30 Units of Education **(Dominic Franzella, Licensing Manager)**.

2. Report on the Development of and Recommendations for the 20 Units of Accounting Study **(Ruben Davila, AEC Chair)**.

3. Discussion and Possible Action to Initiate a Rulemaking to Adopt Title 16, California Code of Regulations (CCR) Sections 2.8, 11, 11.1, and to Amend Section 9.2 – Regarding the Additional 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014 **(Matthew Stanley, CBA Staff)**.

4. Report on the Development of and Guidelines for the 10 Units of Ethics Study **(Don Driftmier, ECC Chair)**.

5. Discussion and Possible Action to Initiate a Rulemaking to Adopt Title 16, CCR Sections 11 and 11.2 – Regarding the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014 **(Matthew Stanley, CBA Staff)**.

C. Reconsideration of Position on SB 773 – Ethics Curriculum **(Matthew Stanley, CBA Staff)**.

V. Report of the Executive Officer (EO) **(Patti Bowers)**.

A. Update on Hiring Freeze Exemption Requests.

B. Update on 2010/2012 CBA Communications and Outreach Plan **(Deanne Pearce, Licensing Chief)**.

VI. Report of the Enforcement Chief **(Rafael Ixta)**.

A. Enforcement Case Activity and Aging Report.

B. Citation and Fine Activity Report.

C. Reportable Events Report.

D. Update on Peer Review Implementation.

**2:00 p.m.**
**TIME CERTAIN**

VII. Regulation Hearing and Possible Action on Proposed Regulations.

A. Regulation Hearing Regarding Title 16, CCR Sections 9, 11.5, 12, 12.5, and 98 – Supervision, Master's Degree, and Disciplinary Guidelines **(Matthew Stanley, CBA Staff)**.

B. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Sections 9, 11.5, 12, 12.5, and 98 – Supervision, Master's Degree, and Disciplinary Guidelines **(Matthew Stanley, CBA Staff)**.

VIII. Report of the Licensing Chief **(Deanne Pearce)**.

A. Report on Licensing Division Activity.

B. Further Discussion and Action on International Delivery of the Uniform CPA Examination.

IX. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC) **(Michelle Brough, Chair)**.

No Report.

B. Committee on Professional Conduct (CPC) **(Marshal Oldman, Chair)**.

No Report.

C. Legislative Committee (LC) **(Michelle Brough, Acting Chair)**.

1. Report of the July 21, 2011 LC Meeting.

2. Update on Bills on Which the CBA Has Taken a Position (AB 229, AB 675, AB 958, AB 991, AB 1193, SB 366, SB 541, SB 706).

3. Discussion on Status of AB 431 – Retired Status.

4. Reconsideration of Positions on Legislation.

a. AB 410 – Regulations: Narrative Descriptions.

b. SB 103 – Teleconferencing.

c. SB 306 – Safe Harbor Extension.

d. SB 543 – Sunset Review.

D. Peer Review Oversight Committee (PROC) **(Nancy Corrigan, Chair)**.

Report of the July 8, 2011 PROC Meeting.

E. Enforcement Advisory Committee **(Cheryl Gerhardt, Chair)**.

No Report.

F. Qualifications Committee **(Fausto Hinojosa, Chair)**.

No Report.

X. Acceptance of Minutes

A. Draft Minutes of the May 19-20, 2011 CBA Meeting.

B. Draft Minutes of the May 19, 2011 CPC Meeting.

C. Draft Minutes of the May 19, 2011 LC Meeting.

D. Minutes of the April 15, 2011 AEC Meeting.

E. Minutes of the May 9, 2011 AEC Meeting.

F. Minutes of the May 18, 2011 ECC Meeting.

G. Minutes of the May 6, 2011 PROC Meeting.

H. Minutes of the June 7, 2011 Joint AEC/ECC Meeting.

XI. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

No Report.

B. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force **(Patti Bowers/Sally Anderson)**.

b. Board Relevance & Effectiveness Committee **(Marshal Oldman)**.

c. Uniform Accountancy Act Committee (UAA) **(Donald Driftmier)**.

XII. Closing Business.

A. Public Comments for Items Not on the Agenda.

B. Agenda Items for Future CBA Meetings.

C. Press Release Focus **(Dan Rich)**.

Recent Press Releases.

XIII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, and Proposed Decisions).

Adjournment.

Please note: Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the CBA President and may be taken out of order. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CBA are open to the public. While the CBA intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources. Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the CBA prior to the CBA taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the CBA, but the CBA President may, at his or her discretion, apportion available time among those who wish to speak.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item II.A.**
**July 21, 2011**

To : CBA Members

Date : June 30, 2011

Telephone : (916) 561-1718
Facsimile : (916) 263-3674

From : Marshal Oldman, Esq.
Vice President

Subject : Recommendations for Appointment to the Enforcement Advisory Committee (EAC)

I am pleased to present for the CBA's approval the recommendation of Mervyn J. McCulloch and K. Jeffrey De Lyser for appointment to the EAC. These recommendations are being made, with my concurrence, on the advice of and in consultation with the EAC Chair, Cheryl Gerhardt, who carefully reviewed and considered the needs of the committee and the skills and talents of existing and prospective committee members.

I extend my thanks to Ms. Gerhardt for her hard work and diligence in making these recommendations.

Attachments

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item III.**
**July 21, 2011**

To : CBA Members

Date : July 6, 2011

Telephone : (916) 561-1718
Facsimile : (916) 263-3674

From : Leslie LaManna
CBA Secretary/Treasurer

Subject : Discussion of the Governor's Budget

Governor Brown signed the 2011 Budget Bill (SB 87) on June 30, 2011. Total CBA expenditures for Fiscal Year 2011/12 are approximately $11.5 million. As discussed in the mid-year financial report, the major change in this year's CBA budget is a $1 million reduction in available Enforcement spending. The new budget also includes 3.5 additional positions. 2.5 Associate Governmental Program Analyst (AGPA) positions have been authorized to assist with the new non-technical Enforcement Program workload related to probation monitoring, unlicensed activity and continuing education auditing. A two-year limited term Office Technician position will assist with clerical workload in the Peer Review Program. These positions are still subject to the on-going hiring freeze.

Also included in the Fiscal Year 2011/12 budget is a $1 million loan to the General Fund, raising the total loan principal owed to the CBA to $31.27 million. Repayment of the new $1 million loan and the $10 million loan taken at the beginning of Fiscal Year 2010/11 will be contingent on the CBA needing the monies or the General Fund not needing them. There is no set repayment date.

The year-end financial report for FY 2010/11 will be presented at the September 2011 meeting.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item IV.A.**
**July 21, 2011**

To : CBA Members

Date : July 8, 2011

Telephone : (916) 561-1740
Facsimile : (916) 263-3675
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : Report of the June 7, 2011 AEC and ECC Joint Meeting

The Accounting Education Committee (AEC) and Ethics Curriculum Committee (ECC) held a joint meeting on June 7, 2011. The purpose of the joint meeting was to expose stakeholders to the proposed increase in ethics and accounting study educational requirements for CPA licensure designed to enhance consumer protection by strengthening the competence of applicants as practitioners.

The meeting provided an opportunity for students, colleges/universities, consumer groups, various professional organizations, and the public at large to receive information on the CBA's plans for implementing the new educational requirements, including plans for future outreach, as well as provide a dedicated forum for these groups to hear the proposal and provide comments.

Invitations were sent to all of California's colleges and universities, various consumer groups and professional trade associations, NASBA, the American Institute of Certified Public Accountants, and Beta Alpha Psi (the honorary organization for Financial Information students and professionals).

Staff also widely marketed and publicized the meeting using all of the social media forums at its disposal (E-News, Twitter, facebook), while also reaching out to various news organizations. These efforts resulted in an article being published in the North Bay Business Journal and Accounting Today.

Additionally, the meeting was webcast to allow for maximum participation by stakeholders. The webcast attracted over 200 viewers, the largest viewing audience since the CBA began webcasting meetings.

During the meeting, each committee had an opportunity to discuss their respective proposals taking into consideration various comments made by audience members. The CBA's Legal Counsel, Kristy Shellans, also provided legal guidance on the proposals. One issue that Ms. Shellans expressed concern over was a requirement that a portion of the accounting and ethics education be at the upper division level

or higher. Given that community colleges are prohibited from offering courses at the upper division level, Ms. Shellans indicated that any proposal that would effectively prohibit an applicant from satisfying the additional requirements through enrollment in community college courses could conflict with the requirements of the Accountancy Act, which allows education be earned from a degree-granting university, college, or other institution of learning accredited by a regional or national accrediting agency.

Ms. Shellans provided a legal opinion to the CBA's Executive Officer on July 7, 2011, confirming her initial concerns on the upper division requirement. The legal opinion is attached for CBA member review.

As a result, the upper division course requirement contained in the proposal for the 20 units of Accounting Study may need to be further discussed by the CBA. It is important to note that the CBA has the authority to make changes to the AEC proposal, and can modify the proposed regulatory language under **CBA Agenda Item IV.B.3**.

In contrast, pursuant to Business and Professions Code §5094.6(b), the CBA may not make substantive changes to the ECC proposal. The CBA must request that the ECC continue its deliberations and reconsider any of the recommendations within the proposal, including the upper division requirement. Only upon approval by the ECC can the proposal for the 10 units of ethics study be changed.

The next agenda item will provide members with the background on the requirement to further define 30 units of education. Then the chair of each committee will present their committee's respective recommendations. Following each presentation, staff have provided draft regulatory language for CBA member review and possible action that incorporates each of the committee's recommendations as approved at the June 7, 2011 Joint Meeting.

Attachment

STATE OF CALIFORNIA
dca
DEPARTMENT OF CONSUMER AFFAIRS

STATE AND CONSUMER SERVICES AGENCY • GOVERNOR EDMUND G. BROWN JR.
**Division of Legal Affairs**
1625 N. Market Blvd., Suite S 309, Sacramento, CA 95834
P (916) 574-8220 F (916) 574-8623 | www.dca.ca.gov

# MEMORANDUM

| | |
|---|---|
| **DATE** | July 7, 2011 |
| **TO** | Patti Bowers, Executive Officer<br>California Board of Accountancy<br>Department of Consumer Affairs |
| **FROM** | Kristy Shellans<br>Kristy Shellans, Senior Staff Counsel<br>Division of Legal Affairs, Department of Consumer Affairs |
| **SUBJECT** | **Legality of Requiring Upper Division Courses to Meet the Accounting Study or Ethics Study Guidelines Promulgated Pursuant to SB 819 (Stats. 2009, ch. 308)** |

## ***Question***

May the Accounting Study and Ethics Study Guidelines required to be adopted as regulations by the California Board of Accountancy (CBA) legally include a requirement that units be acquired from upper division courses?

## ***Conclusion***

No. The plain meaning of Sections 5094 and 5094.6 of the Business and Professions Code is clear that education obtained at "other" accredited institutions of learning includes coursework obtained from a community college. Community colleges are accredited, degree-granting institutions of learning. A rulemaking that resulted in the CBA not recognizing education obtained from a regionally or nationally accredited community college would have the legal effect of nullifying or rendering superfluous the language in the CBA's statutes that would otherwise qualify an applicant for licensure using units obtained at a community college. The CBA has no discretion to adopt a regulation that is inconsistent with its authorizing statutes.

## ***Background***

Senate Bill 819 ("SB 819" -- Stats.2009, ch. 308 enacted at Sections 5092, 5094, 5094.5, 5094.6 and 5094.7 of the Business and Professions Code) requires, among other things, that the CBA establish two committees: the Accounting Education Committee (AEC) and the Ethics Curriculum Committee (ECC). Those committees are charged with developing proposed guidelines for the CBA that would set new requirements for applicants seeking licensure as a certified public accountant (CPA) by January 1, 2014. Those new requirements include an additional 20 units of accounting study and 10 units of ethics study. (Bus.&Prof. Code, §5094(b).) Those new educational requirements are required to be

[redacted]

adopted by regulation by January 1, 2012 and January 31, 2013, respectively (Bus.&Prof.Code, § 5094.6(b), (c)).

At the joint committee meeting of the Accounting Education Committee (AEC) and the Ethics Curriculum Committee (ECC) on June 7, 2011, both committees recommended that some of the educational units needed to satisfy the new educational requirements had to be earned at the "upper division or higher" level. During the meeting, the issue was raised that upper division or higher courses are not taught at the community colleges. In consideration of that fact, I expressed concern that any proposal that would effectively prohibit an applicant from satisfying the additional requirements through enrollment in community college courses could conflict with the requirements of the Accountancy Board's laws that require education to be obtained at a "degree-granting university, college **or other institution of learning** accredited by a regional or national accrediting agency..." (emphasis added; Bus.&Prof.Code, § 5094(b)). At the meeting, the Committee requested that I have my opinion reviewed and confirmed by our office. In response to the Committees' requests you have requested a formal legal opinion from the Legal Office regarding whether the AEC and ECC's proposed regulations can legally include a requirement that courses be obtained at the upper division level.

## ***Analysis***

### ***A. The plain meaning of the CBA's statutes compels an interpretation that courses offered at community colleges qualify as a method for satisfying the new accounting or ethics study educational requirements.***

If no ambiguity exists, the plain meaning of the statute controls and no further construction is necessary. (See generally, *Leroy T. v. Workmen's Comp. Appeals Bd.* (1974) 12 Cal.3d 434, 438.) There is a presumption that every word, phrase or provision of a statute was intended by the Legislature to have meaning, therefore each word should be given effect in construing the statute. (*Prager v. Israel* (1940) 15 Cal.2d 89, 93; *Zorro Inv. Co. v. Great Pacific Securities Corp.* (1977) 69 Cal.App.3d 907, 913.) It is assumed that when enacting a statute, the legislature is deemed to be aware of statutes already in existence and to have enacted new laws in light of the existing law with an intent to maintain a consistent body of statutes (*People v. Harrison* (1989) 48 Cal.3d 321, 329 citing *People v. Overstreet (1986)* 42 Cal.3d. 891,897; *Burlington Northern and Sante Fe Ry. Co. v. Public Utilities Com'n* (2003) 112 Cal.App.4th 881, 889.) Courts neither presume that the Legislature performs idle acts nor construe statutory provisions in a way that renders them superfluous. (*Imperial Merchant Services, Inc. v. Hunt* (2009) 47 Cal.4th 381, 390 citing (*Shoemaker v. Myers* (1990) 52 Cal.3d 1, 22.)

At the June 7, 2011 joint committee meeting, the AEC formally recommended that 6 units of Accounting Study be earned in an upper division or higher course or courses as part of its recommended guidelines. The ECC committee recommended that a minimum of 4 units or 3 semester units be completed in an upper division or higher course or courses. It is my understanding that community college courses would not qualify under these proposals since community colleges do not offer upper division or higher courses.

In 2001, Section 5094 of the Business and Professions Code was enacted and provided that, in order for education to qualify for CPA licensure, it "shall", in part, meet the following standard: ...."(b) At a minimum, education must be from a university, college, **or other institution of learning accredited by a regional institutional accrediting agency** included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001 and following)." (Stats.2001, ch. 704 (SB 133).)

In 2002, the words "or national" were added to Section 5094 to authorize education gained from "nationally accredited" institutions to qualify. (Stats.2002, ch. 1879 (SB 1244).) With the enactment of SB 819 in 2009, new educational requirements for accounting study and ethics were added to the existing language at Business and Professions Code section 5094, so that the text now states, in pertinent part, as follows:

> (a) **In order for education to be qualifying, it shall meet the standards described in subdivision (b)** or (c) of this section.
>
> (b) **At a minimum, education must be from a** degree-granting university, college, or **other institution of learning accredited by a regional or national accrediting agency** included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001, et seq.) **and, after January 1, 2014, shall also, at minimum, include 10 units of ethics study** consistent with the regulations promulgated pursuant to subdivision (b) of Section 5094.6 **and 20 units of accounting study** consistent with the regulations promulgated under subdivision (c) of Section 5094.6. The Accounting Education Advisory Committee established under Section 5094.5 may determine that a course or a portion of a course satisfies the ethics study requirement. Nothing herein shall be deemed inconsistent with prevailing academic practice regarding the completion of units. (Emphasis added.)

The foregoing language clearly sets forth the "minimum" amount of qualifying education that an applicant "shall" receive and what the CBA <u>must</u> accept: education from an accredited degree-granting university, college, or "other institution of learning." This language does not permit the CBA discretion to go

"higher" in setting the "minimum" standards for accepting education from particular schools and not accept units earned at "other" accredited institutions. Rather, Section 5094 expressly states that education "must be from" "other institutions of learning." Thus, the "minimum" educational standard for licensure includes education completed at other accredited institutions.

In addition, SB 819 added Section 5094.6. Section 5094.6(a) specifically permits the ECC recommendations for the ethics study requirement to include education obtained at the following educational institutions: "Ethics study may consist of academic **courses**, portions of courses, or independent study **offered by** degree-granting universities, colleges, **or other institutions of learning accredited by a regional or national accrediting agency**." (Emphasis added.)

By law, community colleges may issue Associate Degrees in various fields. (See Education Code sections 70901 and 70902 and, Title 5, California Code of Regulations Section 55063 for minimum standards for issuance of an associate degree.) It is my understanding that Community Colleges are typically fully accredited by the Western Association of Schools and Colleges (WASC), Accrediting Commission for Community and Junior Colleges (ACCJC). The Western Association of Schools and Colleges (WASC) is a private accrediting organization that is recognized as an accrediting agency by the Department of Education pursuant to the Higher Education Act and is one of six regional associations that accredit public and private schools, colleges, and universities in the United States. WASC's Accrediting Commission for Community and Junior Colleges (ACCJC) accredits associate degree granting institutions in the Western region of the U.S, like the community colleges in California.

Based upon the foregoing facts, a community college would necessarily be a degree-granting "other institution of learning accredited by a "regional ... accrediting agency." While not considered four-year colleges or universities, community colleges are, nonetheless, degree-granting accredited institutions of learning. Further, the statute's command that this type of education be accepted is unequivocal. Section 5094 expressly states that education obtained at accredited educational institutions "shall" qualify <u>and</u> shall include coursework that meets the minimum standards set by the ECC and AEC. Therefore, the CBA must accept units obtained at qualifying accredited institutions <u>and</u> must require that such units include other mandatory coursework. The Legislature's use of the word "and" indicates that both requirements (attend qualifying, accredited institution and meet the new 30-unit guidelines developed by the AEC and ECC) must be obtained to meet CBA's new educational requirements for CPA licensure. In other words, the AEC's and the ECC's recommendations must co-exist with and not override the express statutory provisions applicable to CPA licensure, including the types of educational institutions where education must be obtained. However, the recommendations of the AEC or ECC to only accept upper division units for particular courses have the practical and legal effect of eliminating the statutory provisions that permit education obtained at "other

institutions of learning", including a community colleges, as a pathway to eligibility, rendering the provisions of the statutes that authorize such education void and superfluous. In short, the AEC's and ECC's recommendations are tantamount to saying community college coursework does not meet the CBA's requirements when Sections 5094 and 5094.6 say that education "shall" or "may consist of" coursework obtained at these accredited "other institutions of learning."

However, we believe that a court would not support the AEC's and ECC's current interpretation that only upper division coursework will be acceptable when the language is clear and there is nothing in the CBA's statutes or the legislative history of Sections 5094 or 5094.6 that would indicate that education obtained from these schools should not be recognized.[1] In fact the Legislature's enactment of substantially similar language at Section 5094.6, which allows coursework obtained from accredited "other institutions of learning" for ethics, further supports the plain meaning of Section 5094 that education obtained at a community college satisfies CBA's requirements, even if it is not upper division.

As a result, the plain meaning of Sections 5094 and 5094.6 of the Business and Professions Code is clear that education obtained at "other" accredited institutions of learning includes coursework obtained from a community college.

***B. The Board has no authority to adopt a regulation that is inconsistent with its statutes.***

"Administrative bodies and officers have only such powers as have expressly or impliedly been conferred upon them by the Constitution or by statute." (See, e.g., County of Alpine v. County of Tuolumne (1958) 49 Cal.2d 787, 797; California State Restaurant Assn. v. Whitlow (1976) 58 Cal.App.3d 340, 346–347.) Under the Administrative Procedure Act ("Act" -- Gov. Code §§ 11340 and following), the law that governs the adoption of regulations by state agencies, the Act specifically forbids adoption of regulations that are inconsistent, as follows:

> Whenever by the express or implied terms of any statute a state agency has authority to adopt regulations to implement, interpret, make specific or otherwise carry out the provisions of the statute, no regulation adopted is valid or effective unless consistent and not in conflict with the statute and reasonably necessary to effectuate the purpose of the statute. (Gov.Code, § 11342.2.)

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[1] Section 76 of SB 819 (express legislative intent language) merely indicates that education "must be relevant to the practice of accountancy and must include ethical education for the protection of the public."

Furthermore, the California Court of Appeal has stated that "In the absence of valid statutory or constitutional authority, an administrative agency may not, under the guise of regulation, substitute its judgment for that of the Legislature. Administrative regulations in conflict with applicable statutes are null and void." (*California State Restaurant Assn. v. Whitlow* (1976) 58 Cal.App.3d 340, 347 citing *Harris v. Alcoholic Bev. Etc. Appeals Bd. (1964)* 228 Cal.App.2d 1, 6; *Hodge v. McCall* (1921) 185 Cal. 330, 334.) The Court has further stated that an agency has no discretion to adopt a regulation that is in conflict with or which alters or violates a statute. (*Graham v. State Bd. of Control* (1995) 33 Cal.App.4th 253, 260.)

As discussed previously, it is our interpretation that the CBA's statutes at Sections 5094 and 5094.6 of the Business and Professions Code allow applicants to satisfy the new educational requirements through completion of course work at accredited community colleges as well as at degree-granting universities or colleges.[2] As a result, the AEC's and ECC's currently proposed guidelines would conflict with these statutes by causing the CBA to not accept units in accounting study and ethics earned from courses taken at a community college. A rulemaking that resulted in the CBA not recognizing education obtained from a regionally or nationally accredited community college would have the legal effect of nullifying or rendering superfluous the language in the CBA's statutes that would otherwise qualify an applicant for licensure using units obtained at a community college. If adopted as written, these proposals could be subject to disapproval by the Office of Administrative Law ("OAL"-- the agency that would review the proposed regulations), or subject the CBA to judicial attack for adopting a regulation that is inconsistent with and not authorized by its current statutes.

Due to the fact that the ECC's recommendations are binding on the CBA, we recommend that the Board refer these proposals back to the ECC to request that they reconsider their recommendation in light of the legal opinion on this issue.[3] With respect to the AEC's recommendation, we recommend that the Board remove any upper division course restrictions from the accounting study guidelines before initiating any rulemaking on the matter.

I hope that this was responsive to your request. Please feel free to contact me if you need further clarification.

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[2] This does not alter the other educational requirements that include that the applicant also present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by an accredited degree-granting institution in specified subjects. (Bus.&Prof.Code, §5093.)

[3] Section 5094.6(b) of the Business and Professions Code requires the CBA to adopt "without substantive changes" the ECC's recommendations.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item IV.B.**
**July 21, 2011**

To : CBA Members

Date : July 8, 2011

Telephone : (916) 561-1740
Facsimile : (916) 263-3675
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : Discussion Regarding the Additional 30 Units of Education Required for CPA Licensure Beginning January 1, 2014

The California Board of Accountancy received the attached public comment regarding the additional 30 units of education required for CPA licensure beginning January 1, 2014, which will be discussed under **CBA Agenda Item IV.B.2** and **CBA Agenda Item IV.B.4.**

**Attachment 1**

**To: Deanne Pearce, Chief, Licensing Division, California Board of Accountancy**
**From: Bruce Maule, Chair of Accounting Department, College of San Mateo**

**Deanne,**

**Thank you very much for your helpful conversation this afternoon. Please forward my comments below to the members of the California Board of Accountancy and other interested parties for their consideration before the July 21 CBA meeting.**

**Bruce Maule**

**July 7, 2011**

**Topic: "Upper division" requirement proposed by AEC and ECC**
**From: Bruce Maule, Chair of Accounting Department, College of San Mateo (maule@smccd.edu)**

**To the members of the California Board of Accountancy and other interested persons:**

**At the July 21 meeting of the CBA youwill address the proposals of the AEC and ECC presented at the June 7 meeting. At your July 21 meeting I request that you consider taking the following action:**

1. **Delete the "upper division" requirement from the AEC proposal**
2. **Ask the ECC to reconvene and submit an alternate proposal that does not include an "upper division" designation**

**The reasons for my request are explained below.**

**First, it is important to recognize that there are two very different populations of students who are completing their education requirements to become a CPA:**

1. **Students ages 18 – 24 who are completing a bachelor's degree**
2. **Students ages 25 – 55 who already have a bachelor's degree and who are changing careers**

**The proposal to require "upper division" courses makes perfect sense for the first group, students who recently graduated from high school and are completing their bachelor's degree at a university. Of course those students should take accounting and ethics courses at an upper division level.**

**However, for the second group (students who already have a bachelor's degree in electrical engineering or chemistry, and are seeking to change careers) the requirement to complete "upper division" accounting and ethics courses will cause unintended and difficult consequences. For many students in the second category, the "upper division" requirement will create an unnecessary and potentially insurmountable barrier to becoming a CPA.**

**College of San Mateo is a California Community College. College of San Mateo offers courses traditionally taught as upper division courses to help students meet the education requirement to sit for the CPA exam. These traditionally upper division courses do not transfer to a CSU or UC school, so the only students who will take our classes are students who already have a bachelor's degree, the second group of students listed above. At CSM weoffer the following courses:**

* **Intermediate Accounting I**
* **Intermediate Accounting II**
* **Auditing**
* **Cost Accounting**
* **Governmental and Non-Profit Accounting**
* **Individual Income Taxes**
* **Business Income Taxes**
* **Trust, Estate and Gift Taxes**

**All of our students already have a bachelor's degree. Many also have a master's degree. Most of our students are 25 to 55 years old, and they are either changing careers or they are recent immigrants. Eighty percent of our students intend to sit for the CPA exam within the next two years. They are very talented, hardworking students who are committed to becoming a CPA and making accounting their profession. They are exactly the future CPAs we all want to have.**

**Our classes have very high enrollments. Students typically complete our "CPA Exam Preparation" certificate over several semesters. Many students stay in contact with us to report that they have passed the CPA exam, usually with scores in the high eighties or low nineties. Our students have impressive success stories of beginning new careers in their 40s or 50s.**

**These students prefer completing their education requirement at a community college for the following reasons:**

1. **When a community college teaches a traditionally upper division course such as Intermediate Accounting or Auditing, we use the same textbook and the same grading methodology as a four-year university; therefore there is no material difference in student mastery of the subject matter.**
2. **There are 121 community colleges in California. The vast majority of California residents live or work near a community college.**
3. **Community colleges accept all applicants.**
4. **Community colleges provide education at a low cost.**
5. **Community college faculty, student services personnel, and administrators are easily accessible**
6. **Students who have English as a second language, or who are the first in their family to graduate from college, or who are recent immigrants, often find the additional support services and accessibility to faculty and staff at a community college a critical factor to their academic success.**

**Including the words "upper division" in AEC and ECC requirement will create an unneeded hardship that will provide no benefits and will reduce access to these students as they seek to become a CPA.**

**In most cases, students who already have a bachelor's degree and who need to only take only nine upper division units will not be admitted to a CSU or UC campus. Because of budget reductions, most CSU and UC schools have reduced the number of students they will admit, and have made the admission requirements more difficult to meet. Many CSU and UC schools find it challenging to offer a sufficient number of class sections so that their undergraduates can complete their degree in four to five years. These schools may not be able to accommodate a large influx ofstudents who already have bachelor's degree who only seek nine upper division units.**

**Furthermore, CSU and UC schools have fewer locations than community colleges, and they are concentrated in a fewareas of California. Many students would find it impossible to access a CSU or UC school, even if they could gain admission. Therefore, it will be difficult or impossible for many highly qualified CPA candidates to meet an "upper division" requirement at a public university.**

**Some UC or CSU schools may offer online classes that might be available to students who do not live near a campus, but many students find a classroom setting the best way to learn a challenging subject. Students should have the choice of selecting the education format that would be the best match for them; community colleges can offer those options.**

**Students may be able to attend a private university, but costs will be much, much higher. Also, many competitive private universities would also not accept a**

**student who already has a bachelor's degree and who only seeks to complete nine upper division units.**

**There is one other very important, but more complex, issue.**

**Courses traditionally taught during the senior year, such as Auditing, Accounting Theory and Advanced Accounting, usually have a prerequisite of Intermediate Accounting, which is traditionally an upper division class. If a student completes Intermediate Accounting at a community college and then tries to enroll in Auditing, Accounting Theory and Advanced Accounting at a CSU or UC campus to meet their requirement for upper division courses, they will be told they have not met the prerequisite because CSU and UC schools will not recognize that a communitycollege can teach an upper division class. Therefore, even though a student has completed Intermediate Accounting at a community college, they would be denied admission to upper division accounting classes at CSU and UC schools.**

**Also, the "upper division" requirement will create situations where, by luck, a student may have met the upper division AEC requirement. For example, if a student has a bachelor's degree in electrical engineering, and while completing that degree passed upper division courses in engineering, English and ethnic studies, they will have accumulated six units from those courses and met the upper division requirement. Luck should not be a determinate in meeting CBA requirements.**

**There are many large and medium size community colleges that offer a CPA exam preparation series similar to what we offer at College of San Mateo. I believe that most faculty at these colleges are not aware of how the potential "upper division" requirement will impact their programs. Therefore I encourage the CBA to contact faculty at community colleges to seek their viewpoints before you place language in the regulations that requires "upper division" coursework.**

**In summary,**

- **Courses at community colleges and four-year universities are substantially equivalent because we use the same textbook, the same assignment materials and the same grading standards.**
- **Students who already have a bachelor's degree and who have completed additional education units at a community college may find significant difficulty in gaining admission to a four-year university to complete the remaining "upper division" units required.**
- **Requiring students to complete some courses at a community college and some courses at a four-year university will increase the cost and complexity of meeting the eduction requirement to become a CPA; increasing cost and complexity creates a needless barrier that will reduce the number of students who pursue becoming a CPA.**

- **Four-year universities may, or may not, accept community college courses as meeting the prerequisites for upper division courses.**

**Thank you very much for considering my concerns. If I can clarify or provide additional information please contact me.**

**Respectfully,**

**Bruce Maule**
**Professor of Accounting**
**College of San Mateo**

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item IV.B.1.**
**July 21, 2011**

To : CBA Members

Date : June 27, 2011

Telephone : (916) 561-4310
Facsimile : (916) 263-3672
E-mail : dfranzella@cba.ca.gov

From : Dominic Franzella, Manager
License Renewal/Continuing Competency

Subject : History/Background Regarding the Requirement to Further Define the Additional 30 Units of Education

As part of **Agenda IV**, members will receive the Accounting Education Committee's (AEC) recommendation for the 20 units of accounting study and the Ethics Curriculum Committee's (ECC) ethics study guidelines for the 10 units of ethics study. As members will notice, the reports provided for each proposal deal with the charges placed on the two committees by the Legislature with the passage of Senate Bill (SB) 819 (Chapter 308, Statutes of 2009), and the activities undertaken by each committee to complete these charges. This memorandum is being provided to outline, at a high level, what has led the California Board of Accountancy (CBA) to this point – specifically, the need to further define an additional 30-semester units of education required for CPA licensure beginning January 1, 2014.

As part of the Legislature's 2001 legislative year, the CBA supported two pieces of legislation: SB 133 (Chapter 718, Statutes of 2001) and Assembly Bill (AB) 585 (Chapter 704, Statutes of 2001). Among other things, theses bills initially sought to conform California's CPA licensure requirements with the Uniform Accountancy Act (UAA), requiring a baccalaureate degree and 150-semester units, while also removing the requirement that all applicants complete attest experience. Concerns were raised by various stakeholders that transitioning to a single pathway of licensure would create barriers to entry into the profession. As a result, during the Legislature's deliberative process, a compromise was reached that established the present pathway system, as outlined below.

- Pathway 1 – baccalaureate degree, 24-semseter units of accounting subjects, 24-semester-units of business-related subjects, two years general accounting experience
- Pathway 2 – baccalaureate degree with a 150-semester units, 24-semseter units of accounting subjects, 24-semester-units of business-related subjects, one year general accounting experience

In 2007, the CBA again sought to transition to the 150-semester unit requirement (Pathway 2) as the sole pathway to licensure. As part of the CBA-sponsored AB 2473, which also included the CBA's vision to move to the UAA's version of mobility (no fee, no notice, no escape), a provision was included to sunset the Pathway 1 option for licensure. Because of the high degree of opposition received, both related to mobility and elimination of Pathway 1, the author pulled the bill prior to it having its first committee hearing.

The Legislature again took up consideration of the elimination of Pathway 1 during its 2009 legislative year. The original language eliminating Pathway 1 was included in SB 691, authored by Senator Leland Yee, sponsored by the California Society of CPAs, and supported by the CBA. The primary purpose behind the elimination of Pathway 1 was to ensure that California maintained its National Association of State Boards of Accountancy's (NASBA) designation as a "substantially equivalent" state. NASBA determines substantial equivalency nationally by evaluating states' examination, education, and experience requirements. Had California maintained both Pathway 1 and Pathway 2, NASBA indicated that California would no longer be deemed substantially equivalent. The loss of this designation would have greatly impacted California CPAs' ability to obtain practice rights in other states.

As with previous bills seeking to eliminate Pathway 1, SB 691 received significant opposition, most notably related to the added barriers to licensure and that the 30-semester units beyond the baccalaureate degree did not need to relate to accounting education. In the final days of the 2009 legislative year, a compromise was reached by stakeholders regarding final bill language, eventually amended into SB 819, that would eliminate Pathway 1 and require the CBA to further define an additional 30-semester units of education.

As part of SB 819, the Legislature outlined the purpose for requiring the need to define an additional 30 units by stating, "that if California is to require an additional 30 units of education of its accountancy students as a substitute for one year of accountancy experience, … the education must be relevant to the practice of accountancy and must include ethical education for the protection of consumers." Therefore, the purpose of the additional 20-semester units of accounting study and 10-semester units of ethics study is to offset the loss of Pathway 1 and its two-year experience requirement.

With the passage of SB 819 and the elimination of Pathway 1, California was assured of retaining its NASBA designation of being substantial equivalent. All CPAs licensed prior to January 1, 2014 are now deemed substantially equivalent, whether initially licensed under the existing pathways or prior to the advent of

pathways in 2002, thus greatly simplifying licensees' ability to obtain practice rights in other states.

To assist the CBA in defining the additional 30-semester units, the Legislature established two advisory committees under the jurisdiction of the CBA. The Accounting Education Advisory Committee (more commonly referred to as the Accounting Education Committee or AEC) is required to provide the CBA with recommendations on guidelines for 20-semester units of accounting study, while the Advisory Committee on Accounting Ethics Curriculum (more commonly referred to as the Ethics Curriculum Committee or ECC) is required to provide the CBA with ethics study guidelines for the 10-semester units of ethics study.

The two agenda items that follow – **Agenda Items IV.B.2.** and **IV.B.3.** – are the proposals from each committee related to the new educational requirements mandated by SB 819. Professor Ruben Davila, Esq, CPA, AEC Chair, will provide the AEC's recommendations for the accounting study guidelines, and CBA member Donald Driftmier, CPA, ECC Chair, will provide the ECC's ethics study guidelines.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
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# M e m o r a n d u m

**CBA Agenda Item IV.B.2.**
**July 21, 2011**

To : CBA Members

Date : July 1, 2011

Telephone : (916) 561-1700
Facsimile : (916) 263-3675

From : Ruben Davila, Chair
Accounting Education Committee

Subject : Report on the Development of and Recommendations for the 20 Units of Accounting Study

Attached for your review and consideration is a report that summarizes the work of the Accounting Education Committee (AEC) over the past 15 months, which culminates in a recommendation for the 20 units of accounting study. The report is comprised of four sections including an introduction, directives and goals, deliberations of accounting study guidelines, and a conclusion. The final recommendation can be found on page 10 of the report.

The attachments to the report are not included due to their volume. An electronic copy of the report and all attachments has been posted to the calendar page of the California Board of Accountancy (CBA) Web site. Additionally, a full copy of the attachments will be available at the July 2011 CBA meeting as resource materials should you need to reference any documents.

As members are aware, Senate Bill 819 requires the CBA adopt guidelines, via regulations, for the 20 units of accounting study no later than January 1, 2013. To meet this legislative deadline, at this meeting, members will need to consider the AEC's recommendation and adopt a set of guidelines for the 20 units of accounting study. Provided a set of guidelines are adopted, the CBA should direct staff to initiate the rulemaking process.

I will be available at the July 2011 CBA meeting to address any questions members may have.

Attachment

# Accounting Education Committee

## Report on the Development of and Recommendations for the 20 Units of Accounting Study

## July 21, 2011

**Purpose Statement**

*To advise the CBA on accounting study requirements to enhance consumer protection through strengthening the competence of students as practitioners while considering the constraints and needs of stakeholders.*

**California Board of Accountancy**
**2000 Evergreen Street, Suite 250**
**Sacramento, California 95815**

CALIFORNIA BOARD OF ACCOUNTANCY

# Accounting Education Committee

# Report on the Development of and Recommendations for the 20 Units of Accounting Study

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*Attachments*

Attachment 1 – Accounting Education Committee Roster

Attachment 2 – Minutes of the April 2010 AEC Meeting

Attachment 3 – Minutes of the June 2010 AEC Meeting

Attachment 4 – Minutes of the September 2010 AEC Meeting

Attachment 5 – Minutes of the February 2011 AEC Meeting

Attachment 6 – Minutes of the April 2011 AEC Meeting

Attachment 7 – Minutes of the May 2011 AEC Meeting

Attachment 8 – Minutes of the Joint AEC/ECC Meeting

All attachments are available on the calendar page of the CBA Web site at http://www.dca.ca.gov/cba/calendar.shtml.

## INTRODUCTION

Presently, the California Board of Accountancy (CBA) maintains two pathways to licensure – Pathway 1 (Business and Professions (B&P) Code Section 5092) and Pathway 2 (B&P Code Section 5093). Applicants for either pathway must pass the Uniform CPA Examination and complete pathway-specific education and experience requirements.

Senate Bill (SB) 819 (Chapter 308, Statutes of 2009), establishes a sunset date of January 1, 2014 for Pathway 1, while at the same time requires refinement of the requirements that comprise Pathway 2. Specifically, SB 819 requires the CBA further define an additional 30 of the 150 units[1] as part of the minimum requirements for licensure under Pathway 2.

Beginning January 2014, SB 819 requires applicants complete an additional 10 units of ethics study and 20 units of accounting study. In the bill, the Legislature outlined the purpose for requiring the need to define an additional 30 units by stating, "that if California is to require an additional 30 units of education of its accountancy students as a substitute for one year of accountancy experience,…the education must be relevant to the practice of accountancy and must include ethical education for the protection of consumers." Therefore, the purpose of the new educational requirements is to offset the loss of Pathway 1 and its two-year experience requirement.

This report focuses on the development of the 20 units of accounting study, which the Legislature defined as "independent study or other academic work in accounting, business, ethics, business law, or other academic work relevant to accounting and business so as to enhance the competency of students as practitioners." To assist with the development of the 20 units of accounting study, the Legislature established the Accounting Education Advisory Committee – referred to as the Accounting Education Committee or AEC. The CBA was given the authority to determine the size and make-up of the AEC with the only requirement being that all appointees be experts in accounting education. The CBA elected to set the AEC membership at nine and in December 2009 began soliciting applications from interested members of academia. The CBA took great efforts to appoint members from public and private four-year institutions as well as members from community colleges. The nine AEC members were notified of their appointment in March 2010. The AEC roster is provided in **Attachment #1**.

The report is composed of four sections including the introduction, directives and goals, deliberations of accounting study guidelines, and a conclusion. The report and its attachments provide a summary and full account of the work undertaken by the AEC. Also included in the attachments are summaries of oral public comments received at AEC meetings and copies of written comments received at the CBA office.

[1] All references to units are college semester units.

The recommendation at the end of the report is offered for CBA consideration. The CBA can make any changes to the recommendations offered for the accounting study, since, in the end; it is the CBA that must establish final guidelines for the 20 units of accounting study.

## AEC DIRECTIVES and GOALS

SB 819 established the AEC under the jurisdiction of the CBA for the sole purpose of developing guidelines for the 20 units of accounting study. This section of the report outlines directives for the AEC as determined by the CBA and a set of goals developed by staff that helped guide the work of the AEC.

### CBA Directives for the AEC

The AEC was established with the express intent to assist the CBA in adopting guidelines for the new 20 units of accounting study required for licensure beginning January 2014. At the November 2009 CBA meeting, the CBA laid out specific directives regarding how the AEC was to work towards assisting in the development of the new 20 units of accounting study. The directives included the following:

- The AEC will meet a minimum of four times per year.
- The AEC will, with the assistance of staff, draft proposed regulations for CBA review and adoption for the new 20 units of accounting study.
- The AEC, in consultation with the Ethics Education Committee (ECC), will ensure the 10 units of ethics required to meet the new ethics requirement cannot be double counted and applied to the 20 units of accounting study.
- The AEC will focus on the new 20 units of accounting study, not the existing requirements of 24 units of accounting and 24 units of business-related subjects.
- The AEC Chair will communicate to the CBA at its meetings on the progress and activities of the AEC.

### Goals of the AEC

Based on the CBA's directives and keeping in mind the primary goal of the AEC to assist the CBA in developing the new 20 units of accounting study, staff identified the below six goals to assist this committee in accomplishing its work.

1. Develop a calendar for meetings and the topics the AEC will discuss at each meeting.
2. Establish an AEC purpose statement.
3. Determine an appropriate breakdown of the 20 units of accounting study between accounting and business-related subjects.
4. Deliberate on whether to define "independent study."
5. Deliberate on whether to define "other academic work."

6. Draft proposed regulations, with the assistance of CBA staff, to define the 20 units of accounting study for CBA review and adoption.

## AEC DELIBERATIONS OF ACCOUNTING STUDY GUIDELINES

This section of the report provides a roadmap on how the AEC reached the decisions that comprise the final recommendation for the 20 units of accounting study. This is accomplished through summaries of pertinent areas of discussion at each of the AEC's seven meetings. The meeting summaries also highlight aspects of the final proposal that were the topic of much debate illustrated by the high degree of attention from public comments, such as the upper division requirement and a definition for the term "other academic work relevant to accounting and business."

### *April 2010 AEC Meeting*

The AEC held its inaugural meeting on April 8, 2010 in Sacramento, CA. Items on the agenda for this meeting included an overview of the present licensure requirements; AEC directives, goals, and staffing; various administrative topics; and a discussion regarding the composition of the 20 units of accounting study. The minutes of the April 2010 meeting are provided in **Attachment #2**.

The AEC immediately delved into its work by creating a draft purpose statement and brainstorming issues and topics for further discussion. Among the 15 items identified for further discussion at future meetings was determining the acceptable level of course work, limiting any barriers to entry, looking at other states' education requirements, identifying appropriate subject areas, and discussing independent study and internships.[2]

Early in the discussions members considered requiring the course work for the 20 units of accounting study be completed at the graduate and/or upper division level. Upon being informed that community colleges offer courses at the upper division level, members agreed that allowing course work to be completed at the upper division level rather than strictly the graduate level would be prudent as it would allow students the additional flexibility of completing courses at community colleges where costs are lower, thereby reducing a potential financial barrier to becoming licensed. Some members, however, indicated they were open to allowing some lower division coursework.

In discussing the appropriate subject matter allocation for the 20 units members expressed varying opinions. Members did not reach a consensus other than a desire to maintain a level of flexibility in how the units are allocated and to use the present definitions of accounting and business-related subjects as outlined in Section 9.2 of the CBA Regulations. Members directed staff to research the education requirements of other states for their consideration.

[2] The complete list of topics is provided in Attachment #3 to the April 2010 AEC meeting minutes.

Members also discussed, but came to no conclusion regarding, a definition of independent study and whether internships and on-line education would be considered independent study. Public comments received in regard to this matter indicated that limiting independent study could present barriers to students who receive their education out of state or through on-line colleges.

***June 2010 AEC Meeting***

The AEC met on June 23, 2010 in Irvine, CA. Items on the agenda for this meeting included information regarding SB 819's impact on mobility, finalization of the AEC's purpose statement, information on other states' education requirements, and consideration on defining terms and establishing a framework for the 20 units of accounting study. The minutes of the June 2010 meeting are provided in **Attachment #3**.

Members voted to approve the AEC purpose statement as follows:

> "To advise the CBA on accounting study requirements to enhance consumer protection through strengthening the competence of students as practitioners while considering the constraints and needs of stakeholders."

The majority of the meeting focused on the AEC's primary responsibility of defining the 20 units. Members again discussed the level at which course work should be completed and agreed that the 20 units of accounting study should be completed at an upper division or higher level in order to ensure the rigor of the coursework. Members also discussed which subject areas should qualify as "other academic work relevant to accounting and business" and agreed that the subject areas should be as inclusive as possible to avoid creating barriers to entry for applicants who were non-accounting majors.

Discussions moved to the allocation of the 20 units of accounting study and members considered various combinations of units, including master's degree programs. Members came to a tentative agreement that applicants that demonstrated conferral of a Master of Accounting or Taxation should be deemed to have met the 20 units of accounting study. Members also tentatively agreed that the 20 units should be comprised of a minimum of six units in accounting subjects[3], a maximum of 14 units in business-related subjects[4] or "other academic work relevant to accounting and business," and a maximum of four units can be completed via internship or independent study programs in any of the approved subject areas.

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[3] Accounting subjects are defined in Section 9.2(b) of the CBA Regulations as accounting, auditing, financial reporting, external or internal reporting, financial statement analysis or taxation.

[4] Business-related subjects are defined in Section 9.2(c) of the CBA Regulations as accounting subjects, business administration, economics, finance, business management, marketing, computer science/information systems, statistics, business communications, mathematics, business law, or business related law courses offered by an accredited law school.

### *September 2010 AEC Meeting*

The AEC met for a third time on September 3, 2010 in Sacramento, CA. Items on the agenda included information regarding the impact on applicants completing education out of state, information on a plan to circulate proposed regulatory language to stakeholders for input and consideration. The minutes of the September 2010 meeting are provided in **Attachment #4**.

Members considered draft regulatory language, based on agreements previously reached at the June 2010 AEC meeting, which included the below elements.

- The 20 units of accounting study must be completed at an upper division level or higher.
- A minimum of six units must be completed in accounting subjects as defined by Section 9.2(b) of the CBA Regulations.
- A maximum of 14 units can be completed in business-related subjects (as defined by Section 9.2(c) of the CBA Regulations) or other academic work relevant to accounting and business.
- Other academic work relevant to accounting and business is defined as that which provides an applicant with skills and knowledge enhancing his/her ability to practice public accounting and include the following:
  - (1) Courses completed in Communications, Journalism, Psychology, English, Biology, Medicine, Chemistry, Engineering, Architecture, and Real Estate.
  - (2) Courses which emphasize writing, research, critical thinking, negotiations, and logic.
- No more than four units completed in internships or independent study can be counted towards the 20 unit accounting study requirement.
- Applicants documenting completion of a Master of Accounting or Taxation should be deemed to have met the 20 units of accounting study.

The AEC heard public comments questioning the relevance of the present courses that would qualify under the definition of "other academic work relevant to accounting and business." Members indicated that relevance will differ between the types of practice and that the requirements must strike a balance between being overly broad and overly burdensome.

Members discussed the draft language and determined the use of a subcommittee to work with staff to refine the draft regulatory language would be beneficial. It was determined that Mr. Michael Moore and Mr. Ruben Davila would take on this task.

### *February 2011 AEC Meeting*

The AEC met on February 18, 2011 in Sacramento, CA. Items on the agenda included consideration of recommending to the CBA acceptance of specified master's degrees, information on the educational documents required for California CPA licensure, and a

report of the recently established subcommittee meetings. The minutes of the February 2011 meeting are provided in **Attachment #5**.

As discussed in the previous meeting summary, the AEC came to a general consensus that an applicant demonstrating conferral of a Master of Accounting or Taxation should be deemed as meeting the 20 units of accounting study. One of the primary reasons the AEC came to this agreement was that students who complete a specified master's program from an accredited institution have received a quality, well-thought out education that would comply with the spirit and intent of the legislation while providing education that is substantially equivalent to the required additional 20 units of accounting study.

Staff reported that the prior DCA legal counsel believed that the decision to allow for a specified master's degree to meet the 20 units of accounting study would go beyond the scope of the statute. Thus, members considered whether to formally request that the CBA consider sponsoring legislation to specifically allow for this recommendation to occur. Additionally, members received public comments requesting the AEC consider other master's degrees such as a Master of Business Administration (MBA) or Master of Laws (LL.M.) in Taxation.

At members' request, staff provided the AEC with information on the CBA's transcript review process and identified areas for member consideration including the inability to identify upper division course work on community college transcripts, courses categorized as "other professional courses," and the ability to identify qualifying courses based on the regulatory language as proposed by the subcommittee. The AEC directed staff to perform further research regarding the identification of upper division courses completed at community colleges to include contacting the Board of Governors of the California Community Colleges.

The remainder of the meeting focused on reviewing the subcommittee's report on its September 24, 2010 and December 21, 2010 meetings, as well as its proposal for the 20 units of accounting study[5]. The proposal provided an overall breakdown for the 20 units of accounting study, with the majority of the proposal focusing on defining the term "other academic work relevant to accounting and business." For this area, the subcommittee offered a definition based on four broad educational areas (skills-based, language, knowledge-based, and industry-based). The educational areas were defined to highlight the knowledge, skills, and abilities applicants would gain through completion of courses in these areas.

Members did not vote but came to a general consensus to accept the subcommittee's proposal with the caveat that courses in cultural and ethnic studies be added to the area of language and continued to discuss the definition of "other academic work relevant to accounting and business."

[5] The subcommittee's proposal is provided in Attachment #3 to the February 2011 AEC meeting minutes.

### *April 2011 AEC Meeting*

The AEC met on April 15, 2011 in Sacramento, CA. Items on the agenda included information on the education requirements for certain master's degrees, further consideration of draft regulatory language, and the timeline for AEC activities. Staff also provided members with an overview of the proposal for 10 units of ethics study as discussed at the April 6, 2011 ECC meeting. The minutes of the April 2011 meeting are provided in **Attachment #6**.

Members reviewed information comparing the degree requirements of an LL.M. in Taxation to a Master of Taxation and the degree requirements for an MBA with an accounting emphasis to a Master of Accounting, as well as the academic requirements for degrees such as a Master of Finance, Master of Economics, and MBA programs with up to eleven different areas of concentration. Members discussed the educational requirements of each degree and came to a general consensus that a Master of Accounting, Master of Taxation, and LL.M. in Taxation should be deemed substantially equivalent to meeting the 20 units of accounting study.

At the request of the Chair staff used the subcommittee's proposal as discussed at the February 2011 AEC meeting to test against a sample of licensees recently approved for licensure to determine if they would have met the requirements presently being considered for the 20 units of accounting study. Staff reported that many applicants did not have the proposed minimum six units of upper division accounting study and staff found it difficult to identify any courses that would qualify under the proposed definition of "other academic work relevant to accounting and business." Staff also reiterated the previously identified inability to identify upper division courses on community college transcripts.

Members discussed reconsidering their previous definition for "other academic work relevant to accounting and business," which relied more on the subject area and course title rather than the knowledge, skills, and abilities students are expected to gain. After further discussion on the benefits of using either departmental/subject area designators or key terms in a course title to identify acceptable skills-based and industry-based courses, members came to a general agreement to move toward the departmental approach because it is simple, straightforward, and reads like a college catalog that students would find familiar.

Finally, members were advised of the timeline for future AEC activities, which emphasized the legislatively-mandated deadline for the CBA to adopt regulations for the 20 units of accounting study and the need for the AEC to present a final recommendation to the CBA at the July 2011 CBA meeting to allow sufficient time for the regulatory process.

### *May 2011 AEC Meeting*

The AEC met on May 9, 2011 in Sacramento, CA. Agenda items included an update on contact with the Board of Governors of the California Community Colleges regarding documentation of upper division courses and the AEC's recommendation for the 20

units of accounting study. The minutes of the May 2011 meeting are provided in **Attachment #7.**

Staff reported that a letter had been sent to the president of the Board of Governors of the California Community Colleges requesting information on how students enrolled at various California Community Colleges distinguish between upper and lower division courses in the college catalog and whether this information could somehow be reflected on the official college transcript.

Members considered draft regulatory language based on the final agreements reached at the April 2011 meeting. The proposal, outlined below, is quite consistent with previous proposals with the main difference being the definition for the term "other academic work relevant to accounting and business."

- All 20 units of accounting study shall be completed at an upper division level or higher.
- A minimum of six units shall be completed in accounting subjects as defined by Section 9.2(b) of the CBA Regulations.
- A maximum of 14 units may be completed in business-related subjects, as defined by Section 9.2(c) of the CBA Regulations.
- A maximum of nine units may be completed in other academic work relevant to accounting and business as outlined below.
  - (1) A maximum of three semester units in Skills-based courses, which includes courses completed in the following disciplines: English, Communications, Journalism, and the Physical, Life, Natural, and Social Sciences.
  - (2) A maximum of three semester units in courses in foreign language, to include sign language, or courses with the terms culture, cultural, or ethnic in the title.
  - (3) A maximum of three semester units in Industry-based courses, which includes courses with the word "industry" in the course title or courses completed in the following disciplines: Engineering, Architecture, and Real Estate.
- A maximum of four units may be completed in internships or independent studies.
- Completion of a Master of Accounting, Master of Taxation, or Master of Laws in Taxation shall be deemed equivalent to the completion of the 20 units of accounting study.

Members voted to approve the draft regulatory language with the addition of the word "administration" to the area of Industry-based courses.

### *June 2011 Joint AEC/ECC Meeting*

The AEC and ECC held a joint meeting on June 7, 2011 in Sacramento, CA. The purpose of the joint meeting was to expose stakeholders to the proposed increase in ethics and accounting study education requirements for CPA licensure designed to enhance consumer protection by strengthening the competence of applicants as

practitioners. The meeting was widely publicized through e-mail, press releases, the CBA's social media sites, flyers, and formal invitations. The minutes of the joint meeting are provided in **Attachment #8**.

The meeting represented only one of many steps the CBA will take to get the message out regarding the new educational requirements and provided several opportunities for stakeholders to offer testimony on the new changes and ask questions of committee members regarding the development of the proposals. The second half of the meeting was dedicated to the business items of approving previous committee meeting minutes and discussing any modifications to the proposals.

At the meeting staff informed members that a response had been received from the Board of Governors of the California Community Colleges. The response stated that Section 66010.4 of the California Education Code prohibits California Community Colleges from offering courses at the upper division level. Members discussed and heard many public comments regarding the ramifications of continuing to recommend that all 20 units of accounting study be completed at the upper division level if students are not able to complete courses at a community college.

After considerable discussion, members voted to amend the proposal to require a minimum of six units be completed at the upper division level thus allowing a full 14 of the 20 units to be completed at the lower division level.

## CONCLUSION

Since the first AEC meeting in April 2010, members worked diligently to define the 20 units of accounting study. By the February 2011 meeting, members had reached general agreements on most aspects of the proposal. Throughout discussions members stayed true to the AEC purpose statement and worked hard to strike a balance between the need for consumer protection and the desire to ensure that the education necessary for entry into the profession is as accessible as possible.

The Legislature's broad definition of accounting study provided the AEC with considerable latitude to determine the specific course work that will fulfill the 20 units of accounting study. Knowing that accountants do not work in a vacuum, members took this opportunity to look at the totality of the educational experience and discussed areas of education that may not historically have been considered accounting or business-related. By keeping the focus broad members opened up the opportunity for students to obtain education that is more tailored to the industry the student plans to service as a licensed CPA.

The AEC's final recommendation to the CBA for the 20 units of accounting study is provided on the following page. In establishing the final guidelines for the 20 units of accounting study, the CBA will need to take the AEC's recommendation into consideration; however, the final guidelines are left to the CBA for final determination.

*Final Recommendation*

## ACCOUNTING EDUCATION COMMITTEE PROPOSAL FOR THE 20 UNITS OF ACCOUNTING STUDY

### RECOMMENDATION #1

- A minimum of six of 20 semester units of accounting study shall be completed at an upper division level or higher.

### RECOMMENDATION #2

- A minimum of six semester units shall be completed in accounting subjects as defined by Section 9.2(b) of the CBA Regulations.

- A maximum of 14 semester units may be completed in business-related subjects, as defined by Section 9.2(c) of the CBA Regulations.

- A maximum of nine semester units may be completed in other academic work relevant to accounting and business as outlined below.

  - A maximum of three semester units in skills-based courses, which includes courses completed in the following disciplines: English, Communications, Journalism, and the Physical, Life, Natural, and Social Sciences.

  - A maximum of three semester units in courses in foreign language, to include sign language, or courses with the terms culture, cultural, or ethnic in the title.

  - A maximum of three semester units in industry-based courses, which includes courses with the words “industry” or “administration” in the course title or courses completed in the following disciplines: Engineering, Architecture, and Real Estate.

- A maximum of four semester units may be completed in internships or independent studies.

### RECOMMENDATION #3

- Completion of a Master of Accounting, Master of Taxation, or Master of Laws (LL.M.) in Taxation shall be deemed equivalent to the completion of the 20 units of accounting study.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item IV.B.3.**
**July 21, 2011**

To : CBA Members

Date : July 8, 2011

Telephone : (916) 561-1792
Facsimile : (916) 263-3678
E-mail : mstanley@cba.ca.gov

From : Matthew Stanley
Legislation & Regulatory Analyst

Subject : Discussion and Possible Action to Initiate a Rulemaking to Adopt Title 16, California Code of Regulations (CCR) Sections 2.8, 11, 11.1, and to Amend Section 9.2 - Regarding the Additional 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014

Attached for CBA member review is proposed regulatory language for CCR Sections 2.8, 9.2, 11, and 11.1, which incorporates the recommendations from the Accounting Education Committee (AEC). It is important to note that the AEC's proposal for the 20 units of accounting study are recommendations only and the CBA has the authority to make changes.

As discussed under **CBA Agenda Item IV.A**., members will need to discuss the upper division requirement contained in Section 11.1.(b)(1).

Following discussion on the proposed regulatory language, a motion should be made approving the language, including any changes, and directing staff to submit the Notice of Proposed Action to the Office of Administrative Law (OAL). Once the Notice has been submitted to OAL, it will initiate the required 45-day public comment period and a public hearing will be held during the November CBA Meeting.

Staff is available to answer any questions members may have regarding the attached regulatory language.

Attachment

**CALIFORNIA CODE OF REGULATIONS**
**Title 16. Professional and Vocational Regulations**
**DIVISION 1. Board of Accountancy Regulations**

## PROPOSED REGULATORY LANGUAGE

Adopt Section 2.8 in Article 1 of Division 1 of Title 16 of the California Code of Regulations to read:

### 2.8 Definition of Satisfactory Evidence.

For the purposes of this division, satisfactory evidence as to educational qualifications for examination and licensure shall take the form of certified transcripts of the applicant's college record, mailed directly to the Board from the educational institution. In unusual circumstances, the Board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence includes an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1.

Note: Authority cited: Sections 5010 and 5094, Business and Professions Code. Reference: Sections 5092, 5093 and 5094, Business and Professions Code.

Amend Section 9.2 and Adopt Sections 11 and 11.1 in Article 2 of Division 1 of Title 16 of the California Code of Regulations to read:

#### 9.2. Education Required Under Business and Professions Code Sections 5092 and 5093.

(a) Each applicant shall present satisfactory evidence that he or she has received a baccalaureate or higher degree, has completed the accounting subjects specified in subsection (b) of this section, and has completed the business-related subjects specified in subsection (c) of this section.
(b) The applicant shall have completed a minimum of 24 semester units, or the equivalent in quarter units, selected from the following accounting subjects: accounting, auditing, financial reporting, external or internal reporting, financial statement analysis or taxation.
(c) In addition to the accounting courses described in subsection (b), an applicant shall have completed a minimum of 24 semester units, or the equivalent in quarter units, selected from the following business-related subjects: accounting subjects in excess of the 24 semester units as described in subsection (b), business administration, economics, finance, business management, marketing, computer science/information systems, statistics, business communications, mathematics, business law, or business related law courses offered by an accredited law school.

(d) Qualifying education shall be completed within the following time frames specified in this subsection:
(1) Except as provided for in subsection (d)(2), applicants shall complete the education required by this section before applying for examination for the first time.
(2) An applicant who applied, qualified, and sat for at least two subjects of the examination for the Certified Public Accountant License before May 15, 2002, may provide evidence of qualifying education at the time of application for licensure.
~~(e) Satisfactory evidence as to educational qualifications shall take the form of certified transcripts of the applicant's college record, mailed directly to the Board from the educational institution; however, in unusual circumstances the Board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence usually takes the form of an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1.~~
~~(f)~~(e) For purposes of this ~~section~~ article, one quarter unit is equivalent to two-thirds of one semester unit.

Note: Authority cited: Sections 5010, 5092 and 5093, Business and Professions Code. Reference: Sections 5092 and 5093, Business and Professions Code.

**11. Education Required to Apply for Certified Public Accountant License.**

(a) An applicant for certified public accountant licensure after January 1, 2014, shall meet all of the following requirements:
(1) completion of 24 semester units of accounting subjects as described in Section 9.2(b),
(2) completion of 24 semester units of business-related subjects as described in Section 9.2(c),
(3) completion of 20 semester units of accounting study as described in Section 11.1; and; and
(4) completion of 10 semester units of ethics study.
(b) An applicant shall present satisfactory evidence that he or she has completed the units required in subsection (a).

Note: Authority cited: Sections 5010, 5093 and 5094.6, Business and Professions Code. Reference: Sections 5093, 5094, and 5094.6, Business and Professions Code.

**11.1. Accounting Study.**

(a)For an applicant to satisfy the accounting study requirement described in Section 11(a)(3), he or she shall meet either of the following requirements:
(1) conferral of a Master of Accounting, Master of Taxation, or Master of Laws in Taxation degree, or;
(2) completion of 20 semester units, with a minimum of six semester units completed at an upper division level or higher, that satisfy the following requirements:

(A) a minimum of six semester units shall be completed in accounting subjects as described in Section 9.2(b),
(B) a maximum of 14 semester units may be completed in business-related subjects as described in Section 9.2(c),
(C) a maximum of nine semester units may be completed in other academic work relevant to accounting and business; and
(D) a maximum of four semester units may come from courses completed in internships or independent studies.
(b) For the purposes of this subsection, “other academic work relevant to accounting and business” means:
(1) a maximum of three semester units in courses that increase an applicant’s oral, verbal, written, and presentation skills, as well as increase his or her ability to gather, critically analyze and assess, and reach conclusions. Courses counted towards this requirement shall be completed in any of the following disciplines: English, Communications, Journalism, or the Physical, Life, Natural, and Social Sciences;
(2) a maximum of three semester units in courses in foreign languages, which may include sign language, or in courses containing the word “culture,” “cultural,” or “ethnic” in the course title; and,
(3) a maximum of three semester units in courses that provide applicants with information on the business, economic, or financial market within which a particular industry operates. Courses shall either include the word “industry” or “administration” in the course title, or be completed in one of the following disciplines: Engineering, Architecture, or Real Estate.

Note: Authority cited: Sections 5010 and 5094.6, Business and Professions Code. Reference: Sections 5094 and 5094.6.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item IV.B.4.**
**July 21, 2011**

To : CBA Members

Date : June 24, 2011

Telephone : (916) 561-1700
Facsimile : (916) 263-3675

From : Donald Driftmier, Chair
Ethics Curriculum Committee

Subject : Report on the Development of and Guidelines for the 10 Units of Ethics Study

Attached for your review and consideration is a report that summarizes the progression and work of the Ethics Curriculum Committee (ECC) over the past 11 months, which culminates in the guidelines for the 10 units of ethics study. The report is composed of four sections including an introduction, directives and goals, deliberations of ethics study guidelines, and a conclusion. The final guidelines can be found on page eight of the report.

The attachments to the report are not included due to their volume. An electronic copy of the report and all attachments has been posted to the calendar page of the California Board of Accountancy (CBA) Web site. Additionally, a full copy of the attachments will be available at the July 2011 CBA meeting as resource materials should you need to reference any documents.

As members are aware, Senate Bill (SB) 819 requires the CBA adopt, via regulations, the guidelines for the 10 units of ethics study proposed by the ECC no later than January 1, 2013, without making any substantive changes. SB 773 (CBA Agenda Item IV.C.) was recently amended to include the ECC's guidelines for the 10 units of ethics study. Consequently, if passed, SB 773 will put into law the same provisions the CBA would be pursuing with regulations. Still, as with all legislation, there is no guarantee the measure will pass, so it is prudent the CBA continue to direct staff to move forward with any associated rulemaking. Therefore, I would request that at the July meeting, the CBA direct staff to initiate the rulemaking process.

I will be available at the July 2011 CBA meeting to address any questions members may have.

Attachment

# ETHICS CURRICULUM COMMITTEE

# REPORT ON THE DEVELOPMENT OF AND GUIDELINES FOR THE 10 UNITS OF ETHICS STUDY

Presented to
The California Board of Accountancy

July 21, 2011

# Ethics Curriculum Committee

## Report on the Development of and Guidelines for the 10 Units Ethics Study

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*Attachments*

Attachment 1 – Ethics Curriculum Committee Roster

Attachment 2 – Minutes of September 2010 ECC Meeting

Attachment 3 – Minutes of January 2011 ECC Meeting

Attachment 4 – Minutes of April 2011 ECC Meeting

Attachment 5 – Minutes of May 2011 ECC Meeting

Attachment 6 – Minutes of June 2011 AEC/ECC Meeting

All attachments are available on the calendar page of the CBA Web site at http://www.dca.ca.gov/cba/calendar.shtml.

## INTRODUCTION

The California Board of Accountancy (CBA) presently maintains two pathways to licensure – Pathway 1, established in Business and Professions (B&P) Code Section 5092, and Pathway 2 , established in B&P Code Section 5093. Applicants for either pathway must pass the Uniform CPA Examination and complete pathway-specific education and experience requirements.

Senate Bill (SB) 819 (Chapter 308, Statutes of 2009) establishes a sunset date of January 1, 2014 for Pathway 1, while at the same time requiring refinement of the requirements that comprise Pathway 2. Specifically, beginning January 2014, SB 819 will require that an additional 30 of the 150 units be further defined, with 10 units of ethics study and 20 units of accounting study. In the bill, the Legislature outlined the purpose of defining an additional 30 units by stating, "that if California is to require an additional 30 units of education of its accountancy students as a substitute for one year of accountancy experience,…the education must be relevant to the practice of accountancy and must include ethical education for the protection of consumers." Therefore, the purpose of the new educational requirements is to offset the loss of Pathway 1 and its two-year experience requirement.

Passage of SB 819 clearly indicated that the Legislature believed a need existed to define the additional 30 units. Furthermore, the Legislature developed a two-prong approach to defining the additional 30 units – 20 units allocated to accounting study and 10 units allocated to ethics study.

To assist in the development of the 10 units of ethics study, the California Legislature established, under the jurisdiction of the CBA the Advisory Committee on Accounting Ethics Curriculum – now being referred to as the Ethics Curriculum Committee (ECC). The 11-member committee was appointed by the Governor, CBA, CalPERS, Regents of the University of California, California State University Board of Trustees, Board of Governors of the Community Colleges, Senate Committee on Rules, and Speaker of the Assembly. The roster of ECC members is provided in **Attachment 1**.

This report focuses on the development of the 10 units of ethics study, which the Legislature defined as a program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession. At a minimum this includes academic work or independent study and shall include a foundation for ethical reasoning and the core values of integrity, objectivity, and independence consistent with the International Education Standards-4 of the International Accountants Education Standards Board, the International Federation of Accountants Code of Ethics, and the American Institute of Certified Public Accountants Code of Professional Conduct.

The report is comprised of four sections including the introduction, directives and goals, deliberations of accounting study guidelines, and a conclusion. The purpose of the report and its attachments is to provide the CBA with the progression of the activities and issues undertaken by the ECC. Also included in the attachments are summaries of oral public comments received at ECC meetings and copies of written comments received at the CBA office. The CBA is now responsible for adopting the ECC's recommended proposal without any substantive changes.

Throughout this process the ECC focused on the intent of the Legislature by placing an emphasis on a dedicated accounting ethics requirement, and providing flexibility in selecting courses and areas which provide a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism.

## ECC DIRECTIVES AND GOALS

SB 819 established the ECC under the jurisdiction of the CBA for the sole purpose of developing guidelines for the 10 units of ethics study. This section of the report outlines directives for the ECC as determined by the CBA and a set of goals developed by staff to help guide the work of the ECC.

**CBA Directives for the ECC**
The ECC was established with the express intent to recommend to the CBA ethics study guidelines for the new 10 units of ethics study that will be required for licensure beginning January 2014. At the November 2009 CBA meeting, the CBA laid out specific directives regarding how the ECC would work towards the development of the new 10 units of ethics study. Specifically, the CBA provided the below directives:

- The ECC would meet a minimum of four times per year.
- The ECC would determine the appropriateness and feasibility for obtaining 10 units of ethics study.
- The ECC, in consultation with the Accounting Education Committee, would ensure the 10 units of ethics study could not be double counted and applied to the 20 units of accounting study.

**Goals of the ECC**
The primary goal of the ECC, as outlined in SB 819, is to provide the CBA with guidelines on the new 10 units of ethics study required for licensure. As defined in SB 819, these units must come from a program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public.

With this legislative charge, as well as the remaining requirements of SB 819 and the CBA's directives in mind, staff identified the below five goals for the ECC to accomplish:

1. Develop a calendar for meetings and the topics for discussion at each meeting

2. Establish an ECC purpose statement

3. Develop and submit the ethics study guidelines to the CBA

4. Issue a report during the public comment period

5. Issue an opinion as to whether the regulations adopted by the CBA will implement the ECC recommendations

## ECC DELIBERATIONS OF ETHICS STUDY GUIDELINES

This section of the report provides insight as to how the committee developed the recommended proposal for the 10 units of ethics study. This is accomplished through summaries of pertinent areas of discussion at each of the ECC's five meetings. The meeting summaries also highlight aspects of the final proposal that were the topic of much debate, such as the mandated accounting ethics requirement and courses taken from the discipline category.

### *September 2010 ECC Meeting*

The ECC held its inaugural meeting on September 21, 2010, in Sacramento, CA. Items on the agenda for this meeting included an overview of the present licensure requirements; ECC directives, goals, and staffing; various administrative issues; and a discussion regarding the composition of the 10 units of ethics study. The minutes of the September 2010 meeting are provided in **Attachment 2**.

The ECC's initial discussions centered on the CBA directive to determine the appropriateness and feasibility of obtaining 10 units of ethics study, and whether this implied that the final recommendation could be less than 10 units of ethics study. When determining the appropriateness and feasibility, the ECC considered whether 10 units of ethics study currently exists, and if sufficient courses did not exist, was it reasonable to expect colleges and universities to develop additional courses prior to the January 1, 2014 effective date. Members were informed that at the November 2009 CBA meeting discussions were held that should the ECC come to the conclusion 10 units were not feasible, the CBA could go to the Legislature to pursue a legislative change.

When the ECC began deliberations on the composition of the 10 units of ethics study, discussions focused on all aspects of SB 819 including the broad definition provided for ethics study and the ability to allow for a portion of a course to qualify for ethics study.

Other topics of consideration included whether to identify the level (lower or upper division or graduate) at which ethics courses must be completed and should a specific number of units be completed in a specific area of study.

To advance the ECC's work, the Chair requested that members research their colleges/universities to find where ethics was embedded in courses, the level the course was currently being taught, in what department and who taught the course. It was also requested that members provide information from the industry standpoint.

***January 2011 ECC Meeting***

The ECC held its second meeting on January 26, 2011 in Irvine, CA. Items on the agenda for this meeting included information on applicants with out-of-state education, ethics education requirements for other state boards of accountancy, research materials provided by ECC members, the impact of recommending less than 10 units of ethics study, and topics for consideration to assist in establishing a framework for ethics study. The minutes of the January 26, 2011 meeting are provided in **Attachment 3**.

Members were provided the results of a six-week study conducted by staff tracking where licensees completed their education. The study showed that approximately 41 percent of approved applicants completed all or some of their education outside of California, validating prior discussions regarding the need to disseminate the recommendations of the ECC and Accounting Education Committee (AEC) nationally. Members also considered the information from the Texas State Board of Public Accountancy regarding its experience in implementing a three unit board-approved ethics requirement.

The core of members' discussion focused on reviewing the research materials provided by various members on where ethics was embedded in courses. Members also reviewed background information on the origins of SB 819 submitted by the California Society of Certified Public Accountants and the Center for Public Interest Law, the impact of recommending less than 10 units of ethics study, and the next steps in recommending ethics guidelines to the CBA.

As the ECC focused on the beginning framework for the 10 units of ethics study, members discussed requiring a dedicated course in accounting ethics as part of the 10 units, and the possible need to provide flexibility by allowing applicants to complete courses outside the accounting department. Discussions revealed that embedded ethics courses would be difficult to identify on college transcripts and determining the allocation of units could potentially prove problematic.

During the meeting, the committee heard from several members of the public expressing concerns over the implementation timeline for a mandated accounting ethics course, the impact to institutions regarding budget constraints, and the impact to students. These sentiments were also expressed in several letters, received just prior to the meeting, from various colleges and universities addressed to the ECC Chair.

After considerable discussion on the initial ideas of a framework for the 10 units of ethics study, a subcommittee, consisting of Mr. Gary McBride and Mr. Robert Yetman, was established to draft a framework for the ethics study guidelines. The ECC instructed the subcommittee to meet with staff and present its proposal at the next meeting.

***April 2011 ECC Meeting***

The ECC held its third meeting on April 6, 2011 in Sacramento, CA. The items on the agenda included an update on the AEC activities, additional letters received from stakeholders regarding the composition of the 10 units of ethics study, and the subcommittee's proposal for the 10 units of ethics study. The minutes of the April 6, 2011 meeting are provided in **Attachment 4**.

The subcommittee informed the ECC it had met on February 22, 2011, to begin drafting framework for the ethics study guidelines. As part of its discussion, the subcommittee considered the following:

- Intent of legislation as communicated in SB 819
- Reliance on transcripts to verify educational requirements
- Embedded ethics content
- Applying the same units to meet multiple educational requirements

These four areas provided the foundation for the subcommittee's proposal. Additionally, throughout the deliberative process, two key components continued to permeate discussions: (1) flexibility to applicants and colleges/universities and (2) providing succinct and accurate information to applicants and feasibility of implementation for the CBA (including staff) for drafting the new requirements.

At this meeting, the subcommittee recommended that the guidelines for the 10 units of ethics study include:

- Three semester units or four quarter units in an upper division course or courses solely devoted to accounting ethics, accounting fraud, or accountants' professional responsibilities. (Applicants must meet this requirement beginning January 1, 2016. Until that time, applicants can meet this requirement by completing courses in the Un-Capped and Capped areas.)
- No more than seven semester units in a combination of either Un-Capped or Capped (Disciplines) courses.

  <u>Capped Courses</u>

  - Business Law
  - Corporate Governance

- Ethics, Morals, or Fraud
- Human Resources Management
- Business, Government & Society
- Professional Responsibilities (non-accounting)
- Organizational Behavior
- Management of Organizations
- Business Leadership

Un-Capped Courses

The subcommittee recommended that no more than three semester units be applied from one of the listed disciplines.

- Philosophy
- Sociology
- Cultural, Ethnic, or Diversity Studies
- Religion
- Psychology

- No more than one semester unit be applied to the 10 semester unit ethics requirement for courses devoted solely to financial statement auditing.

Several letters and emails were received from various stakeholders regarding the potential impact the new ethics study requirement may have on both students and colleges and universities. Many of these letters echoed the same sentiment questioning the practicality of requiring that 10 of 30 "newly-defined" units required by SB 819 be in ethics.

Members deliberated on the subcommittee's proposal and weighed the suggestions made by stakeholders. Members came to a general consensus supporting the subcommittee's framework. The most significant comments focused on the mandated accounting ethics course and the Capped courses taken from the five specified disciplines. Based on the comments received from members and stakeholders, the subcommittee was asked to meet again to further address the proposal.

***May 2011 ECC Meeting***

The ECC held its fourth meeting on May 18, 2011 in Burlingame, CA. The items on the agenda included the subcommittee's revised proposal for the 10 units of ethics study and a timeline for ECC activities. The minutes of the May 18, 2011 meeting are provided in **Attachment 5**.

The subcommittee presented a revised proposal for ethics study guidelines for the committee's consideration (Attachment #3 to the minutes of this meeting). The revised proposal consisted of the following four areas:

- Mandated Accounting Ethics
- Un-Capped Courses
- Capped Courses
- Financial Statement Auditing Course

The subcommittee outlined the differences from the first proposal, including removing accounting fraud from the mandated ethics requirement and extending the date to comply with this requirement from January 1, 2016 to January 1, 2017. Also, the subcommittee added an additional course to the Un-Capped category, while adding two new disciplines and qualifying words and terms for various course titles in the Capped category. Following extensive discussion of the proposal, members approved the proposal, which included several technical changes emphasizing increased clarify.

### *June 2011 JOINT AEC/ECC Meeting*

The AEC and ECC held a joint meeting on June 7, 2011 in Sacramento, CA. The purpose of the joint meeting was to allow all stakeholders to hear both committees' proposals and staff's initial plans regarding implementation and outreach. The meeting was widely publicized through e-mail, press releases, the CBA's social media sites, flyers, and formal invitations. The minutes of the joint meeting are provided in **Attachment 6.**

The meeting represented only one of many steps the CBA will take to get the message out regarding the new educational requirements and provided several opportunities for stakeholders to offer testimony on the new changes and ask questions of committee members regarding the development of the proposals. The second half of the meeting was dedicated to the business items of approving previous committee meeting minutes and discussing any modifications to the proposals.

Comments were received and extensive discussions were held regarding the mandated three units of accounting ethics. Specifically, concerns were raised regarding the types of courses that applicants could complete during the three-year phase-in of the mandated accounting ethics requirement. After considerable discussions, the ECC decided to narrowly define those courses that could be completed during the phase-in period – specifically only courses from Recommendation #2 in the final proposal.

Additional concerns were raised regarding applicants possibly completing a full 70 percent of any remaining units from the discipline category outlined in Recommendation #3 of the final proposal. After discussion, the committee agreed to limit a maximum of three semester units or four quarter units be taken from the discipline category.

Finally, the ECC recognized that when setting limits in certain areas, applicants from quarter system schools were inadvertently adversely impacted. To offset this oversight, the ECC modified the proposal to include a breakdown of the requirements in both semester and quarter units.

## CONCLUSION

It is the ECC's belief the guidelines set forth meet the Legislature's intent, which is to provide students with a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public. The ECC also believes that the

guidelines provide the needed flexibility to applicants and colleges/universities for allowing applicants to meet the 10 units of ethics study.

The ECC has until June 1, 2012 to submit the ethics study guidelines to the CBA and the CBA has until January 31, 2013 to adopt, via regulation. The ECC recognized early in its deliberations that the sooner its work was completed; the sooner information could be disseminated to applicants, students, and colleges and universities. Further, the ECC recognized that the forthcoming changes directly impact students already enrolled at various colleges and universities. The ECC believed it necessary to complete its work quickly in order to allow ample time for students and colleges and universities to comply with the requirements for the 10 units of ethics study

The ECC's final guidelines for the 10 units of ethics study is provided below.

***FINAL RECOMMENDATION***

## ETHICS CURRICULUM COMMITTEE PROPOSAL FOR THE 10 UNITS OF ETHICS STUDY

### RECOMMENDATION #1

- A minimum of four quarter units or three semester units shall be completed in an upper division or higher course or courses devoted to accounting ethics or accountants' professional responsibilities.
- Applicants must meet this requirement beginning January 1, 2017. Until that time applicants can meet this requirement using the courses in Recommendation #2.

### RECOMMENDATION #2

- A maximum of 11 quarter units or seven semester units may be completed from courses containing any of the following terms in the course title:

| | |
|---|---|
| Business Law | Corporate Governance |
| Ethics | Morals |
| Fraud | Organizational Behavior |
| Human Resources Management | Management of Organizations |
| Business Government & Society | Leadership |
| Legal Environment of Business | Professional Responsibilities (non-Accounting) |
| Corporate Social Responsibility | |

### RECOMMENDATION #3

- A maximum of four quarter units or three semester units may be completed from courses taken in the following disciplines:

| | |
|---|---|
| Philosophy | Cultural Studies |

| | |
|---|---|
| Ethnic Studies | Diversity Studies |
| Sociology | Religion |
| Psychology | Theology |
| Economics | Political Science |

– The course title must contain one of the following words or terms, or the sole name in the course title is the name of the discipline.

| | |
|---|---|
| Introductory | General |
| Introduction | Fundamentals of |
| Principles of | Foundation of |
| Survey of | |

**RECOMMENDATION #4**

- A maximum of one semester unit may be completed in a course devoted solely to financial statement auditing.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item IV.B.5.**
**July 21, 2011**

To : CBA Members

Date : July 8, 2011

Telephone : (916) 561-1792
Facsimile : (916) 263-3678
E-mail : mstanley@cba.ca.gov

From : Matthew Stanley
Legislation & Regulatory Analyst

Subject : Discussion and Possible Action to Initiate a Rulemaking to Adopt Title 16, California Code of Regulations (CCR) Sections 11 and 11.2 – Regarding the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014

Proposed regulatory language for CCR Sections 11 and 11.2 is presently under development by California Board of Accountancy (CBA) staff and CBA Legal Counsel. The language will be provided to CBA Members and posted on the CBA Web site as soon as it is available.

**CALIFORNIA CODE OF REGULATIONS**
**Title 16. Professional and Vocational Regulations**
**DIVISION 1. Board of Accountancy Regulations**

**PROPOSED REGULATORY LANGUAGE**

Adopt Sections 11, 11.2, and 11.3 in Article 2 of Division 1 of Title 16 of the California Code of Regulations to read:

**11. Education Required to Apply for Certified Public Accountant License.**

(a) An applicant for certified public accountant licensure after January 1, 2014, shall meet all of the following requirements:
(1) completion of 24 semester units of accounting subjects as described in Section 9.2(b),
(2) completion of 24 semester units of business-related subjects as described in Section 9.2(c),
(3) completion of 20 semester units of accounting study; and,
(4) completion of 10 semester units of ethics study.
(b) After January 1, 2014 through December 31, 2016, to satisfy the ethics study required in subsection (a)(4), an applicant shall meet the requirements described in Section 11.2. Beginning January 1, 2017, to satisfy the ethics study, an applicant shall meet the requirements described in Section 11.3.
(c) An applicant shall present satisfactory evidence that he or she has completed the units required in subsection (a).

Note: Authority cited: Sections 5010, 5093 and 5094.6, Business and Professions Code. Reference: Sections 5093, 5094 and 5094.6, Business and Professions Code.

**11.2. Ethics Study (Beginning January 1, 2014 through December 31, 2016).**

(a) After January 1, 2014 through December 31, 2016, for an applicant to satisfy the ethics study requirement described in Section 11(a)(4), he or she shall complete 10 semester units or 15 quarter units exclusively in courses described in subsection (b) or from a combination of courses as described in subsections (b), (c), or (d).

(b) Applicants may complete courses containing any of the following terms, or any derivation of these terms, in the course title:
(1) Business government and society,
(2) Business law,
(3) Corporate governance,
(4) Corporate social responsibility,
(5) Ethics,

(6) Fraud,
(7) Human resources management,
(8) Leadership,
(9) Legal environment of business,
(10) Management of organizations,
(11) Morals,
(12) Organizational behavior, or,
(13) Professional responsibilities.

(c) (1) No more than three semester units or four quarter units may be applied from courses completed in the following disciplines:
(A) Philosophy,
(B) Religion,
(C) Sociology,
(D) Theology,
(E) Psychology,
(F) Political Science,
(G) Economics,
(H) Cultural Studies,
(I) Ethnic Studies, or,
(J) Diversity Studies.
(2) To qualify under this subsection, the course title shall contain one or more of the following words or terms: “Introduction,” “Introductory,” “General,” “Fundamentals of,” “Principles,” “Foundation of,” or “Survey of,” or have the name of the discipline as the sole name of the course title.

(d) No more than one semester unit may be applied from a course specific to financial statement audits.

(e) For the purposes of this section, semester units and quarter units may be taken in any combination that meets the total number of units required by Section 11(a)(4).

(f) This section shall become inoperative on January 1, 2017.

Note: Authority cited: Sections 5010 and 5094.6, Business and Professions Code. Reference: Sections 5094 and 5094.6, Business and Professions Code.

**11.3 Ethics Study (Beginning January 1, 2017)**

(a) Beginning January 1, 2017, for an applicant to satisfy the ethics study requirement described in Section 11(a)(4), he or she shall complete a minimum of three semester units or four quarter units in a course or courses at an upper division level or higher devoted to accounting ethics or accountants’ professional responsibilities. The remaining seven semester units or 11 quarter units shall be completed exclusively from

courses described in subsection (b) or from a combination of courses as described in subsections (b), (c), or (d).

(b) Applicants may complete courses containing any of the following terms, or any derivation of these terms, in the course title:
(1) Business government and society,
(2) Business law,
(3) Corporate governance,
(4) Corporate social responsibilities,
(5) Ethics,
(6) Fraud,
(7) Human resources management,
(8) Leadership,
(9) Legal environment of business,
(10) Management of organizations,
(11) Morals,
(12) Organizational behavior, or
(13) Professional responsibilities.

(c)(1) No more than three semester units or four quarter units may be applied from courses completed in the following disciplines:
(A) Philosophy,
(B) Religion,
(C) Sociology,
(D) Theology,
(E) Psychology,
(F) Political Science,
(G) Economics,
(H) Cultural Studies,
(I) Ethnic Studies, or,
(J) Diversity Studies.
(2) To qualify under this subsection, the course title must contain one or more of the following words or terms: “Introduction,” “Introductory,” “General,” “Fundamentals of,” “Principles,” “Foundation of,” or “Survey of,” or have the name of the discipline as the sole name of the course title.

(d) No more than one semester unit may be applied from a course specific to financial statement audits.

(e) For the purposes of this section, semester units and quarter units may be taken in any combination that meets the total number of units required by Section 11(a)(4).

Note: Authority cited: Sections 5010 and 5094.6, Business and Professions Code. Reference: Sections 5094 and 5094.6, Business and Professions Code.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
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# M e m o r a n d u m

**CBA Agenda Item IV.C.**
**July 21, 2011**

To : CBA Members

Date : June 29, 2011

Telephone : (916) 561-1792
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E-mail : mstanley@cba.ca.gov

From : Matthew Stanley, Legislation/Regulation Analyst

Subject : Reconsideration of Position on SB 773 – Ethics Curriculum

The California Board of Accountancy (CBA) previously took a Watch position on SB 773 (**Attachment 1**) as it was a spot bill. It has now been amended to codify the Ethics Curriculum Committee's (ECC) recommendations as are described in Agenda Item IV.B.3. The language that is in the bill is identical to that which is presented in that agenda item as well.

If this bill becomes law, the CBA will not need to pursue regulations to implement these requirements; however, if future changes are needed, the CBA would need to make them through the legislative process. Staff will continue to pursue a regulatory package to implement these changes up until SB 773 is signed into law.

The bill also makes clarifying changes, clean up amendments, and other technical changes.

**Recommendation:**
Staff appreciate the willingness of the author and the sponsor of the bill to work with us in developing SB 773 as it is now written. However, as the decision on this item comes down to a policy decision on whether or not to codify the ECC's recommendations or to place them into regulation, staff do not have a recommendation for a position on this bill.

Attachment

AMENDED IN ASSEMBLY JUNE 28, 2011

AMENDED IN ASSEMBLY JUNE 20, 2011

AMENDED IN SENATE APRIL 14, 2011

AMENDED IN SENATE MARCH 24, 2011

# SENATE BILL No. 773

**Introduced by Senator Negrete McLeod**

February 18, 2011

An act to amend Sections ~~5094~~ *5093, 5094,* and 5094.5 of, to amend and repeal Section 5094.6 of, and to add Section 5094.3 to, the Business and Professions Code, relating to accountants.

LEGISLATIVE COUNSEL'S DIGEST

SB 773, as amended, Negrete McLeod. Accountants.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law requires an applicant for an accountancy license to complete a minimum of 24 semester units in accounting subjects and a minimum of 24 semester units in business-related subjects, or as calculated in quarter units. Existing law, on and after January 1, 2014, requires an applicant for an accountancy license to complete an additional 10 units in ethics study and 20 units in accounting study, and establishes ~~a~~ *an advisory* committee to recommend to the board ethics study guidelines, to be adopted by the board by regulation.

This bill would set forth the ethics study requirements that, on and after January 1, 2014, would apply to an applicant for an accountancy license, as specified. *the bill would authorize the advisory committee described above to determine that a course or portion of a course satisfies the ethics study requirements.* The bill would make conforming

changes to related provisions and delete the requirement that the board adopt these provisions by regulation.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

*SECTION 1. Section 5093 of the Business and Professions Code is amended to read:*

5093. (a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements specified in subdivisions (b), (c), and (d), or otherwise prescribed pursuant to this article. The board may adopt regulations as necessary to implement this section.

(b) (1) An applicant for admission to the certified public accountant examination under the provisions of this section shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a degree-granting university, college, or other institution of learning accredited by a regional or national accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001, et seq.), or meeting, at a minimum, the standards described in subdivision (c) of Section 5094. The total educational program shall include a minimum of 24 semester units in accounting subjects and 24 semester units in ~~business related~~ *business-related* subjects. This evidence shall be provided at the time of application for admission to the examination, except that an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(2) An applicant for issuance of the certified public accountant license under the provisions of this section shall present satisfactory evidence that the applicant has completed at least 150 semester units of college education including a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include ~~the units described in subdivision (b) of Section~~

~~5094 and~~ a minimum of 24 semester units in accounting subjects ~~and~~, 24 semester units in ~~business related~~ *business-related* subjects, *and, after December 31, 2013, shall also include a minimum of 10 units of ethics study consistent with the requirements set forth in Section 5094.3 and 20 units of accounting study consistent with the regulations promulgated under subdivision (c) of Section 5094.6*. This evidence shall be presented at the time of application for the certified public accountant license. Nothing herein shall be deemed inconsistent with Section 5094 or 5094.6. *The Advisory Committee on Accounting Ethics Curriculum established under Section 5094.5 may determine that a course or a portion of a course satisfies the ethics study requirement. Nothing herein shall be construed to be inconsistent with prevailing academic practice regarding the completion of units.*

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board.

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

(e) Applicants completing education at a college or university located outside of this state, meeting, at a minimum, the standards described in Section 5094, shall be deemed to meet the educational requirements of this section if the board determines that the education is substantially equivalent to the standards of education specified under this chapter.

~~SECTION 1.~~

*SEC. 2.* Section 5094 of the Business and Professions Code is amended to read:

5094. (a) In order for education to be qualifying, it shall meet the standards described in subdivision (b) or (c) of this section.

(b) At a minimum, education ~~must~~ *shall* be from a degree-granting university, college, or other institution of learning accredited by a regional or national accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as ~~amended (20 U.S.C. Sec. 1001, et seq.) and, after January 1, 2014, shall also, at minimum, include 10 units of ethics study consistent with the requirements set forth in Section 5094.3 and 20 units of accounting study consistent with the regulations promulgated under subdivision (c) of Section 5094.6. The Accounting Education Advisory Committee established under Section 5094.5 may determine that a course or a portion of a course satisfies the ethics study requirement. Nothing herein shall be deemed inconsistent with prevailing academic practice regarding the completion of units.~~ *amended (20 U.S.C. Sec. 1001 et seq.).*

(c) Education from a college, university, or other institution of learning located outside the United States may be qualifying provided it is deemed by the board to be equivalent to education obtained under subdivision (b). The board may require an applicant to submit documentation of his or her education to a credential evaluation service approved by the board for evaluation and to cause the results of this evaluation to be reported to the board in order to assess educational equivalency.

(d) The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (1) furnish evaluations directly to the board, (2) furnish evaluations written in English, (3) be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services, (4) be used by accredited colleges and universities, (5) be reevaluated by the board every five years, (6) maintain a complete set of reference materials as specified by the board, (7) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts, (8) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree

was granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses, (9) have an appeal procedure for applicants, and (10) furnish the board with information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this subdivision and in any regulations adopted by the board.

~~SEC. 2.~~

*SEC. 3.* Section 5094.3 is added to the Business and Professions Code, to read:

~~5094.3. (a) In addition to completing the minimum of 24 semester units in accounting subjects and 24 semester units in business-related subjects, as set forth in subdivisions (b) and (c) of Section 9.2 of Article 2 of Division 1 of Title 16 of the California Code of Regulations, an applicant applying for licensure as a~~

*5094.3. (a) An applicant for licensure as a* certified public accountant shall, to the satisfaction of the board, provide documentation of the completion of ~~an additional 20 semester units of accounting study and~~ 10 semester units or 15 quarter units of ethics study, as set forth in ~~Section 5094~~ *paragraph (2) of subdivision (b) of Section 5093, in the manner prescribed in this section*.

~~(b) Satisfactory evidence as to educational qualifications shall take the form of certified transcripts of the applicant's college record, mailed directly to the board from the educational institution; however, in unusual circumstances the board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence shall usually take the form of an evaluation of educational credentials by a credentials evaluation service approved by the board.~~

~~(c) For purposes of this section, one quarter unit is equivalent to two-thirds of one semester unit.~~

~~(d) On and after January 1, 2014, and until January 1, 2017, the 10 semester units or 15 quarter units of ethics study required~~

~~pursuant to subdivision (a) shall be completed from the list of course areas set forth in paragraph (2) of subdivision (e).~~

~~(e) On and after January 1, 2017, three of the 10 semester units or four of the 15 quarter units of ethics study required pursuant to subdivision (a) shall be met in a course or courses at an upper division level or higher course study devoted to accounting ethics or accountants professional responsibilities. The remaining seven semester units or 11 quarter units shall be completed from the list of disciplines and courses in paragraphs (1) and (2), with no more than three semester units or four quarter units from paragraph (1).~~

~~(1) (A) No more than three semester units or four quarter units shall be from the following disciplines:~~

~~(i) Philosophy.~~

~~(ii) Religion.~~

~~(iii) Theology.~~

~~(iv) Sociology.~~

~~(v) Psychology.~~

~~(vi) Cultural, ethnic, or diversity studies.~~

~~(vii) Economics.~~

~~(viii) Political science.~~

~~(B) Courses in these disciplines shall have as its course title the name of the discipline or shall, at a minimum, include the following words or terms in the course title in addition to the name of the discipline: "Introduction," "Introductory," "General," "Fundamentals of," "Principles," "Foundation of," or "Survey of."~~

~~(2) Between seven and 10 semester units or between 11 and 14 quarter units shall be from the following course areas:~~

~~(A) Business law.~~

~~(B) Legal environment of business.~~

~~(C) Accounting ethics or accountant's professional responsibilities.~~

~~(D) Corporate governance.~~

~~(E) Ethics, morals, or fraud.~~

~~(F) Organizational behavior.~~

~~(G) Human resources management.~~

~~(H) Management of organizations.~~

~~(I) Business, government, and society.~~

~~(J) Business leadership.~~

~~(K) Nonaccounting courses specific to professional responsibilities.~~

*(b) (1) Between January 1, 2014, and December 31, 2016, inclusive, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (d), (e), and (f).*

*(2) Beginning January 1, 2017, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (c), (d), (e), and (f).*

*(c) A minimum of three semester units or four quarter units in courses at an upper division level or higher devoted to accounting ethics or accountants' professional responsibilities.*

*(d) Between January 1, 2014, and December 31, 2016, inclusive, a maximum of 10 semester units or 15 quarter units, and on and after January 1, 2017, a maximum of seven semester units or 11 quarter units, in courses containing the following terms in the course title:*

*(1) Business, government, and society.*

*(2) Business law.*

*(3) Corporate governance.*

*(4) Corporate social responsibility.*

*(5) Ethics.*

*(6) Fraud.*

*(7) Human resources management.*

*(8) Leadership.*

*(9) Legal environment of business.*

*(10) Management of organizations.*

*(11) Morals.*

*(12) Organizational behavior.*

*(13) Professional responsibilities.*

*(e) (1) A maximum of three semester units or four quarter units in courses taken in the following disciplines:*

*(A) Philosophy.*

*(B) Religion.*

*(C) Sociology.*

*(D) Theology.*

*(E) Psychology.*

*(F) Political science.*

*(G) Economics.*

*(H) Cultural studies.*

*(I) Diversity studies.*

*(J) Ethnic studies.*

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
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# M e m o r a n d u m

**CBA Agenda Item V.B**
**July 21, 2011**

To : CBA Members

Date : July 7, 2011
Telephone : (916) 561-1789
Facsimile : (916) 263- 3675
E-mail : lhersh@cba.ca.gov

From : Lauren Hersh
Information & Planning Manager

Subject : Update on CBA 2010-2012 Communications and Outreach Plan

As requested by the CBA, staff is providing regular updates regarding the communications and outreach activities which have taken place since the last CBA meeting.

Staff Outreach Committee (OC)

- OC staff were very involved in the promotion of and support for the Joint Meeting of the Accounting Education Committee and Ethics Curriculum Committee held on June 7th. The OC handled much of the outreach including phone calls to various colleges, social media messaging encouraging viewing of the meeting webcast, and providing outreach materials for the event. Staff has designated Peer Review reporting as the outreach focus for June and July, in support of the July 1 Peer Review reporting requirement.
- YouTube Video - The script for a "How to Report a Peer Review" video has been sent to the Department of Consumer Affairs' video unit, and staff are awaiting a firm date for taping.

Joint Meeting of the Accounting Education Committee and Ethics Curriculum Committee Webcast

- This meeting webcast drew the highest number of viewers to any CBA webcast to date. Staff attributes this to the outreach efforts aimed at making stakeholders aware of the event.
- Through analysis of the data, staff was also able to determine the following:
  - There were 210 visits to the webcast between 1pm and 5pm
  - The average viewing time was approximately 7 minutes, but 29 visitors viewed the webcast for at least 2.5 hours.
  - The largest group of viewers -109- was watching from Sacramento. Other significant viewing populations were:
    - Santa Clara, 24
    - Orange County, 19
    - Los Angeles area, 9
    - Vallejo, 7
    - New York state, 9
    - Washington, DC area, 4
    - Chicago, 3
  - 161 viewers were visiting a CBA webcast for the first time.

- Most viewers accessed the webcast directly from the CBA website or via E-News; however several accessed the webcast via Twitter.

Social Media

- Facebook and Twitter feeds continue, with July's outreach focus on Peer Review reporting. Staff continues to also "tweet" tips for consumers, information regarding E-News alerts, posting of exam scores, CBA and committee meetings as well as other information of interest.
- Staff was able to leverage the interest in the release of exam scores to further build and engage the CBA's social media community, adding approximately 100 new Facebook fans and 100 Twitter followers over just a two day period.
- Facebook - At this writing, the CBA Facebook page has approximately 550 fans, and approximately 50,000 monthly views of CBA posts, the most of any DCA board or bureau, including DCA itself.
- Twitter - The CBA has approximately 270 followers on Twitter and is being followed by 11 public lists.
- Known as "amplification" and "reverberation", Facebook posts reach many more individuals than are signed up to "like" us, and public Twitter lists multiply our reach beyond those who are following the CBA on Twitter, as well as recruit new followers.

Consumer Assistance Booklet

- Staff is incorporating suggested edits to the new Consumer Assistance Booklet, and will have it redesigned to be compatible with other redesigned CBA publications. Staff expects to have the new version available to consumers online by September.

UPDATE

- The spring edition was published online in late May, but the printing and mail-out was delayed by the Office of State Publishing, which has informed staff the mail-out will occur the second week in July. This edition contains instructions regarding how readers wishing to continue receiving UPDATE by mail may do so. These readers are directed to the CBA Web site, where a link is prominently featured which takes readers to a form that enables them to "opt-in" to continue receiving a paper copy. All readers are encouraged to sign up for E-News in order to receive notification when the UPDATE is posted to the CBA Web site.
- As of this writing, only 30 of the 72,000 recipients of UPDATE have chosen to opt-in, but more are expected to do so upon receiving UPDATE in the mail. Staff is also using social media to get the message out.
- As a result of the delayed mail-out, the fall edition of UPDATE was pushed to October to allow readers the time to "opt-in" if they wish. The fall edition is in the initial planning stages and will use DCA's award winning design services for the new design and layout.

Outreach Events

- Ambassador Program - CBA President Sally Anderson delivered a presentation to the California Society of CPAs conference on June 23.
- Ambassador Program - CBA Secretary/Treasurer Leslie LaManna made a presentation on June 16 at the University of San Diego.

E-News

Update on CBA 2010-2012 Communications and Outreach Plan

E-News subscriptions have increased by more than 1,700 subscriptions since the last report, with the total number of subscriptions up from 11,383 on April 22, 2011 to 13,120 on June 17, 2011. The increase was seen across all interest areas among external subscribers, but the largest increases were notably in subscribers requesting Statutory/Regulatory alerts and CBA Meeting Information & Agenda Materials. An increase in the number of subscribers choosing notification of UPDATE publication is expected as the newsletter's change to a digital format is complete. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

## E-News Statistics

| As of | List Name | External | Internal | Total |
|---|---|---|---|---|
| 6/17/2011 | California Licensee | 3,516 | 28 | 3,544 |
| | Consumer Interest | 1,740 | 43 | 1,783 |
| | Examination Applicant | 1,259 | 48 | 1,307 |
| | Licensing Applicant | 1,407 | 38 | 1,445 |
| | Out-of-State Licensee | 905 | 41 | 946 |
| | Statutory/Regulatory | 2,881 | 36 | 2,917 |
| | CBA Meeting Information/Agenda Materials | 936 | 50 | 986 |
| | UPDATE Publication | 187 | 5 | 192 |
| | | | | |
| | Total subscriptions | 12,831 | 289 | 13,120 |

Staff is available to answer any questions CBA members may have regarding this update.

# CALIFORNIA BOARD OF ACCOUNTANCY
# CASE ACTIVITY and AGING REPORT
# MARCH 2011 - MAY 2011

CBA Agenda Item VI.A
July 21, 2011

| COMPLAINTS | March-11 | April-11 | May-11 | | | |
|---|---|---|---|---|---|---|
| Received | 86 | 65 | 46 | | | |
| Closed | 28 | 15 | 9 | | | |
| Assigned | 58 | 57 | 32 | | | |
| Pending | 13 | 5 | 10 | | | |

| Convictions/Arrest Reports | | | | | | |
|---|---|---|---|---|---|---|
| Received | 17 | 14 | 7 | | | |
| Closed | 15 | 11 | 6 | | | |
| Assigned | 2 | 3 | 0 | | | |
| Pending | 0 | 0 | 1 | | | |

| INVESTIGATIONS | | | | | | |
|---|---|---|---|---|---|---|
| Assigned | 60 | 60 | 32 | | | |
| Closed | 52 | 53 | 58 | | | |
| Pending | 313 | 320 | 294 | | | |

| INVESTIGATIONS AGING MAY 2011 | | | | |
|---|---|---|---|---|
| | < 18 mos | 18-24 mos | > 24 mos | |
| Cases | 265 | 19[1] | 10[2] | |
| Average Age of Pending Investigations | | | | |
| Median Age of Pending Investigations | | | | |

| ENFORCEMENT ACTIONS | March-11 | April-11 | May-11 | | | |
|---|---|---|---|---|---|---|
| AG Cases | | | | | | |
| Initiated | 3 | 2 | 5 | | | |
| Pending | 32 | 32 | 38 | | | |
| | 0 | 0 | 0 | | | |
| Accusations Filed | 2 | 2 | 1 | | | |

| AG CASES AGING MAY 2011 | | | | | | |
|---|---|---|---|---|---|---|
| | < 18 mos | 18-24 mos | > 24 mos | TOTAL | | |
| Pre Accusation | 17 | | 1[4] | 18 | | |
| Post Accusation | 16 | 3[3] | | 19 | | |
| Petition for Reinstatement | 1 | | | 1 | | |
| | | | | | | |
| TOTAL AG CASES | | | | | | |

# CALIFORNIA BOARD OF ACCOUNTANCY
# CITATION AND FINE ACTIVITY REPORT
# FOR THE PERIOD 7/1/10 THRU 6/24/11

CBA Agenda Item VI.B
July 21, 2011

**VIOLATION ANALYSIS**

| RULE | | AVERAGE FINE AMOUNT | TOTAL FINES ISSUED | TOTAL FINES ASSESSED | APPEALS RECEIVED |
|---|---|---|---|---|---|
| | **ACCOUNTANCY RULES AND REGULATIONS** | | | | |
| 3 | NOTIFICATION OF CHANGE OF ADDRESS | $100 | 2 | $200 | |
| 52 | RESPONSE TO BOARD INQUIRY | $309 | 17 | $5,250 | 3 |
| 63 | ADVERTISING | $333 | 3 | $1,000 | |
| 87 | CE BASIC REQUIREMENTS | $750 | 2 | $1,500 | 4 |
| 87(a) | CE COMPLETED IN 2-YEAR PERIOD | $583 | 12 | $7,000 | |
| 87 (c) | CONTINUING EDUCATION RULES (Gov't.) | $250 | 1 | $250 | |
| 87(e) | CONTINUING EDUCATION (Fraud) | $375 | 2 | $750 | |
| 87(f) | CONTINUING EDUCATION (New Licensees) | $500 | 1 | $500 | |
| 87.7 | CE IN ACCT ACT, REGS & RULES OF CONDUCT | $500 | 1 | $500 | |
| 93 | UNEXPIRED LICENSES | $500 | 1 | $500 | |
| | | | | | |
| | **BUSINESS AND PROFESSIONS CODE SECTION** | | | | |
| 5050 | PRACTICE WITHOUT A VALID PERMIT | $950 | 5 | $4,750 | |
| 5060 | NAME OF FIRM | $917 | 3 | $2,750 | |
| 5070.6 | RENEWAL OF EXPIRED PERMITS | $0 | 1 | 0 | |
| 5100 | DISCIPLINE IN GENERAL | $250 | 1 | $250 | |
| TOTALS | | | 52 | $25,200 | 7 |

**RECONCILIATION OF FINES OUTSTANDING 7/1/10 - 6/24/11**

| | |
|---|---|
| Balance at 7/1/10 | $42,182 |
| Fines Assessed 7/1/10 - 6/24/11 | $25,200 |
| Previous Paid Off - Reinstated - Revoked License | $0 |
| Appeal Adjustments 7/1/10 - 6/24/11 | |
| Withdrawn Violations (0 violations, 0 cases) | $0 |
| Modified Citations (3 violations, 2 cases) | ($900) |
| Remain As Issued Citations (4 violations, 2 cases) | $0 |
| Uncollectible Violations (0 violations, 0 cases) | $0 |
| Collections 7/1/10 - 6/24/11 | ($14,431) |
| **Fines Outstanding at 6/24/11** | **$52,051** |

**COMPOSITION OF FINES OUTSTANDING**

| | |
|---|---|
| Fine Added to License Renew Fee/B & P 125.9 (52 violations, 28 cases) | $47,300 |
| AG Referral (Citation Appealed/Non Compliance) (0 violations, 0 case) | $0 |
| Issued/Pending Receipt of Fine (8 violations, 3 cases) | $3,250 |
| Installment Payments (3 violations, 2 cases) | $751 |
| Appeal Request Pending Review (3 violations, 2 cases) | $750 |
| Stipulation/Decision Pending Compliance (0) | $0 |
| **Total Fines Outstanding at 6/24/11** | **$52,051** |

## CALIFORNIA BOARD OF ACCOUNTANCY
# REPORTABLE EVENTS RECEIVED
## 07/01/10 – 06/23/11

| | |
|---|---|
| Felony Conviction – 5063(a)(1)(A) | 2 |
| Criminal Conviction – 5063(a)(1)(B) | 1 |
| Criminal Conviction – 5063(a)(1)(C) | 0 |
| Cancellation, Revocation, Suspension of Right to Practice by Other State or Foreign Country – 5063(a)(2) | 5 |
| Cancellation, Revocation, Suspension of Right to Practice before any governmental body or agency – 5063(a)(3) | 3 |
| Restatements – 5063(b)(1)<br>• Governmental – 112<br>• Non Profit – 16<br>• SEC Registrant – 49 | 177 |
| Civil Action Settlement – 5063(b)(2) | 16 |
| Civil Action Arbitration Award – 5063(b)(2) | 0 |
| SEC Investigation – 5063(b)(3) | 0 |
| Wells Submission – 5063(b)(4) | 2 |
| PCAOB Investigation – 5063(b)(5) | 6 |
| Civil Action Judgement – 5063(c)(1)(2)(3)(4)(5) | 0 |
| | |
| Reporting by Courts – 5063.1 | 0 |
| | |
| Reporting by Insurers – 5063.2 | 26 |
| | |
| **TOTAL REPORTABLE EVENTS RECEIVED 07/01/10 TO 06/23/11** | **238** |

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item VI.D.**
**July 21, 2011**

To : CBA Members

Date : July 1, 2011

Telephone : (916) 561-1731
Facsimile : (916) 263-3673
E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Update on Peer Review Implementation

Staff is providing this memorandum highlighting actions that have occurred in the peer review program since the May 2011 California Board of Accountancy (CBA) meeting.

**Peer Review Survey**

The CBA has received 754 peer review surveys since the survey went live on the CBA's Web site in December 2010. This is an increase of 457 since the May meeting. The voluntary survey will assist the CBA in collecting information from sole proprietors and small firms to prepare the report that is due to the Legislature and the Governor.

**Reporting Statistics**

As of July 1, 2011, 18,649 peer review reporting forms have been submitted to the CBA. This is an increase of 3,077 since the May meeting. The reporting forms are categorized as follows:

| | |
|---|---|
| Peer Review Required | 1,727 |
| Peer Review Not Required (firms) | 3,612 |
| Peer Review Not Applicable (non-firms) | 13,310 |

**Public Contact Statistics**

With the approach of the first reporting deadline, the CBA has made a concerted effort to disseminate information about peer review reporting requirements. Outreach methods included over 9,000 reminder letters sent in April, a peer review article in the Spring UPDATE, and a revised renewal form including peer review information. As a result, public contact has increased dramatically as evidenced in the statistics below.

| Method of Contacts: | March | April | May | June |
|---|---|---|---|---|
| Telephone | 80 | 424 | 361 | 630 |
| E-mail | 10 | 59 | 87 | 249 |

## Correspondence to Licensees Regarding Peer Review Reporting

Staff will send approximately 20,000 letters to licensees who are required to report peer review information by July 1, 2012. A publishing order is currently awaiting approval at the Department of Consumer Affairs to authorize the Office of State Publishing to print and mail the letters the first week of July 2011. **Attachment 1** is the letter being sent to corporations and partnerships**.** The letter being sent to individual Certified Public Accountants is shown as **Attachment 2**.

## Update to Renewal Forms

The renewal form for individual licensees, corporations, and partnerships has been revised to include language regarding peer review requirements. The form now includes a statement notifying the licensee that by signing and submitting the renewal form, they are certifying that they have received and read the following notice: "if your firm provided accounting and auditing services, it is required to have a peer review report accepted by a Board-recognized peer review program and the peer review information must be submitted to the CBA by July 1, 2011." An insert with additional information about peer review requirements and reporting requirements is included with the renewal forms.

These changes went into effect for renewal forms mailed in May, for licenses expiring on July 31, 2011.

## Extensions to Report Peer Review Results

In response to an increase in peer reviews, the California Society of CPAs (CalCPA) developed a form for firms that need an extension of time to complete their peer review and report the results to the CBA. In order to qualify for the extension, a firm must have first enrolled in the peer review program and completed the peer review scheduling form, including contracting with a peer reviewer or selecting the committee-appointed review process.

This process assures the CBA that the firm is enrolled in the peer review program and has a peer review scheduled, but allows the firm time to complete the peer review while still being in compliance with the reporting requirement.

The extension form and instructions are available on the CalCPA Web site. Firms have until July 31, 2011 to apply for the extension. Once the extension is approved by CalCPA, the firm must submit a copy of the approved form to the CBA. The firm must report the results to the CBA within 45 days of the peer review report being accepted by CalCPA.

As of July 1, 2011, the CBA has received 162 approved extensions.

## Staffing

On June 17, 2010, a hiring freeze exemption request was submitted to DCA to hire an Investigative CPA to perform peer review tasks created with the peer review legislation (AB 138). The Investigative CPA will perform many of the verification steps identified in the May Peer Review Update to the CBA. Without the Investigative CPA, verification procedures will be hampered.

On June 20, 2011, Grace Zad joined the Enforcement Unit, filling the vacant Office Technician position. Grace will provide much needed support to the peer review program and the Enforcement Unit in general.

Staff will continue to inform members regarding the activities and progress of peer review implementation.

Attachments

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item VII.A.**
**July 21, 2011**

To : CBA Members

Date : June 13, 2011

Telephone : (916) 561-1792
Facsimile : (916) 263-3678
E-mail : mstanley@cba.ca.gov

From : Matthew Stanley
Legislation & Regulation Analyst

Subject : Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 9, 11.5, 12, 12.5, and 98 – Supervision, Master's Degree, and Disciplinary Guidelines

At its September, 2010 meeting, the California Board of Accountancy (CBA) directed staff to move forward with the rulemaking process to define supervision and incorporate by reference its newly adopted Disciplinary Guidelines. In addition, at its March, 2011 meeting, the CBA voted to pursue allowing a Master's Degree in certain disciplines to be deemed to fulfill the additional 20 semester hours of accounting education required in Business and Professions Code §5094(b).

The Notice of Proposed Action was filed with the Office of Administrative Law on May 24, 2011 and published on June 3, 2011, thus initiating the required 45-day public comment period. July 18, 2011, will mark the end of the public comment period, and on July 21, 2011, during the CBA meeting, a public hearing will be conducted on the proposed amendments. The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Initial Statement of Reasons (**Attachment 2**)
- Text of Proposal (**Attachment 3**)
- Documents Incorporated by Reference (**Attachment 4**)

During the public hearing the CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. As of the date of this memo, staff have not received any public comments in relation to this regulatory package. Any comments received after the CBA member mail out will be supplied to the CBA members at the meeting. The CBA may act to adopt the proposed regulations under CBA Agenda Item VII.A.1. Prior to submitting the final regulation package to the Office of Administrative Law, staff will draft responses to any comments and prepare the Final Statement of Reasons for distribution to all persons who provided comments.

Attachments

# TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at Pasadena Hilton, 168 South Robles Avenue, Pasadena, CA 91101, at 2:00 p.m. on July 21, 2011. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office not later than 5:00 p.m. on July 18, 2011 or must be received by the California Board of Accountancy at the hearing. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010, 5018, 5092, 5093 and 5116 of the Business and Professions Code and Section 11400.20 of the Government Code; and to implement, interpret or make specific Sections 5018, 5023, 5092, 5093, 5095, 5100 and 5116-5116.6 of the Business and Professions Code and Section 11425.50(e) of the Government Code; the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

## INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Existing law, Business and Professions Code §5094.6(c), requires that, no later than January 1, 2012, the Board adopt, by regulation, guidelines for accounting study to be included as part of the education required for licensure as a certified public accountant. In adopting such regulations, the Board is required to consider the views of the Board's Accounting Education Advisory Committee.

Existing law, Sections 5092(d) and 5093(d) of the Business and Professions Code, requires applicants for licensure to have one or two years of verified, supervised experience.

Existing law, California Government Code Section 11425.50(e), specifies that a penalty may not be based on a guideline, criterion, bulletin, manual, instruction, order, standard of general application or other rule unless it has been adopted as a regulation. Section 98 of Title 16 of the California Code of Regulations incorporates by reference the California Board of Accountancy's "A Manual of Disciplinary Guidelines and Model Disciplinary Orders". Section 5116 of the Business and Professions Code requires the Board to establish criteria for assessing administrative penalties. In addition, Section 5100 allows the Board the authority to discipline a license.

**1. Repeal Section 9 Title 16 of the California Code of Regulations.**

This proposal would delete an outdated section of the Board's regulations. This section became outdated when it became inoperative by its own terms on January 1, 2010.

**2. Repeal Section 11.5 Title 16 of the California Code of Regulations.**

This proposal would delete an outdated section of the Board's regulations. This section became outdated when it became inoperative by its own terms on January 1, 2010.

**3. Add Section 11.5 Title 16 of the California Code of Regulations.**

This proposal would specify that a Master's Degree in Accounting, Taxation, or Laws in Taxation would be equivalent to completing the 20 semester hours of accounting education required by Section 5094(b) of the Business and Professions Code.

In addition, this proposal would incorporate the definition of "satisfactory evidence" that was in Section 9 that became inoperative on January 1, 2010 and is being repealed by this proposal, and is currently also in Section 9.2.

**4. Amend Sections 12 and 12.5 Title 16 of the California Code of Regulations.**

This proposal would define supervised experience to mean that a supervisor must review and evaluate an applicant's work on a routine and recurring basis and shall have authority or oversight over the applicant. It clarifies that experience may be acquired in a public accounting firm, a private industry company, or governmental agency. It also clarifies that if the supervisor is the owner of the firm or company, a second verifying signature is not required.

The proposal for Section 12 incorporates Form 11A-29 (5/11) and Form 11A-29A (5/11) by reference. And the proposal for Section 12.5 incorporates Form 11A-6A (5/11) and Form 11A-6 (5/11) by reference. These are forms on which applicants' supervisors are to submit experience verification. It also provides another means for the Board to approve the experience for applicants who may not be able to obtain experience verification.

This proposal also makes other conforming changes.

**5. Amend Section 98 Title 16 of the California Code of Regulations.**

This proposal updates the Board's Disciplinary Guidelines to incorporate by reference the 7th edition (2011) of the guidelines.

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:
There would be insignificant and absorbable costs to the Board to print and

disseminate the Forms and Disciplinary Guidelines. The cost is kept low as the predominant form of dissemination for these would be via the Board's Web site.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to Any Local Agency or School District for Which Government Code Sections 17500-17630 Require Reimbursement: None

Business Impact:
The Board has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

**AND**

The following studies/relevant data were relied upon in making the above determination: The Board does not believe that this regulatory proposal will have a significant adverse economic impact on businesses as it only affects individuals and those businesses that are disciplined for violations of the Accountancy Act. Businesses operated by licensees who are in compliance with the law will not incur any fiscal impact.

Impact on Jobs/New Businesses:

The Board has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action and that are known to the Board are insignificant.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS

The Board has determined that the proposed regulations may affect small businesses.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as

effective and less burdensome to affected private persons than the proposal described in this Notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

## INITIAL STATEMENT OF REASONS AND INFORMATION

The Board has prepared an initial statement of reasons for the proposed action and has available all the information upon which the proposal is based.

## TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the initial statement of reasons, and all of the information upon which the proposal is based, including Form 11A-29 (5/11), Form 11A-29A (5/11), Form 11A-6A (5/11), Form 11A-6 (5/11), and A Manual of Disciplinary Guidelines and Model Disciplinary Orders (7th edition, 2011), which are incorporated by reference in this rulemaking, are available on the Board's Internet Web site at http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml and may also be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

## AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named in the following section.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named in the following section or by accessing the Web site listed in the following section.

## CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

| | |
|---|---|
| Name: | Matthew Stanley |
| Address: | California Board of Accountancy<br>2000 Evergreen Street, Suite 250<br>Sacramento, CA 95815 |
| Telephone No.: | 916-561-1792 |
| Fax No.: | 916-263-3678 |
| E-Mail Address: | mstanley@cba.ca.gov |

The backup contact person is:

| | |
|---|---|
| Name: | Dan Rich |

Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
Telephone No.: 916-561-1713
Fax No.: 916-263-3678
E-Mail Address: drich@cba.ca.gov

Web site Access: Materials regarding this proposal can be found at http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml.

# CALIFORNIA BOARD OF ACCOUNTANCY

## INITIAL STATEMENT OF REASONS

Hearing Date: July 21, 2011

Subject Matter of Proposed Regulations: Supervision, Master's Degree, and Disciplinary Guidelines

Sections Affected:

**1. Repeal Section 9 of Title 16 of the California Code of Regulations**

Specific Purpose:

This proposal would delete an outdated section of the Board's regulations.

Factual Basis/Rationale:

This section became outdated when it became inoperative by its own terms on January 1, 2010.

**2. Repeal Section 11.5 of Title 16 of the California Code of Regulations**

Specific Purpose:

This proposal would delete an outdated section of the Board's regulations.

Factual Basis/Rationale:

This section became outdated when it became inoperative by its own terms on January 1, 2010.

**3. Add Section 11.5 of Title 16 of the California Code of Regulations**

Specific Purpose:

This proposal would specify that a Master's Degree in Accounting, Taxation, or Laws in Taxation would be equivalent to completing the 20 semester hours of accounting education required by Section 5094(b) of the Business and Professions Code.

In addition, this proposal would maintain the definition of "satisfactory evidence" that was in Title 16, California Code of Regulations Section 9 that became inoperative on January 1, 2010, and is currently also in Section 9.2.

Factual Basis/Rationale:

Per Business and Professions Code §5094.6(c), no later than January 1, 2012, the Board is required to adopt by regulation guidelines for accounting study to be included as part of the education required for licensure as a certified public accountant. In adopting such regulations, the Board is required to consider the views of the Board's Accounting Education Advisory Committee. The Accounting Education Advisory Committee recommended this change to the Board at the Board's March, 2011, meeting. The committee members expressed confidence that students who complete these specified master's programs have received a quality, well-thought out education that should be considered substantially equivalent to meeting the 20 semester hours of accounting study. Further, this proposal is necessary to clarify how an applicant would prove to the Board's satisfaction that the applicant had obtained the necessary education to meet the Board's standards for licensure.

**4. Amend Sections 12 and 12.5 of Title 16 of the California Code of Regulations**

Specific Purpose:

Existing law explains what general experience is necessary to qualify for the certified public accountant license, including that such experience "must be supervised by a person holding a valid license or comparable authority to practice public accounting…" This proposal would define supervised experience to mean that a supervisor must review and evaluate an applicant's work on a routine and recurring basis and shall have authority or oversight over the applicant. It clarifies that experience may be acquired in a public accounting firm, a private industry company, or governmental agency. It excludes from qualifying experience "experience acquired in academia." It also clarifies that if the supervisor is the owner of the firm or company, a second verifying signature is not required.

The proposal for Section 12 incorporates Form 11A-29 (5/11) and Form 11A-29A (5/11) by reference. Both of these forms would require supervisors to attest that the applicant has received specified supervised experience during the time period indicated. Form 11A-29 (5/11) "Certificate of General Experience (Public Accounting)" specifically requires:

(1) Disclosure of full name of applicant and last 4 digits of the Social Security number;
(2) Disclosure of the dates the applicant was under supervision and obtained qualifying general accounting experience;
(3) Disclosure of the business' name, address and telephone number;
(4) Certification and signature by the supervisor(s) that the applicant has been supervised or employed by the supervisor or his or her firm for the time period indicated and has completed general accounting experience;
(5) Disclosure of whether the supervisor is a sole proprietor, partner, shareholder

or other CPA and the supervisor's certificate number and the state/authority where the certificate is issued.

Form 11A-29A (5/11) "Certificate of General Experience (Private Industry or Government)" specifically requires:

(1) Disclosure of full name of applicant and last 4 digits of the Social Security number;
(2) Disclosure of the dates the applicant was under supervision and obtained qualifying general accounting experience;
(3) Disclosure of the business' name, address and telephone number;
(4) Certification and signature by the supervisor(s) that the applicant has been supervised or employed by the supervisor or his or her business/agency for the time period indicated and has completed general accounting experience;
(5) Disclosure of the supervisor's certificate number, the state of issuance and whether the supervisor has an ownership interest in the business.

The proposal for Section 12.5 incorporates Form 11A-6A (5/11) and Form 11A-6 (5/11) by reference. Both of these forms would require the employer to attest to the time periods that the applicant was supervised, the qualifying experience received, and to summarize the attest experience hours gained under supervision. The proposal also provides that the Board may approve other forms of verification for those who may not be able to obtain the verification on these forms.

Specifically, Form 11A-6 (5/11) "Certificate of Attest Experience (Private Industry or Government)" requires:

(1) Disclosure of full name of applicant and last 4 digits of the Social Security number;
(2) Disclosure of the dates the applicant was under supervision and obtained qualifying experience;
(3) Disclosure of the business' name, address and telephone number;
(4) Certification and signature by the supervisor(s) that the applicant has been supervised or employed by the supervisor or his or her business/agency for the time period indicated and has gained the experience indicated on this form;
(5) Disclosure of whether the supervisor is a sole proprietor, partner, shareholder or other CPA and the supervisor's certificate number and the state/authority where the certificate is issued;
(6) Check "Yes" or "No" as to whether the applicant has obtained demonstrated qualifying experience in 10 different areas demonstrating the ability to understand the requirements of planning and conducting a financial statement audit or performing other attest services with minimum supervision that results in an opinion on full disclosure financial statements;
(7) Disclosure of whether experience was gained in the following areas: (i) planning the audit or other attest services; (ii) applying a variety of audit procedures; (iii) preparation of work papers; (iv) preparation of written explanations, (v) preparation of

full disclosure financial statements; and, (vi) the number of compilation hours obtained prior to January 1, 2008.

Specifically, Form 11A-6A (5/11) "Certificate of Attest Experience (Public Accounting)" requires:

(1) Disclosure of full name of applicant and last 4 digits of the Social Security number;
(2) Disclosure of the dates the applicant was under supervision and obtained qualifying experience;
(3) Disclosure of the business' name, address and telephone number;
(4) Certification and signature by the supervisor(s) that the applicant has been supervised or employed by the supervisor or his or her business/agency for the time period indicated and has gained the experience indicated on this form;
(5) Disclosure of the supervisor's certificate number, the state of issuance and whether the supervisor has an ownership interest in the business;
(6) Check "Yes" or "No" as to whether the applicant has obtained demonstrated qualifying experience in 10 different areas demonstrating the ability to understand the requirements of planning and conducting a financial statement audit or performing other attest services with minimum supervision that results in an opinion on full disclosure financial statements;
(7) Disclosure of whether experience was gained in the following areas: (i) planning the audit or other attest services; (ii) applying a variety of audit procedures; (iii) preparation of work papers; (iv) preparation of written explanations, (v) preparation of full disclosure financial statements; and, (vi) the number of compilation hours obtained prior to January 1, 2008.

The proposal also makes other conforming changes.

Factual Basis/Rationale:

Sections 5092(d) and 5093(d) of the Business and Professions Code require applicants for licensure to have one or two years of verified, supervised experience. That requirement has been in effect since 2002. This proposal does not change the requirement, but rather, provides additional clarity as to the nature of the supervisory relationship and how the verification is to be made. This clarity was needed in order that staff and the Qualifications Committee could perform their duties more efficiently. The additional clarity also assists applicants and supervisors to define their relationship.

There are four forms on which verification can be made. Forms 11A-29 and 11A-29A certify the completion of general experience (non-attest). One form is for experience obtained in public accounting and the other in private industry or government. Forms 11A-6 and 11A-6A certify the completion of attest experience. One form is for experience obtained in public accounting and the other in private industry or government. These forms are to be used by applicants for licensure to standardize the information required and collected by the Board.

Forms 11A-29, 11A-29A, 11A-6 and 11A-6A are referenced in these amendments. It would be cumbersome, unduly expensive and otherwise impractical to publish the documents in the California Code of Regulations. They are available on the Board's website and from the Board upon request.

**5. Amend Section 98 of Title 16 of the California Code of Regulations**

Specific Purpose:

This proposal updates the Board's Disciplinary Guidelines to incorporate by reference the 7th edition of the manual. Those proposed changes include:

- Making technical changes to change the Board's name from "Board" to "CBA" and "Administrative Committee" to "Enforcement Advisory Committee" as well as re-numbering as necessary throughout the Guidelines.
- Adding the words "CONDITIONS OF PROBATION" as a heading after each offense and penalty described in the Guidelines.
-

***TITLE PAGE:***

The Board proposes to update the edition number and revision date on the title page from "6th Edition 2005" to "7th Edition 2011."

***INTRODUCTION:***

In addition to technical changes, the Board proposes to add language that specifies that the expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy in California, or the voluntary surrender of a license by a licensee shall not deprive the CBA of the authority to proceed with an investigation, action, or disciplinary proceeding against the licensee or to render a decision suspending or revoking the license pursuant to the Section 5109 of the Business and Professions Code.

**GENERAL CONSIDERATIONS**

In addition to technical changes, the Board proposes to repeal an outdated reference to the ability of the CBA to obtain cost recovery for specific violations if the costs were incurred prior to January 1, 2005.

**DISCIPLINARY GUIDELINES** (offenses and penalties section)

*California Accountancy Act, Article 2 Section*

*Adding "continuing education" and "regulatory review course" as new optional terms and conditions of probation for violation of Sections 5037(a) (Ownership of

Accountants' Workpapers), and 5037(b)(1)(2)(Return of Client Documents).

*California Accountancy Act, Article 3 Section*

* Adding "continuing education" and "regulatory review course" as new optional terms and conditions of probation for violation of Sections 5050(a) (Practice Without a Permit; Temporary Practice), 5055 and 5056(Title of Certified Public Accountant/Title of Public Accountant), 5058 (Use of Confusing Titles or Designations Prohibited), and 5058.1 (Titles in Conjunction with Certified Public Accountant or Public Accountant).

*Adding new offenses and new minimum and maximum penalties for violation of Sections 5050(c) (Practice without a Permit; Temporary Practice; Foreign Accountants) and 5054 (Preparation of Tax Returns by Individuals and Firms Outside of the State) to include minimum penalty of correction of the violation and maximum penalty of revoking authorization to practice.

* Adding new offense and new minimum and maximum penalty for violation of Section 5058.2 (Inactive Designation) to include minimum penalty of correction of the violation and maximum penalty of revocation stayed, 3 years' probation with new standard and optional conditions of probation.

*California Accountancy Act, Article 3.5 Section*

* Adding "continuing education" and "regulatory review course" as new optional terms and conditions of probation for violation of Sections 5060 (Name of Firm), 5061 (Commissions), 5062 (Report Conforming to Professional Standards), 5062.2 (Restrictions on Accepting Employment with an Audit Client), 5063 (Reportable Events), and 5063.3 (Confidential Information Disclosure),

*Adding new "peer review" requirement as an optional term or condition of probation for violating Section 5062 (Report Conforming to Professional Standards).

*California Accountancy Act, Article 4 Section*

*Adding new "continuing education" and "regulatory review course" as new optional terms and conditions of probation for violating Sections 5072(a) (Requirements for Registration as a Partnership), 5073(d) (Partnership Applications (admission or withdrawal of partner)), 5078 (Offices not under Personal Management of Certified Public Accountant; Supervision), and 5079(a) (Non-licensee Ownership of Firms).

*Adding new offenses and new minimum and maximum penalties for violation of Sections 5076(a) (Peer Review) and 5076(f) (Peer Review – Document Submission Requirement) to include minimum penalty of correction of the violation and maximum penalty of revocation. New optional and standard terms and conditions of probation are also listed for each offense, including: suspension with or without stay, supervised practice, restricted practice, ethics continuing education, regulatory review course,

continuing education courses, sample – audit, review or compilation, notice to clients/cessation of practice, and administrative penalty not to exceed maximum set forth in Section 5116.

*California Accountancy Act, Article 5 Section*

*Adding new “continuing education” and “regulatory review course” as new optional terms and conditions of probation for violating Section 5095(a) (Minimum Number of Attest Services Hours.

*California Accountancy Act, Articles 5.1, 5.5 Sections*

*Adding new “continuing education” and “regulatory review course” as new optional terms and conditions of probation for violating Sections 5096(e)(3)(Practice Privilege – Practice from Office in this State), 5096(e)(5)(Practice Privilege – Cooperate with Board Inquiry), 5096(g)(1)( Practice Privilege – Disqualifying Conditions), 5096.5 (Practice Privilege – Sign Attest Reports), and 5097 (Audit Documentation).

*Revising the current minimum penalty of revocation stayed, 3 years’ probation for violation of Section 5096(e) to administrative suspension pursuant to Section 5096.4, or, Board approval required before commencing practice under future practice privilege.

*Adding new offenses and new minimum and maximum penalties for violation of Sections 5096.12(a) (Practice Privilege – Limited Firm Practice) and 5096.13 (Firm Information). Minimum penalty for 5096.12(a) violations is revocation stayed, 3 years’ probation and maximum penalty is revocation. Minimum penalty for 5096.13 violations is correction of violation and maximum penalty is revocation of authorization to practice. New optional and standard terms and conditions of probation are also listed for offenses related to violation of Section 5096.12(a), including: suspension, ethics continuing education, regulatory review course, and administrative penalty not to exceed maximum set forth in Section 5112.

*California Accountancy Act, Article 6*

*Adding new “continuing education” and “regulatory review course” as new optional terms and conditions of probation for violating Sections 5100(a) (Conviction of Any Crime Substantially Related to the Qualifications, Functions, and Duties of a CPA/PA), 5100(b)(Fraud or Deceit in Obtaining License/Permit/Registration), 5100(c) (Dishonesty, Fraud, Gross Negligence or Repeated Acts of Negligence), 5100(d) (Cancellation, Revocation or Suspension by any other State), 5100(e) Violation of Provisions of Section 5097, 5100(h) (Suspension or Revocation of the Right to Practice Before Any Governmental Body), 5100(i) (Fiscal Dishonesty or Breach of Fiduciary Responsibility), 5100(j) (Knowing Preparation or Publication of False, Fraudulent or Materially Misleading Financial Statements), 5100(k)(Embezzlement, Theft, Misappropriation of Funds or Property), 5100(i) (Discipline, Penalty or Sanction by the Public Company Accounting Oversight Board or Securities and Exchange Commission), and 5100(m)

(Unlawfully Engaging in the Practice of Public Accountancy in Another State).

*Adding the words “Felony” or “Several Misdemeanor” to clarify that the minimum and maximum penalties apply when the convictions are “For Felony Convictions or Several Misdemeanor Convictions.”

*Adding the words “Single Misdemeanor” to the clarifying note under Section 5100(a), so that the sentence now reads: “IN THE CASE OF A SINGLE MISDEMEANOR VIOLATION, TAILOR PROBATION TO CIRCUMSTANCES; ADJUSTING THE REQUIRED CONDITIONS ACCORDINGLY AND CHOOSING APPROPRIATE WARRANTED CONDITIONS FROM THE ABOVE LIST.”

*California Accountancy Act, Article 9*

*Adding new “continuing education” and “regulatory review course” as new optional terms and conditions of probation for violating Sections 5154 (Directors, Shareholders, and Officers must be Licensed), 5155 (Disqualified Shareholder Non-Participation), 5156 (Unprofessional Conduct (Accountancy Corporation)), and 5158 (Practice of Public Accountancy; Management (Accountancy Corporation).

CBA Regulations (Title 16, California Code of Regulations)

* Adding new “continuing education” and “regulatory review course” as new optional terms and conditions of probation for violating Sections 5 (Observance of Rules), 50 (Client Notification), 51 (Firms with Non-licensee Owners), 51.1(Notification of Non-licensee Ownership), 52 (Response to Board Inquiry), 53 (Discrimination Prohibited), 54.1(Disclosure of Confidential Information Prohibited), 54.2(Recipients of Confidential Information), 56, 56.1, 57, 58, 59, 60, 62, 63, 65, 67, 68, 68.1, 68.2, 68.3, 68.4, 68.5, 69, 75.8, 75.9, 87, 87.5, 87.6, 89, 89.1, and 90.

*Adding new offenses and new minimum and maximum penalties for violations of Sections 32 (Board Approval Required), 33(a) (Changes to Information on Notification), 35 (Continuing Education Requirements), 40(a)-(c)(Enrollment and Participation in Peer Review), 41 (Firm Responsibilities), 43 (Extensions), 44 (Notification of Expulsion), 45 (Reporting to Board), 46(a)-(b) (Document Submission Requirements for Firms that Receive a Substandard Peer Review Rating, a “pass” or “pass with deficiencies” rating), 81(a)(Continuing Education Requirements for Renewing and Expired License), and 87.8 (Regulatory Review Course).
*Deleting the offense and penalties associated with 87.7(a) relating to “Continuing Education in the Accountancy Act, Board Rules and Other Rules of Professional Conduct.”

## VIOLATION OF PROBATION

The Board proposes to revise this section to state that the minimum penalty for violations of probation is a citation and fine. The prior minimum penalty of suspension

and/or extension of probation is deleted. The Board proposes to sentence that clarifies that California Code of Regulations Section 95 provides the authority for the Executive Officer to issue citations and fines from $100 to $5000 to a licensee for violation of a term or condition contained in a decision placing that licensee on probation. The Board also proposes to delete the current upper range for which a fine may be issued by the Executive Officer from $2500 to $5000.

## MODEL DISCIPLINARY ORDERS

The Board proposes to revise the current model disciplinary order language for a standard stay order to state: "However,_____(revocation/suspension)_____ is stayed and respondent is placed on probation for____years upon the following terms and conditions…"

## STANDARD CONDITIONS OF PROBATION

The Board proposes to amend the current "Violation of Probation" term to add language that specifies that the Board's Executive Officer may issue a citation pursuant to Section 95 of the CBA's regulations for a violation of a term or condition contained in the decision placing that licensee on probation.

## OPTIONAL CONDITIONS OF PROBATION

The Board proposes to delete the existing optional term relating to "Ethics Course/Examination" and replace it with a new term entitled "Ethics Continuing Education" that requires the respondent to complete four hours of continuing education in course subject matter pertaining to specified areas. Courses must be a minimum of one hour as described in CBA's regulations section 88.2. If respondent fails to complete said courses, respondent would be required to notify the Board and cease practice until respondent completes such courses. Failure to complete the courses no later than 100 days prior to the termination of probation would constitute a violation of probation.

The Board proposes to add a new "Regulatory Review Course" optional term and condition of probation that requires the respondent to complete a CBA-approved course on the provisions of the California Accountancy Act and regulations specific to the practice of public accountancy. If respondent fails to complete said courses, respondent would be required to notify the Board and cease practice until respondent completes such courses. Failure to complete the courses no later than 100 days prior to the termination of probation would constitute a violation of probation.

The Board proposes to add a new "Peer Review" optional term and condition of probation that requires the respondent, during the period of probation, to have all audit, review and compilation reports subject to peer review by a certified peer reviewer at respondent's expense. Upon completion of the review, respondent would be required to submit a copy of the report with the reviewer's conclusions and findings to the Board.

The Board also proposes to revise current "Continuing Education Courses" term to add the words "specified", "a designated time" and "shall/shall not be" to clarify that the respondent would be required to provide proper documentation of specified professional education courses within a designated time. Further, this revision would authorize the board to allow or not allow such courses to be counted toward mandatory continuing education requirements for relicensing.

Factual Basis/Rationale:

Existing law, California Government Code Section 11425.50(e), specifies that a penalty may not be based on a guideline, criterion, bulletin, manual, instruction, order, standard of general application or other rule unless it has been adopted as a regulation. Section 98 of Title 16 of the California Code of Regulations incorporates by reference the California Board of Accountancy's "A Manual of Disciplinary Guidelines and Model Disciplinary Orders". Section 5116 of the Business and Professions Code requires the Board to establish criteria for assessing administrative penalties. In addition, Section 5100 allows the Board the authority to discipline a license. In order to standardize this discipline, and meet the requirement set forth in Section 5116, the Board adopted its Manual of Disciplinary Guidelines and Model Disciplinary Orders. From time to time, this manual is updated and revised. The latest revisions constitute the 7th edition of the manual.

The Board regulates the practice of public accountancy and the protection of the public is the highest priority for the Board in exercising its licensing, regulatory, and disciplinary functions. The Board conducts its own inspections and investigations of licensees and applicants and determines when and how a licensee should be disciplined to protect the public. The Disciplinary Guidelines are necessary to assist the board, deputy attorney generals and administrative law judges to identify and impose appropriate disciplinary action against a licensee or applicant who violates the laws governing the practice of public accountancy.

The California Board of Accountancy's "A Manual of Disciplinary Guidelines and Model Disciplinary Orders" (7th edition, 2011) is referenced in these amendments. It would be cumbersome, unduly expensive and otherwise impractical to publish the documents in the California Code of Regulations. It is available on the Board's website and from the Board upon request.

Underlying Data

Technical, theoretical or empirical studies or reports relied upon (if any):

1. "A Manual of Disciplinary Guidelines and Model Disciplinary Orders" (7th edition, 2011);
2. Forms 11A-29 (5/11), 11A-29A (5/11), 11A-6A (5/11) and 11A-6 (5/11).

Business Impact

This regulation will not have a significant adverse economic impact on businesses. This initial determination is based on the following facts or evidence/documents/ testimony:

The Board does not believe that this regulatory proposal will have a significant adverse economic impact on businesses as it only affects individuals and those businesses that are disciplined for violations of the Accountancy Act. Businesses operated by licensees who are in compliance with the law will not incur any fiscal impact.

Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative to the regulation would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The Board considered not including a definition of supervision or incorporating the forms by reference, but this was rejected due to the need for additional clarity about the supervisory relationship. Incorporation of the forms by reference was also deemed necessary to standardize the information that is collected. The Board currently strongly encourages the use of the forms.

The Board considered pursuing legislation to establish the equivalency of certain Master's degrees, but it was determined that, since the authority already exists in the statutes, having it in regulation provided the Board with more flexibility.

The Board considered not updating its Disciplinary Guidelines, but this was deemed unacceptable as the previous version was approved six years ago and new laws made sections of the old guidelines obsolete and other needed sections would be missing.

## PROPOSED REGULATORY LANGUAGE

**~~Section 9. Educational Requirement for Applicants Who Will Be Applying for Licensure Pursuant to Business and Professions Code Section 5090(b).~~**

~~Each applicant must present satisfactory evidence that he or she meets the requirements set forth in Section 5081.1 of the Business and Professions Code. Satisfactory evidence as to educational qualifications shall take the form of certified transcripts of the applicant's college record mailed directly to the Board from the educational institution; however, in unusual circumstances the board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence usually takes the form of an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1. For purposes of Business and Professions Code Sections 5081.1. and 5084, one quarter unit is equivalent to 2/3 of one semester unit.~~
~~(a) To qualify under the provisions of Section 5081.1(a), an applicant shall have a baccalaureate degree with 45 semester units or the equivalent in quarter units including at least 10 semester units or the equivalent in quarter units of audit and accounting subjects. The remaining units may include additional accounting, auditing, or other business related subjects such as: economics, management, finance, business administration, marketing, computer science, law, business communications, mathematics, tax and statistics.~~
~~(b) To qualify under the provisions of Section 5081.1(b), an applicant shall complete 120 semester units or the equivalent in quarter units, including 45 semester units or the equivalent in quarter units of accounting and related subjects, as described in subsection (a).~~
~~(c) To qualify under the provisions of Section 5081.1(c):~~
~~(1) an applicant shall complete foreign education that is equivalent to the education required by subsection (b) or foreign and US education that, in combination, is equivalent to subsection (b); or~~
~~(2) an applicant shall pass a board approved preliminary written examination as specified by Section 5081.1(c) of the Business and Professions Code and complete 10 semester units or the equivalent in quarter units of audit and accounting subjects.~~
~~(d) This section shall become inoperative on January 1, 2010.~~

~~Note: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 5081, 5081.1, 5084 and 5090, Business and Professions Code.~~

**~~Section 11.5. Experience Requirements for Applicants Who Will Be Applying for Licensure Pursuant to Business and Professions Code Section 5090(b).~~**

~~Applicants may be required to appear before the Qualifications Committee and present work papers, or other evidence, substantiating that their experience meets the~~

~~requirements of Section 5083 of the Business and Professions Code.~~
~~(a) In order to meet the attest experience requirements as set forth in Section 5083, the applicant shall show to the satisfaction of the Board that his/her experience has included all the following:~~
~~(1) Experience in the planning of the audit including the selection of the procedures to be performed.~~
~~(2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.~~
~~(3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.~~
~~(4) Experience in the preparation of written explanations and comments on the work performed and its findings.~~
~~(5) Experience in the preparation of and reporting on full disclosure financial statements.~~
~~(b) The applicant, pursuant to Section 5087 of the Accountancy Act, may be considered to have met the experience requirement for licensure when the applicant can show to the satisfaction of the Board that (s)he has been engaged in the practice of public accounting as a licensed certified public accountant in another state for five of the ten years preceding the date of application for a California license.~~
~~(c) The applicant who is applying with public accounting experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of Rule 11.5(a) and generally accepted auditing standards. Alternatively, the applicant may acquire one year of United States experience which meets the requirements of Business and Professions Code Section 5083 and Rule 11.5(a).~~
~~(d) The applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include financial accounting standards, auditing standards, compilation and review, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.~~
~~(e) The experience required by Section 5083 may be obtained in full-time or part-time employment. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.~~
~~(f) This section shall become inoperative on January 1, 2010.~~

~~Note: Authority cited: Sections 5010, 5018, and 5083, Business and Professions Code. Reference: Section 5023, 5083 and 5090, Business and Professions Code.~~

**Section 11.5. Equivalency of Certain Master's Degrees.**
(a) After January 1, 2014, an applicant for licensure that can present satisfactory evidence of the conferral of a Master of Accounting, Master of Taxation, or Master of Laws in Taxation degree shall be deemed to have met the 20 semester units of accounting study required pursuant to Business and Professions Code Section 5094(b).
(b) Satisfactory evidence as to educational qualifications shall take the form of certified transcripts of the applicant's college record mailed directly to the Board from the educational institution; however, in unusual circumstances the Board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign

education, in addition to certified transcripts of the applicant's college record, satisfactory evidence usually takes the form of an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1.

Note: Authority cited: Sections 5010 and 5094.6, Business and Professions Code. Reference: Sections 5094 and 5094.6, Business and Professions Code.

**Section 12. General Experience Required Under Business and Professions Code Sections 5092 and 5093.**

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the ~~person supervising the experience is also an owner of the public accounting firm~~ owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required. ~~If the experience is obtained at a private business, no second signature is required if the person supervising the experience is also an owner of the private business.~~

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3) (A) All verifications shall be submitted to the Board on Form 11A-29 (5/11) for public accounting experience or Form 11A-29A (5/11) for private industry and governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (a)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (a)(3)(A).

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience

may be gained through employment in public ~~practice~~ accounting, private industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full time employment for an applicant qualifying under Section 5092 or at least one year of full time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying under Section 5092 or Section 5093 of the Business and Professions Code with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include general accounting standards, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.

NOTE: Authority cited: Sections 5010, 5092, and 5093, Business and Professions Code. Reference: Sections 5092 and 5093.

**Section 12.5. Attest Experience Under Business and Professions Code Section 5095.**

(a) To be authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095, an applicant for a California Certified Public Accountant license pursuant to Business and Professions Code Section 5087, 5092, or 5093 or holder of an unexpired California Certified Public Accountant license issued pursuant to Business and Professions Code Section 5087, 5092, or 5093 shall show to the satisfaction of the Board that he or she meets the requirements of this section and Business and Professions Code Section 5095.

(1)Some or all of the experience required by Section 5095 and this section may be completed prior to issuance of the California Certified Public Accountant license. Any experience that would be qualifying for purposes of Section 5095 and this section may also serve as qualifying experience for purposes of Section ~~5083,~~ 5092~~,~~ or 5093. To be qualifying for purposes of Section 5095 and this section, any experience obtained after issuance of the California Certified Public Accountant license must be obtained while the license is held in active status.

(2) A holder of an active California Certified Public Accountant license may commence signing reports on attest engagements upon receipt of notification from the Board that he or she has met the requirements of this section and Business and Professions Code Section 5095. A holder of an inactive California Certified Public Accountant license may apply under this section, but must convert the license to active status before commencing to sign reports on attest engagements.

(3) An applicant for the California Certified Public Accountant license who has met the requirements of this section and Business and Professions Code Section 5095 may commence signing reports on attest engagements upon license issuance.

(b) In order to meet the attest experience requirements of Section 5095 an applicant for or holder of a California Certified Public Accountant license shall show to the satisfaction of the Board that the applicant has completed a minimum of 500 hours of attest experience.

This experience shall include all of the following:
(1) Experience in the planning of the audit including the selection of the procedures to be performed.
(2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.
(3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.
(4) Experience in the preparation of written explanations and comments on the work performed and its findings.
(5) Experience in the preparation of and reporting on full disclosure financial statements.

(c) Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

~~(c)~~(d) In order to be qualifying, experience obtained pursuant to Section 5095 of the Business and Professions Code must be supervised by a person holding a valid license or comparable authority to provide attest services as specified in subdivision (b) of Business and Professions Code Section 5095. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the ~~supervisor~~ person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. ~~The verification shall be signed by both persons under penalty of perjury.~~ If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3) (A) All verifications shall be submitted to the Board on Form 11A-6A (5/11) for public accounting experience or on Form 11A-6 (5/11) for private industry or governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (d)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (d)(3)(A).

~~(d)~~ (e) In order to demonstrate the completion of qualifying experience, an applicant for or holder of a California Certified Public Accountant license may be required to appear before the Qualifications Committee to present work papers, or other evidence, substantiating that his or her experience meets the requirements of Section 5095 of the Business and Professions Code and of subsection (b) of this section.

~~(e)~~ (f) The applicant who is applying with attest experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of subsection (b) and generally accepted auditing standards. Alternatively, the applicant may acquire a minimum of 500 hours of United States experience which meets the requirements of Business and Professions Code Section 5095 and subsection (b).

~~(f)~~ (g) The applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include financial accounting standards, auditing standards, compilation and review and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.

~~(g)~~ (h) The experience required by Sections 5092, 5093, or 5095 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

NOTE: Authority cited: Sections 5010 and 5095, Business and Professions Code. Reference: Section 5023, 5092, 5093, and 5095, Business and Professions Code.

**Section 98. Disciplinary Guidelines.**

In reaching a decision on a disciplinary action under the Administrative Procedure Act (Government Code Section 11400 et seq.), the Board shall consider the disciplinary guidelines entitled "A Manual of Disciplinary Guidelines and Model Disciplinary Orders" (~~6th~~ 7th edition, ~~2005~~2011) which are hereby incorporated by reference. Deviation from these guidelines and orders, including the standard terms of probation, is appropriate

where the Board in its sole discretion determines that the facts of the particular case warrant such a deviation -for example: the presence of mitigating factors; the age of the case; evidentiary problems.

Note: Authority cited: Sections 5010, 5018 and 5116, Business and Professions Code; and Section 11400.20, Government Code. Reference: Sections 5018, 5100 and 5116-5116.6, Business and Professions Code; and Section 11425.50(e), Government Code.

# CERTIFICATE OF GENERAL EXPERIENCE (PRIVATE INDUSTRY OR GOVERNMENT)

**This form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA)**

PRINT OR TYPE

| FULL NAME OF APPLICANT: (No Initials) (First) (Middle) (Last) | SOCIAL SECURITY # (Last 4 only) XXX-XX-__ __ __ __ |
|---|---|

**PERIOD OF EMPLOYMENT**

**List the dates applicant was under your supervision and obtained qualifying general accounting experience, as defined below.**

| **FULL TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | **PART-TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | TOTAL PART-TIME HOURS |
|---|---|---|---|---|---|---|
| | / / | / / | | / / | / / | |

General accounting experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. To qualify, experience shall have been performed in accordance with applicable professional standards.

If an applicant is performing attest services as part of the general experience, it must be performed under the supervision of a licensee who has satisfied the attest experience requirement.

**An applicant who obtains licensure without satisfying the attest experience requirement (Section 12.5 of the CBA Regulations) cannot sign reports on attest engagements of any kind until the attest experience requirement is completed and authorization is given by the CBA.**

| BUSINESS NAME: | BUSINESS TELEPHONE: Area Code ( ) |
|---|---|
| ADDRESS: (Include City, State, and Zip Code) | |

Section 12 of the CBA Regulations requires that private industry or government accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the private industry company or government agency. If the owner of the private industry company is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

*I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant (1) has been supervised or employed by me or my business/agency for the period indicated herein, and (2) has completed general accounting experience.*

| | |
|---|---|
| SIGNATURE #1 (Supervisor) **(DO NOT USE BLACK INK)** | LICENSEE SU PERVISOR – (Must be a l icensee w ho s upervised applicant)<br>CERTIFICATE NO. _____<br>CPA ☐ PA ☐<br>U.S. STATE OF ISSUANCE _____<br>ARE YOU THE OWNER? YES ☐ NO ☐<br>**If you are not the owner, Signature #2 section must be completed.** |
| PRINTED NAME | |
| DATE | |
| SIGNATURE #2 **(DO NOT USE BLACK INK)** | **Must have a higher level of responsibility in the business/agency than signer #1.**<br>CERTIFICATE NO. (if applicable) _____<br>CPA ☐ PA ☐<br>U.S. STATE OF ISSUANCE _____ |
| PRINTED NAME | |
| TITLE | |
| DATE | |

# PERSONAL INFORMATION COLLECTION AND ACCESS

The information provided in this form will be used by the California Board of Accountancy (CBA), to determine qualifications for a Certified Public Account License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed a provided in Civil Code Section 1798.24.

Each individual has the right to review his or her file, except as otherwise provided by the 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 CBA is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 210, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

# CERTIFICATE OF GENERAL EXPERIENCE (PUBLIC ACCOUNTING)

**This form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA)**

PRINT OR TYPE

| FULL NAME OF APPLICANT: (No Initials) (First) (Middle) (Last) | SOCIAL SECURITY # (Last 4 only) XXX-XX-__ __ __ __ |
|---|---|

**PERIOD OF EMPLOYMENT**

**List the dates applicant was under your supervision and obtained qualifying general accounting experience, as defined below.**

| **FULL TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | **PART-TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | TOTAL-PART-TIME HOURS |
|---|---|---|---|---|---|---|
| | / / | / / | | / / | / / | |

General accounting experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. To qualify, experience shall have been performed in accordance with applicable professional standards.

If an applicant is performing attest services as part of the general experience, it must be performed under the supervision of a licensee who has satisfied the attest experience requirement.

**An applicant who obtains licensure without satisfying the attest experience requirement (Section 12.5 of the CBA Regulations) cannot sign reports on attest engagements of any kind until the attest experience requirement is completed and authorization is given by the CBA.**

| BUSINESS NAME: | BUSINESS TELEPHONE: Area Code ( ) |
|---|---|
| ADDRESS: (Include City, State, and Zip Code) | |

Section 12 of the CBA Regulations requires that public accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm. The second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm signing the verification is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

*I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant has(1) been supervised or employed by me or my firm for the period indicated herein, and (2) has completed general accounting experience.*

| | |
|---|---|
| SIGNATURE #1 (Supervisor) **(DO NOT USE BLACK INK)** | SOLE PROPRIETOR ☐<br>PARTNER ☐<br>SHAREHOLDER ☐ |
| PRINTED NAME | OTHER CPA **(Second signature required)** ☐ |
| DATE | CERTIFICATE NO. _____ CPA ☐ PA ☐<br>U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____ |
| SIGNATURE #2 **(DO NOT USE BLACK INK)** | SOLE PROPRIETOR ☐<br>PARTNER ☐<br>SHAREHOLDER ☐ |
| PRINTED NAME | CERTIFICATE NO. _____ CPA ☐ PA ☐ |
| DATE | U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____ |

# PERSONAL INFORMATION COLLECTION AND ACCESS

The information provided in this form will be used by the California Board of Accountancy (CBA), to determine qualifications for a Certified Public Account License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed a provided in Civil Code Section 1798.24.

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The Executive Officer of the CBA is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 210, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

# CERTIFICATE OF ATTEST EXPERIENCE (PRIVATE INDUSTRY OR GOVERNMENT)

**This Form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA) by the Employer**

PRINT OR TYPE

| FULL NAME OF APPLICANT: (No Initials) (First) (Middle) (Last) | SOCIAL SECURITY # (Last 4 only) XXX-XX-__ __ __ __ |
|---|---|

**PERIOD OF EMPLOYMENT**

**List the dates applicant was under your supervision and obtained qualifying experience, as defined below.**

| **FULL TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | **PART-TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | TOTAL PART-TIME HOURS |
|---|---|---|---|---|---|---|
| | / / | / / | | / / | / / | |

The experience required by Section 5095 of the California Accountancy Act (Accountancy Act) should be fulfilled primarily by financial statement audits and, secondarily, by other attest services (see Instructions, Section 2). Section 12.5 of the CBA Regulations establishes the attest experience requirement. **To be considered as qualifying, experience is that which enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements (see Instructions, Sections 1 and 2).**

Check either yes or no for each of the following items (A and B) to identify the experience of the applicant, while under your supervision, for purposes of qualifying the applicant for a CPA license.

| | | QUALIFYING EXPERIENCE | Yes | No |
|---|---|---|---|---|
| I. | A. | Does the applicant have experience in the planning of the audit, including the selection of the procedures to be performed? | | |
| | B. | In your opinion, did such experience demonstrate a satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession? | | |
| II. | A. | Does the applicant have experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements? | | |
| | B. | In your opinion, did the application of the above-described procedures demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession? | | |
| III. | A. | Does the applicant have experience in the preparation of working papers in connection with the various elements of I and II, above? | | |
| | B. | In your opinion, do the working papers demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession? | | |
| IV. | A. | Does the applicant have experience in the preparation of written explanations and comments on the work performed and its findings? | | |
| | B. | In your opinion, do the written explanations and comments demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession? | | |
| V. | A. | Does the applicant have experience in the preparation of and reporting on full disclosure financial statements? | | |
| | B. | In your opinion, did such participation demonstrate satisfactory knowledge of current professional standards? | | |

NUMBER OF HOURS

| VI. **SUMMARY OF ATTEST EXPERIENCE HOURS** (see Instructions, Section 3). | Audit | Other Attest | Review Services | Compilation |
|---|---|---|---|---|
| Experience in **Planning** the Audit or Other Attest Services (**I. above**) | | | | |
| Experience in **Applying a Variety of Audit Procedures and Techniques on the** Audit or Other Attest Services Procedures (**II. above**) | | | | |
| Experience in the **Preparation of Working Papers** on the Audit or Other Attest Services (**III. above**) | | | | |
| Experience in the **Preparation of Written Explanations** on the Audit or Other Attest Services (**IV. above**) | | | | |
| Experience in the **Preparation of Full Disclosure Financial Statements** (**V. above**) | | | | |
| Compilation Hours **Obtained Prior** to January 1, 2008 | | | | |
| Total | | | | |

VII. Is the applicant related to anyone in your firm? Yes ☐ No ☐ (If yes, explain relationship) _____

**NOTES TO EMPLOYER COMPLETING Certificate of Attest Experience (Private Industry or Government). See Instructions Sections 1, 2, and 3.**

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500** hours of qualifying attest experience.

Section 69 of CBA Regulations provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Private Industry or Government) and/or may inspect the documentation relating to the applicant's fulfillment of the experience requirement.

Section 12.5 of the California Code of Regulations requires that private industry or government accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the private industry company or government agency. If the owner of the private industry company signing the verification is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

*I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant (1) has been employed by me or my business/agency for the period indicated herein, and (2) in the course of such employment has obtained the experience indicated on this Certificate of Attest Experience (Private Industry or Government).*

| | |
|---|---|
| BUSINESS/AGENCY NAME | BUSINESS TELEPHONE: Area Code ( ) |
| ADDRESS (INCLUDING CITY, STATE AND ZIP CODE) | |

| | |
|---|---|
| SIGNATURE #1 (Supervisor) **(DO NOT USE BLACK INK)** | LICENSEE SUPERVISOR – **(Must be a licensee who supervised applicant)**<br>CERTIFICATE NO. _____<br>CPA ☐ PA ☐ |
| PRINTED NAME | U.S. STATE OF ISSUANCE _____<br>ARE YOU THE OWNER? YES ☐ NO ☐ |
| DATE | **If you are not the owner, Signature #2 section must be completed.** |
| SIGNATURE #2 **(DO NOT USE BLACK INK)** | **Must have a higher level of responsibility in the business/agency than signer #1.** |
| PRINTED NAME | CERTIFICATE NO. (if applicable) _____<br>CPA ☐ PA ☐ |
| TITLE | U.S. STATE OF ISSUANCE _____ |
| DATE | |

# PERSONAL INFORMATION COLLECTION AND ACCESS

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# CERTIFICATE OF ATTEST EXPERIENCE (PUBLIC ACCOUNTING)

**This Form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA) by the Employer**

PRINT OR TYPE

| FULL NAME OF APPLICANT: (No Initials) (First) (Middle) (Last) | SOCIAL SECURITY # (Last 4 only) XXX-XX-__ __ __ __ |
|---|---|

**PERIOD OF EMPLOYMENT**

**List the dates applicant was under your supervision and obtained qualifying experience, as defined below.**

| **FULL TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | **PART-TIME DATES** | FROM (MO/DAY/YR) | TO (MO/DAY/YR) | TOTAL PART-TIME HOURS |
|---|---|---|---|---|---|---|
| | / / | / / | | / / | / / | |

The experience required by Section 5095 of the California Accountancy Act (Accountancy Act) should be fulfilled primarily by financial statement audits and, secondarily, by other attest services (see Instructions, Section 2). Section 12.5 of the CBA Regulations establishes the attest experience requirement. **To be considered as qualifying, experience is that which enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements (see Instructions, Sections 1 and 2).**

Check either yes or no for each of the following items (A and B) to identify the experience of the applicant, while under your supervision, for purposes of qualifying the applicant for a CPA license.

| | | QUALIFYING EXPERIENCE | Yes | No |
|---|---|---|---|---|
| I. | A. | Does the applicant have experience in the planning of the audit, including the selection of the procedures to be performed? | | |
| | B. | In your opinion, did such experience demonstrate a satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession? | | |
| II. | A. | Does the applicant have experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements? | | |
| | B. | In your opinion, did the application of the above-described procedures demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession? | | |
| III. | A. | Does the applicant have experience in the preparation of working papers in connection with the various elements of I and II, above? | | |
| | B. | In your opinion, do the working papers demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession? | | |
| IV. | A. | Does the applicant have experience in the preparation of written explanations and comments on the work performed and its findings? | | |
| | B. | In your opinion, do the written explanations and comments demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession? | | |
| V. | A. | Does the applicant have experience in the preparation of and reporting on full disclosure financial statements? | | |
| | B. | In your opinion, did such participation demonstrate satisfactory knowledge of current professional standards? | | |

NUMBER OF HOURS

| **VI. SUMMARY OF ATTEST EXPERIENCE HOURS (see Instructions, Section 3).** | Audit | Other Attest | Review Services | Compilation |
|---|---|---|---|---|
| Experience in **Planning** the Audit or Other Attest Services (**I. above**) | | | | |
| Experience in **Applying a Variety of Audit Procedures and Techniques on the** Audit or Other Attest Services Procedures (**II. above**) | | | | |
| Experience in the **Preparation of Working Papers** on the Audit or Other Attest Services (**III. above**) | | | | |
| Experience in the **Preparation of Written Explanations** on the Audit or Other Attest Services (**IV. above**) | | | | |
| Experience in the **Preparation of Full Disclosure Financial Statements** (**V. above**) | | | | |
| Compilation Hours **Obtained Prior** to January 1, 2008 | | | | |
| Total | | | | |

VII. Is the applicant related to anyone in your firm? Yes ☐ No ☐ (If yes, explain relationship) _____

**NOTES TO EMPLOYER COMPLETING Certificate of Attest Experience (Public Accounting).**
**See Instructions Sections 1, 2, and 3.**

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500** hours of qualifying attest experience.

Section 69 of the CBA Regulations provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Public Accounting) and/or may inspect the documentation relating to the applicant's fulfillment of the experience requirement.

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| | |
|---|---|
| FIRM NAME | BUSINESS TELEPHONE: Area Code ( ) |
| ADDRESS: (INCLUDING City, State and Zip Code) | |

| | |
|---|---|
| SIGNATURE #1 (Supervisor) **(DO NOT USE BLACK INK)** | SOLE PROPRIETOR ☐<br>PARTNER ☐<br>SHAREHOLDER ☐ |
| PRINTED NAME | OTHER **(Second signature required)** ☐<br>CERTIFICATE NO. _____ CPA ☐ PA ☐ |
| DATE | U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____ |
| SIGNATURE #2 **(DO NOT USE BLACK INK)** | SOLE PROPRIETOR ☐<br>PARTNER ☐<br>SHAREHOLDER ☐ |
| PRINTED NAME | CERTIFICATE NO. _____ CPA ☐ PA ☐ |
| DATE | U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____ |

**OFFICE USE ONLY**

Date of last Section 69 Review _____

_____ APPROVED

_____ REAPPEARANCE

_____ NO RECORD

Verified by: _____

Date: _____

**OFFICE USE ONLY**

Date of last Section 69 Review _____

_____ APPROVED

_____ REAPPEARANCE

_____ NO RECORD

Verified by: _____

Date: _____

# PERSONAL INFORMATION COLLECTION AND ACCESS

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# A MANUAL OF DISCIPLINARY GUIDELINES AND MODEL DISCIPLINARY ORDERS

## ~~6th~~ 7th Edition ~~2005~~2011

CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: http://www.dca.ca.gov/cba

**Style Definition:** TOC 6: Tab stops: 1.56", Left + Not at 6.5"

**DISCIPLINARY GUIDELINES**
**AND**
**MODEL DISCIPLINARY ORDERS**

# I. INTRODUCTION

The California Board of Accountancy (~~the "Board"~~CBA) licenses the practice of accountancy in the State of California and may revoke, suspend, or refuse to renew any permit or certificate for violation of applicable statutes or regulations. The ~~Board~~ CBA examines applicants, sets education requirements, and may deny licensure and the authority to practice under practice privilege (California Business and Professions Code Section 5096 et seq.). The ~~Board~~ CBA may, by regulation, prescribe, amend, or repeal rules of professional conduct appropriate to the establishment and maintenance of a high standard of integrity and competency in the profession.

The ~~Board~~CBA, through its Enforcement Division, assisted by its statutorily established ~~Administrative Committee~~Enforcement Advisory Committee, receives and investigates complaints; initiates and conducts investigations or hearings, with or without the filing of a complaint; and obtains information and evidence relating to any matter involving the conduct of California Public Accountants and Certified Public Accountants as well as any alleged violation of the California Accountancy Act. The California Accountancy Act and the regulations of the California Board of Accountancy provide the basis for ~~Board~~ CBA disciplinary action. (See California Business and Professions Codes Sections 5000 et seq., and Title16 California Code of Regulations Sections 1 through 99.1.)

The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy in California, or the voluntary surrender of a license by a licensee shall not deprive the CBA of the authority to proceed with an investigation, action, or disciplinary proceeding against the licensee or to render a decision suspending or revoking the license. (See California Business and Professions Code Section 5109.)

These disciplinary guidelines, designed for the use of Administrative Law Judges, attorneys, ~~Board~~ CBA licensees, and others involved in the ~~Board's~~ CBA's disciplinary process, are revised from time to time. The guidelines cover model disciplinary orders, including factors to be considered in aggravation and mitigation; standard probationary terms; and guidelines for specific offenses. The guidelines for specific offenses are referenced to the statutory and regulatory provisions violated.

These disciplinary guidelines set forth recommended discipline for the violation of current statutes and regulations; includes a provision for community service; and provides additional guidance regarding disciplinary and model orders. This revised edition was adopted by the ~~Board~~ CBA on ~~January 21, 2005~~September 23, 2010.

The ~~Board~~ CBA recognizes that these recommended penalties and conditions of probation are merely guidelines and that mitigating or aggravating circumstances and other factors may necessitate deviations, as discussed herein.

## II. GENERAL CONSIDERATIONS

The ~~Board~~ CBA requests that **Proposed Decisions** following administrative hearings include the following:

a. Specific code sections violated with their definitions.

b. Clear description of the violation.

c. Respondent's explanation of the violation if he or she is present at the hearing.

d. Findings regarding aggravation, mitigation, and rehabilitation where appropriate (See factors set forth below/Section 99.1).

e. When suspension or probation is recommended, the ~~Board~~ CBA requests that the disciplinary order include terms within the recommended guidelines for that offense unless the reason for departure there from is clearly set forth in the findings and supported by the evidence.

   If the respondent fails to appear for the scheduled hearing, such action shall result in a **default decision** to revoke license.

   When the ~~Board~~CBA, at a **reinstatement hearing**, denies a petitioner's request for reinstatement, the ~~Board~~ CBA requests that the Administrative Law Judge provide technical assistance in formulating language clearly setting forth the reasons for denial. Such a **statement** should include, for example, a statement on rehabilitation, including suggestions for further approaches by petitioner to demonstrate rehabilitation, where appropriate.

f. **Reimbursement to the ~~Board~~ CBA for costs of investigation and prosecution as warranted by Business and Professions Code Section 5107.**

The ~~Board~~ CBA will consider **stipulated settlements** to promote cost effectiveness and to expedite disciplinary decisions if such agreements achieve its disciplinary objectives. Deputy Attorneys General should inquire as to respondent's interest in stipulated settlement promptly after receipt of a notice of defense. If stipulated settlement appears unlikely, the case should be set for hearing.

The ~~Board's~~ CBA's policy is that all disciplinary actions will be published.

It is also the ~~Board's~~ CBA's policy that matters resolved by stipulation include **cost recovery**.

The ~~Board's~~ CBA's 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 (California Business and Professions Code Section 5107). ~~For costs incurred prior to January 1, 2005, costs may be recovered only for specific violations, as specified in the statute prior to its amendment effective January 1, 2005.~~

~~For costs incurred January 1, 2005 and after, statute changes allow for cost recovery for **all** violations, regardless of when the violation(s) occurred.~~ This statute does not preclude the ~~Board~~ CBA from seeking recovery of costs through stipulations; thus, it does not change the ~~Board's~~ CBA's policy of requesting and recovering costs where appropriate in stipulated settlements. Restitution to victims and/or administrative penalties should not be reasons to reduce, eliminate, or stay full recovery of all reasonable costs of investigation and prosecution.

In stipulated decisions involving **revocation** (no revocation stayed), the order will generally include the requirement that respondent must reimburse the ~~Board~~ CBA for all reasonable costs of investigation and prosecution prior to or upon reinstatement of respondent's revoked certificate under Section 5115 of the California Business and Professions Code.

The period of **probation** is generally three years. During the probation period, licensees are required to appear in person at interviews/meetings as directed by the ~~Board~~ CBA or its designated representatives to report on probation compliance.

Where an actual **suspension** is imposed, the order shall include the requirement that respondent engage in no activities for which certification is required (see model disciplinary orders). In addition, the respondent shall relinquish the certificate in question to the ~~Board~~ CBA and shall notify clients regarding the suspended status of the certificate, if directed to do so by the ~~Board~~CBA.

## III. EVIDENCE IN AGGRAVATION OF PENALTY

The following are among aggravating circumstances to be considered by Administrative Law Judges in providing for penalties in proposed decisions:

1. Evidence that the violation was knowingly committed and/or was premeditated.

2. Licensee has a history of prior discipline, particularly where the prior discipline is for the same or similar type of conduct.

3. Licensee's actions resulted in financial damage to his or her clients or other consumers. The amount of loss may be an additional aggravating factor.

4. Violation of ~~Board~~ CBA probation.

5. Failure to comply with a final citation order.

6. Failure to comply with a notice to appear before the ~~Board~~ CBA or its designated representatives.

7. Failure to comply with continuing education requirements as ordered by the ~~Board~~ CBA or its designated representatives pursuant to Section 87.5.

8. Evidence that the licensee has not cooperated with the ~~Board's~~ CBA's investigation.

9. Misappropriation of entrusted funds or other breach of fiduciary responsibility.

10. Duration of violation(s).

11. Evidence that the licensee knew or should have known that his or her actions could harm his or her clients or other consumers.

12. Evidence that the licensee took advantage of his or her client for personal gain, especially if the licensee was able to take advantage due to the ignorance, age, or lack of sophistication of the client.

## IV. EVIDENCE IN MITIGATION OF PENALTY

The following are among mitigating circumstances that may be taken into account by Administrative Law Judges in providing for penalties in proposed decisions:

1. The licensee has cooperated with the California Board of Accountancy's investigation, other law enforcement or regulatory agencies, and/or the injured parties.

2. The passage of considerable time since an act of professional misconduct occurred with no evidence of recurrence or evidence of any other professional misconduct.

3. Convincing proof of rehabilitation, including the factors in Section 99.1 as well as other relevant considerations.

4. Demonstration of remorse by the licensee.

5. Recognition by licensee of his or her wrongdoing and demonstration of corrective action to prevent recurrence.

6. Violation was corrected without monetary losses to consumers and/or restitution was made in full.

7. If violation involved multiple licensees, the relative degree of culpability of the subject licensee should be considered.

## V. REHABILITATION CRITERIA

The ~~Board's~~ CBA's rehabilitation criteria, set forth in Section 99.1, are as follows:

When considering the denial of a certificate or permit under Section 480 of the Business and Professions Code, the suspension or revocation of a certificate or permit or restoration of a revoked certificate under Section 5115 of the California Business and Professions Code, the ~~Board~~CBA, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:

1. Nature and severity of the act(s) or offense(s);

2. Criminal record and evidence of any act(s) committed subsequent to the act(s) or offense(s) under consideration that could also be considered as grounds for denial, suspension, or revocation;

3. The time that has elapsed since commission of the act(s) or offense(s) referred to in subdivision (1) or (2);

4. The extent to which the applicant or respondent has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or respondent;

5. If applicable, evidence of expungement proceedings pursuant to Section 1203.4 of the Penal Code;

6. Evidence, if any, of rehabilitation submitted by the applicant or respondent.

## VI. ADMINISTRATIVE PENALTIES

California Business and Professions Code Section 5116 et seq. allow the ~~Board~~ CBA to order any licensee or applicant for licensure or examination to pay an administrative penalty as part of any disciplinary proceeding. In matters that go through the administrative hearing process, the ~~Board's~~ CBA's Executive Officer may request an Administrative Law Judge to impose an administrative penalty as part of any proposed decision.

The administrative penalty assessed shall be in addition to any other penalties or sanctions imposed on the licensee or other person, including but not limited to, license revocation, license suspension, denial of the application for licensure, or denial of admission to the licensing examination. When probation is ordered, an administrative penalty may be included as a condition of probation.

For any violation, with the exception of violation of subdivisions (a), (c), (i), (j), or (k) of Section 5100, any licensee may be assessed an administrative penalty of not more than $5,000 for the first violation and not more than $10,000 for each subsequent violation.

For violation of subdivisions (a), (c), (i), (j), or (k) of Section 5100, licensed firms may be assessed an administrative penalty of not more than $1,000,000 for the first violation and not more than $5,000,000 for any subsequent violation. The administrative penalty that may be assessed an individual licensee who violates these sections is limited to not more than $50,000 for the first violation and not more than $100,000 for any subsequent violation.

Administrative penalties may be assessed under one or more violations; however, the total administrative penalty shall not exceed the amount of the highest administrative penalty allowed.

The term “violation” used in Sections 5116.1, 5116.2, and 5116.3 is intended to include the total violations in the disciplinary proceeding. Accordingly, “first violation” refers to the respondent’s first disciplinary action and “subsequent violations” refers to any subsequent disciplinary actions.

Cost recovery ordered under California Business and Professions Code Section 5107 should not be a reason to reduce or eliminate the amount of administrative fines.

The following criteria should be considered in assessing administrative penalties.

1. Nature and extent of actual and potential consumer harm.
2. Nature and extent of actual and potential harm to clients.
3. Nature and severity of the violation.
4. The role of the person in the violation.

5. The person's attitude toward his or her commission of the violations.

6. Recognition of wrongdoing.

7. Person's history of violations.

8. Nature and extent of cooperation with the ~~Board's~~ CBA's investigation.

9. The person's ability to pay the administrative penalty.

10. The level of administrative penalty necessary to deter future violations.

11. Nature and extent to which the person has taken corrective action to ensure the violation will not recur.

12. Nature and extent of restitution to consumers harmed by violations.

13. The violations involve sanctions by other government agencies or other regulatory licensing bodies, i.e. Internal Revenue Service, Securities and Exchange Commission, and Public Company Accounting Oversight Board.

14. Other aggravating or mitigating factors.

# VII. DISCIPLINARY GUIDELINES

The offenses and penalties are listed chronologically by statute number in the Business and Professions Code and by regulation number in Title 16 of the California Code of Regulations. The number in brackets following each condition of probation refers to the model disciplinary order so numbered (See **Model Disciplinary Orders**). The probation terms listed under "if warranted" for each violation are to be considered, and imposed, if facts and circumstances warrant.

## CALIFORNIA ACCOUNTANCY ACT: BUSINESS AND PROFESSIONS CODE, DIVISION 3, CHAPTER 1

## ARTICLE 2

**Section 5037(a) OWNERSHIP OF ACCOUNTANTS' WORKPAPERS**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation stayed, [1,2,4] 3 years probation

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
~~5~~6. Continuing Education Courses ~~[23]~~[25]
~~6.~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 54.1)

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**Section 5037(b)(1)(2) RETURN OF CLIENT DOCUMENTS**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]

3. Restitution [16]
4. Restricted Practice [17]
5. Engagement Letters [18]
6. Ethics ~~Course/Exam~~Continuing Education [20]
7. Regulatory Review Course [21]
~~7~~8. Continuing Education Courses ~~[23]~~[25]
~~8~~9. Community Service – Free Services ~~[27]~~[29]
~~9~~10. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]
~~10~~11. Conditions as appropriate relating to physical or mental disability or condition [31-36]

(Reference Section 68)

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## ARTICLE 3

**Section 5050(a)** **PRACTICE WITHOUT PERMIT; TEMPORARY PRACTICE**

~~(Applies to respondent who practices for a time without renewing license and subsequently renews, or to respondent who continues to practice without a license.)~~

~~**After January 1, 2006**~~

Except as provided for in Section 5050(c), Section 5054, and Section 5096.12, ~~Applies~~ applies to respondent who practices for a time without ~~renewing~~ a valid license to practice ~~and subsequently renews,~~ or to respondent who ~~continues to practice~~ practices without ~~a license, or has not obtained~~ obtaining a practice privilege.

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Continuing Education Courses ~~[23]~~[25]

~~5~~6. Active License Status ~~[24]~~[26]
~~6~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5050(c) PRACTICE WITHOUT PERMIT; TEMPORARY PRACTICE; FOREIGN ACCOUNTANTS**

Applies to respondents licensed in a foreign country who are temporarily practicing in California and hold out as California licensees.

Minimum Penalty - Correction of Violation
Maximum Penalty - Revoke authorization to practice

**Section 5054 PREPARATION OF TAX RETURNS BY INDIVIDUALS AND FIRMS OUTSIDE THE STATE**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revoke authorization to practice

**Section 5055 TITLE OF CERTIFIED PUBLIC ACCOUNTANT/**
**Section 5056 TITLE OF PUBLIC ACCOUNTANT**

(Applies to respondent who assumes or uses the title certified public accountant, CPA, public accountant, or PA without having an appropriate permit to practice.)

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Continuing Education Courses ~~[23]~~[25]
~~5~~6. Active License Status ~~[24]~~[26]
~~6~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5058 USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]

3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Continuing Education Courses ~~[23]~~[25]
~~5~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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(Reference Section 2)

**Section 5058.1 TITLES IN CONJUNCTION WITH CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Continuing Education Courses ~~[23]~~[25]
~~5~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5058.2 INACTIVE DESIGNATION**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

## ARTICLE 3.5

**Section 5060 NAME OF FIRM**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Continuing Education Courses ~~[23]~~[25]
~~5~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5072)

**Section 5061 COMMISSIONS**

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Minimum Penalty - Continuing Education ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Engagement Letters [18]
6. Ethics ~~Course/Exam~~Continuing Education [20]
7. Regulatory Review Course [21]
~~7~~8. Continuing Education Courses ~~[23]~~[25]
~~8~~9. Community Service – Free Services ~~[27]~~[29]
~~9~~10. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5062 REPORT CONFORMING TO PROFESSIONAL STANDARDS**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]
3. Continuing Education Courses ~~[23]~~[25]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Engagement Letters [18]
6. Ethics ~~Course/Exam~~Continuing Education [20]
7. Regulatory Review Course [21]
~~7~~8. Peer Review [22]
9. CPA Exam ~~[21]~~[23]
~~8~~10. Samples - Audits, Review or Compilation ~~[25]~~[27]
~~9~~11. Community Service – Free Services ~~[27]~~[29]
~~10~~12. Notice to Clients ~~[29]~~[31]
~~11~~13. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5100(j))

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**Section 5062.2 RESTRICTIONS ON ACCEPTING EMPLOYMENT WITH AN AUDIT CLIENT**

Minimum Penalty - Revocation stayed, 30 day suspension, 3 years probation [1-4]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2~~3. Community Service – Free Services ~~[27]~~[29]
~~3~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5063 REPORTABLE EVENTS**

Minimum Penalty - Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]

2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
~~5~~6. Continuing Education Courses ~~[23]~~[25]
~~6~~7. Samples – Audit, Review or Compilation ~~[25]~~[27]
~~7~~8. Prohibition from Handling Funds ~~[26]~~[28]
~~8~~9. Community Service – Free Services ~~[27]~~[29]
~~9~~10. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]
~~10~~11. Conditions as appropriate relating to physical or mental disability or condition [31-36]

(Reference Sections 59, 60, 61)

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**Section 5063.3 CONFIDENTIAL INFORMATION DISCLOSURE**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation stayed; 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

Required:
1. 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3]
2. Supervised Practice [15]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Continuing Education Courses ~~[23]~~[25]
~~5~~6. Notice to Clients ~~[29]~~[31]
~~6~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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## ARTICLE 4

**Section 5070.7 FAILURE TO RENEW WITHIN FIVE YEARS**

Minimum Penalty - Certificate canceled immediately and returned to the Board
Maximum Penalty - CPA Exam ~~[21]~~[23]

**Section 5072(a) REQUIREMENTS FOR REGISTRATION AS A PARTNERSHIP**
Applies to licensee(s) in a partnership who practices for a time without partnership license (Section 5073) and subsequently renews, or to a partnership in practice without a license.

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation of partnership/individual licenses [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Continuing Education Courses ~~[23]~~[25]
~~5~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(See also section on **Unlicensed Activities.**)

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**Section 5073(d) PARTNERSHIP APPLICATIONS (ADMISSION OR WITHDRAWAL OF PARTNER)**

Minimum Penalty - Continuing Education Course ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2~~3. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5076(a) PEER REVIEW**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. Continuing Education Courses [25]
7. Sample – Audit, Review or Compilation [27]
8. Notification to Clients/Cessation of Practice [31]
9. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Sections 40, 41, 43)

**Section 5076(f) PEER REVIEW – DOCUMENT SUBMISSION REQUIREMENT**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]
CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. Peer Review [22]
7. Continuing Education Courses [25]
8. Sample – Audit, Review or Compilation [27]
9. Notification to Clients/Cessation of Practice [31]
10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 46)

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**Section 5078 OFFICES NOT UNDER PERSONAL MANAGEMENT OF CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT; SUPERVISION**

Minimum Penalty - Continuing education ~~[23]~~[25] and/or require CPA or PA to develop standards for supervision, and implement a practice plan; permit practice investigation within 3 months to insure compliance [10]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
~~5~~6. Continuing Education Courses ~~[23]~~[25]
~~6~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5079(a)(b)~~(c)~~(d) NONLICENSEE OWNERSHIP OF FIRMS**

Minimum Penalty - Continuing Education ~~[23]~~[25] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty - Revocation of partnership or corporate registration and individual licenses

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed, 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 51.1)

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## ARTICLE 5

**Section 5081(a) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION (ACTS DENYING ADMISSION TO EXAM)**

Minimum Penalty - Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of Section 5100 for applicable provisions
Maximum Penalty - Denial of admission to examination or revocation of license if issued

(Reference relevant section for discipline based upon nature of act.)

**Section 5081(b)(c) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION**

Minimum/Maximum Penalty - Denial of admission to examination, or revocation of license if issued.

**Section 5088 INTERIM PRACTICE RIGHTS: OUT OF STATE CPA**

Minimum/Maximum Penalty - If Board rejects application, cease practice immediately. If practice continues, see provisions on **Unlicensed Activities**.

**Section 5095(a) MINIMUM NUMBER OF ATTEST SERVICES HOURS; ATTEST EXPERIENCE**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4.~~5 .CPA Exam ~~[21]~~[23]
~~5.~~6.Continuing Education Courses ~~[23]~~[25]
~~6.~~7.Active License Status ~~[24]~~[26]
~~7.~~8.Notification to Clients/Cessation of Practice ~~[29]~~[31]
~~8.~~9.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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## ARTICLE 5.1 ~~(Effective January 1, 2006)~~

**Section 5096(e)(3) PRACTICE PRIVILEGE –**
**PRACTICE FROM OFFICE IN THIS STATE**

Minimum Penalty - Revocation stayed [1-2, 4]; 3 years probation
Maximum Penalty - Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION
Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5096(e)(5) PRACTICE PRIVILEGE – COOPERATE WITH BOARD INQUIRY**

Minimum Penalty - ~~Revocation stayed [1-2, 4]; 3 years probation~~Administrative Suspension pursuant to Section 5096.4; or Board approval required before commencing practice under future practice privilege
Maximum Penalty - Revoke Practice Privilege [1-2]

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CONDITIONS OF PROBATION
Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Administrative Penalty not to exceed maximum set forth in

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Section 5116 ~~[30]~~[32]

**Section 5096(g)(1) PRACTICE PRIVILEGE – DISQUALIFYING CONDITIONS**

Minimum Penalty - Revocation stayed [1-2, 4]; 3 years probation
Maximum Penalty - Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5096.5 PRACTICE PRIVILEGE – SIGN ATTEST REPORTS**

Minimum Penalty - Revocation stayed [1-2, 4]; 3 years probation
Maximum Penalty - Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5096.12(a) PRACTICE PRIVILEGE – LIMITED FIRM PRACTICE**
(Applies to an out-of-state firm practicing through a practice privilege holder.)

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Minimum Penalty - Revocation stayed [1-2, 4]; 3 years probation
Maximum Penalty - Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3]

2. Ethics ~~Course/Exam~~Continuing Education [20]
3. Regulatory Review Course [21]
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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**Section 5096.13 FIRM INFORMATION**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revoke authorization to practice

## ARTICLE 5.5

**Section 5097 AUDIT DOCUMENTATION**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Library Reference Material [19]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]

~~6.~~8. CPA Exam ~~[21]~~[23]
~~7.~~9. Continuing Education Courses ~~[23]~~[25]
~~8.~~10. Samples - Audits, Review or Compilation ~~[25]~~[27]
~~9.~~11. Community Service – Free Services ~~[27]~~[29]
~~10.~~12. Notice to Clients ~~[29]~~[31]
~~11.~~13. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Sections 68.2, 68.3, 68.4, 68.5)

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## ARTICLE 6

**Section 5100 DISCIPLINE IN GENERAL, (including but not limited to that set forth in Subsections (a) through (l) of this Section)**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Optional conditions which relate to underlying facts and circumstances; reference conditions listed in 5100 (a)-(j)
3. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

**Section 5100(a) CONVICTION OF ANY CRIME SUBSTANTIALLY RELATED TO THE QUALIFICATIONS, FUNCTIONS AND DUTIES OF A CPA/PA**

**FOR FELONY CONVICTIONS OR SEVERAL MISDEMEANOR CONVICTIONS:**

Minimum Penalty - Revocation stayed. Actual suspension from practice 120 days. Three years probation [1-4]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]

~~6.~~7. CPA Exam ~~[21]~~[23] or Enrolled Agents Exam ~~[22]~~[24]

~~7.~~8. Continuing Education Courses ~~[23]~~[25]

~~8.~~9. Samples - Audit, Compilation or Review ~~[25]~~[27]

~~9.~~10.Prohibition from Handling Funds ~~[26]~~[28]

~~10.~~11.Community Service – Free Services ~~[27]~~[29]

~~11.~~12.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

~~12.~~13.Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**IN THE CASE OF A SINGLE MISDEMEANOR VIOLATION, TAILOR PROBATION TO CIRCUMSTANCES; ADJUSTING THE REQUIRED CONDITIONS ACCORDINGLY AND CHOOSING APPROPRIATE WARRANTED CONDITIONS FROM THE ABOVE LIST.**

**Section 5100(b) FRAUD OR DECEIT IN OBTAINING LICENSE/PERMIT/REGISTRATION**

Minimum Penalty - Revocation stayed with 180 days actual suspension and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.
Maximum Penalty - Revocation or application denied. [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Continuing Education Courses ~~[23]~~[25]
~~3.~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5100(c) DISHONESTY, FRAUD, GROSS NEGLIGENCE, OR REPEATED ACTS OF NEGLIGENCE IN THE PRACTICE OF PUBLIC ACCOUNTANCY OR THE PERFORMANCE OF BOOKKEEPING**

Minimum Penalty - Revocation stayed [1-2, 4], 3 years probation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [5-14]

If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
6. Peer Review [22]
~~5.~~7. CPA Exam ~~[21]~~[23]
~~6.~~8. Continuing Education Courses ~~[23]~~[25]
~~7.~~9. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~8.~~10. Prohibition from Handling Funds ~~[26]~~[28]
~~9.~~11. Community Service – Free Services ~~[27]~~[29]
~~10.~~12. Notification to Clients ~~[29]~~[31]
~~11.~~13. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]
~~12.~~14. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**Section 5100(d) CANCELLATION, REVOCATION OR SUSPENSION BY ANY OTHER STATE OR FOREIGN COUNTRY**

Minimum Penalty - Revocation stayed [1,2, 4], probation 3 years
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [5-14]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]

~~6.~~7. CPA Exam ~~[21]~~[23] or Enrolled Agents Exam ~~[22]~~[24]
~~7.~~8. Continuing Education Courses ~~[23]~~[25]
~~8.~~9. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~9.~~10.Prohibition from Handling Funds ~~[26]~~[28]
~~10.~~11.Community Service – Free Services ~~[27]~~[29]
~~11.~~12. Notice to Clients ~~[29]~~[31]
~~12.~~13.Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**Section 5100(e) VIOLATION OF PROVISIONS OF SECTION 5097**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]
3. Continuing Education Courses ~~[23]~~[25]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]

~~3.~~Restricted Practice [17]
4. Library Reference Material [19]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]

~~6.~~8. CPA Exam ~~[21]~~[23]
~~7.~~9. Samples - Audits, Review or Compilation ~~[25]~~[27]
~~8.~~10. Community Service – Free Services ~~[27]~~[29]
~~9.~~11. Notice to Clients ~~[29]~~[31]
~~10.~~12. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5100(f) VIOLATIONS OF PROVISIONS OF SECTION 5120**

Section 5120 states "Any person who violates any of the provisions of Article 3 (commencing with Section 5050) is guilty of a misdemeanor, punishable by imprisonment for not more than six months, or by a fine of not more than one thousand dollars, or both." Whenever the Board has reason to believe that any person is liable for punishment under this article, the Board, or its designated representatives, may certify the facts to the appropriate enforcement officer of the city or county where the alleged violation had taken place and the officer may cause appropriate proceedings to be brought.

Violations of Article 3 include:

| | |
|---|---|
| 5050 and 5051 | PRACTICE WITHOUT PERMIT/" PUBLIC ACCOUNTANCY" DEFINED |
| 5055 and 5056 | TITLE OF CERTIFIED PUBLIC ACCOUNTANT/ PUBLIC ACCOUNTANT |
| 5058 | USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED |
| 5060 | NAME OF FIRM |
| 5061 | COMMISSIONS |
| 5062 | REPORT CONFORMING TO PROFESSIONAL STANDARDS |

Minimum/Maximum Penalty - See specific statute/regulation violated for recommended penalty

**Section 5100(g) WILLFUL VIOLATION OF THE ACCOUNTANCY ACT, OR A RULE OR REGULATION PROMULGATED BY THE BOARD**

Minimum/Maximum Penalty - See specific statute or regulation violated for recommended penalty

**Section 5100(h) SUSPENSION OR REVOCATION OF THE RIGHT TO PRACTICE BEFORE ANY GOVERNMENTAL BODY OR AGENCY**

Minimum Penalty - Revocation stayed [1-2, 4], 3 years probation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics ~~Course/Exam~~Continuing Education [20]

6. Regulatory Review Course [21]
~~6.~~7. CPA Exam ~~[21]~~[23] or Enrolled Agents Exam ~~[22]~~[24]
~~7.~~8. Continuing Education Courses ~~[23]~~[25]
~~8.~~9. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~9.~~10.Prohibition from Handling Funds ~~[26]~~[28]
~~10.~~11.Community Service – Free Services ~~[27]~~[29]
~~11.~~12. Notice to Clients ~~[29]~~[31]
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~~13.~~14.Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**Section 5100(i) FISCAL DISHONESTY OR BREACH OF FIDUCIARY RESPONSIBILITY OF ANY KIND**

Minimum Penalty - Revocation stayed, 30 day suspension, 3 years probation [1-4]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]

~~5.~~6. CPA Exam ~~[21]~~[23] or Enrolled Agents Exam ~~[22]~~[24]
~~6.~~7. Continuing Education Courses ~~[23]~~[25]
~~7.~~8. Prohibition from Handling Funds ~~[26]~~[28]
~~8.~~9. Community Service – Free Services ~~[27]~~[29]
~~9.~~10.Notice to Clients ~~[29]~~[31]
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**Section 5100(j) KNOWING PREPARATION, PUBLICATION OR DISSEMINATION OF FALSE, FRAUDULENT, OR MATERIALLY MISLEADING FINANCIAL STATEMENTS, REPORTS, OR INFORMATION**

Minimum Penalty - Revocation stayed, 60 days suspension, 3 years probation [1-4]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 to 5 years probation

2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
~~6.~~7. CPA Exam ~~[21]~~[23] or Enrolled Agents Exam ~~[22]~~[24]
~~7.~~8. Continuing Education Courses ~~[23]~~[25]
~~8.~~9. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~9.~~10. Community Service – Free Services ~~[27]~~[29]
~~10.~~11.Notice to Clients ~~[29]~~[31]
~~11.~~12.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]
~~12.~~13.Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**Section 5100(k) EMBEZZLEMENT, THEFT, MISAPPROPRIATION OF FUNDS OR PROPERTY, OR OBTAINING MONEY, PROPERTY OR OTHER VALUABLE CONSIDERATION BY FRAUDULENT MEANS OR FALSE PRETENSES**

Minimum Penalty - Revocation stayed, 90 day suspension, 3 years probation [1-4]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [5-14]

If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
~~5.~~6. CPA Exam ~~[21]~~[23] or Enrolled Agents Exam ~~[22]~~[24]
~~6~~7. Continuing Education Courses ~~[23]~~[25]
~~7~~8. Prohibition from Handling Funds ~~[26]~~[28]
~~8~~9. Notice to Clients ~~[29]~~[31]
~~9~~10. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]
~~10~~11.Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**Section 5100(l) DISCIPLINE, PENALTY, OR SANCTION BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD OR SECURITIES AND EXCHANGE COMMISSION**

Minimum Penalty - Revocation stayed [1-2, 4], 3 years probation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
~~6.~~7. CPA Exam ~~[21]~~[23] or Enrolled Agents Exam ~~[22]~~[24]
~~7.~~8. Continuing Education Courses ~~[23]~~[25]
~~8.~~9. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~9.~~10.Prohibition from Handling Funds ~~[26]~~[28]
~~10.~~11.Community Service – Free Services ~~[27]~~[29]
~~11.~~12. Notice to Clients ~~[29]~~[31]
~~12.~~13. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]
~~13.~~14.Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**Section 5100(m) UNLAWFULLY ENGAGING IN PRACTICE OF PUBLIC ACCOUNTANCY IN ANOTHER STATE**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4.~~5. Continuing Education Courses ~~[23]~~[25]
~~5.~~6. Active License Status ~~[24]~~[26]
~~6.~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5101 DISCIPLINE OF PARTNERSHIP**

Minimum Penalty - Probation; require CPA or PA partners to develop standards for supervision, and implement a practice plan; permit practice investigation within 3 months to ensure compliance [10]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

**Section 5104 RELINQUISHMENT OF CERTIFICATE OR PERMIT**

Minimum/Maximum Penalty - Revocation [1-2]

**Section 5105 DELINQUENCY IN PAYMENT OF RENEWAL FEE**

Minimum Penalty - Relinquish certificate ~~[28]~~[30] which will be reissued under Section 5070.6 guidelines (payment of renewal and delinquency fees and compliance with continuing education guidelines)
Maximum Penalty - Revocation [1-2]

**Section 5110(a) ACTS CONSTITUTING CAUSE FOR BOARD'S DENIAL OF EXAM APPLICATION OR ADMISSION, VOIDANCE OF GRADES, OR DENIAL OF LICENSE APPLICATION OR REGISTRATION**

Minimum/Maximum Penalty - Denial of admission to examination, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

## ARTICLE 7

**Sections 5120/5121 VIOLATIONS AS MISDEMEANOR/EVIDENCE OF VIOLATION**

See Section 5100(f) and section on **Unlicensed Activities**.

## ARTICLE 9

**Section 5152 CORPORATION REPORTS**

Minimum Penalty - Continuing Education for officers of corporation ~~[23]~~[25]
Maximum Penalty - Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

**Section 5152.1 ACCOUNTANCY CORPORATION RENEWAL OF PERMIT TO PRACTICE**

Minimum Penalty - Continuing Education for officers of corporation ~~[23]~~[25]
Maximum Penalty - Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

**Section 5154 DIRECTORS, SHAREHOLDERS, AND OFFICERS MUST BE LICENSED**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation of corporate registration [1-2] and discipline of individual licenses

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics ~~Course/Exam~~Continuing Education [20]
3. Regulatory Review Course [21]
~~3.~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5155 DISQUALIFIED SHAREHOLDER NONPARTICIPATION**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation of individual and corporate license [1-2]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics ~~Course/Exam~~Continuing Education [20]
3. Regulatory Review Course [21]
~~3.~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Section 5156 UNPROFESSIONAL CONDUCT (ACCOUNTANCY CORPORATION)**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25] for licensee directors, shareholders, and/or officers of corporation
Maximum Penalty - Revocation of individual and corporate licenses [1-2]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

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If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics ~~Course/Exam~~Continuing Education [20] for licensee directors, shareholders and/or officers
3. Regulatory Review Course [21] for licensee directors, shareholders and/or officers
~~3.~~4. Community Service – Free Services ~~[27]~~[29]
~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**Note:** An accountancy corporation is bound by the same regulations as individual respondents. See specific statute or regulation violated for recommended penalty.

**Section 5158 PRACTICE OF PUBLIC ACCOUNTANCY; MANAGEMENT (ACCOUNTANCY CORPORATION)**

Minimum Penalty - Continuing Education. Require CPA or PA to develop management plan; permit practice investigation within 3 months to ensure compliance with management requirement and plan [10,23]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

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If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]

~~6.~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

~~7.~~8. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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## CALIFORNIA BOARD OF ACCOUNTANCY
## REGULATIONS
## TITLE 16 CALIFORNIA CODE OF REGULATIONS

## ARTICLE 1: GENERAL

**SECTION 3 NOTIFICATION OF CHANGE OF ADDRESS**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - 90 day Suspension [3]

**SECTION 5 OBSERVANCE OF RULES**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [1-2, 4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
3. Continuing Education Courses ~~[23]~~[25]
~~3~~4. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~4~~5. Community Service – Free Services ~~[27]~~[29]
~~5~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

Note: Reference the specific regulation for appropriate discipline.

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## ARTICLE 2: EXAMINATIONS

**SECTION 8.2 REQUIREMENTS FOR ISSUANCE OF THE AUTHORIZATION TO TEST**

Minimum Penalty - Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of Section 5100 for applicable provisions

Maximum Penalty - Denial of admission to examination or revocation of license if issued; Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

## ARTICLE 4: PRACTICE PRIVILEGE

### Section 32 BOARD APPROVAL REQUIRED

Minimum Penalty - Revocation stayed [1-2, 4]; 3 years probation
Maximum Penalty - Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics Continuing Education [20]
3. Regulatory Review Course [21]
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5096(g))

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### SECTION 33(a) CHANGES TO INFORMATION ON NOTIFICATION

Minimum Penalty - Correction of Violation
Maximum Penalty - Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics Continuing Education [20]
3. Regulatory Review Course [21]
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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### SECTION 35 CONTINUING EDUCATION REQUIREMENTS

Minimum Penalty - Correction of Violation
Maximum Penalty - Revoke Practice Privilege [1-2]

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CONDITIONS OF PROBATION
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics Continuing Education [20]
3. Regulatory Review Course [21]
4. Continuing Education Courses [25]

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5. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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## ARTICLE 6: PEER REVIEW

### SECTION 40(a)(b)(c) ENROLLMENT AND PARTICIPATION

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. Peer Review [22]
7. Continuing Education Courses [25]
8. Sample – Audit, Review or Compilation [27]
9. Notification to Clients/Cessation of Practice [31]
10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5076(a))

### SECTION 41 FIRM RESPONSIBILITIES

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Continuing Education Courses [25]
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5076(a))

### SECTION 43 EXTENSIONS

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation stayed with actual suspension [1-4]
Required:
1. If revocation stayed [4], 3 years probation

2. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Continuing Education Courses [25]
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

**SECTION 44 NOTIFICATION OF EXPULSION**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. Continuing Education Courses [25]
7. Sample – Audit, Review or Compilation [27]
8. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
9. Conditions as appropriate relating to physical or mental disability or condition [31-36]

**SECTION 45 REPORTING TO BOARD**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted:
1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Continuing Education Courses [25]
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5076(a)

**SECTION 46(a) DOCUMENT SUBMISSION REQUIREMENTS**
Applies to firms that receive a substandard peer review rating.

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted:
1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Continuing Education Courses [25]
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5076(f))

**SECTION 46(b) DOCUMENT SUBMISSION REQUIREMENTS**

Applies to firms that receive a "pass" or "pass with deficiencies" peer review rating.

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted:
1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

## ARTICLE 9: RULES OF PROFESSIONAL CONDUCT

**SECTION 50 CLIENT NOTIFICATION**

Minimum Penalty – Correction of Violation
Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION
Required:
1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics ~~Course/Examination~~Continuing Education [20]
3. Regulatory Review Course [21]
~~3.~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 51 FIRMS WITH NONLICENSEE OWNERS**

Minimum Penalty – Correction of Violation
Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION
Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Examination~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

**SECTION 51.1 NOTIFICATION OF NON-LICENSEE OWNERSHIP**

Minimum Penalty - Continuing Education ~~[23]~~[25] for California licensee partners or for licensee shareholders of corporation
Maximum Penalty - Revocation of partnership or corporate registration and individual licenses

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed, 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics ~~Course/Exam~~Continuing Education [20]
3. Regulatory Review Course [21]
~~3.~~4. Administrative Penalty not to maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5079)

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**SECTION 52 RESPONSE TO BOARD INQUIRY**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Continuing Education Courses ~~[23]~~[25]
~~3.~~4. Community Service – Free Services ~~[27]~~[29]

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~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

**SECTION 53 DISCRIMINATION PROHIBITED**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Continuing Education Courses ~~[23]~~[25]
~~3.~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 54.1 DISCLOSURE OF CONFIDENTIAL INFORMATION PROHIBITED**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation stayed; 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:
Required: 1. 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3]
2. Supervised Practice [15]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4.~~5. Continuing Education Courses ~~[23]~~[25]
~~5.~~6. Notice to Clients ~~[29]~~[31]
~~6.~~7. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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(Reference Section 5037)

**SECTION 54.2 RECIPIENTS OF CONFIDENTIAL INFORMATION**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required: 1. If revocation stayed, [1-2, 4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted: 1. Supervised Practice [15]

2. Ethics ~~Course/Exam~~Continuing Education [20]
3. Regulatory Review Course [21]
~~3.~~4. Continuing Education Courses ~~[23]~~[25]
~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 56 COMMISSIONS – BASIC DISCLOSURE REQUIREMENT**

Minimum Penalty – Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty – Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
~~6.~~7. Continuing Education Courses ~~[23]~~[25]
~~7.~~8. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 56.1 COMMISSIONS – PROFESSIONAL SERVICES PROVIDED TO CLIENT**

Minimum Penalty – Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty – Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
~~6.~~7. Continuing Education Courses ~~[23]~~[25]
~~7.~~8. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 57 INCOMPATIBLE OCCUPATIONS AND CONFLICT OF INTEREST**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]

~~6.~~7. Continuing Education Courses ~~[23]~~[25]
~~7.~~8. Prohibition from Handling Funds ~~[26]~~[28]
~~8.~~9. Community Service – Free Services ~~[27]~~[29]
~~9.~~10. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 58 COMPLIANCE WITH STANDARDS**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]

~~6.~~8. CPA Exam ~~[21]~~[23]
~~7.~~9. Continuing Education Courses ~~[23]~~[25]
~~8.~~10. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~9.~~11. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 59 REPORTING OF RESTATEMENTS**

Minimum Penalty - Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]

~~5.~~6. Continuing Education Courses ~~[23]~~[25]

~~6.~~7.Community Service – Free Services ~~[27]~~[29]

~~7.~~8. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5063)

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**SECTION 60 REPORTING OF INVESTIGATIONS BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD**

Minimum Penalty - Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]

~~5.~~6. Continuing Education Courses ~~[23]~~[25]

~~6.~~7. Community Service – Free Services ~~[27]~~[29]

~~7.~~8. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5063)

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**SECTION 61 THE REPORTING OF SETTLEMENTS, ARBITRATION AWARDS, AND JUDGMENTS**

Minimum Penalty - Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
~~6.~~7. Continuing Education Courses ~~[23]~~[25]
~~7.~~8. Community Service – Free Services ~~[27]~~[29]
~~8.~~9. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5063)

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**SECTION 62 CONTINGENT FEES**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Engagement Letters [18]
6. Ethics ~~Course/Exam~~Continuing Education [20]
7. Regulatory Review Course [21]
~~7.~~8. Continuing Education Courses ~~[23]~~[25]
~~8.~~9. Community Service – Free Services ~~[27]~~[29]
~~9.~~10.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 63 ADVERTISING**

Minimum Penalty - Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted:
1. Suspension [3] with/without stay [4]
2. Ethics ~~Course/Exam~~Continuing Education [20]
3. Regulatory Review Course [21]
~~3.~~4.Community Service – Free Services ~~[27]~~[29]

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~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 65 INDEPENDENCE**

Minimum Penalty - Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], probation of 3 to 5 years
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Engagement Letters [18]
6. Ethics ~~Course/Exam~~Continuing Education [20]
7. Regulatory Review Course [21]
8. Peer Review [22]
~~7~~9. CPA Exam ~~[21]~~[23]
~~8~~10. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~9~~11. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 67 APPROVAL OF USE OF FICTITIOUS NAME**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Community Service – Free Services ~~[27]~~[29]
~~3.~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 68 RETENTION OF CLIENT'S RECORDS**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation

2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Engagement Letters [18]
6. Ethics ~~Course/Exam~~Continuing Education [20]
7. Regulatory Review Course [21]

~~7.~~8.Continuing Education Courses ~~[23]~~[25]

~~8.~~9. Community Service – Free Services ~~[27]~~[29]

~~9.~~10.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

~~10.~~11.Conditions as appropriate relating to physical or mental disability or condition [31-36]

(Reference Section 5037)

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**SECTION 68.1 WORKING PAPERS DEFINED; RETENTION**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restitution [16]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]

~~6.~~7.Continuing Education Courses ~~[23]~~[25]

~~7.~~8. Community Service – Free Services ~~[27]~~[29]

~~8.~~9. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

~~9.~~10.Conditions as appropriate relating to physical or mental disability or condition [31-36]

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**SECTION 68.2 COMPONENTS OF AUDIT DOCUMENTATION**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation

2. Standard Conditions of Probation [5-14]
3. Continuing Education Courses ~~[23]~~[25]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
6. Peer Review [22]
~~5.~~7. CPA Exam ~~[21]~~[23]
~~6.~~8. Samples - Audits, Review or Compilation ~~[25]~~[27]
~~7.~~9. Community Service – Free Services ~~[27]~~[29]
~~8.~~10 Notice to Clients ~~[29]~~[31]
~~9.~~11.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5097)

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**SECTION 68.3 RETENTION PERIOD FOR AUDIT DOCUMENTATION**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]
3. Continuing Education Courses ~~[23]~~[25]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Library Reference Material [19]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]
~~6.~~8.CPA Exam ~~[21]~~[23]
~~7.~~9. Samples - Audits, Review or Compilation ~~[25]~~[27]
~~8.~~10 Community Service – Free Services ~~[27]~~[29]
~~9.~~11.Notice to Clients ~~[29]~~[31]
~~10.~~12. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5097)

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**SECTION 68.4 CHANGES IN AUDIT DOCUMENTATION AFTER ISSUANCE OF REPORT**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]
3. Continuing Education Courses ~~[23]~~[25]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Library Reference Material [19]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]
8. CPA Exam ~~[21]~~[23]
7. Samples - Audits, Review or Compilation ~~[25]~~[27]
8. Community Service – Free Services ~~[27]~~[29]
9. Notice to Clients ~~[29]~~[31]
10. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5097)

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**SECTION 68.5 AUDIT DOCUMENTATION RETENTION AND DESTRUCTION POLICY**

Minimum Penalty - Continuing Education Courses ~~[23]~~[25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]
3. Continuing Education Courses ~~[23]~~[25]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Library Reference Material [19]
5. Ethics ~~Course/Exam~~Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]

~~6.~~8. CPA Exam ~~[21]~~[23]
~~7.~~9. Samples - Audits, Review or Compilation ~~[25]~~[27]
~~8.~~10.Community Service – Free Services ~~[27]~~[29]
~~9.~~11Notice to Clients ~~[29]~~[31]
~~10.~~12.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

(Reference Section 5097)

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**SECTION 69 CERTIFICATION OF APPLICANT'S EXPERIENCE**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1-2,4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]

~~4.~~5. Community Service – Free Services ~~[27]~~[29]
~~5.~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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## ARTICLE 11: ACCOUNTANCY CORPORATION RULES

**SECTION 75.8 SECURITY FOR CLAIMS AGAINST AN ACCOUNTANCY CORPORATION**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [5-14]

If warranted:
1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]

~~5.~~6. Continuing Education Courses ~~[23]~~[25]
~~6.~~7. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~7.~~8. Prohibition from Handling Funds ~~[26]~~[28]
~~8.~~9. Community Service – Free Services ~~[27]~~[29]
~~9.~~10.Notification to Clients ~~[29]~~[31]
~~10.~~11.Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 75.9 SHARES: OWNERSHIP AND TRANSFER**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 75.11(b) CERTIFICATION OF REGISTRATION; CONTINUING VALIDITY; NOTIFICATION OF NAME AND ADDRESS CHANGES**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics ~~Course/Exam~~Continuing Education [20]
4. Regulatory Review Course [21]
~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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## ARTICLE 12: CONTINUING EDUCATION RULES

**SECTION 81(a) CONTINUING EDUCATION REQUIREMENTS FOR RENEWING AN EXPIRED LICENSE**

Minimum Penalty – Correction of Violation and/or Continuing Education Courses [25]
Maximum Penalty – Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. Continuing Education Courses [25]

7. Samples – Audit, Review or Compilation [27]
8. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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**SECTION 87 BASIC REQUIREMENTS (Continuing Education)**

Minimum Penalty – Correction of Violation and/or Continuing Education Courses ~~[23]~~[25]
Maximum Penalty – Revocation [1-2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
~~5.~~6. Continuing Education Courses ~~[23]~~[25]
~~6.~~7. Samples – Audit, Review or Compilation ~~[25]~~[27]
~~7.~~8. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 87.5 ADDITIONAL CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [5-14]

If warranted:
1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Continuing Education Courses ~~[23]~~[25]
~~3.~~4. Active License Status ~~[24]~~[26]
~~4.~~5. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~5.~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 87.6 RECORDS REVIEW CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Continuing Education Courses ~~[23]~~[25]
~~3.~~4. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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~~**SECTION 87.7(a) CONTINUING EDUCATION IN THE ACCOUNTANCY ACT, BOARD RULES, AND OTHER RULES OF PROFESSIONAL CONDUCT**~~

~~Minimum Penalty - Correction of Violation~~
~~Maximum Penalty - Revocation stayed, 3 years probation [1 –2, 4]~~

~~CONDITIONS OF PROBATION~~
~~Required: 1. Standard Conditions of Probation [5-14]~~
~~2. Ethics Course/Exam [20]~~

~~If warranted: 1. Continuing Education Courses [23]~~
~~2. Administrative Penalty not to exceed maximum set forth in Section 5116 [30]~~

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**SECTION 87.8 REGULATORY REVIEW COURSE**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Ethics Continuing Education [20]
2. Continuing Education Courses [25]
3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

**SECTION 89 CONTROL AND REPORTING**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:
Required: 1. If revocation stayed [1-2, 4], 3 years probation
2. Standard Conditions of Probation [5-14]

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If warranted: 1. Ethics ~~Course/Exam~~Continuing Education [20]

2. Regulatory Review Course [21]
~~2.~~3. Continuing Education Courses ~~[23]~~[25]
~~3.~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 89.1 REPORTS**

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Ethics ~~Course/Exam~~Continuing Education [20]
2. Regulatory Review Course [21]
~~2.~~3. Continuing Education Courses ~~[23]~~[25]
~~3.~~4. Samples - Audit, Review or Compilation ~~[25]~~[27]
~~4.~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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**SECTION 90 EXCEPTIONS AND EXTENSIONS**

Minimum Penalty – Continuing Education ~~[23]~~[25]
Maximum Penalty – Revocation [1-2]

CONDITIONS OF PROBATION
Required: 1. If revocation stayed [4] 3 years probation
2. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics ~~Course/Exam~~Continuing Education [20]
5. Regulatory Review Course [21]
~~5.~~6. Continuing Education Courses ~~[23]~~[25]
~~6.~~7. Samples – Audit, Review or Compilation ~~[25]~~[27]
~~7.~~8. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

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## ARTICLE 12.5: CITATIONS AND FINES

**SECTION 95.4 FAILURE TO COMPLY WITH CITATION**

Minimum Penalty - Compliance with Citation Abatement Order and/or Fine as issued

Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:

Required:

1. Standard Conditions of Probation [5-14]
2. Restitution [16]
3. Compliance with Citation Abatement Order and/or Fine

If warranted:

1. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[30]~~[32]

## VIOLATION OF PROBATION

Minimum penalty - ~~Suspension and/or extension of probation [3]~~ Citation and Fine (13)
Maximum penalty - Vacate stay order and impose penalty that was previously stayed; and/or revoke, separately and severally, for violation of probation and/or for any additional offenses. [1-4]

California Code of Regulations Section 95 provides the authority for the Executive Officer to issue citations and fines from $100 to $5000 to a licensee for violation of a term or condition contained in a decision placing that licensee on probation.

The maximum penalty is appropriate for repeated **similar** offenses, or for probation violations indicating a cavalier or recalcitrant attitude. If the probation violation is due in part to the commission of additional offense(s), additional penalties shall be imposed according to the nature of the offense; and the probation violation shall be considered as an aggravating factor in imposing a penalty for those offenses.

## UNLICENSED ACTIVITIES

If any unlicensed individual or firm violates, or is suspected of violating, any of the following Business and Professions Code sections, the matter may be referred to the Division of Investigation and if the allegation is confirmed, to the District Attorney or other appropriate law enforcement officer for prosecution.

| | |
|---|---|
| **Section 5050** | **Section 5058** |
| **Section 5051** | **Section 5071** |
| **Section 5055** | **Section 5072** |
| **Section 5056** | **Section 5088** |

**Board Section 95.6 also provides the authority for the Executive Officer to issue citations and fines from $100 to ~~$2500~~$5000 and an order of abatement against any person defined in Business and Professions Code Section 5035 who is acting in the capacity of a licensee under the jurisdiction of the ~~Board~~CBA.**

**Section 5120** provides that any person who violates any provisions of Article 3 is guilty of a misdemeanor and can be imprisoned for not more than 6 months or assessed a fine of not more than $1,000 or both. Injunctions may be requested (see Section 5122 immediately following).

# INJUNCTIONS

Section 5122 provides that "Whenever in the judgment of the Board (or with its approval, in the judgment of the ~~Administrative Committee~~Enforcement Advisory Committee), any person has engaged, or is about to engage, in any acts or practices which constitute, or will constitute, an offense against this chapter, the Board may make application to the appropriate court for an

order enjoining the acts or practices, and upon showing by the Board that the person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or such other order that may be appropriate shall be granted by the court."  This section applies to licensees and unlicensed persons.

# VIII. MODEL DISCIPLINARY ORDERS

1. **Revocation** - Single Cause:

   _____License No._____issued
   (Ex: Certified Public Accountant) (Ex: 00000)

   to respondent_____is revoked.
   (Name)

2. **Revocation - Multiple Causes:**

   _____License No._____issued to respondent_____is revoked pursuant to Determination(s) of Issues_____separately and for all of them.

3. **Suspension:**

   _____License No._____issued to respondent_____is suspended for . During the period of suspension the respondent shall engage in no activities for which certification as a Certified Public Accountant or Public Accountant is required as described in Business and Professions Code, Division 3, Chapter 1, Section 5051.

4. **Standard Stay Order:**

   However,_____(revocation/suspension)_____ is stayed and respondent is placed on probation for____years upon the following terms and conditions:

## STANDARD CONDITIONS OF PROBATION
## (TO BE INCLUDED IN ALL CASES OF PROBATION)

5. **Obey All Laws**
   Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

6. **Cost Reimbursement**
   Respondent shall reimburse the Board $_____for its investigation and prosecution costs. The payment shall be made within __ days/months of the date the Board's decision is final.

   Option: The payment shall be made as follows: _____[specify either prior to the resumption of practice or in quarterly payments (due with quarterly written reports), the final payment being due one year before probation is scheduled to terminate].

7. **Submit Written Reports**
   Respondent shall submit, within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.

8. **Personal Appearances**
   Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the Board or its designated representatives, provided such notification is accomplished in a timely manner.

9. **Comply With Probation**
   Respondent shall fully comply with the terms and conditions of the probation imposed by the Board and shall cooperate fully with representatives of the California Board of Accountancy in its monitoring and investigation of the respondent's compliance with probation terms and conditions.

10. **Practice Investigation**
    Respondent shall be subject to, and shall permit, a practice investigation of the respondent's professional practice. Such a practice investigation shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.

11. **Comply With Citations**
    Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

12. **Tolling of Probation for Out-of-State Residence/Practice**
    In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods

of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the Board.

13. **Violation of Probation**
If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

The CBA's Executive Officer may issue a citation under California Code of Regulations, Section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

14. **Completion of Probation**
Upon successful completion of probation, respondent's license will be fully restored.

## OPTIONAL CONDITIONS OF PROBATION
## (To Be Included In Cases Where Appropriate)

15. **Supervised Practice**
Within thirty days of the effective date of this decision, respondent shall submit to the Board or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the Board or its designee. Respondent shall pay all costs for such monitoring.

16. **Restitution**
Respondent shall make restitution to _____ in the amount of $_____ and shall provide the Board with a written release from _____ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

17. **Restricted Practice**
Respondent shall be prohibited from _____(performing certain types of engagements such as audits, reviews, compilations, or attestation engagements, etc.), and/or from practice in_____ (certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.).

18. **Engagement Letters**
Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the Board or its designee upon request.

19. **Library Reference Materials**
Respondent shall have immediate access to, shall use, and shall maintain published materials and/or checklists that are consistent with the practice. Such materials and checklists shall be produced on-site for review by the Board or its designee upon reasonable notice.

20. **Ethics ~~Course/Examination~~Continuing Education**
Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations (within a given period of time or prior to resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations Section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation.

~~Respondent shall take and pass with a score of 90 percent or better a Board approved ethics examination (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

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~~If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said exam, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.~~

~~Notwithstanding any other provision of this probation, failure to take and pass this examination within five years of the effective date of this order constitutes a separate cause for discipline of respondent's license.~~

**21. Regulatory Review Course**

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Respondent shall complete a CBA-approved course on the provisions of the California Accountancy Act and the California Board of Accountancy Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations (within a given period of time or prior to resumption of practice). The course also will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. The course shall be (a minimum of two hours) hours.

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation.

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**22. Peer Review**

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During the period of probation, all audit, review, and compilation reports and work papers shall be subject to peer review by a certified peer reviewer at respondent's expense. The review shall evaluate the respondent's and his/her firm's system of quality control, including its organizational structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements. The specific engagements to be reviewed shall be at the discretion of the peer reviewer.

Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the Board.

**~~21~~23.CPA Exam**

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Respondent shall take and pass the (section) of the CPA examination (within a given period of time - e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc. or prior to the resumption of practice).

(Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said exam, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

~~22~~24.**Enrolled Agents Exam**

Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

~~23~~25.**Continuing Education Courses**

Respondent shall complete and provide proper documentation of (specified) professional education courses within (a designated time). This (shall be/shall not be) in addition to continuing education requirements for relicensing.

OR

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Respondent shall complete professional education courses as specified by the Board or its designee at the time of respondent's first probation appearance. The professional education courses shall be completed within a period of time designated and specified in writing by the Board or its designee, which time frame shall be incorporated as a condition of this probation. This (shall be/shall not be) in addition to continuing education requirements for relicensing.

Failure to satisfactorily complete the required courses as scheduled or failure to complete same no later than 100 days prior to the termination of probation shall constitute a violation of probation.

~~24~~26.**Active License Status**

Respondent shall at all times maintain an active license status with the Board, including during any period of suspension. If the license is expired at the time the Board's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

~~25~~27.**Samples - Audit, Review or Compilation**

During the period of probation, if the respondent undertakes an audit, review or compilation engagement, the respondent shall submit to the Board as an attachment to the required quarterly report a listing of the same. The Board or its designee may select

one or more from each category and the resulting report and financial statement and all related working papers must be submitted to the Board or its designee upon request.

~~26~~28.**Prohibition from Handling Funds**
During the period of probation the respondent shall engage in no activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation, or other business entity.

~~27~~29.**Community Service - Free Services**
Respondent shall participate in a community service program as directed by the Board or its designee in which respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum of ____ hours. Such services to begin no later than __ days after respondent is notified of the program and to be completed no later than _____. Respondent shall submit proof of compliance with this requirement to the Board. Respondent is entirely responsible for his or her performance in the program and the Board assumes neither express nor implied responsibility for respondent's performance nor for the product or services rendered.

~~28~~30.**Relinquish Certificate**
Respondent shall relinquish and shall forward or deliver the certificate or permit to practice to the Board office within 10 days of the effective date of this decision and order.

~~29~~31.**Notification to Clients/Cessation of Practice**
In orders that provide for a cessation or suspension of practice, respondent shall comply with procedures provided by the California Board of Accountancy or its designee regarding notification to, and management of, clients.

~~30~~32.**Administrative Penalty**
Respondent shall pay to the Board an administrative penalty in the amount of $_____ for violation of Section(s) _____ of the California Accountancy Act. The payment shall be made within __days/months of the date the Board's decision is final.

~~31~~33.**Medical Treatment**
Respondent shall undergo and continue treatment by a licensed physician of respondent's choice and approved by the Board or its designee until the treating physician certifies in writing in a report to the Board or its designee that treatment is no longer necessary. Respondent shall have the treating physician submit reports to the Board at intervals determined by the Board or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the Board of its determination that respondent is physically fit to practice.

~~32~~34.**Psychotherapist**
Respondent shall undergo and continue treatment by a licensed psychotherapist of respondent's choice and approved by the Board or its designee until the treating psychotherapist certifies in writing in a report to the Board or its designee that treatment is

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

**CBA Agenda Item VII.B.**
**July 21, 2010**

To : CBA Members

Date : June 13, 2011

Telephone : (916) 561-1792
Facsimile : (916) 263-3678
E-mail : mstanley@cba.ca.gov

From : Matthew Stanley
Legislation & Regulation Analyst

Subject : Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Sections 9, 11.5, 12, 12.5, and 98 – Supervision, Master's Degree, and Disciplinary Guidelines

At the conclusion of the hearing under **CBA Agenda Item VII.A.**, the California Board of Accountancy (CBA) must act to formally adopt the proposed regulations outlined in the subject of this memorandum.

The CBA may decide to make changes to the proposed regulations based on any received comments, or it may proceed with adopting the proposal without modification.

As a matter of clarification, and to create a uniform proposal, staff is recommending the CBA strike CCR Section 11.5 – Master's Degree from this regulatory proposal. The provision to allow a Master's Degree in lieu of the 20 units of Accounting Study was included in the proposed regulatory language presented under **CBA Agenda Item IV.C.**, and therefore is duplicative. Striking this language would be considered a substantive change, and would necessitate sending out the modified text for an additional 15-day notice period.

***If no changes are to be made after the public comment period and hearing closes:***
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

***If substantive changes are to be made after the public comment period and hearing closes***:
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.

# CALIFORNIA BOARD OF ACCOUNTANCY
# LICENSING DIVISION REPORT
# APRIL 2011 – JUNE 2011

Board Agenda Item VIII.
July 21, 2011

| EXAMINATION | April | May | June |
|---|---|---|---|
| **CPA Examination Applications Received** | | | |
| First-time Sitter | 567 | 665 | 842 |
| Repeat Sitter | 1845 | 967 | 1984 |
| **Processing Time Frames** | | | |
| First-time Sitter | 24 | 16 | 18 |
| Repeat Sitter | 10 | 8 | 8 |
| **Appeals** | | | |
| Management-Level Appeals | 30 | 33 | 41 |
| Board-Level Appeals | 0 | 0 | 0 |
| **INITIAL LICENSING** | **April** | **May** | **June** |
| **CPA Licensure Applications Received** | | | |
| CPA | 342 | 292 | 333 |
| Partnership | 5 | 7 | 12 |
| Corporation | 11 | 18 | 20 |
| Fictitious Name Permit (Registration) | 7 | 6 | 11 |
| **Processing Time Frames** | | | |
| CPA | 9 | 14 | 15 |
| Partnership | 9 | 15 | 11 |
| Corporation | 9 | 15 | 11 |
| Fictitious Name Permit (Registration) | 9 | 15 | 11 |
| **Applicants Licensed Under** | | | |
| Pathway 0 | 2 | 0 | 1 |
| Pathway 1A | 25 | 33 | 35 |
| Pathway 1G | 46 | 41 | 58 |
| Pathway 2A | 55 | 80 | 70 |
| Pathway 2G | 96 | 133 | 131 |

# CALIFORNIA BOARD OF ACCOUNTANCY
# LICENSING DIVISION REPORT
# APRIL 2011 – JUNE 2011

| RENEWAL AND CONTINUING COMPETENCY | April | May | June |
|---|---|---|---|
| **Licenses Renewed** | | | |
| CPA | 2,601 | 3,232 | 2,719 |
| PA | 1 | 3 | 3 |
| Partnership | 93 | 73 | 85 |
| Corporation | 164 | 181 | 309 |
| **CE Worksheet Review** | | | |
| CPA/PA Applications Reviewed | 3,749 | 3,863 | 1,859 |
| Deficient Applications Identified | 324 | 328 | 68 |
| Compliance Responses Received *(Including Requests for Inactive Status)* | 188 | 57 | 3 |
| Enforcement Referrals | 0 | 0 | 0 |
| Outstanding Deficiencies *(Including Abandonment)* | 136 | 271 | 65 |
| **PRACTICE PRIVILEGE** | **April** | **May** | **June** |
| **Notifications Received** | | | |
| Hardcopy | 24 | 41 | 41 |
| Electronic | 139 | 118 | 100 |
| **Disqualifying Conditions Received** | | | |
| Approved | 2 | 2 | 2 |
| Denied | 0 | 0 | 0 |
| Pending | 0 | 0 | 0 |
| **Practice Privilege Suspension Orders** | | | |
| Notice of Intent to Suspend | 5 | 0 | 0 |
| Administrative Suspension Order | 0 | 0 | 0 |

# CALIFORNIA BOARD OF ACCOUNTANCY
# LICENSING DIVISION REPORT
# APRIL 2011 – JUNE 2011

## DIVISION AND UNIT ACTIVITIES

### Examination Unit

- The CBA received 8,003 scores during the month of June for the April/May testing window.
- The Examination Unit continues to have two vacant positions, one full-time Office Technician, and one Retired Annuitant.

### Initial Licensing Unit

- The Initial Licensing Unit has three full-time Office Technician positions vacant.
- Jennifer Johnson, an OT in the Initial Licensing Unit, was promoted effective June 1, 2011 to a recently vacated Staff Services Analyst position in the Initial Licensing Unit.

### Renewal and Continuing Competency Unit

- The License Renewal/Continuing Competency Unit continues to have three vacancies, one full-time OT, one permanent intermittent OT, and one OT Retired Annuitant.
- Staff approved another regulatory review course bringing the total number of Board-approved courses to 16. Staff is actively working with an additional five course providers to amend their course materials to be in compliance with the course content requirements, with an additional three courses pending initial review.

## COMMITTEE NEWS

- The Accounting Education Committee (AEC) and Ethics Curriculum Committee (ECC) held a joint meeting on Tuesday, June 7, 2011. The meeting was well attended both with physical attendance and webcast viewers. Both committees received valuable input from concerned stakeholders and made amendments to each proposal based, in part, on that input.
- Given the fact that the QC only had one agenda item (peer training) and with the direction from the Governor's office to reduce travel whenever possible the August 2011 QC meeting has been canceled. The next QC meeting will be held in Sacramento on October 19, 2011. Applicant appearances, originally scheduled for that day will be conducted in the office of a QC member on August 17, 2011.

**State of California**
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# M e m o r a n d u m

**CBA Agenda Item VII.B.**
**July 21, 2010**

To : CBA Members

Date : June 13, 2011

Telephone : (916) 561-1792
Facsimile : (916) 263-3678
E-mail : mstanley@cba.ca.gov

From : Matthew Stanley
Legislation & Regulation Analyst

Subject : Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Sections 9, 11.5, 12, 12.5, and 98 – Supervision, Master's Degree, and Disciplinary Guidelines

At the conclusion of the hearing under **CBA Agenda Item VII.A.**, the California Board of Accountancy (CBA) must act to formally adopt the proposed regulations outlined in the subject of this memorandum.

The CBA may decide to make changes to the proposed regulations based on any received comments, or it may proceed with adopting the proposal without modification.

As a matter of clarification, and to create a uniform proposal, staff is recommending the CBA strike CCR Section 11.5 – Master's Degree from this regulatory proposal. The provision to allow a Master's Degree in lieu of the 20 units of Accounting Study was included in the proposed regulatory language presented under **CBA Agenda Item IV.C.**, and therefore is duplicative. Striking this language would be considered a substantive change, and would necessitate sending out the modified text for an additional 15-day notice period.

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# CALIFORNIA BOARD OF ACCOUNTANCY
# LICENSING DIVISION REPORT
# APRIL 2011 – JUNE 2011

Board Agenda Item VIII.
July 21, 2011

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# CALIFORNIA BOARD OF ACCOUNTANCY
# LICENSING DIVISION REPORT
# APRIL 2011 – JUNE 2011

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|---|---|---|---|
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| Denied | 0 | 0 | 0 |
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| **Practice Privilege Suspension Orders** | | | |
| Notice of Intent to Suspend | 5 | 0 | 0 |
| Administrative Suspension Order | 0 | 0 | 0 |

# CALIFORNIA BOARD OF ACCOUNTANCY
# LICENSING DIVISION REPORT
# APRIL 2011 – JUNE 2011

## DIVISION AND UNIT ACTIVITIES

### Examination Unit

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**State of California**
Department of Consumer Affairs

M e m o r a n d u m

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

CBA Agenda Item.VIII.B.
July 21, 2011

To : CBA Members

Date : July 7, 2011

Telephone : (916) 561-1740
Facsimile : (916) 263-3676
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : Further Discussion and Action on International Delivery of the Uniform CPA Examination

Beginning in August 2011, candidates who qualify through a participating state board of accountancy will be allowed to schedule their Uniform CPA Examination (CPA Exam) at select international locations, which is being referred to as iExam. Initially, the CPA Exam will be offered at selected Prometric testing centers in Bahrain, Kuwait, Japan, Lebanon, and the United Arab Emirates. To date, 40 of the 54 jurisdictions are participating in the iExam Program. Of the remaining jurisdictions, three have currently opted out of participating in the iExam Program – Delaware, Maine and New Jersey.

The California Board of Accountancy (CBA) deliberated on iExam at the May 2011 CBA meeting. At that meeting, members requested that staff contact the Texas State Board of Public Accountancy and New York State Board for Public Accountancy to inquire of their deliberations related to participating in the iExam Program. Specifically, staff summarized CBA member concerns and sought insight into whether their members shared the same concerns, and if so, how those concerns were resolved.

Provided below are the CBA member concerns staff communicated and the responses from the two state boards:

**CBA Concern – Security of the CPA Exam**
**Concerns were raised regarding whether international testing sites would utilize similar security measures as those for domestic locations, including the level of scrutiny in ensuring proper identification of examinees, etc. Security and integrity is of the utmost importance to the CBA. Failure to ensure the security of the examination could have an impact on consumer protection – both within and outside of the State of California.**

*New York Response*
*As past Chair of NASBA's CBT Administration Committee and current co-Chair of NASBA's CPA Examination and Administration Committee, I have participated in several meetings and conferences calls during which the iExam was*

*discussed. It is my understanding, based on those discussions, that international Prometric sites utilize the same security measures as domestic Prometric sites. It is also my understanding that NASBA and AICPA staff have visited Prometric exam sites in Japan and the Middle East to verify that Prometric security protocols are being followed in accordance with the iExam contract. I also recently learned that NASBA's Exam Review Board (ERB), a committee established to review, evaluate and report to the state boards of accountancy on the appropriateness of the policies and procedures used in the preparation, grading and administration of the Uniform CPA Examination, will be visiting the international exam sites as independent auditors to verify compliance with the security measures.*

*Texas Response*
*We are not concerned that international locations pose any greater threat to exam security than domestic sites. We do appreciate that the challenges to the exam security may be different but those challenges are being met by the three-party exam team. The international Prometric sites utilize the exact same security measures as those of domestic sites. NASBA and AICPA staff have visited the exam sites in Japan and the Middle East to verify the security protocols are being followed as per the contract. The Exam Review Board will also be visiting the international sites as auditors to verify the compliance to the contract.*

**CBA Concern – Acceptance of Out-of-State Scores**
**The CBA has concerns regarding the acceptance of scores from out-of-states candidates who took the CPA Exam internationally, given the questionable level of assurance that the CPA Exam is secure.**

*New York Response*
*This concern is valid only if one concludes that the security measures deployed at international exam sites is lower than the security deployed at domestic exam sites, however, this is not the case. For several years, AICPA and NASBA staff have considered and assessed the security risks associated with administering the Uniform CPA Examination in foreign countries. The launch of the international administration of the exam is limited to only those countries that have been deemed to present a secure environment to administer the exam. It is my understanding that the AICPA and NASBA will be implementing additional protocols to review testing behavior and demographic data to maintain a secure and reliable testing environment.*

*Texas Response*
*Given the terms under which iXam candidates are qualified to sit for the exam, we do not anticipate any issues in regards to score transfers. The scores of international candidates will be given significant additional scrutiny and review by the AICPA. The testing window for international delivery is one month (vs. two months) to give the psychometric team an additional month to review international testing behavior. Additionally, NASBA is collecting enhanced*

*demographic data on international candidates to ascertain migration patterns, education and exam prep courses used, and ultimate activity such as licensure. Any score or testing activity that is abnormal will be held until considered safe and reliable. Out of state candidates who take the CPA Examination internationally will arguable have the most reliable scores and evaluated processes.*

**CBA Concern – NASBA's Candidate Informed Consent**

**After a preliminary review of NASBA's Candidate Informed Consent, there are conflicts with California law, potential issues with the CBA/NASBA contract for administration of the CPA Exam, requirements for licensure that may exceed California's statutory authority and other issues that will need further legal review.**

*New York Response*

*NASBA's Candidate Informed Consent does not appear to violate New York State Education Law or the Regulations of the Commissioner of Education as they apply to the administration of the Uniform CPA Examination.*

*Texas Response*

*The issue concerning the Candidate Informed Consent is a non-issue for the TSBPA. The exam scores belong to the states and the states are free to maintain those scores as they see fit. The maintenance of a list of successful iXam candidates by NASBA in no way undermines a state's authority to license a candidate whenever that individual applies and has proof of having met state requirements for licensure. All candidates, including international candidates, continue to have the same examination rights and privileges. The ability to sit internationally is a special privilege that requires extra scrutiny as implied by your above questions. If a candidate does not want to provide the extra demographic information or agree to the preconditions, they are still able to sit for the examination in a domestic center. This is not unprecedented. Domestic candidates have, for the past 5 years, been able to provide additional information and pay an additional fee to sit in Guam. Encouraging licensure within 3 years is preferable to allowing candidates to assume that merely passing the iXam completes the process.*

Provided for members review are the CBA agenda items that were deliberated at the March and May 2011 CBA meetings (**Attachments 1 and 2**). Attachments 1 and 2 provide background related to iExam and information that was gathered by staff in response to prior member deliberations.

Depending upon the outcome of member deliberations as to whether California is going to participate in the iExam Program, staff will work with Legal Counsel to research how to resolve the issues with the language in NASBA's Candidate Informed Consent that appear to be in conflict with California law.

I will be available at the meeting to answer any questions you may have.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

CBA Agenda Item V.C.
March 24–25, 2011

To : CBA Members

Date : March 17, 2011

Telephone : (916) 561-1754
Facsimile : (916) 263-3676
E-mail : lwalker@cba.ca.gov

From : Liza Walker, Manager
Examination Unit

Subject : International Delivery of the Uniform CPA Examination

The California Board of Accountancy (CBA) has considered the international delivery of the Uniform CPA Examination (iExam) over the past eighteen months, most recently at the January 2011 CBA meeting. Over this time staff, the National Association of State Boards of Accountancy (NASBA) and American Institute of Certified Public Accountants (AICPA) have provided various materials for members' consideration.

On October 17, 2010, NASBA, in conjunction with the AICPA and Prometric, issued a press release announcing that the Uniform CPA Examination (CPA Exam) "will be offered outside the 55 U.S. jurisdictions for the first time in its history in 2011…The international exam will be the same as the one offered in the U.S., using the same computerized format and administered in English. As in the U.S., the purpose of taking the examination will be to qualify for licensure as a CPA through U.S. state boards of accountancy."

Provided below is information to assist members in their deliberations to determine whether the CBA wishes to participate in iExam.

## Background

At the July 24, 2009 CBA meeting, Ken L. Bishop, Senior Vice President of NASBA, and Craig N. Mills, Vice President of the AICPA, chronicled the evolution of the idea of iExam and presented their implementation model (**Attachment 1**).

Currently, the CPA Exam is administered only at Prometric testing centers in the United States, District of Columbia, Guam, Puerto Rico, and the Virgin Islands. California candidates are allowed to take the CPA exam at any of these Prometric testing centers. Further, California has one of the largest populations of international candidates. International candidates are required to travel to one of the above-listed locations in order to sit for the CPA Exam.

NASBA began researching the possibility of allowing candidates in international locations to sit for the CPA exam in their home countries approximately five years ago, at the request of several state boards of accountancy. At that time, a committee comprised of volunteers from NASBA, AICPA and Prometric was created to determine feasibility. The initial rationale for allowing international candidates to sit in their home country was merely a matter of convenience for the candidate. At that time, the risks associated with delivering the exam internationally outweighed the need for providing convenience.

In the past five years, the global economy has changed dramatically. Many organizations have a nexus to international locations which require CPAs to be stationed on the ground worldwide to accommodate those business relationships. What was considered a matter of convenience five years ago has developed into a necessity and, therefore, changed the impetus for moving forward with the proposal for the international delivery of the CPA Exam.

**NASBA/AICPA's Plan**

The committee of NASBA, AICPA and Prometric designed an implementation plan to benefit domestic candidates and increase the influence of the U.S. CPA designation throughout the world.

Key elements of the plan are:

- Eligibility is based on state requirements.
- Candidates still apply through state boards.
- Candidates sign NASBA's "informed consent," including a commitment to obtain licensure and adhere to certain security policies, prior to being approved to sit for the exam.
- Outreach to employers concerning the advantages of licensure.
- NASBA will maintain a centralized database, possibly with a link to the Accountancy Licensee Database, of all international licensees and their license status.
- Candidates commit to a code of ethics, a system of discipline, CPE and lifelong learning at the time that they pay the additional fee to NASBA to take the CPA Exam at an international location.
- Candidates agree that all information, including license status and disciplinary actions, can be provided to NASBA and AICPA.
- Scores are "archived" or made inactive by NASBA if the candidate who sits internationally does not achieve or maintain a U.S. CPA license.
- Uniform passing letter for all participating states.
- States authorize NASBA and AICPA to cancel scores of questionable validity.
- Candidate agrees to jurisdiction of state and/or binding arbitration of disputes.

Provided below are issues and concerns discussed by CBA members related to iExam. Some issues have previously been deliberated, but are included for

reference purposes to consider during member deliberations on whether to participate in the iExam program.

**Security of the CPA Exam Administered Internationally**

At the request of former CBA Member Robert Petersen at the July 2010 meeting, staff contacted Mr. Bishop to obtain a status update on the iExam project. Following two e-mail communications, a letter was sent to Mr. Bishop requesting clarification on several topics related to iExam and requesting a representative from NASBA to provide an update and answer any further questions members may have regarding the project (**Attachment 2**). Mr. Bishop accepted the invitation to attend the September 2010 CBA meeting and provided an update on iExam and responded to questions included in Attachment 2.

In response to staff's query regarding the specific security measures in place to protect the exam, Mr. Bishop explained that security is of the up-most importance and that several measures have been taken to ensure the security of the CPA Exam. He pointed out that the pilot foreign countries selected for administration of the iExam rated high in the international standards used to measure the safety and testing environments. He added that reviewing scoring trends and pass rates, in addition to continual monitoring of blogs, will take place to detect any indications of cheating.

Mr. Bishop explained that the CPA Exam is an aggressive modified adaptive exam. This means that a candidate who is trying to harvest questions and who is not actually prepared to take the CPA Exam will never see the high value questions due to being unsuccessful at the lower level questions. In addition, security measures such as shorter testing windows, doubling the number of available test questions, and segregating questions used on domestic versus international exams will be utilized.

A March 2011 International Testing FAQs document states that the countries were chosen based on the following criteria:

1. Volume demand as demonstrated by candidates from those countries taking the CPA Exam in the United States;
2. Ability to deliver the CPA Exam without legal obligations;
3. Security threat to the CPA Exam (both physical security at test center and intellectual property security of Exam content) assessed at levels equivalent to those presented domestically; and
4. Existence of established Prometric test centers. It should be noted that Prometric offers examination services in over 160 countries at 7,500 locations.

Enforcement

The CBA has previously expressed concerns about enforcement activities in foreign countries. Both the Accountancy Act and California Business and Professional Code currently contain several sections of law that gives the CBA the authority to

deny an application to take the licensing examination, deny admission to current and future licensing examinations, void examination grades, and deny an application for a license for the following acts:

1. If an individual made a false, fraudulent, or materially misleading statement or a material omission in any application for a license, examination, or registration.
2. Cheated or subverted or attempted to subvert any licensing examination.
3. Aided, abetted, or conspired with any other person to violate paragraph (1) or (2).
4. Any act that if committed by an applicant for licensure would be grounds for denial of a license or registration under Section 480 or if committed by a licensee or a registrant would be grounds for discipline under Section 5100.
5. Any act committed outside of this state that would be a violation of this article if committed within this state.

NASBA clarified that licensing international candidates would not give them practice privileges in their home countries. However, it would allow U.S. companies that have engagements in foreign countries that are incidental to U.S. engagements to utilize U.S. CPAs on the ground in those countries. In these instances, the state where that CPA is licensed would have jurisdiction over that engagement.

In addition, NASBA believes that the likelihood of increased enforcement would be minimal. The majority of international licensees would not be signing audits, but rather working in business and industry. Therefore, the majority of enforcement would be compliance with licensure requirements.

Presently there are California licensed CPAs living outside of the state and country. If a complaint is filed against a licensee the same process and procedures would be utilized in taking enforcement action against that licensee regardless of where they took the CPA Exam.

**NASBA Licensure Commitment Requirement**

Candidates electing to take the CPA Exam in an international location will be required to seek licensure within three years of passing the exam. Otherwise, scores obtained on the CPA Exam will be archived and not available to the candidate. When discussing CBA participation in the iExam program, the items below should be taken into consideration as possible licensure impediments to candidates taking the CPA Exam internationally.

U.S. Social Security Number Requirement

Pursuant to Section 30(a) of the California Business and Professions Code, “Notwithstanding any other provision of law, any board, as defined in Section 22, and the State Bar and the Department of Real Estate shall at the time of issuance of the license require that the licensee provide its federal employer identification number, if the licensee is a partnership, or his or her social security number for all others.”

Although an applicant may take the CPA Exam without having a U.S. Social Security Number, this provision of law prohibits California from issuing a license to an individual who does not possess a U.S. Social Security Number. According to the Social Security Administration, to apply for a Social Security number to work in the United States, an applicant must show current immigration documents with work authorization. Therefore, the CBA would be prohibited from issuing a license to an individual who is unable to provide a U.S. Social Security Number.

Verification of Experience

A provision within the CBA Regulations requires that all applicants with foreign attest work experience appear at a Qualifications Committee (QC) Meeting. Typically QC meetings are held four times a year in California. It is presumed that most international candidates would be subject to this requirement. Regardless of whether the CBA agrees to participate in the iExam program, international applicants for licensure would still be required to have their foreign attest workpapers reviewed by the QC.

**Benefits of iExam**

The CBA questioned how having California licensed CPAs in foreign countries would benefit the consumers of California. NASBA responded that in some countries there is no designation or certificate to demonstrate competency in areas such as preparing financial reports. The only way for these individuals to demonstrate they have mastered these skills is to pass the CPA Exam. This benefits Californians by increasing the quality of financial statements and reports used by California business and industry, but prepared in foreign countries.

Other possible benefits of iExam include:

- Potential reduction in cost of the domestic exam program.
- Improvement to AICPA and NASBA infrastructure.
- Increased public protection of the CPA designation.
- Growth of the influence of the U.S. CPA designation internationally.
- Licensure allows candidates to access the U.S. profession as a community and a resource.
- Allowing foreign students who completed their studies in the U.S. to return to their home country to take the CPA Exam and become a U.S. CPA licensee.

It is expected that the state-based licensure process will drive increased licensure rates, resulting in reduced exam fees for domestic candidates. Further, it is in the interest of the U.S. CPA and the American public for the U.S. CPA designation to be one of the most influential in the world. The public will benefit from more candidates becoming licensed and committing to lifelong learning and a system of discipline. Further, it is anticipated that fewer candidates who pass the exam will hold themselves out as a CPA without a license.

**Next Steps of the iExam Program by NASBA/AICPA**

iExam will initially be offered in Japan, Bahrain, Kuwait, Lebanon and the United Arab Emirates. NASBA will begin registration for the iExam beginning in May 2011, with the first administration of iExam in August 2011. NASBA hopes to make available to candidates a list of participating state boards in April 2011.

Initially iExam will be offered during a one month testing window. After the initial administration in August 2011, future testing months during which the exam will be administered internationally will be November 2011 and February and May 2012.

Candidates who sit for the CPA Exam internationally will be required to pay a surcharge of between $150 to $200 dollars, in addition to the state board's application fee and NASBA's test section fees. The purpose of the administrative fee is to ensure international administration of the CPA Exam will not impact or increase fees for domestic candidates.

According to a press release dated March 1, 2011, issued jointly by the AICPA, NASBA, and Prometric, testing in the new international locations will only be open to "citizens and long-term residents of the countries in which the exam is being administered. In the Middle East, citizens of Egypt, Jordan, Oman, Qatar and Saudi Arabia may take the exam in one of the Middle East locations. U.S. citizens living abroad are eligible to test at any location."

To date, the Washington State Board of Accountancy has affirmatively agreed to participate in the iExam Program. NASBA anticipates that by April 1, 2011, Colorado, Delaware, Illinois, Massachusetts, New Hampshire, and Texas state boards will also agree to participate in iExam.

As mentioned above, NASBA hopes to compile a list of participating state boards next month. Following the March 2011 meeting, staff will prepare a letter detailing the CBA decision as to whether or not we intend to participate in the International CPA Examination Administration program.

I will be available at the meeting to answer any questions you may have.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

# M e m o r a n d u m

CPC Agenda Item II
May 19, 2011

CBA Agenda Item XI.B.3.
May 19-20, 2011

To : CPC Members
CBA Members

Date : May 5, 2011

Telephone : (916) 561-1754
Facsimile : (916) 263-3676
E-mail : lwalker@cba.ca.gov

From : Liza Walker, Manager
Examination Unit

Subject : Further Discussion on International Delivery of the Uniform CPA Examination

Beginning in August 2011, candidates who qualify through a participating state board of accountancy will be allowed to schedule their Uniform CPA Examination (CPA Exam) at select international locations, which is being referred to as iExam. Initially, the CPA Exam will be offered at selected Prometric testing centers in Bahrain, Kuwait, Japan, Lebanon, and the United Arab Emirates.

The California Board of Accountancy (CBA) has considered iExam over the past eighteen months, most recently at the March 2011 CBA meeting. Over this time, the National Association of State Boards of Accountancy (NASBA) and American Institute of Certified Public Accountants (AICPA) have provided various materials for members' consideration.

At the March meeting, members requested that staff obtain further information regarding security, grading related to iExam, acceptance of scores obtained internationally, and NASBA's Candidate Informed Consent. Provided below is information to assist members in their deliberations to determine whether the CBA wishes to participate in iExam.

## Security of the CPA Exam Administered Internationally

CBA members have voiced concerns regarding the security of the iExam. As previously reported, per Ken Bishop of NASBA the pilot foreign countries selected for administration of the iExam rated high in the international standards used to measure the safety and testing environments. He added that reviewing scoring trends and pass rates, in addition to continual monitoring of blogs, will take place to detect any indications of cheating.

Mr. Bishop explained that the CPA Exam is an aggressive modified adaptive exam. This means that a candidate who is trying to harvest questions and who is not actually prepared to take the CPA Exam will never see the high value questions due to being unsuccessful at the lower level questions. In addition, security measures such as shorter testing windows, doubling the number of available test questions, and segregating questions used on domestic versus international exams will be utilized.

Qualified candidates requesting to take the CPA Exam in one of the approved international locations must:

- Agree and sign the Candidate Informed Consent.
- Provide additional demographic information.
- Pay additional fees.
- Meet additional citizenship and/or residency requirements.

As an additional security measure, only U.S. citizens and permanent residents living abroad, and citizens and long-term residents of the countries in which the CPA Exam will be administered may sit for the exam. According to NASBA, citizenship and residency requirements, and the integrity of certain kinds of proof of identification, provide a needed layer of security.

Below are current NASBA guidelines regarding who may sit for the CPA Exam internationally:

*Japan*

| | |
|---|---|
| Eligible candidates | U.S. citizens, citizens of Japan, and long-term residents |
| Identification required | Passport for citizens, passport plus valid Japanese identification providing proof of residence for non-citizens |

*Bahrain, Kuwait, Lebanon, and the United Arab Emirates*

| | |
|---|---|
| Eligible candidates | U.S. citizens, citizens and long-term residents of these four testing countries, citizens and long-term residents of Egypt, Oman, Qatar, and Saudi Arabia |
| Identification required | Passport for citizens, passport plus valid identification providing proof of residency for non-citizens |

In addition to residency requirements and having acceptable identification, candidates taking the CPA Exam internationally will still be required to provide their Notice to Schedule, complete a biometric check-in (fingerprint), and the testing areas will still be subject to digital recording. These security requirements are also required of domestic candidates.

**Location of Scoring and Acceptance of CPA Exam Scores Obtained Internationally**

At the March meeting members asked staff to find out where the scoring will take place for an exam taken internationally. According to NASBA, the results file will be transmitted electronically and scored by the AICPA Exam Team in New Jersey, similar to the process for candidates who take the CPA Exam domestically.

As mentioned at the March 2011 CBA meeting, NASBA anticipated that several boards intended to participate in the iExam Program. On May 3, 2011, NASBA released the list of the participating jurisdictions (**Attachment 1**). To date, 38 of the 54 jurisdictions are participating in the iExam Program.

At the March CBA meeting, members also asked staff to research whether the CBA had the authority to deny scores obtained through the iExam Program from an out-of-state licensure candidate or candidate transferring exam scores.

Section 6 of the CBA Regulations currently states that, "every candidate for the CPA license is required to pass… the Uniform CPA Examination prepared by the AICPA." Regardless of where the AICPA is planning on administering the CPA Exam, Section 6 would currently require us to accept those exam grades.

However, Business and Professions (B&P) Code Section 5082 states that a candidate for a license must "have successfully passed an examination… in the form and manner that the board deems appropriate." The word "manner" would probably give the CBA sufficient authority to put into regulation that the exam must be taken in one of the 54 jurisdictions. Additionally, B&P Code Section 5000.1 states that protection of the public shall be the highest priority of the CBA. If the CBA deems that the CPA Exam administered internationally to be a threat to the security of the public, it would further support changing the manner in which the CBA accepts passage of the examination, including denial of foreign exam grades.

Therefore, Section 6, which as previously noted states "every candidate for the CPA license is required to pass… the Uniform CPA Examination prepared by the AICPA" could be amended to state that "every candidate for the CPA license is required to pass… the Uniform CPA Examination prepared by the AICPA *and the exam must be taken and passed at a testing center domestically*." The CBA would use the previously mentioned statutes as authority for the amendment, and would include justification for the basis to deny accepting scores completed abroad.

**NASBA's Informed Consent**

Based upon a preliminary review by Legal Counsel, there appears to be several items in NASBA's Informed Consent that are in conflict with California law. Staff has been in communication with NASBA alerting them of this. However, before directing resources to research how to resolve the issues identified by Legal Counsel, staff is waiting for direction from CBA members as to whether California is going to participate in the iExam Program.

I will be available at the meeting to answer any questions you may have.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
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# M e m o r a n d u m

LC Agenda Item II.
July 21, 2011

CBA Agenda Item IX.C.2.
July 21, 2011

To : CBA Members
LC Members

Date : June 24, 2011

Telephone : (916) 561-1792
Facsimile : (916) 263-3678
E-mail : mstanley@cba.ca.gov

From : Matthew Stanley, Legislation/Regulation Analyst

Subject : Update on Bills on Which the CBA Has Taken a Position (AB 229, AB 675, AB 958, AB 991, AB 1193, SB 366, SB 541, SB 706)

The California Board of Accountancy (CBA) has taken positions on several pieces of legislation. Attached is a table outlining all of the bills currently being followed by the CBA (**Attachment 1**).

The following bills have not been substantially amended since the CBA last reviewed them. Staff recommend that the CBA maintain its current positions on these bills.

AB 229- Controller: audits (Neutral if Amended)
In response to a query by the CBA, staff contacted the State Controller's Office and were informed that there is no appeals process for when someone is removed from the list. Appeals are handled during the CBA's disciplinary process. In addition, staff was informed that no one has ever been removed from the school audit list.
SB 541- Expert Consultants (Support)
SB 706- Real Estate (Neutral)

The following bills have failed to meet legislative deadlines and are dead for the year. However, they could be brought back in January. Staff will continue to follow these bills, but they will not be brought back to the CBA until next year or if rules are waived to revive them.

AB 675- Continuing Education (Support)
AB 958- Enforcement Limitation Periods (Oppose)
AB 991- California Licensing and Permit Center (Oppose)
AB 1193- Accountancy (Watch)
SB 366- Regulation Review (Support)

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

**DEPARTMENT OF CONSUMER AFFAIRS**
CALIFORNIA BOARD OF ACCOUNTANCY
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**Attachment 1**

| Bill # | Author | Topic | CBA Position |
|---|---|---|---|
| | | | |
| AB 229 | Lara | Controller: audits | Neutral if Amended |
| AB 410 | Swanson | Narrative Descriptions | Support if Amended |
| AB 431 | Ma | Retired Status | Sponsor |
| AB 675 | Hagman | Continuing Education | Support |
| AB 958 | Berryhill | Enforcement limitation periods | Oppose |
| AB 991 | Olsen | California Licensing and Permit Center | Oppose |
| AB 1193 | Hagman | Accountancy | Watch |
| SB 103 | Liu | Teleconferencing | Oppose |
| SB 306 | De Leon | Safe Harbor Extension | Support |
| SB 366 | Calderon | Regulation Review | Support |
| SB 541 | Price | Expert Consultants | Support |
| SB 542 | Price | Sunset Review | Watch |
| SB 706 | Price | Real Estate | Neutral |
| SB 773 | Negrete-McLeod | Ethics Curriculum Requirements | Watch |

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
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# M e m o r a n d u m

**LC Agenda Item III.**
**July 21, 2011**

**CBA Agenda Item IX.C.3.**
**July 21, 2011**

To : CBA Members
Legislative Committee Members

Date : June 21, 2011

Telephone : (916) 561-1792
Facsimile : (916) 263-3678
E-mail : mstanley@cba.ca.gov

From : Matthew Stanley, Legislation/Regulation Analyst

Subject : Discussion on Status of AB 431- Retired Status

The California Board of Accountancy (CBA) sponsored Assembly Bill 431 (**Attachment 1**) continues to progress through the Legislature. This is the bill that will allow the CBA to create a retired license status.

AB 431 was passed by the Assembly, 72-0, on May 12, 2011 and sent on to the Senate. It was then amended on June 6 to revise a drafting error and to make a technical change.

The bill was next heard in the Senate Business and Professions Committee on June 20, 2011. The CBA's Executive Officer, Patti Bowers, was on hand to testify, and the bill was passed unanimously. It will next be heard by the Senate Appropriations Committee.

At the CBA's May 2011 meeting, there was further discussion regarding the appropriateness of the inclusion of a minimum age as a qualification for retired status. Following the meeting, legal counsel provided the following Government Code section for the CBA's consideration:

> **12944**. (a) It shall be unlawful for a licensing board to require any examination or establish any other qualification for licensing that has an adverse impact on any class by virtue of its race, creed, color, national origin or ancestry, sex, age, medical condition, physical disability, mental disability, or sexual orientation, unless the practice can be demonstrated to be job related.
> …
> (f) As used in this section, "licensing board" means any state board, agency, or authority in the State and Consumer Services Agency that has the authority to grant licenses or certificates which are prerequisites to employment eligibility or professional status.

The only exception to Section 12944 is when there is a rational relationship to a legitimate state interest. This exception was established in a case against the Medical Board in 1981.

Attachment

AMENDED IN SENATE JUNE 6, 2011

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

# ASSEMBLY BILL No. 431

**Introduced by Assembly Member Ma**

February 14, 2011

An act to amend Sections 5109 and 5134 of, and to add Sections 5058.3 and 5070.1 to, the Business and Professions Code, relating to accountancy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 431, as amended, Ma. Retired public accountants.

Existing law provides for the issuance of permits to practice public accountancy to certified public accountants and public accountants and for the regulation of these accountants by the California Board of Accountancy.

Existing law authorizes a permit holder to have his or her license placed in an inactive status subject to certain limitations. Existing law imposes initial fees and renewal fees for these permits and for the inactive status and directs the deposit of these fees into the Accountancy Fund, from which funds other than penalty revenue are continuously appropriated.

This bill would authorize the board to establish, by regulation, a system for the placement of a license on a retired status, upon application, for those accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed. The bill would require the board to deny an application for a retired status license if the applicant's permit is canceled, suspended,

revoked, otherwise restricted, or, commencing on a specified date, delinquent. The bill would prohibit the holder of a retired status license from engaging in any activity for which a permit is required. The bill would require the holder of a retired license to adhere to certain restrictions on the use of accountancy *titles* and other references. The bill would require the board to establish minimum qualifications for the restoration of a retired status license to active status, including, but not limited to, continuing education and the payment of a fee. The bill would provide for that application fee for a retired status license and for the restoration of a retired status license to active status to be fixed by the board in an amount not to exceed $250 and $1,000, respectively. By increasing that part of the revenue in the Accountancy Fund that is continuously appropriated, the bill would make an appropriation.

Existing law prohibits the expiration, cancellation, forfeiture, or suspension of a license from depriving the board of jurisdiction to commence or proceed with any investigation of or action or disciplinary proceeding against a licensee, or to render a decision suspending or revoking the license.

This bill would additionally specify that the current status of a retired status license shall not deprive the board of the above-described jurisdiction.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 5058.3 is added to the Business and Professions Code, to read:

5058.3. The holder of a retired license issued by the board pursuant to Section 5070.1, when lawfully using the title "certified public accountant," the CPA designation, or any other reference that would suggest that the person is licensed by the board on materials such as correspondence, Internet Web sites, business cards, nameplates, or name plaques, shall place the term "retired" immediately after that title, designation, or reference.

SEC. 2. Section 5070.1 is added to the Business and Professions Code, to read:

5070.1. (a) The board may establish, by regulation, a system for the placement of a license on a retired status, upon application, for certified public accountants and public accountants who are

not actively engaged in the practice of public accountancy or any activity which requires them to be licensed by the board.

(b) No licensee with a license on a retired status shall engage in any activity for which a permit is required.

(c) The board shall deny an applicant's application for a retired status license if the permit is canceled or if the permit is suspended, revoked, or otherwise punitively restricted by the board or subject to disciplinary action under this chapter.

(d) Beginning one year from the effective date of the regulations adopted pursuant to subdivision (a), if an applicant's permit is delinquent, the board shall deny an applicant's application for a retired status license.

(e) The board shall establish minimum qualifications for a retired status license which may include, but are not limited to, a minimum age requirement and minimum years as a licensee.

~~(f) A retired status license shall not be subject to any renewal requirements.~~

*(f) The board may exempt the holder of a retired status license from the renewal requirements described in Section 5070.5.*

(g) The board shall establish minimum qualifications for the restoration of a license in a retired status to an active status. These minimum qualifications shall include, but are not limited to, continuing education and payment of a fee as provided in subdivision (h) of Section 5134.

SEC. 3. Section 5109 of the Business and Professions Code is amended to read:

5109. The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy by operation of law or by order or decision of the board or a court of law, the placement of a license on a retired status, or the voluntary surrender of a license by a licensee shall not deprive the board of jurisdiction to commence or proceed with any investigation of or action or disciplinary proceeding against the licensee, or to render a decision suspending or revoking the license.

~~SEC. 4. Section 5134 of the Business and Professions Code is amended to read:~~

~~5134. The amount of fees prescribed by this chapter is as follows:~~

~~(a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars ($600). The board may charge a reexamination fee not to exceed seventy-five dollars ($75) for each part that is subject to reexamination.~~

~~(b) The fee to be charged to out-of-state candidates for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars ($600) per candidate.~~

~~(c) The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).~~

~~(d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).~~

~~(e) The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).~~

~~(f) The board shall fix the biennial renewal fee so that, together with the estimated amount from revenue other than that generated by subdivisions (a) to (e), inclusive, the reserve balance in the board's contingent fund shall be equal to approximately nine months of annual authorized expenditures. Any increase in the renewal fee shall be made by regulation upon a determination by the board that additional moneys are required to fund authorized expenditures and maintain the board's contingent fund reserve balance equal to nine months of estimated annual authorized expenditures in the fiscal year in which the expenditures will occur. The biennial fee for the renewal of each of the permits to engage in the practice of public accountancy specified in Section 5070 shall not exceed two hundred fifty dollars ($250).~~

~~(g) The application fee to be charged to each applicant for a retired status license, as described in Section 5070.1, shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).~~

~~(h) The application fee to be charged to each applicant for restoration of a license in a retired status to an active status pursuant~~

~~to subdivision (f) of Section 5070.1 shall be fixed by the board at an amount not to exceed one thousand dollars ($1,000).~~

~~(i) The delinquency fee shall be 50 percent of the accrued renewal fee.~~

~~(j) The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.~~

~~(k) (1) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 with an authorization to sign attest reports shall be fixed by the board at an amount not to exceed one hundred twenty-five dollars ($125).~~

~~(2) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 without an authorization to sign attest reports shall be fixed by the board at an amount not to exceed 80 percent of the fee authorized under paragraph (1).~~

~~(*l*) The fee to be charged for the certification of documents evidencing passage of the certified public accountant examination, the certification of documents evidencing the grades received on the certified public accountant examination, or the certification of documents evidencing licensure shall be twenty-five dollars ($25).~~

~~(m) The board shall fix the fees in accordance with the limits of this section and any increase in a fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.~~

~~(n) It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.~~

*SEC. 4. Section 5134 of the Business and Professions Code is amended to read:*

5134. The amount of fees prescribed by this chapter is as follows:

(a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars ($600). The board may charge a reexamination fee not to exceed seventy-five dollars ($75) for each part that is subject to reexamination.

(b) The fee to be charged to out-of-state candidates for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars ($600) per candidate.

(c) The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).

(d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).

(e) The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).

(f) The biennial fee for the renewal of each of the permits to engage in the practice of public accountancy specified in Section 5070 shall not exceed two hundred fifty dollars ($250).

*(g) The application fee to be charged to each applicant for a retired status license, as described in Section 5070.1, shall be fixed by the board at an amount not to exceed two hundred fifty dollars ($250).*

*(h) The application fee to be charged to each applicant for restoration of a license in a retired status to an active status pursuant to subdivision (f) of Section 5070.1 shall be fixed by the board at an amount not to exceed one thousand dollars ($1,000).*

~~(g)~~

*(i)* The delinquency fee shall be 50 percent of the accrued renewal fee.

~~(h)~~

*(j)* The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year

or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.

~~(i)~~

*(k)* (1) ~~On and after the enactment of Assembly Bill 1868 of the 2005–06 Regular Session, the~~ *The* annual fee to be charged an individual for a practice privilege pursuant to Section 5096 with an authorization to sign attest reports shall be fixed by the board at an amount not to exceed one hundred twenty-five dollars ($125).

(2) ~~On and after enactment of Assembly Bill 1868 of the 2005–06 Regular Session, the~~ *The* annual fee to be charged an individual for a practice privilege pursuant to Section 5096 without an authorization to sign attest reports shall be fixed by the board at an amount not to exceed 80 percent of the fee authorized under paragraph (1).

~~(j)~~

*(l)* The fee to be charged for the certification of documents evidencing passage of the certified public accountant examination, the certification of documents evidencing the grades received on the certified public accountant examination, or the certification of documents evidencing licensure shall be twenty-five dollars ($25).

~~(k)~~

*(m)* The board shall fix the fees in accordance with the limits of this section and~~, on and after July 1, 1990,~~ any increase in a fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.

~~*(l)*~~

*(n)* It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.

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**State of California**
Department of Consumer Affairs

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# M e m o r a n d u m

**LC Agenda Item IV.A.**
**July 21, 2011**

**CBA Agenda Item IX.C.4.a.**
**July 21, 2011**

To : CBA Members
Legislative Committee Members

Date : June 21, 2011

Telephone : (916) 561-1792
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E-mail : mstanley@cba.ca.gov

From : Matthew Stanley, Legislation/Regulation Analyst

Subject : AB 410 – Regulations: Narrative Descriptions

At its March 2011 meeting, the California Board of Accountancy (CBA) took a Support if Amended position on Assembly Bill 410 (**Attachment 1**). AB 410 would have required state agencies to provide a person with a visual disability a narrative description of a proposed regulation upon request during the 45-day public comment period. When the narrative description is provided, the 45-day comment period begins anew.

The CBA originally objected to the resetting of the 45-day public comment period. It appeared that this mechanism could be exploited to indefinitely extend the public comment period on a regulation with a new person requesting the narrative description near the end of each subsequent 45-day period. The CBA requested that the resetting of the 45-day period be removed from the bill.

Although that amendment did not occur, the bill was amended to apply only to regulations adopted by certain state agencies. The CBA was not included in that list. Therefore, AB 410 no longer applies to the CBA. It appears this amendment was taken for fiscal reasons making it unlikely that it would be amended to re-include the CBA at a later date.

**Recommendation:**

With this amendment, staff recommend that the CBA Discontinue Following AB 410.

Attachment

AMENDED IN ASSEMBLY MAY 27, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

# ASSEMBLY BILL No. 410

**Introduced by Assembly Member Swanson**
**(Coauthor: Assembly Member Ma)**

February 14, 2011

An act to amend Section 11346.5 of, and to add Section 11346.6 to, the Government Code, relating to regulations.

LEGISLATIVE COUNSEL'S DIGEST

AB 410, as amended, Swanson. Regulations: adoption: disability access.

Existing state and federal law prohibits the exclusion of a qualified individual with a disability, by reason of that disability, from participation in or equal access to the benefits of the services, programs, or activities of a public entity, or be subjected to discrimination by a public entity. Federal regulations require a public entity to take appropriate steps to ensure that communications with participants and members of the public with disabilities are as effective as communications with others. These regulations also require a public entity to furnish appropriate auxiliary aids and services where necessary to afford an individual with a disability an equal opportunity to participate in, and enjoy the benefits of, a service, program, or activity conducted by a public entity.

Existing law, the Administrative Procedure Act, governs the procedure for the adoption, amendment, or repeal of regulations by state agencies and for the review of those regulatory actions by the Office of Administrative Law. Existing law requires an agency to publish a notice

of proposed action that includes specified information, at least 45 days prior to a hearing and the close of the public comment period.

This bill would require an agency *that adopts certain regulations*, upon a request from a person with a visual disability or other disability for which effective communication is required under state or federal law, to provide that person a narrative description of the proposed regulation, as prescribed, and would provide for an extended public comment period for that person. The bill would also require an agency to include within the notice of proposed action a specified statement regarding the availability of narrative descriptions for persons with visual or other specified disabilities. *The bill would require an agency that adopts a regulation that is subject to the requirements of the bill to submit a report to the Governor and certain committees of the Legislature on or before February 1, 2014, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) Pursuant to the requirements of Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12131 et seq.) and Section 11135 of the Government Code, persons with disabilities are guaranteed timely, effective communication of written documents that allows independent access to these documents.

(2) The manner in which proposed regulations of a state agency are transmitted to the public does not allow for this timely, effective communication of the content of the proposed regulations to persons with visual or other disabilities.

(b) It is the intent of the Legislature in enacting this act to provide a mechanism for compliance with state and federal effective communication requirements with respect to the adoption of proposed regulations by state agencies.

SEC. 2. Section 11346.5 of the Government Code is amended to read:

11346.5. (a) The notice of proposed adoption, amendment, or repeal of a regulation shall include the following:

(1) A statement of the time, place, and nature of proceedings for adoption, amendment, or repeal of the regulation.

(2) Reference to the authority under which the regulation is proposed and a reference to the particular code sections or other provisions of law that are being implemented, interpreted, or made specific.

(3) An informative digest drafted in plain English in a format similar to the Legislative Counsel's digest on legislative bills. The informative digest shall include the following:

(A) A concise and clear summary of existing laws and regulations, if any, related directly to the proposed action and of the effect of the proposed action.

(B) If the proposed action differs substantially from an existing comparable federal regulation or statute, a brief description of the significant differences and the full citation of the federal regulations or statutes.

(C) A policy statement overview explaining the broad objectives of the regulation and, if appropriate, the specific objectives.

(4) Any other matters as are prescribed by statute applicable to the specific state agency or to any specific regulation or class of regulations.

(5) A determination as to whether the regulation imposes a mandate on local agencies or school districts and, if so, whether the mandate requires state reimbursement pursuant to Part 7 (commencing with Section 17500) of Division 4.

(6) An estimate, prepared in accordance with instructions adopted by the Department of Finance, of the cost or savings to any state agency, the cost to any local agency or school district that is required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4, other nondiscretionary cost or savings imposed on local agencies, and the cost or savings in federal funding to the state.

For purposes of this paragraph, "cost or savings" means additional costs or savings, both direct and indirect, that a public agency necessarily incurs in reasonable compliance with regulations.

(7) If a state agency, in proposing to adopt, amend, or repeal any administrative regulation, makes an initial determination that the action may have a significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states,

it shall include the following information in the notice of proposed action:

(A) Identification of the types of businesses that would be affected.

(B) A description of the projected reporting, recordkeeping, and other compliance requirements that would result from the proposed action.

(C) The following statement: "The (name of agency) has made an initial determination that the (adoption/amendment/repeal) of this regulation may have a significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. The (name of agency) (has/has not) considered proposed alternatives that would lessen any adverse economic impact on business and invites you to submit proposals. Submissions may include the following considerations:

(i) The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to businesses.

(ii) Consolidation or simplification of compliance and reporting requirements for businesses.

(iii) The use of performance standards rather than prescriptive standards.

(iv) Exemption or partial exemption from the regulatory requirements for businesses."

(8) If a state agency, in adopting, amending, or repealing any administrative regulation, makes an initial determination that the action will not have a significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states, it shall make a declaration to that effect in the notice of proposed action. In making this declaration, the agency shall provide in the record facts, evidence, documents, testimony, or other evidence upon which the agency relies to support its initial determination.

An agency's initial determination and declaration that a proposed adoption, amendment, or repeal of a regulation may have or will not have a significant, adverse impact on businesses, including the ability of California businesses to compete with businesses in other states, shall not be grounds for the office to refuse to publish the notice of proposed action.

(9) A description of all cost impacts, known to the agency at the time the notice of proposed action is submitted to the office, that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

If no cost impacts are known to the agency, it shall state the following:

"The agency is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action."

(10) A statement of the results of the assessment required by subdivision (b) of Section 11346.3.

(11) The finding prescribed by subdivision (c) of Section 11346.3, if required.

(12) A statement that the action would have a significant effect on housing costs, if a state agency, in adopting, amending, or repealing any administrative regulation, makes an initial determination that the action would have that effect. In addition, the agency officer designated in paragraph (14), shall make available to the public, upon request, the agency's evaluation, if any, of the effect of the proposed regulatory action on housing costs.

(13) A statement that the adopting agency must determine that no reasonable alternative considered by the agency or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

(14) The name and telephone number of the agency representative and designated backup contact person to whom inquiries concerning the proposed administrative action may be directed.

(15) The date by which comments submitted in writing must be received to present statements, arguments, or contentions in writing relating to the proposed action in order for them to be considered by the state agency before it adopts, amends, or repeals a regulation.

(16) Reference to the fact that the agency proposing the action has prepared a statement of the reasons for the proposed action, has available all the information upon which its proposal is based,

and has available the express terms of the proposed action, pursuant to subdivision (b).

(17) A statement that if a public hearing is not scheduled, any interested person or his or her duly authorized representative may request, no later than 15 days prior to the close of the written comment period, a public hearing pursuant to Section 11346.8.

(18) A statement indicating that the full text of a regulation changed pursuant to Section 11346.8 will be available for at least 15 days prior to the date on which the agency adopts, amends, or repeals the resulting regulation.

(19) A statement explaining how to obtain a copy of the final statement of reasons once it has been prepared pursuant to subdivision (a) of Section 11346.9.

(20) If the agency maintains an Internet Web site or other similar forum for the electronic publication or distribution of written material, a statement explaining how materials published or distributed through that forum can be accessed.

(21) A statement that the agency shall provide, upon request, a description of the proposed changes included in the proposed action, in the manner provided by Section 11346.6, to accommodate a person with a visual or other disability for which effective communication is required under state or federal law and that providing the description of proposed changes may require extending the period of public comment for the proposed action.

(b) The agency representative designated in paragraph (14) of subdivision (a) shall make available to the public upon request the express terms of the proposed action. The representative shall also make available to the public upon request the location of public records, including reports, documentation, and other materials, related to the proposed action. If the representative receives an inquiry regarding the proposed action that the representative cannot answer, the representative shall refer the inquiry to another person in the agency for a prompt response.

(c) This section shall not be construed in any manner that results in the invalidation of a regulation because of the alleged inadequacy of the notice content or the summary or cost estimates, or the alleged inadequacy or inaccuracy of the housing cost estimates, if there has been substantial compliance with those requirements.

SEC. 3. Section 11346.6 is added to the Government Code, to read:

~~11346.6. (a) Upon request from a person with a visual~~

*11346.6. (a) This section shall only apply to the following proposed regulations:*

*(1) Regulations adopted by the Department of Rehabilitation.*

*(2) Regulations that must be submitted to the California Building Standards Commission that pertain to disability access compliance, including, but not limited to, regulations adopted by the State Fire Marshal, the Department of Housing and Community Development, the Division of the State Architect, and the California Commission on Disability Access.*

*(3) Regulations adopted by the State Department of Education that pertain to special education.*

*(4) Regulations that pertain to the Medi-Cal Program.*

*(b) Upon request from a person with a visual* disability or other disability for which effective communication is required under state or federal law, the agency shall provide that person a narrative description of the additions to, and deletions from, the California Code of Regulations or other publication. The description shall identify each addition to or deletion from the California Code of Regulations by reference to the subdivision, paragraph, subparagraph, clause, or subclause within the proposed regulation containing the addition or deletion. The description shall provide the express language proposed to be added to or deleted from the California Code of Regulations or other publication and any portion of the surrounding language necessary to understand the change in a manner that allows for accurate translation by reading software used by the visually impaired.

~~(b)~~

*(c)* The agency shall provide the information described in subdivision ~~(a)~~ *(b)* within 10 business days, unless the agency determines that compliance with this requirement would be impractical and notifies the requester of the date on which the information will be provided.

~~(c)~~

*(d)* Notwithstanding any other law, if information is provided to a requester pursuant to this section, the agency shall provide that requester at least 45 days from the date upon which the information was provided to the requester to submit a public comment regarding the proposed regulation. The agency shall not take final action to adopt the regulation until the requester has

submitted a public comment or the extended 45-day comment period expires, whichever occurs first.

*(e) (1) Not later than February 1, 2014, an agency that adopted a proposed regulation subject to the requirements of this section shall submit a report, for both the 2012 and 2013 calendar years, to the Governor, the fiscal committee in each house of the Legislature, and the appropriate policy committee in each house of the Legislature, that specifies the number of requests submitted for a narrative description of a proposed regulation, and the number of narrative descriptions actually provided pursuant to this section.*

*(2) The report shall be submitted to the Legislature in the manner required pursuant to Section 9795.*

*(3) The reporting requirement imposed by this subdivision shall become inoperative on February 1, 2018, as required pursuant to Section 10231.5.*

*(4) It is the intent of the Legislature to evaluate the reports submitted pursuant to this subdivision to determine whether the requirements of this section should be applied to all regulations adopted by all agencies.*

*SEC. 4. Nothing in this act shall be construed to limit the duty of a state agency to meet its obligations pursuant to Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12131 et seq.) or Section 11135 of the Government Code to take appropriate steps to ensure that communications with participants and members of the public with disabilities are as effective as communications with others.*

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# M e m o r a n d u m

**LC Agenda Item IV.B.**
**July 21, 2011**

**CBA Agenda Item IX.C.4.b.**
**July 21, 2011**

To : CBA Members
Legislative Committee Members

Date : June 21, 2011

Telephone : (916) 561-1792
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From : Matthew Stanley, Legislation/Regulation Analyst

Subject : SB 103 – Teleconferencing

At its March 2011 meeting, the California Board of Accountancy (CBA) took an Oppose position on Senate Bill 103 (**Attachment 1**). SB 103 would require a state body to conduct a teleconference meeting upon request by any member. In addition, SB 103 requires state bodies to provide a live webcast of its meetings that are open to the public, which the CBA already is required to do.

The CBA originally objected to SB 103 due to a concern that it would be possible for a member of a state body to abuse the privilege and never attend a meeting in person. The CBA expressed its belief that meeting attendance is important so that members are exposed to the views and scrutiny of the public.

Staff have worked with the author to craft an amendment that should eliminate that concern. The amendment states that a member cannot request to meet by teleconference solely due to their convenience.

**Recommendation:**

With this amendment, staff recommend that the CBA adopt a Support position on SB 103.

Attachment

AMENDED IN ASSEMBLY JUNE 29, 2011

AMENDED IN ASSEMBLY JUNE 14, 2011

AMENDED IN SENATE APRIL 26, 2011

AMENDED IN SENATE MARCH 1, 2011

# SENATE BILL No. 103

**Introduced by Senator Liu**

January 12, 2011

An act to amend Section 11123 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

SB 103, as amended, Liu. State government: meetings.

Existing law authorizes a state body to conduct teleconference meetings.

This bill would authorize a state body, to the extent practicable, to conduct teleconference meetings.

This bill would require, upon the request of a member of a state body, a state body to hold an open or closed meeting by teleconference, unless the chair of that state body determines that it would be more costly to hold the meeting by teleconference than it would be to hold it in person. ~~This bill would provide that a member of a state body may request a meeting by teleconference for any reason that would make it more difficult or burdensome for that member to attend a meeting in person.~~ This bill would prohibit a member of a state body from requesting a meeting by teleconference solely because it would be more convenient than holding a meeting in person.

This bill would require a state body that operates an Internet Web site to provide a supplemental live audio or video broadcast on the

Internet Web site of its board meetings that are open to the public, and would specify that a technical failure to provide a live broadcast would not prohibit the body from meeting and taking actions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. The Legislature finds and declares the following:

(a) That teleconferencing is a green technology, allowing organizations to mitigate energy use by dramatically reducing the need to travel.

(b) By communicating over video or telephone, organizations can also substantially reduce their carbon footprint by reducing the need to travel via high-emission methods, such as flying or driving.

(c) Teleconferencing saves money by reducing the number of trips taken annually, and this monetary savings is multiplied by the cost of transportation to and from the airport, the flight, per diem expenses, salary of time lost in traveling, and other incidental expenses of travel.

(d) The amount saved by teleconferencing greatly exceeds the minimal cost of investing and implementing teleconferencing solutions, such as the cost for new equipment, services, and training.

(e) Therefore, it is the intent of the Legislature that state bodies, to the extent possible, conduct teleconference meetings in order to save the environment and save the state money.

SEC. 2. Section 11123 of the Government Code is amended to read:

11123. (a) All meetings of a state body shall be open and public and all persons shall be permitted to attend any meeting of a state body except as otherwise provided in this article.

(b) (1) A state body may, to the extent practicable, hold an open or closed meeting by teleconference for the benefit of the public and the state body.

(2) Upon the request of a member of a state body, the state body shall hold an open or closed meeting by teleconference, unless the chair of the state body determines that it would be more costly to

hold the meeting by teleconference than it would be to hold it in person.

~~(3) A member of a state body may request a meeting by teleconference for any reason that would make it more difficult or burdensome for that member to attend a meeting in person; including, but not limited to, cost, disability, or health. A member~~

*(3) A member* of a state body shall not request a meeting by teleconference solely because it would be more convenient than holding a meeting in person.

(4) The meeting or proceeding held by teleconference pursuant to this subdivision shall otherwise comply with all applicable requirements or laws relating to a specific type of meeting or proceeding, including all of the following:

(A) The teleconferencing meeting shall comply with all requirements of this article applicable to other meetings.

(B) The portion of the teleconferenced meeting that is required to be open to the public shall be audible to the public at the location specified in the notice of the meeting.

(C) If the state body elects to conduct a meeting or proceeding by teleconference, it shall post agendas at all teleconference locations and conduct teleconference meetings in a manner that protects the rights of any party or member of the public appearing before the state body. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. The agenda shall provide an opportunity for members of the public to address the state body directly pursuant to Section 11125.7 at each teleconference location.

(D) All votes taken during a teleconferenced meeting shall be by rollcall.

(E) The portion of the teleconferenced meeting that is closed to the public may not include the consideration of any agenda item being heard pursuant to Section 11125.5.

(F) At least one member of the state body shall be physically present at the location specified in the notice of the meeting.

(5) For the purposes of this subdivision, “teleconference” means a meeting of a state body, the members of which are at different locations, connected by electronic means, through either audio or both audio and video. This section does not prohibit a state body from providing members of the public with additional locations

in which the public may observe or address the state body by electronic means, through either audio or both audio and video.

(c) (1) If a state body operates an Internet Web site, the state body shall, subject to all otherwise applicable requirements of this article, provide a supplemental live audio or video broadcast on its Internet Web site of each of its meetings that are open to the public.

(2) If a technical failure prevents the body from providing a live broadcast on its Internet Web site pursuant to this subdivision, that failure shall not constitute a violation of this section if the body exercised reasonable diligence in providing the live broadcast.

(3) Failure to provide a live broadcast due to a technical failure shall not prohibit the body from meeting and taking actions as otherwise provided by law.

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# M e m o r a n d u m

**LC Agenda Item IV.C.**
**July 21, 2011**

**CBA Agenda Item IX.C.4.c.**
**July 21, 2011**

To : CBA Members
Legislative Committee Members

Date : June 28, 2011

Telephone : (916) 561-1792
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E-mail : mstanley@cba.ca.gov

From : Matthew Stanley, Legislation/Regulation Analyst

Subject : SB 306 – Safe Harbor Extension

At its March 2011 meeting, the California Board of Accountancy (CBA) took a Support if Amended position on Senate Bill 306 (**Attachment 1**). It was subsequently amended the way the CBA requested and the position became Support.

SB 306 was again amended on June 27, 2011, in an attempt to resolve the issues regarding temporary and incidental practice in California. The amendments would exempt an individual holding a valid license to practice public accountancy from another state from the requirement to obtain a license or a practice privilege to practice in California if all of the following conditions are satisfied:

- The individual's client is located in another state.
- The individual's engagement with the client relates to work product to be delivered in another state.
- The individual does not solicit California clients.
- The individual does not assert or imply that he or she is licensed to practice public accountancy in California.
- The individual's practice of public accountancy in this state on behalf of the client located in another state is of a limited duration, not extending beyond the period required to service the engagement for the client located in another state.
- The individual's practice of public accountancy in this state relates to servicing the client located in another state.

Staff have only one concern with the language and recommend that the word "located" be changed to "whose principle place of business is" for the sake of greater clarity. However this is a minor amendment that should not influence the CBA's position on the bill.

**Recommendation:**
Staff recommend that the CBA maintain its Support position on SB 306.

Attachment

AMENDED IN ASSEMBLY JUNE 27, 2011

AMENDED IN SENATE APRIL 25, 2011

# SENATE BILL No. 306

**Introduced by Senator De León**

February 14, 2011

An act *to add Section 5057 to, and* to repeal and add Section 5096.14 of, the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

SB 306, as amended, De León. Accountancy.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law prohibits a person from engaging in the practice of public accountancy in this state unless he or she holds either a valid permit issued by the board or a practice privilege, as specified. A violation of this provision is a crime. Existing law requires the board to amend a specified regulation to extend from December 31, 2007, to December 31, 2010, a safe harbor pertaining to practicing accountancy without a practice privilege for up to 5 days prior to submitting a notification form to the board, as specified.

This bill would repeal the provision applicable to that regulation and instead set forth a 5-day safe harbor for a person practicing accountancy under a practice privilege, subject to specified requirements. The bill would authorize the board to fine an individual who notifies the board of his or her practice more than 5 days after beginning practice within the state. *The bill also would exempt from the requirement to obtain a permit or secure a practice privilege an individual holding a valid and current license, certificate, or permit to practice public accountancy from another state if specified conditions are satisfied.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

*SECTION 1. Section 5057 is added to the Business and Professions Code, to read:*

*5057. Notwithstanding any other provision of law, an individual holding a valid and current license, certificate, or permit to practice public accountancy from another state shall be exempt from the requirement to obtain a permit to practice public accountancy issued by the board under this chapter or to secure a practice privilege pursuant to Article 5.1 (commencing with Section 5096) if all of the following conditions are satisfied:*

*(a) The individual's client is located in another state.*

*(b) The individual's engagement with the client relates to work product to be delivered in another state.*

*(c) The individual does not solicit California clients.*

*(d) The individual does not assert or imply that he or she is licensed to practice public accountancy in California.*

*(e) The individual's practice of public accountancy in this state on behalf of the client located in another state is of a limited duration, not extending beyond the period required to service the engagement for the client located in another state.*

*(f) The individual's practice of public accountancy in this state relates to servicing the client located in another state.*

~~SECTION 1.~~

*SEC. 2.* Section 5096.14 of the Business and Professions Code is repealed.

~~SEC. 2.~~

*SEC. 3.* Section 5096.14 is added to the Business and Professions Code, to read:

5096.14. (a) An individual shall not be deemed to be in violation of this article solely because he or she begins the practice of public accounting in California prior to notifying the board as indicated in subdivision (c) of Section 5096, provided the notice is given within five business days of the date practice begins. An individual who properly notifies the board within the five-day period provided for in this section shall be deemed to have a practice privilege from the first day of practice in California unless

the individual fails to timely submit the required fee pursuant to subdivision (c) of Section 5096.

(b) Subdivision (a) does not apply in those instances in which prior approval by the board is required pursuant to subdivision (g) of Section 5096.

(c) In addition to any other applicable sanction, the board may issue a fine pursuant to Section 5096.3 for notifying the board more than five business days after beginning practice in California.

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**State of California**
Department of Consumer Affairs

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# M e m o r a n d u m

**LC Agenda Item IV.D.**
**July 21, 2011**

**CBA Agenda Item IX.C.4.d.**
**July 21, 2011**

To : CBA Members
Legislative Committee Members

Date : June 29, 2011

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From : Matthew Stanley, Legislation/Regulation Analyst

Subject : SB 543 – Sunset Review

The California Board of Accountancy (CBA) has been following SB 542, the bill to extend the CBA's sunset date. The CBA took a Watch position on SB 542 as there were to be amendments at a later time. Those amendments are now complete; however, the author of SB 542 needed that bill as a vehicle for different content. What was SB 542 is now contained in SB 543 along with the sunset date extentions for several other boards and bureaus. The relevant part of SB 543 (**Attachment 1**) also contains the amendments the CBA has been waiting for prior to taking a position.

The relevant parts of the bill do the following:

- Extends the CBA's sunset date to January 1, 2016.
- Exempts restatements filed with the Securities and Exchange Commission from the restatement reporting requirement.
- Extends the sunset date of the peer review program to January 1, 2016.
- Extends the due date of the peer review report to January 1, 2015.
- Expands the peer review report to include all aspects of the program. It was previously narrowly focused on OCBOA work.
- Extends the sunset date of the Peer Review Oversight Committee to January 1, 2016.

**Recommendation:**
Staff recommend that the CBA take a Support position on SB 543 and Discontinue Following SB 542.

Attachment

AMENDED IN ASSEMBLY JUNE 23, 2011

AMENDED IN SENATE APRIL 14, 2011

AMENDED IN SENATE APRIL 6, 2011

# SENATE BILL No. 543

**Introduced by Senator Price**

February 17, 2011

An act to amend Sections 144, *5000, 5015.6, 5076, 5076.1,* 5510, 5517, 5552.5, ~~5600,~~ 5620, 5621, 5622, *6510, 6530,* 6710, 6714, 6763.1, 6797, 7000.5, 7011, 7200, 7215.6, 7885, 7886, 7887, 8710, 8800, 18602, 18613, and 18618 of, *and to add Sections 5063.10 and 6582.2 to,* the Business and Professions Code, relating to business and professions, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 543, as amended, Price. Business and professions: regulatory boards.

(1) Existing law authorizes a board to suspend or revoke a license on various grounds, including, but not limited to, conviction of a crime, if the crime is substantially related to the qualifications, functions, or duties of the business or profession for which the license was issued. Existing law requires applicants to certain boards to provide a full set of fingerprints for the purpose of conducting criminal history record checks.

This bill would make the fingerprinting requirement applicable to the Board for Professional Engineers, Land Surveyors, and Geologists.

(2) Existing law provides for the licensure and regulation of various businesses and professions by boards within the Department of Consumer Affairs, including *the California Board of Accountancy,* the

California Architects Board, the Landscape Architects Technical Committee, *the Professional Fiduciaries Bureau,* the Board for Professional Engineers, Land Surveyors, and Geologists, the Contractors' State License Board, the State Board of Guide Dogs for the Blind, and the State Athletic Commission. Existing law requires or authorizes these boards *and the State Athletic Commission*, with certain exceptions, to appoint an executive officer *and existing law authorizes the Governor to appoint the chief of the Professional Fiduciaries Bureau*. Existing law repeals these provisions on January 1, 2012. Under existing law, boards scheduled for repeal are required to be evaluated by the Joint Sunset Review Committee.

This bill would extend the operation of these provisions until January 1, 2016, except the State Board of Guide Dogs for the Blind and the State Athletic Commission, which would be extended until January 1, 2014*, and except the Professional Fiduciaries Bureau, which would be extended until January 1, 2015*. The bill would instead specify that these boards would be subject to review by the appropriate policy committees of the Legislature.

*(3) With respect to accounting firms, existing law, until January 1, 2014, requires a firm, in order to renew its registration, to have a specified peer review report accepted by a California Board of Accountancy-recognized peer review group. Existing law, until January 1, 2014, requires the board to appoint a peer review oversight committee of certified public accountants to provide recommendations to the board relating to the effectiveness of mandatory peer review. Existing law also requires the board, by January 1, 2013, to provide the Legislature and the Governor with a report regarding specified peer review requirements that includes specified information.*

*This bill would extend the operation of the peer review report requirement and the peer review oversight committee to January 1, 2016. The bill would require the report to the Legislature and the Governor to be submitted by January 1, 2015, and would require the report to include certain additional information and recommendations.*

*Existing law requires an accountant licensee to report to the board the occurrence of certain events taking place after January 1, 2003, including any restatement of a financial statement.*

*This bill would exempt any restatement that is included in any report filed with the United States Securities and Exchange Commission from this requirement.*

~~(3)~~

*(4)* Existing law authorizes the California Architects Board to, by regulation, implement an intern development program until July 1, 2012.

This bill, by deleting that termination date, would instead authorize the board to, by regulation, implement the intern development program indefinitely.

~~(4) Existing law provides for the expiration of a license to practice architecture on the last day of the birth month of the licenseholder in each odd-numbered year following the issuance or renewal of the license.~~

~~This bill would instead provide for the expiration of a license within 24 months after the issue date as established by the board.~~

*(5) Existing law prohibits a person from holding himself or herself out as a professional fiduciary without a license issued by the Professional Fiduciaries Bureau. Existing law exempts from the license requirement a person enrolled as an agent to practice before the Internal Revenue Service, as specified. Under existing law, a license may be suspended, revoked, denied, or other disciplinary action may be imposed for various reasons.*

*This bill would revise the exemption requirement by additionally requiring that the enrolled agent provide only fiduciary services that are ancillary to the primary services of an enrolled agent and that those services be provided at the request of a client with which the enrolled agent has an existing professional relationship. The bill would authorize the bureau, instead of issuing an accusation or statement of issues against a licensee or applicant, to enter into a specified settlement with a licensee or applicant.*

~~(5)~~

*(6)* Existing law authorizes the State Board of Guide Dogs for the Blind to establish an arbitration panel pilot project, until January 1, 2012, for the purpose of resolving disputes between a guide dog user and a licensed guide dog school, as specified.

This bill would instead authorize the arbitration panel pilot project until January 1, 2014.

~~(6)~~

*(7)* Existing law requires an applicant to use the title “structural engineer” to have successfully passed both a written examination that incorporates a national examination for structural engineers and a supplemental California specific examination, as specified.

This bill would instead require these applicants to pass only a written examination for structural engineering that is administered by a nationally recognized entity approved by the board.

~~(7)~~

*(8)* Existing law establishes the Professional Engineer's and Land Surveyor's Fund, requires all money received by the Department of Consumer Affairs from the operation of the Professional Engineer's Act and the Professional Land Surveyor's Act to be deposited in the fund, and appropriates the moneys in the fund for the purposes of those acts. Existing law establishes the Geology and Geophysics Fund and requires the Board for Professional Engineers, Land Surveyors, and Geologists to provide all money received by the board under the Geologists and Geophysicists Act to the State Treasury for credit to the Geology and Geophysics Fund.

This bill would abolish the Geology and Geophysics Fund, rename the Professional Engineer's and Land Surveyor's Fund as the Professional Engineer's, Land Surveyor's, Geologist's, and Geophysicist's Fund, and require all moneys received by the board under the Geologists and Geophysicists Act to be deposited in that fund. The bill would require all moneys paid into the fund pursuant to the Geologists and Geophysicists Act to be appropriated to carry out the provisions of the act.

~~(8)~~

*(9)* Existing law requires an applicant for registration as a geologist to pay an examination fee fixed by the board at an amount equal to the actual cost to the board to administer the examination, not to exceed $450.

This bill would delete the provisions limiting the examination fee to $450.

~~(9)~~

*(10)* Existing law requires the State Athletic Commission to provide a report to the Governor and the Legislature by July 30, 2010, regarding the condition of the State Athletic Commission Neurological Examination Account and the Boxers' Pension Fund, as specified.

This bill would require the commission to provide the report to the Legislature by July 30, 2012.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 144 of the Business and Professions Code is amended to read:

144. (a) Notwithstanding any other provision of law, an agency designated in subdivision (b) shall require an applicant to furnish to the agency a full set of fingerprints for purposes of conducting criminal history record checks. Any agency designated in subdivision (b) may obtain and receive, at its discretion, criminal history information from the Department of Justice and the United States Federal Bureau of Investigation.

(b) Subdivision (a) applies to the following:

(1) California Board of Accountancy.

(2) State Athletic Commission.

(3) Board of Behavioral Sciences.

(4) Court Reporters Board of California.

(5) State Board of Guide Dogs for the Blind.

(6) California State Board of Pharmacy.

(7) Board of Registered Nursing.

(8) Veterinary Medical Board.

(9) Registered Veterinary Technician Committee.

(10) Board of Vocational Nursing and Psychiatric Technicians.

(11) Respiratory Care Board of California.

(12) Hearing Aid Dispensers Advisory Commission.

(13) Physical Therapy Board of California.

(14) Physician Assistant Committee of the Medical Board of California.

(15) Speech-Language Pathology and Audiology Board.

(16) Medical Board of California.

(17) State Board of Optometry.

(18) Acupuncture Board.

(19) Cemetery and Funeral Bureau.

(20) Bureau of Security and Investigative Services.

(21) Division of Investigation.

(22) Board of Psychology.

(23) The California Board of Occupational Therapy.

(24) Structural Pest Control Board.

(25) Contractors' State License Board.

(26) Bureau of Naturopathic Medicine.

(27) The Professional Fiduciaries Bureau.

(28) Board for Professional Engineers, Land Surveyors, and Geologists.

(c) The provisions of paragraph (24) of subdivision (b) shall become operative on July 1, 2004. The provisions of paragraph (25) of subdivision (b) shall become operative on the date on which sufficient funds are available for the Contractors' State License Board and the Department of Justice to conduct a criminal history record check pursuant to this section or on July 1, 2005, whichever occurs first.

*SEC. 2. Section 5000 of the Business and Professions Code is amended to read:*

5000. There is in the Department of Consumer Affairs the California Board of Accountancy, which consists of 15 members, seven of whom shall be licensees, and eight of whom shall be public members who shall not be licentiates of the board or registered by the board. The board has the powers and duties conferred by this chapter.

The Governor shall appoint four of the public members, and the seven licensee members as provided in this section. The Senate ~~Rules~~ Committee *on Rules* and the Speaker of the Assembly shall each appoint two public members. In appointing the seven licensee members, the Governor shall appoint members representing a cross section of the accounting profession with at least two members representing a small public accounting firm. For the purposes of this chapter, a small public accounting firm shall be defined as a professional firm that employs a total of no more than four licensees as partners, owners, or full-time employees in the practice of public accountancy within the State of California.

This section shall remain in effect only until January 1, ~~2012~~ *2016*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2012~~ *2016*, deletes or extends that date.

~~The repeal of this section renders the board subject to the review required by Division 1.2 (commencing with Section 473) .~~

*Notwithstanding any other provision of law, the repeal of this section renders the board subject to review by the appropriate policy committees of the Legislature.* However, the review of the board shall be limited to reports or studies specified in this chapter and those issues identified by the ~~Joint Committee on Boards, Commissions, and Consumer Protection~~ *appropriate policy*

*committees of the Legislature* and the board regarding the implementation of new licensing requirements.

*SEC. 3. Section 5015.6 of the Business and Professions Code is amended to read:*

5015.6. The board may appoint a person exempt from civil service who shall be designated as an executive officer and who shall exercise the powers and perform the duties delegated by the board and vested in him or her by this chapter.

This section shall remain in effect only until January 1, ~~2012~~ *2016*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2012~~ *2016*, deletes or extends that date.

*SEC. 4. Section 5063.10 is added to the Business and Professions Code, to read:*

*5063.10. (a) Any restatement of a financial statement that is included in any report filed with the United States Securities and Exchange Commission shall be exempt from the requirement described in paragraph (1) of subdivision (b) of Section 5063.*

*(b) Nothing in this section shall be construed to require the reporting of any restatement of a financial statement that is not required to be submitted to the board pursuant to Section 59 of Title 16 of the California Code of Regulations.*

*SEC. 5. Section 5076 of the Business and Professions Code is amended to read:*

5076. (a) In order to renew its registration, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) "Accounting and auditing practice" includes any services that are performed using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) The board shall adopt emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) to establish policies, guidelines, and procedures as outlined in subdivision (c). The adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, or general welfare. The emergency regulations shall be submitted to the Office of Administrative Law for filing with the Secretary of State and publication in the California Code of Regulations, and shall be replaced in accordance with the Administrative Procedure Act.

(e) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(f) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(g) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(h) The board shall, by January 1, 2010, define a substandard peer review report in regulation.

(i) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(j) Any report of a substandard peer review submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(k) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(*l*) Nothing in this section requires any firm to become a member of any professional organization.

(m) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(n) *(1)* By January 1, ~~2013~~ *2015*, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:

*(A) The number of peer review reports completed to date and the number of reports which were submitted to the board as required in subdivision (f).*

*(B) The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (j).*

*(C) The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.*

*(D) The extent to which mandatory peer review of accounting firms enhances consumer protection.*

*(E) The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.*

*(F) A recommendation as to whether the mandatory peer review program should continue.*

~~(1)~~

*(G)* The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.

~~(2)~~

*(H)* The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.

~~(3)~~

*(I)* The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.

*(J) A recommendation as to whether the preparation of nondisclosure compiled financial statements on another comprehensive basis of accounting should continue to be a part of the mandatory peer review program.*

*(2) A report to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.*

(o) This section shall remain in effect only until January 1, ~~2014~~ *2016*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2014~~ *2016*, deletes or extends that date.

*SEC. 6. Section 5076.1 of the Business and Professions Code is amended to read:*

5076.1. (a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained

by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

(1) In connection with disciplinary proceedings of the board.

(2) In connection with legal proceedings in which the board is a party.

(3) In response to an official inquiry by a federal or state governmental regulatory agency.

(4) In compliance with a subpoena or summons enforceable by court order.

(5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

(e) This section shall remain in effect only until January 1, ~~2014~~ *2016*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2014~~ *2016*, deletes or extends that date.

~~SEC. 2.~~

*SEC. 7.* Section 5510 of the Business and Professions Code is amended to read:

5510. There is in the Department of Consumer Affairs a California Architects Board which consists of 10 members.

Any reference in law to the California Board of Architectural Examiners shall mean the California Architects Board.

This section shall remain in effect only until January 1, 2016, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2016, deletes or extends that date. Notwithstanding any other provision of law, the repeal of this section renders the board subject to review by the appropriate policy committees of the Legislature.

~~SEC. 3.~~

*SEC. 8.* Section 5517 of the Business and Professions Code is amended to read:

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: *http://www.cba.ca.gov*

**CBA Agenda Item X.A.**
**July 21, 2011**

**DRAFT 6/29/11**

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

## MINUTES OF THE
## MAY 19-20, 2011
## CBA MEETING

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234
Fax: (650) 696-2669

Roll Call and Call to Order.

President Sally Anderson called the meeting to order at 1:02 p.m. on Thursday, May 19, 2011 at the Hyatt Regency San Francisco Airport. The meeting recessed at 3:49 p.m. CBA President Anderson reconvened the meeting at 9:02 a.m. on Friday, May 20, 2011, and the meeting adjourned at 12:18 p.m.

| CBA Members | May 19, 2011 |
|---|---|
| Sarah (Sally) Anderson, President | 1:02 p.m. to 3:49 p.m. |
| Marshal Oldman, Vice President | 1:02 p.m. to 3:49 p.m. |
| Leslie LaManna, Secretary-Treasurer | 1:02 p.m. to 3:49 p.m. |
| Diana Bell | 1:02 p.m. to 3:49 p.m. |
| Alicia Berhow | 1:02 p.m. to 3:49 p.m. |
| Michelle Brough | 1:02 p.m. to 3:49 p.m. |
| Donald Driftmier | 1:02 p.m. to 3:49 p.m. |
| Herschel Elkins | 1:02 p.m. to 3:49 p.m. |
| Laurence (Larry) Kaplan | 1:02 p.m. to 3:49 p.m. |
| Louise Kirkbride | 1:02 p.m. to 3:49 p.m. |
| Kitak (K.T.) Leung | 1:30 p.m. to 3:49 p.m. |
| Manuel Ramirez | Absent. |
| Michael Savoy | 1:02 p.m. to 3:49 p.m. |
| David Swartz | 1:02 p.m. to 3:49 p.m. |
| Lenora Taylor | Absent. |

| CBA Members | May 20, 2011 |
|---|---|
| Sarah (Sally) Anderson, President | 9:02 a.m. to 12:18 p.m. |

| | |
|---|---|
| Marshal Oldman, Vice President | 9:10 a.m. to 12:18 p.m. |
| Leslie LaManna, Secretary-Treasurer | 9:02 a.m. to 12:18 p.m. |
| Diana Bell | 9:02 a.m. to 12:18 p.m. |
| Alicia Berhow | 9:02 a.m. to 12:18 p.m. |
| Michelle Brough | 9:02 a.m. to 12:18 p.m. |
| Donald Driftmier | 9:02 a.m. to 12:18 p.m. |
| Herschel Elkins | 9:02 a.m. to 12:18 p.m. |
| Laurence (Larry) Kaplan | 9:02 a.m. to 12:18 p.m. |
| Louise Kirkbride | 9:02 a.m. to 12:18 p.m. |
| Kitak (K.T.) Leung | 9:10 a.m. to 12:18 p.m. |
| Manuel Ramirez | Absent. |
| Michael Savoy | 9:02 a.m. to 12:18 p.m. |
| David Swartz | 9:02 a.m. to 12:18 p.m. |
| Lenora Taylor | 9:02 a.m. to 12:18 p.m. |

Staff and Legal Counsel

Patti Bowers, Executive Officer
Dan Rich, Assistant Executive Officer
Rich Andres, Information Technology Staff
Don Chang, Supervising Senior Counsel, Department of Consumer Affairs (DCA)
Veronica Daniel, Board Relations Analyst
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Manager, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Deanne Pearce, Chief, Licensing Division
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
Fausto Hinojosa, Chair, Qualifications Committee (QC)
James Rider, Vice Chair, Enforcement Advisory Committee (EAC)

Other Participants

Ruth Astle, Administrative Law Judge (ALJ), Office of Administrative Hearings
Patrick Heard, Court Reporter, Star Reporting Service
Louis Miramontes, KPMG
Pilar Onate-Quintana, KP Public Affairs
Joseph Petito, The Accountants Coalition
LaVonne Powell, Senior Advisor to the Director, DCA
Jonathan Ross, KP Public Affairs
Johnathon Roux, Petitioner
Hal Schultz, California Society of Certified Public Accountants (CalCPA)

Jeannie Tindel, CalCPA

I. Report of the President.

A. Update on Peer Review Implementation.

Mr. Ixta provided an overview of the memorandum for this item (see Attachment __ ).

Ms. Bell inquired if the added workload is manageable considering the current status of staffing in the Enforcement Division. Mr. Ixta stated the Division may run into resource issues as the deadline for reporting approaches in July 2011. Mr. Ixta stated that attempts are being made to notify and remind licensees in advance of the deadline in order to avoid an overload of responses in July.

Ms. Anderson inquired regarding the number of requests for extension in reporting. Mr. Ixta stated that CalCPA has expressed concern regarding the volume of inquiries they have started to receive regarding this matter.

Ms. Anderson inquired regarding notification to consumers. Ms. Bowers stated that there are a number of outreach activities planned as noted in the CBA's Communications and Outreach Plan.

B. Announcement of New Committee Appointments.

Ms. Anderson stated that changes were made to the CBA committees to accommodate the recently appointed CBA members (see Attachment __ ). No comments were received.

C. Presentation: Overview of the CBA's Role in Petitions for Reinstatement.

1. Enforcement Overview.

2. Reinstatement Process.

3. CBA Responsibilities.

Mr. Sonne provided an overview of the role of the Attorney General's Office regarding petitions for reinstatement.

Mr. Chang provided an overview of the CBA's role regarding petitions for reinstatement.

Ms. Kirkbride inquired on how to handle matters where the petitioner maintains no wrongdoing and therefore does not illustrate any signs of rehabilitation. Mr. Sonne stated that the petitioner has a number of opportunities to proclaim his/her innocence. Mr. Sonne further stated

that regardless of the petitioner's belief, he/she is still required to be able to demonstrate by clear and convincing evidence that he/she is rehabilitated and is safe to practice.

Ms. Bowers inquired if there are specific steps that CBA staff should take in validating information in the petitioner's file in advance of a hearing. Mr. Chang stated there is no problem with staff reviewing information to confirm validity and that any discrepancy findings should be reported to the AG's Office. Mr. Chang further stated that this practice will protect the due process concern. Mr. Sonne added that the burden of proof lies on the petitioner.

Ms. Bell inquired regarding how to handle the questionable matters where everything appears to be too perfect. Mr. Chang stated that in these cases, members should probe further to gather supplementary information before making a decision.

Ms. Anderson inquired if petitioners are counseled in advance of hearings regarding what the CBA is looking for. Mr. Sonne stated that it is the petitioner's responsibility to either attain this information from his/her attorney, or to study the information provided in the petitioner's packet. Ms. Bowers stated that petitioner's have often contacted CBA staff for assistance regarding this matter.

Ms. Bowers stated that staff will continue to work on improving its internal processes, specifically regarding how information in petitioner's packets is being handled.

D. Discussion Regarding the Joint Meeting of the Accounting Education Committee (AEC) and Ethics Curriculum Committee (ECC) to Review their Proposal for Accounting Study and Ethics Education Requirements.

Ms. Anderson provided an overview of the memorandum for this item (see Attachment __ ).

Ms. Bowers stated that the joint meeting will not be noticed as a public meeting of the CBA; therefore, CBA members are urged to observe the meeting via webcast if possible.

II. Report of the Vice President.

A. Resolution for Retiring Qualifications Committee (QC) Member.

**It was moved by Mr. Elkins, seconded by Mr. Swartz and unanimously carried by those present to adopt the resolution for retiring QC member, Gary O'Krent.**

B. Recommendation for Appointments to the Enforcement Advisory

Committee (EAC).

There was no report for this item.

III. Report of the Secretary/Treasurer.

A. Discussion of Governor's Budget.

B. FY 2010-2011 Third Quarter Financial Statement.

Ms. LaManna provided an overview of agenda item II.B. (see Attachment __ ). No comments were received.

IV. Report of the Executive Officer (EO).

A. Update on Hiring Freeze Exemption Requests.

Ms. Bowers stated that the CBA submitted an exemption request for its four vacant Investigative CPA (ICPA) positions and received approval to hire one of the four. Ms. Bowers stated that a hiring offer had been extended and the new ICPA will start work in the very near future. Ms. Bowers further stated that staff is strategizing creative approaches in submitting exemption requests for other various vacant positions within the CBA.

Ms. Bell lauded staff's efforts and its speed of hiring.

B. Update on Paperless Meetings Initiative.

Ms. Bowers stated the CBA still intends on moving forward with its efforts in paperless meetings. Ms. Bowers stated that the request for permission to purchase electronic readers is currently on hold and will be resubmitted in October 2011.

Ms. Bowers stated that CBA members may use personal electronic devices to download meeting materials from the CBA Web site if they desire; however, it is completely optional.

Mr. Driftmier stated that the City of Ontario could be a resource regarding this matter as it is currently using iPads and is extremely happy with them.

Ms. Bowers requested for CBA members to contact her if they would like to use personal electronic devices to ensure that any technical issues are worked out in advance.

C. DCA Director's Report.

1. New Executive Order(s).

2. Hiring Freeze.

3. Travel Restrictions.

4. Update on BreEZe.

5. Update on Consumer Protection Enforcement Initiative (CPEI).

6. EO Study/Evaluation.

   Ms. Powell stated a recent Executive Order restricts travel to only mission critical duties. Ms. Powell stated the authority to approve travel has been delegated to the DCA director for the time.

   Ms. Powell stated that the BreEZe project is still in process and it's expected that a vendor contract will be in place by October 2011.

   Ms. Powell stated there is a study being conducted in efforts of raising the ceiling on the EO salary cap and that it should be completed by August 2011.

   Ms. Powell stated that a survey monkey is expected to be implemented by the end of May 2011 in advance of the EO annual evaluation process.

D. Update on 2010/2012 CBA Communications and Outreach Plan.

   Ms. Pearce provided an overview of the memorandum for this item (see Attachment __ ).

   Mr. Driftmier stated that the CBA Web site is very user friendly and he complimented the incorporation of the new social media information.

E. Phase II CBA Succession Plan.

   Mr. Rich provided an overview of the memorandum for this item (see Attachment __ ).

   Ms. Anderson commended the incorporation of a mentoring program.

F. Further Discussion on Title 16, California Code of Regulations (CCR) Section 30 of CBA Regulations – Safe Harbor.

   Mr. Stanley provided an overview of the memorandum for this item (see Attachment __ ). No comments were received.

G. Consideration of Modification to Executive Officer's Delegation of

Authority.

Ms. Daniel provided an overview of the memorandum for this item (see Attachment __ ).

**It was moved by Mr. Swartz, seconded by Ms. Bell and unanimously carried to adopt the modifications to the Executive Officer's Delegation of Authority.**

V. Report of the Enforcement Chief.

A. Enforcement Case Activity and Status Report.

Mr. Ixta provided an overview of this item (see Attachment __ ).

Mr. Elkins suggested that it may make more sense to track the median time with respect to case aging. Mr. Ixta stated that staff will begin tracking the average and median for reports going forward.

Ms. Anderson inquired regarding how cases are prioritized. Mr. Ixta stated that consumer harm is the highest priority and those cases are immediately pursued. Mr. Ixta stated that the CBA has retained two retired ICPAs who will assist with the more complex investigations. Mr. Ixta further stated that case aging should be decreasing due to the added resource.

B. Aging Inventory Report.

Mr. Ixta provided an overview of this item (see Attachment __ ). No comments were received.

C. Report on Citations and Fines.

Mr. Ixta provided an overview of this item (see Attachment __ ). No comments were received.

D. Reportable Events Report.

Mr. Ixta provided an overview of this item. (see Attachment __ ). No comments were received.

E. Results of the 3rd Quarter Performance Measures Report to DCA.

Mr. Ixta provided an overview of the memorandum for this item (see Attachment __ ).

Mr. Driftmier stated that there is a lack of correlation between the performance measures set forth by the DCA and the staffing issues the

CBA is facing.

VI. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Ms. Pearce provided an overview of the Licensing Division Activity report (see Attachment __ ). No comments were received.

VII. Acceptance of Minutes.

A. Draft Minutes of the February 24, 2011 CBA Meeting.

B. Draft Minutes of the March 24-25, 2011 CBA Meeting.

C. Draft Minutes of the March 24, 2011 Legislative Committee (LC) Meeting.

D. Minutes of the February 18, 2011 AEC Meeting.

E. Minutes of the February 3, 2011 EAC Meeting.

F. Minutes of the January 26, 2011 ECC Meeting.

G. Minutes of the April 6, 2011 ECC Meeting.

H. Minutes of the January 20, 2011 Peer Review Oversight Committee (PROC) Meeting.

I. Minutes of the March 4, 2011 PROC Meeting.

J. Minutes of the January 26, 2011 QC Meeting.

**It was moved by Ms. Brough, seconded by Ms. Bell and carried by those present to accept agenda items VII.A-VII.F. and VII.H.-VII.J. Mr. Elkins abstained.**

Ms. Bowers stated that the ECC adopted a minor amendment to the minutes of its April 6, 2011 meeting. Specifically, page 13, paragraph 6 was amended to read “Mr. Mikkelsen suggested placing a limit on the total units allowed for only those disciplines listed under the capped category.”

**It was moved by Ms. Brough, seconded by Mr. Oldman and carried by those present to accept agenda item VII.G., to include the amendment made by the ECC. Mr. Elkins abstained.**

VIII. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

No Report.

B. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

Ms. Bowers stated that the ALD is in its final stages of testing of the public site CPAVerify. Ms. Bowers further stated that a presentation on CPAVerify will be provided to CBA members at a future meeting.

b. Board Relevance & Effectiveness Committee.

Mr. Oldman stated that the committee held a recent meeting, which he was unable to attend. Mr. Oldman stated that he will provide an update on the committee's activities at a future CBA meeting.

c. Uniform Accountancy Act Committee (UAA).

Mr. Driftmier stated the committee met two weeks ago and again discussed the matter of firm names. Mr. Driftmier further stated that the committee is expected to come to a conclusion regarding this matter at its upcoming meeting.

Mr. Driftmier stressed importance in the need for the CBA being represented on the AICPA's State Board of Examiners Committee.

2. Recommendations for NASBA's Board of Directors and Nominating Committee.

Ms. Daniel provided an overview of the memorandum for this item (see Attachment __ ). No comments were received.

3. NASBA 2011 Awards Nominations.

Ms. Daniel provided an overview of the memorandum for this item (see Attachment __ ). No comments were received.

**At this time the CBA heard Agenda Items XI.A.-XI.D., and XI.G. (see pages 18618-18622).**

VIII. C. Discussion of Policy Issues for Regulations Regarding Retired License Status.

Ms. Anderson introduced Assemblymember Fiona Ma.

Assemblymember Ma stated that she is pleased to carry AB 431 and thanked the CBA for sponsoring it. Assemblymember Ma stated there are many CPAs who wish to retire with a preferred retired designation as opposed to delinquent, cancelled, or surrendered. Assemblymember Ma stated that at least 27 other state boards of accountancy offer a retired designation. Assemblymember Ma also noted that AB 431 has had no opposition and is currently in review with the Senate. Assemblymember Ma thanked President Anderson and Ms. Bowers for their attendance at hearings, and further thanked the CBA for its support of the bill.

Mr. Franzella provided an overview of the memorandum for this item (see Attachment __ ).

CBA members discussed the matter surrounding the establishment of a minimum age requirement for a retired status. Mr. Chang stated that when this matter arose, Ms. Shellans was citing Government Code Section 12944, which provides that licensing agencies within the DCA do not use certain types of protected classes such as age, sex, or ethnicity, as a basis to have an adverse impact upon that particular class, unless an agency can show that it is job related.

**It was moved by Ms. Bell, seconded by Mr. Driftmier and unanimously carried by those present to adopt staff's recommendation that licensees maintain a California CPA license for a minimum of five years in an active status, or if seeking a retired status due to a permanent disability to provide documentation verifying a permanent disability. The CBA directed staff to work with DCA legal counsel on a recommendation regarding establishment of a minimum age requirement.**

Mr. Oldman offered a friendly amendment to recommend that a CPA be required to maintain his/her most current five years of active licensure in California. Ms. Bell declined to accept the amendment. Mr. Oldman later withdrew his amendment.

**It was moved by Ms. Kirkbride, seconded by Ms. Taylor and unanimously carried by those present to adopt staff's recommendation that the CBA establish the application fee for a retired status license at a fixed amount of $100.**

**It was moved by Ms. Taylor, seconded by Mr. Savoy and unanimously carried by those present to require a biennial renewal for a retired status license, with no fee.**

CBA members discussed the matter regarding restoration from retired status to active.

Mr. Oldman suggested that restoration fees should be equivalent to what they would be for renewal, not to exceed $1,000 dollars.

Mr. Savoy stated the CBA should consider that licensees will also have additional fees associated with the continuing education (CE) requirements for restoration.

Ms. Bell stated that there should be some sense of burden associated with a request for restoration.

Ms. Brough expressed concern for retirees that may need to return to the profession due to economic hardships. Ms. Kirkbride commented that the CBA does not have the capability of differentiating the reasons for restoration.

Ms. Brough inquired if the CBA could look into the restoration requirements of the Dental Board. Mr. Franzella stated that he would provide follow up regarding this request.

Ms. Anderson concurred with Mr. Oldman's suggestion.

Mr. Swartz suggested to only allowing a retiree to reinstate their license to an active once. Ms. Bowers stated that this addition may also prevent misuse of the retired status.

**It was moved by Mr. Swartz, seconded by Ms. Kirkbride and unanimously carried by those present to allow restoration from a retired status to an active status only once, and the individual is to pay all back license renewal fees not to exceed $1,000 dollars.**

Ms. Bowers stated that CBA staff will need to explore whether the motion will require a statutory change.

Ms. Brough requested that staff look at other state's fees for licensure restoration.

CBA members deferred the discussion regarding continuing education requirements to take place in conjunction with other CE changes, including the QC proposal regarding license restoration, for consistency.

**At this time the CBA heard Agenda Item XI.F. (see page 18622).**

IX. Open Session. Petitions for Reinstatement.

Johnathon Mark Roux – Petition for Reinstatement of Revoked Certificate.

Mr. Roux appeared before the CBA members to petition for reinstatement of

his revoked certificate.

ALJ Astle and the CBA members heard the petition and convened into executive closed session to deliberate the matter. ALJ Astle will prepare the decision.

X. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, and the Petition for Reinstatement).

CBA members convened into closed session on Friday, May 20, 2011 at 11:09 a.m., and the meeting reconvened into open session at 11:55 a.m.

**At this time the CBA heard Agenda Item XI.H. (see page 18623).**

**At this time the CBA heard Agenda Item XI.E. (see page 18621).**

XI. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC).

No Report.

B. Committee on Professional Conduct (CPC).

1. Report of the May 19, 2011 CPC Meeting.

2. Overview of Position Letters Received by the CBA on AB 2473 – Mobility.

Mr. Oldman stated that the CPC recommends that the CBA request that CPIL, the large firms, and CalCPA work together to bring a proposal on mobility that can pass the Legislature. The CBA concurred with the CPC's recommendation.

3. Further Discussion on International Delivery of the Uniform CPA Examination (iExam).

Mr. Oldman stated that the CPC recommends that the CBA direct staff to research why Texas and New York felt secure enough to participate in iExam. The CBA concurred with the CPC's recommendation.

4. Discussion to Amend the Safe Harbor Language Contained in Title 16, CCR Section 4.

Mr. Oldman stated that the CPC recommends that the CBA direct staff to reach out to stakeholders to vet language that incorporates both

Options 1 and 2 and bring it back to the CPC in July 2011. The CBA concurred with the CPC's recommendation.

C. Legislative Committee (LC).

1. Report of the May 19, 2011 LC Meeting.

2. Discussion on Status of AB 431 – Retired Status.

   Ms. Bell stated that AB 431 has successfully passed out of the Assembly without any "No" votes and will now repeat the process in the Senate. Ms. Bell further stated that staff identified a drafting error in the bill that will be corrected when the author feels the timing is right.

3. Possible Ratification and Adoption of Position on SB 541 – Regulatory Boards: Expert Consultants.

   **It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried by those present to accept the LC's recommendation to adopt a Support position on SB 541.**

4. Reconsideration of Positions on Legislation.

   a. AB 229 – The Controller: Audits.

      Ms. Bell stated that the LC declined to set forth different scenarios for the Support of AB 229. Ms. Bell further stated that the amendment requested at this time is to delete the portion allowing the Controller to suspend a CPA from the list pending an investigation by the CBA.

      Mr. Elkins stated that the concern was whether there was a due process issue. Mr. Stanley stated that the motion is crafted to accommodate any due process concerns.

      Ms. Brough expressed opposition regarding AB 229.

      Mr. Swartz stated that the matter of enforcement is better maintained under the authority of the CBA and not the Controller's Office. Mr. Swartz further stated that it is his opinion that the CBA should take a Neutral position regarding this matter.

      Ms. Bell stated that staff has followed up with the Controller's Office regarding the areas of opposition. Ms. Bell further stated that two of the three areas of opposition have been addressed, and that the recommendation of the LC incorporates a Support if Amended position to address the remaining issue.

Ms. Tindel stated that CalCPA is in negotiations with the Controller's Office regarding the contents of this bill and does not presently support the bill in its current form.

**It was moved by Ms. Bell and seconded by Ms. Kirkbride to accept the LC's recommendation to adopt a Support if Amended position on AB 229. Ms. Anderson, Mr. Oldman, Ms. LaManna, Ms. Brough, Mr. Driftmier, Mr. Savoy, and Mr. Swartz opposed. The motion failed.**

**It was moved by Mr. Swartz, seconded by Ms. Berhow and carried by those present to adopt a Neutral if Amended position on AB 229. Ms. Bell, Ms. Brough, and Ms. Kirkbride opposed.**

b. SB 306 – Safe Harbor Extension.

Ms. Bell stated that the LC recommends no change on SB 306. No action was taken regarding this item.

c. SB 542 – Sunset Review.

Ms. Bell stated that the LC recommends that the CBA maintain its Watch position on SB 542. No action was taken regarding this item.

d. SB 773 – Webcasting.

Ms. Bell stated that the LC recommends that the CBA maintain its Watch position on SB 773. No action was taken regarding this item.

e. SB 921 – Office of Inspector General.

**It was moved by Ms. Bell, seconded by Ms. Kirkbride and unanimously carried by those present to discontinue following SB 921.**

5. Adoption of Position on SB 706 – Business and Professions.

**It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried by those present to adopt a Neutral position on SB 706.**

D. Accounting Education Committee (AEC).

1. Report of the April 15, 2011 AEC Meeting.

2. Report of the May 9, 2011 AEC Meeting.

   Mr. Franzella stated that at its May 9, 2011 meeting, the AEC moved to approve a recommendation to be presented to the CBA at its July 2011 meeting.

E. Ethics Curriculum Committee (ECC).

1. Report of the April 6, 2011 ECC Meeting.

2. Report of the May 18, 2011 ECC Meeting.

   Mr. Driftmier stated that after significant discussion regarding the subcommittee's proposal for the 10 units of ethics study, members formally voted on the ethics study guidelines to be provided at the June 7, 2011 joint AEC/ECC meeting. The proposal is as follows:

   RECOMMENDATION #1 – MANDATED ACCOUNTING ETHICS

   - Require applicants complete a minimum of four quarter units or three semester units in an upper division or higher course or courses devoted to accounting ethics or accountants' professional responsibilities.

   - Applicants must meet this requirement beginning January 1, 2017. Until that time applicants can meet this requirement using any of the following courses.

   RECOMMENDATION #2

   - Applicants can receive credit for up to seven semester units from the following courses:

     Business Law
     Ethics, Morals, or Fraud
     Human Resources Management
     Business Government & Society
     Legal Environment and Business Corporate Social Responsibility
     Corporate Governance
     Organizational Behavior
     Management of Organizations
     Business Leadership
     Professional Responsibilities (non-Accounting)

   - Applicants can receive credit for up to seven semester units from courses taken in the following disciplines:

| | |
|---|---|
| Philosophy | Cultural, Ethnic, or Diversity Studies |
| Sociology | Religion |
| Psychology | Theology |
| Economics | Political Science |

- The course title must contain one of the below words or terms, or the sole name in the course title is the name of the discipline.

| | |
|---|---|
| Introductory | General |
| Introduction | Fundamentals of |
| Principles of | Foundation of |
| Survey of | |

RECOMMENDATION #3 – FINANCIAL STATEMENT AUDITING COURSE

- Applicants can receive credit of one semester unit for a course devoted solely to financial statement auditing.

Mr. Driftmier restated the information that was previously provided by staff on the joint AEC/ECC meeting and the remaining activities required by the ECC.

Mr. Driftmier commended his fellow ECC members, CBA leadership and staff for their efforts in supporting the committee.

F. Peer Review Oversight Committee (PROC).

Report of the May 6, 2011 PROC Meeting.

Ms. Corrigan stated that at its May 6, 2011 meeting, the PROC received in-depth presentations by AICPA and NASBA, associated with peer review. Ms. Corrigan stated 22 states currently have peer review oversight procedures in place and that six states are actively involved in the process (including California). Ms. Corrigan stated that California was commended by NASBA for its efforts and progress.

Ms. Corrigan stated that NASBA will be providing information on other states, which may be of assistance in resolving conflict of interest matters regarding peer reviewers serving on the PROC.

Ms. Corrigan provided an update on upcoming PROC assignments. The committee's next meeting will be held on July 8, 2011.

G. Enforcement Advisory Committee (EAC).

Report of the May 5, 2011 EAC Meeting.

Mr. Rider expressed thanks to CBA member, Louise Kirkbride and her support for the EAC.

Mr. Rider stated that at its May 5, 2011 meeting, the EAC reviewed 15 cases, 10 of which were closed in agreement with staff's recommendations. Mr. Rider stated that two cases were referred to the Attorney General's Office for discipline. Mr. Rider further stated that three cases moved forward for accusation.

H. Qualifications Committee (QC).

1. Report of the April 27, 2011 QC Meeting.

   Mr. Hinojosa stated the QC met on April 27, 2011 and there were two appearances; one was approved and one was not approved. Mr. Hinojosa stated there were two Section 69 appearances; one was approved and one not approved. Mr. Hinojosa stated the QC discussed the need to implement a peer training manual for guidelines and consistency, to be used by QC members. Mr. Hinojosa further stated that the QC will discuss the Peer Training manual in depth at its August 3, 2011 meeting.

   **It was moved by Ms. Taylor, seconded by Ms. Brough and unanimously carried by those present to accept the report of the QC.**

2. QC Recommendation to Amend Title 16, CCR Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application.

   Mr. Hinojosa provided and overview of the memorandum for this item (see Attachment __ ).

   Mr. Hinojosa stated that the QC is recommending the following changes for reissuance applicants and for initial licensure applicants applying with experience obtained five or more years prior to application:

   - 80 hours of CE be completed in either the two years prior to application for reissuance, or as prescribed by the CBA.

   - 20 of the 80 hours be completed in the one year immediately preceding application for reissuance, of which 12 hours must be completed in technical subject matter.

   - CE must meet the same requirements as the CE necessary for CPA

license renewal, including required hours in technical subject matter.

- To obtain the authority to sign reports on attest engagements, 56 of the 80 hours must be in the following subject areas:

  - 16 hours in Financial Accounting Standards
  - 16 hours in Auditing Standards
  - 8 hours in Compilation and Review
  - 8 hours in Other Comprehensive Basis of Accounting
  - 8 hours in the detection and/or reporting of fraud in financial statements

**It was moved by Mr. Driftmier and seconded by Ms. Taylor to adopt the QC's recommendation. Mr. Driftmier later withdrew this motion.**

Mr. Swartz stated that with peer review oversight in place, this matter may not be as critical. Ms. Anderson concurred with Mr. Swartz.

The CBA further discussed this matter and reached consensus to not take action at this time. Ms. Pearce stated that staff will research options regarding a combined concept for inactive, retired, and reissuance. Ms. Pearce further stated that information will be presented to the CPC for consideration.

XII. Closing Business.

A. Public Comments for Items Not on the Agenda.

No comments were received.

B. Agenda Items for Future CBA Meetings.

Ms. Brough requested a future educational presentation on the procedures of the Securities Exchange Commission.

C. Press Release Focus.

Recent Press Releases.

Mr. Rich stated that the post meeting press release will focus on actions taken regarding AB 431.

Adjournment.

President Anderson adjourned the meeting at 12:18 p.m. on Friday, May 20, 2011.

Sally Anderson, CPA, President

Leslie LaManna, CPA, Secretary-Treasurer

Veronica Daniel, 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

**DEPARTMENT OF CONSUMER AFFAIRS**
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**CBA Agenda Item X.B.**
**July 21, 2011**

COMMITTEE ON PROFESSIONAL CONDUCT
MINUTES OF THE MEETING

**DRAFT**

May 19, 2011

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234
Fax: (650) 696-2669

CALL TO ORDER

Marshal Oldman, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 9:31 a.m. Mr. Oldman requested that the role be called.

Present
Marshal Oldman, Chair
Sally Anderson
Herschel Elkins
Louise Kirkbride
Leslie LaManna
Michael Savoy
David Swartz

CBA Members Observing
Diana Bell
Alicia Berhow
Don Driftmier
Larry Kaplan

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Dan Rich, Assistant Executive Officer
Rich Andres, Information Technology
Don Chang, DCA Legal Affairs
Veronica Daniel, Executive Analyst
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Manager, Renewal and Continuing Competency (RCC) Unit
Rafael Ixta, Chief, Enforcement Division
Deanne Pearce, Chief, Licensing Division
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation/Regulation Analyst

Other Participants
Pilar Onate-Quintana, E&Y PWC, D&T, GT, KPMG
Joe Petito
Jonathan Ross, E&Y PWC, D&T, GT, KPMG
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA

I. Overview of Position Letters Received by the CBA on AB 2473 – Mobility.

Mr. Rich presented an overview of various letters of support and opposition that were received on AB 2473. He emphasized Senator Perata's letter which provided several recommendations for the CBA to pursue prior to having the Legislature consider mobility.

The CPC then discussed whether or not staff should be directed to prepare a list of topics for research that would fulfill the Senator's recommendations.

**It was moved by Ms. Kirkbride to direct staff to provide an accounting of what answers could be provided to the issues in Senator Perata's letter. The motion failed for lack of a second.**

The CPC decided that further research would be repetitive. It also discussed that since the opposition seemed to be directed by CPIL, that stakeholders be allowed to work out an acceptable compromise thus eliminating most of the opposition to mobility.

**It was moved by Mr. Swartz, seconded by Mr. Savoy, and carried to request that the large firms, CPIL, and CalCPA work together to bring a proposal on mobility that can pass the Legislature. Ms. Kirkbride opposed.**

II. Further Discussion on International Delivery of the Uniform CPA Examination.

Ms. Pearce presented additional information regarding the iExam including the fact that 38 states have signed on with NASBA's plan. She indicated that the CBA may prohibit the acceptance of scores obtained internationally through a regulatory change should the CBA wish to do so.

The CPC discussed what the benefits and possible pitfalls of participation in the program may be. It was unclear as to why some of the other large states had made the decision to participate.

**It was moved by Mr. Swartz, seconded by Ms. LaManna, and carried unanimously to direct staff to reach out to Texas and New York to**

**determine their comfort level and why they felt secure enough to participate in the international delivery of the exam.**

III. Discussion to Amend the Safe Harbor Language Contained in Title 16, CCR Section 4.

Mr. Ixta presented an issue that, under current law, it is possible for unlicensed individuals to prepare financial statements pursuant to Section 4 of the CBA regulations which are not subject to peer review. It was suggested that this could lead to confusion for consumers about the work they are seeing.

He suggested two options for amending the regulatory language of Section 4. The first would indicate that the person preparing the financial statements is not independent of the entity, and the second option would indicate that the individual is not a licensee of the CBA.

Ms. LaManna indicated that she was the one who broached the subject with staff.

**It was moved by Ms. LaManna, seconded by Ms. Anderson, and carried unanimously to direct staff to work with the stakeholders who were originally involved with the crafting of Section 4 to integrate language encompassing both options.**

IV. Comments from Members of the Public.

No comments were received.

V. Agenda Items for Next Meeting.

No agenda items were identified.

There being no further business, the meeting was adjourned at 10:21 a.m.

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**LC Agenda Item I.**
**July 21, 2011**

**CBA Agenda Item X.C.**
**July 21, 2011**

# LEGISLATIVE COMMITTEE
# MINUTES OF THE MEETING

**DRAFT**

May 19, 2011

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234
Fax: (650) 696-2669

## CALL TO ORDER

Diana Bell, Chair, called the meeting of the Legislative Committee (LC) to order at 9:01 a.m. Ms. Bell requested that the role be called.

Present:
Diana Bell, Chair
Alicia Berhow
Louise Kirkbride
Michael Savoy

CBA Members Observing:
Sally Anderson, President
Donald Driftmier
Herschel Elkins
Larry Kaplan
Leslie LaManna
Marshal Oldman
David Swartz

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Dan Rich, Assistant Executive Officer
Rich Andres, Information Technology
Don Chang, DCA Legal Affairs
Veronica Daniel, Executive Analyst
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Manager, Renewal and Continuing Competency (RCC) Unit
Rafael Ixta, Chief, Enforcement Division
Deanne Pearce, Chief, Licensing Division
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation/Regulation Analyst

Other Participants
Joe Petito
Jonathan Ross, E&Y PWC, D&T, GT, KPMG
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA

I. Adoption of Draft Minutes of the March 24, 2011, Legislative Committee Meeting **(Diana Bell, Chair)**.

**It was moved by Ms. Kirkbride, seconded by Mr. Savoy, and carried unanimously to adopt the minutes of the March 24, 2011 LC Meeting.**

II. Discussion on Status of AB 431- Retired Status **(Matthew Stanley)**.

Mr. Stanley provided the LC with an update on the status of AB 431, the retired status bill. It successfully passed out of the Assembly without any "No" votes and will now repeat the process in the Senate. He also identified a drafting error in the bill that will be corrected when the author feels best.

III. Possible Ratification and Adoption of Position on SB 541 – Regulatory Boards: Expert Consultants **(Matthew Stanley)**.

Mr. Stanley indicated that this bill allows all boards to enter into agreements with expert consultants without going through the normal contracting process. He stated that the CBA would use these consultants to provide expertise on enforcement-related matters. He informed the LC that, in anticipation of the CBA's support, staff sent a letter of staff support to the author and are asking that the CBA ratify that position.

**It was moved by Ms. Berhow, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt a Support position on SB 541.**

IV. Reconsideration of Positions on Legislation **(Matthew Stanley)**.

A. AB 229 – The Controller: audits.

Mr. Stanley stated that the author and sponsor of this bill have worked closely with staff to address the CBA's concerns. Amendments clarify that the list maintained by the Controller is open to anyone in good standing with the CBA and removed the word suspension from the bill to instead indicate removal from the list.

The amendments did not address one final concern of the CBA's regarding removal from the list before the CBA holds a hearing. Mr.

Stanley indicated that the Controller's Office believes this is a key consumer protection portion of the bill.

The LC discussed different scenarios that would garner the CBA's full support of the bill, but in the end decided to once again put forth its concerns and request that the bill be amended to address the one remaining concern.

**It was moved by Ms. Kirkbride, seconded by Ms. Berhow, and carried unanimously to recommend that the CBA adopt a Support if Amended position on AB 229.**

B. SB 306- Accountancy.

Mr. Stanley indicated that this is the bill regarding the Practice Privilege Safe Harbor period. He reminded the committee that the CBA took a Support if Amended position in March. It was subsequently amended in accordance with the CBA's recommendation to codify the Safe Harbor period and make it permanent. As such, the CBA's position has become Support.

C. SB 542- Sunset Review.

Mr. Stanley stated that this bill now extends the CBA's sunset date to 2016 as well as the sunset date for the Peer Review Program. He indicated that more changes are anticipated following a meeting with legislative staff.

The LC decided to maintain the CBA's current Watch position on SB 542.

D. SB 773- Webcasting.

Mr. Stanley indicated that, although SB 773 was amended to make a change to the CBA's webcasting requirements, staff had been assured that this is still a spot bill.

The LC decided to maintain the CBA's current Watch position on SB 773.

E. SB 921- Office of the Inspector General.

Mr. Stanley indicated that this bill was amended to no longer impact any area of concern for the CBA.

**It was moved by Ms. Kirkbride, seconded by Ms. Berhow, and carried unanimously to recommend that the CBA Discontinue Following SB 921.**

V. Adoption of Position on SB 706 – Business and Professions

Mr. Stanley indicated that SB 706 would require several boards and bureaus to post accusations on their Web sites. He stated that the CBA is already in compliance with the bill's provisions.

**It was moved by Ms. Kirkbride, seconded by Mr. Savoy, and carried unanimously to recommend that the CBA take a Neutral position on SB 706.**

VI. Public Comments for Items Not on the Agenda.

No comments were received.

VII. Agenda Items for Next Meeting.

No agenda items were identified.

There being no further business, the meeting was adjourned at 9:27 a.m.

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**DEPARTMENT OF CONSUMER AFFAIRS**
CALIFORNIA BOARD OF ACCOUNTANCY

**CBA Agenda Item X.D.**
**July 21, 2011**

# MINUTES OF THE April 15, 2011 ACCOUNTING EDUCATION COMMITTEE (AEC) MEETING

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
Telephone: (916) 263-3680

I. Roll Call and Call to Order.

AEC Chair Ruben Davila, called the meeting of the AEC to order at 12:30 p.m. on Friday, April 15, 2011 at the California Board of Accountancy (CBA) office. Mr. Davila stated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

| AEC Members | |
|---|---|
| Ruben Davila, Chair | 12:30 p.m. to 2:15 p.m. |
| Donald Driftmier, CBA Member | 12:30 p.m. to 2:15 p.m. |
| Sherry Anderson | 12:30 p.m. to 2:15 p.m. |
| Betty Chavis | 12:30 p.m. to 2:15 p.m. |
| Thomas Dalton | 12:30 p.m. to 2:15 p.m. |
| Michael Moore | 12:30 p.m. to 2:15 p.m. |
| Gary Pieroni | Not Present |
| Sara Seyedin | Not Present |
| Xiaoli “Charlie” Yuan | Not Present |

| Staff and Legal Counsel | Other Participants |
|---|---|
| Rich Andres, Information Technology Staff | Jason Fox, CalCPA |
| Patti Bowers, Executive Officer | Molly Isbell, KP Public Affairs |
| Dominic Franzella, Manager, Licensing | Tiffany Rasmussen, KPMG |
| Deanne Pearce, Chief, Licensing Division | Jeannie Tindel, CalCPA |
| Jenny Sheldon, Licensing Coordinator | |

I. Approve Minutes of the February 18, 2011 AEC Meeting.

**It was moved by Mr. Driftmier, seconded by Ms. Chavis, and unanimously carried by those present to approve the minutes (Attachment #1).**

II. Update on the Ethics Curriculum Committee Activities.

Mr. Franzella provided an oral report for this item. Mr. Franzella reported that the Ethics Curriculum Committee (ECC), which is charged with developing the 10 units of ethics study guidelines, has met three times. At the April 6, 2011 meeting the subcommittee presented a proposal for the ethics study guidelines. The recommendation included the following:

- Three semester units or four quarter units in an upper division course or courses solely devoted to accounting ethics, accounting fraud, or accountants' professional responsibilities.

- No more than seven semester units in a combination of either un-capped or capped courses.

  The un-capped courses include courses such as business law, human resources management, corporate governance, and courses that have ethics, morals, or fraud in the course title.

  The capped courses would come from specific disciplines including Philosophy, Psychology, Sociology, Cultural, Ethnic and Diversity Studies, and Religion. To prevent overuse of a course in a single discipline the subcommittee recommends that no more than 3 units can be completed in one discipline.

- No more than one semester unit be applied to the 10 semester unit ethics requirement for courses devoted solely to financial statement auditing.

Based on the discussion and feedback at the meeting the subcommittee will be meeting again with staff to refine the proposal to be brought back at the May 18, 2011 ECC meeting.

Mr. Driftmier added that he believes at the next ECC meeting final decisions will be made on the proposed requirements. He also stated that he believes the ECC proposal is in keeping with the spirit of the legislation and has been accomplished in a way that will be workable for the colleges/universities, students, and the CBA staff. He expressed thanks to the ECC and staff for their work.

III. Information on the Education Requirements for Certain Master's Degrees that Could be Considered for Meeting the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #2**) and reported that over the course of several meetings members considered the acceptance of specified master's degrees to meet the 20 units of accounting study. In response to public comments received at the February 2011 AEC meeting regarding the acceptance of degrees such as a Master of Business Administration (MBA) or Master of Laws (LL.M.), in addition to the already agreed upon Master of Accounting and Master of Taxation, staff researched the various degree requirements.

Specifically, staff compared the degree requirements of an LL.M. in Taxation to a Master of Taxation and the degree requirements for an MBA with an accounting emphasis to Master of Accounting. Staff also provided, in attachments to the memorandum, the academic requirements for degrees such as a Master of Finance, Master of Economics, and MBA programs with up to eleven different areas of concentration.

An additional comment received at the February 2011 AEC meeting was to amend the proposal to include higher degrees such as a Doctorate of Accounting.

Members discussed the educational requirements of each degree and came to a general consensus that a Master of Accounting, Master of Taxation, and LL.M. in Taxation would all be deemed substantially equivalent to meeting the 20 units of accounting study.

Mr. Davila asked for comments regarding the acceptance of a Ph.D. in Accounting. Mr. Moore indicated that there is an administrative problem with transcripts not specifying that the Ph.D. is in accounting but simply a Ph.D. Mr. Davila indicated the same situation occurs for a MBA with a concentration in that the type of concentration is not listed on the transcript. Mr. Moore indicated that the MBA program at the University of California, Riverside does not provide many accounting hours beyond the presently required 24 semester units of accounting so he would not be in favor of an equivalency determination for an MBA program. Mr. Dalton stated that a Ph.D. program is research oriented rather than academic and the student may not complete any specific accounting courses. Members agreed the MBA and Ph.D. should not be included in the list of degrees deemed substantially equivalent to meeting the 20 units of accounting study.

IV. Information on College and University Course Offerings in the Subject Area of Cultural Awareness.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #3**). Ms. Sheldon reported that at the February 2011 AEC meeting, while discussing the subcommittee's proposal to allow a maximum of three semester units in Language under the subject area of "other academic work relevant to accounting

and business," members suggested the addition of courses in cultural awareness. At members' request staff reviewed the cultural and ethnic course offerings at several colleges and universities.

Ms. Sheldon provided members with information on two different approaches for determining courses that would qualify under cultural awareness. The first approach would be to identify a list of acceptable departments in which the three units can be completed such as Sociology, Gender Studies, and Religion. The alternate approach would be to simply state three units in Cultural or Ethnic studies and remain silent on the department.

Mr. Davila stated that he prefers the course title approach rather than the departmental approach due to flexibility. Mr. Driftmier indicated the purpose is to broaden students' horizon and that with a three unit limit the risk of unrelated courses is mitigated. Mr. Dalton and Mr. Moore agreed with the broad approach and that it is best to leave it up to the candidate to determine which course would be most beneficial in their career.

Ms. Chavis questioned whether cultural courses need to be addressed as it seems to be a general education requirement. Mr. Davila clarified that the course would not be a requirement but rather an allowance.

V. Consideration of Draft Regulatory Language to Clarify the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

Mr. Franzella presented the memorandum for this agenda item (**Attachment #4**) and reported that at the February 2011 AEC meeting, members concurred with the majority of the subcommittee's proposal for the 20 units of accounting study with a minor expansion to include cultural awareness and ethnic studies in the broad educational area of Language. Mr. Franzella provided a review of the subcommittee's proposal focusing on the four broad educational areas used to define the term "other academic work relevant to accounting and business."

At the request of the Chair staff used the draft regulatory language to test against a sample of licensees recently approved for licensure to determine if they would have met the requirements presently being considered for the 20 units of accounting study. Mr. Franzella reported that many applicants did not have the proposed minimum six units of upper division accounting study and staff found it difficult to identify any courses that would qualify under the definition of knowledge-based and industry-based education areas.

Ms. Chavis questioned if staff had received any information regarding the identification and availability of upper division courses at community colleges. Ms. Pearce indicated that staff is still in the process of reaching out to the Board of Governors of the California Community Colleges to obtain official information on this topic.

Mr. Moore indicated that he was not surprised by staff's findings because the purpose of the legislation and the committee is to put structure into the 20 units and once the structure is in place students will have a roadmap for completing relevant courses.

Mr. Davila asked members if they wanted to reconsider the proposal to require all 20 units be completed at the upper division level, specifically in the area of skills-based courses.

Mr. Dalton stated that he has no opposition to allowing lower division coursework but if members agree to continue recommending upper division coursework he would like the language to remain as presently drafted. Ms. Pearce commented that the present language could potentially preclude community college courses from qualifying if it is determined that upper division courses cannot be identified on community college transcripts. Mr. Moore stated his belief that community colleges will respond appropriately if the proposed requirement is implemented. Mr. Driftmier indicated that community colleges are very inclusive in that they play an important role in students obtaining the present 24/24 requirement and the additional 20 units of accounting study is simply another layer to the education requirements.

Mr. Davila returned the discussions to the proposed regulatory language and questioned what staff needed from members to make the four board educational areas workable for identifying courses. Mr. Dalton suggested members look at the second option for regulatory language provided in the memorandum.

Mr. Dalton stated that he liked the alternate language because it is simple, straightforward, and reads like a college catalog that students would find familiar. Mr. Moore stated that he would like the list of acceptable courses or departments to include all physical and life sciences. Mr. Davila agreed with including all physical and life sciences in the area of industry-based education.

For defining the term "other academic work relevant to accounting and business," members came to a general consensus to permit three semester units in languages and/or cultural awareness, three semester units in industry-related education, and three semester units in skills-based education. After further discussion on the benefits of using either departmental/subject area designators or key terms in a course title to identify acceptable skills-based and industry-based courses, members came to a general agreement to move toward the departmental approach.

VI. AEC Timeline, Future Agenda Items and Meeting Dates.

Mr. Franzella explained that the legislatively-mandated deadline for the CBA to adopt regulations for the 20 units of accounting study by January 1, 2012 is fast

approaching. As a result the CBA will need to have the AEC's final recommendation by the July 2011 CBA meeting to allow for a regulatory hearing to be held in November 2011, the last CBA meeting before the January 1, 2012 due date.

The next AEC meeting will be held May 9, 2011. There will also be a joint meeting of the AEC and ECC in June 2011 to expose the proposal to stakeholders.

VII. Public Comments

Ms. Rasmussen questioned if a document would be put together showing all education requirements – the 24/24, 20 units of accounting study, and 10 units of ethics education – and how they fit together.

Ms. Pearce responded in the affirmative.

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 2:15 p.m. on Friday, April 15, 2011.

_____

Ruben Davila, Chair

Prepared by Jenny Sheldon, Licensing Coordinator.

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**DEPARTMENT OF CONSUMER AFFAIRS**
CALIFORNIA BOARD OF ACCOUNTANCY

**CBA Agenda Item X.E.**
**July 21, 2011**

# MINUTES OF THE
# May 9, 2011
# ACCOUNTING EDUCATION COMMITTEE (AEC) MEETING

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
Telephone: (916) 263-3680

Roll Call and Call to Order.

AEC Chair Ruben Davila, called the meeting of the AEC to order at 1:00 p.m. on Monday, May 9, 2011 at the California Board of Accountancy (CBA) office. Mr. Davila stated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

| AEC Members | |
|---|---|
| Ruben Davila, Chair | 1:00 p.m. to 1:38 p.m. |
| Donald Driftmier, CBA Member | Not Present |
| Sherry Anderson | 1:00 p.m. to 1:38 p.m. |
| Betty Chavis | Not Present |
| Thomas Dalton | 1:00 p.m. to 1:38 p.m. |
| Michael Moore | Not Present |
| Gary Pieroni | 1:00 p.m. to 1:38 p.m. |
| Sara Seyedin | Not Present |
| Xiaoli “Charlie” Yuan | 1:00 p.m. to 1:38 p.m. |

| Staff | Other Participants |
|---|---|
| Rich Andres, Information Technology Staff | Jason Fox, CalCPA |
| Dominic Franzella, Manager, Licensing | Jeannie Tindel, CalCPA |
| Deanne Pearce, Chief, Licensing Division | |
| Jenny Sheldon, Licensing Coordinator | |

I. Approve Minutes of the April 15, 2011 AEC Meeting.

**It was moved by Mr. Dalton, seconded by Ms. Anderson, and unanimously carried by those present to approve the minutes (Attachment #1).**

II. Update on Joint AEC/Ethics Curriculum Committee Meeting.

Ms. Pearce presented the memorandum for this item (**Attachment #2**). Ms. Pearce explained that the goal of the joint meeting of the AEC and Ethics Curriculum Committee (ECC) is to expose the education proposals of each committee to as many stakeholders as possible. This will allow for comments and input from stakeholders prior to making formal recommendations to the CBA at the July 2011 CBA meeting. Ms. Pearce confirmed the meeting will be held in Sacramento, but that the location is still being finalized.

III. Update on Contact with the Board of Governors of the California Community Colleges Regarding Documentation of Upper Division Courses.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #3**). Ms. Sheldon stated that staff sent a letter to the Board of Governors of the California Community Colleges requesting clarification on whether upper division courses can be identified on the community college transcripts. The letter also requested information on how students identify upper division courses if they are not specifically listed as upper division in the course catalog.

Mr. Pieroni stated that based on information received from Diablo Valley College it is possible for the community college to identify upper division courses on the college transcript but that it may require a directive or mandate from the Board of Governors for this to be implemented on a statewide basis.

IV. Consideration of Recommendation to the CBA to Adopt Regulations Clarifying the 20 Units of Accounting Study Required Pursuant to Business and Professions Code Section 5094(b).

Mr. Franzella presented the memorandum for this agenda item (**Attachment #4**). Mr. Franzella reported that, with the exception of the definition for the term “other academic work relevant to accounting and business,” the recommendations included in the attachment to the memorandum are items on which members have reached a general consensus.

Members discussed the proposed definition for “other academic work relevant to accounting and business” and asked questions of staff on how the definition would be applied in conjunction with the ethics education proposal being considered by the ECC.

Staff assured members that if similar requirements or limitations are proposed by the AEC and ECC they would remain independent of each other. Mr. Franzella stated that if the ECC proposed a three unit limit on Sociology classes to meet the ethics education requirement and the AEC proposed the same three unit limit to meet the accounting study requirement, the student would be able to complete a total of six units in Sociology.

**It was moved by Mr. Pieroni to approve the proposal for the 20 units of accounting study as written in Attachment #1 to the memorandum with the addition of the word "administration" in the definition of industry-based courses. The motion was seconded by Mr. Dalton and unanimously carried by those present.**

V. Public Comments.

Ms. Tindel complimented the committee for taking into consideration all of the stakeholders and doing their best to implement the statute.

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 1:38 p.m. on Monday, May 9, 2011.

_____

Ruben Davila, Chair

Prepared by Jenny Sheldon, Licensing Coordinator.

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

**CBA Agenda Item X.F.**
**July 21, 2011**

# MINUTES OF THE
# May 18, 2011
# ETHICS CURRICULUM COMMITTEE (ECC) MEETING

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234

Roll Call and Call to Order

Donald Driftmier, Chair, called the meeting of the ECC to order at 12:30 p.m. on Wednesday, May 18, 2011 at the Hyatt Regency San Francisco Airport. Mr. Driftmier indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

ECC Members

| | |
|---|---|
| Donald Driftmier, Chair | 12:30 p.m. to 2:59 p.m. |
| Gary McBride | 12:30 p.m. to 2:59 p.m. |
| Jon Mikkelsen | 12:30 p.m. to 2:59 p.m. |
| Steven M. Mintz | 12:30 p.m. to 3:59 p.m. |
| Gary Pieroni | 12:30 p.m. to 2:59 p.m. |
| Robert Yetman | 12:30 p.m. to 2:59 p.m. |
| Michael Ueltzen | 12:30 p.m. to 2:59 p.m. |
| Dave Cornejo | Not Present |
| Gonzalo Freixes | Not Present |

CBA Members
Sally Anderson, President

Staff and Legal Counsel
Patti Bowers, Executive Officer
Dan Rich, Assistant Executive Officer
Deanne Pearce, Chief, Licensing Division
Dominic Franzella, Manager, Licensing Division

Veronica Daniel, Executive Analyst
Rich Andres, Information Technology Staff

Other Participants
Hal Schultz, California Society of CPA's
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)
Pilar Onate-Quintana, KP Public Affairs
Charles Ozaki, Accounting Education Committee of the California Society of CPA's
John Angelo, CalCPA
Kristine Caratan, Santa Clara University, San Francisco State University

Mr. Driftmier informed the committee that Michael Shames had resigned. He read the letter of resignation submitted by Mr. Shames into record.

I. Approve Minutes of the April 6, 2011 ECC Meeting

Mr. Mikkelsen requested that the statement on page 13 be amended to read "placing a limit on the total units allowed for only those disciplines listed under the capped category."

**It was moved by Mr. Yetman, seconded by Mr. McBride, and carried by those present to approve the minutes (Attachment #1) as amended.**

II. Update on Accounting Education Committee Activities

Ms. Pearce provided an oral report for this item. She reported that the AEC met on May 9, 2011 and finalized their proposal for the 20 units of accounting study. The recommendation is summarized as follows: all 20 units of accounting study shall be completed at an upper division level or higher; a minimum of six units to be completed in accounting subjects; a maximum of 14 units to be completed in business-related subjects and of those 14 a maximum of nine units may be completed in other academic work relevant to accounting and business, and a maximum of four units may be completed in internships or independent studies. Additionally, the AEC is recommending that a Master of Accounting, Master of Taxation, or Master of Laws in Taxation be deemed equivalent to the completion of the 20 units of accounting study. They are moving forward via regulation and plan to have a public hearing on the master degree portion at the July board meeting.

III. Report of the Subcommittee's April 14, 2011 Meeting and Proposal for the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014

Mr. McBride and Mr. Yetman presented the memorandum for this item (**Attachment #2**)

Mr. Yetman inquired if members would be open to a motion on the table prior to holding discussions. Mr. Driftmier suggested that discussions be held prior to a motion. Mr. McBride outlined the differences the subcommittee made from the first proposal. In the revised proposal, accounting fraud was removed from Recommendation #1 – Mandated Accounting Ethics. He also stated the second bullet under this recommendation should be amended to read "until that time applicants can meet this requirement using any un-capped or capped courses. He pointed out Legal Environment and Business should be corrected to read Legal Environment of Business which was added to Recommendation #2 – Un-Capped Courses. Mr. McBride explained the reasoning for keeping the disciplines religion and theology under Recommendation #3 – Capped Courses. Additionally, he stated economics and political science were added to this recommendation and the rationale for this inclusion was explained in the report. When considering the disciplines for Recommendation #3, it was the subcommittee's intent to allow only introductory courses which lay the foundation for the general objective, goals, and principles these disciplines seek to instill students. Therefore, the subcommittee recommended courses taken in these disciplines contain words or terms as outlined in the revised proposal.

Mr. Mikkelsen had concerns with including economics as one of the disciplines. Mr. Yetman explained the intent was to strike a balance to include enough categories for schools to meet this requirement and make it easier for the student to reach this goal. He believed they were leaning more towards qualitative courses and wanted at least one quantitative course even though not all of the course may form a basis for ethical reasoning. Mr. Mintz concurred with Mr. Mikkelsen and believed qualitative courses and not quantitative courses were needed. If qualitative courses were what were wanted, he recommended the seven capped and un-capped units, which he objects to, be revised. He suggested the capped category be set at three units, and create a new category to include courses and areas that address ethical issues specific to business and accounting practice to include courses like business ethics, accounting auditing and financial statement fraud, and legal business environment.

Mr. McBride encouraged the committee to proceed with a motion and then vote on specific items instead of having open discussions. Mr. Ueltzen suggested the committee address each recommendation in order for discussion purposes.

**Motion #1**
**It was moved by Mr. Ueltzen, seconded by Mr. Yetman, to adopt the proposal for ethics study guidelines as reflected in Attachment #1. This motion was later amended and approved by those present to include motions #2, #3, #5, and #6. Mr. Mintz opposed.**

Mr. McBride made a friendly amendment to include the minor previously stated amendments by referring to capped or un-capped courses in Recommendation #1 and correcting the course title Legal Environment of Business in Recommendation #2.

Mr. Mintz did not approve of Mr. McBride's recommendation on the language in the second bullet for Recommendation #1. Additionally, he believed three years to comply with the mandated accounting ethics requirement was too long and should be changed to 2016. Hal Schultz explained that the deadline 2017 applied to the applicant to specifically complete this requirement and not directed at the colleges/universities. Based on this explanation, Mr. Mintz withdrew his objection.

**Motion #2**
**It was moved by Mr. Ueltzen, seconded by Mr. McBride, to modify the last sentence of the second bullet in Recommendation #1 to read "any capped or un-capped courses." This motion was later amended and approved by those present to modify the last sentence of the second bullet in Recommendation #1 to read: Until that time applicants can meet this requirement using any of the following courses. Mr. Mintz opposed.**

Mr. Ueltzen suggested adding "not more than three units in capped courses" to this sentence. Mr. McBride suggested tabling the language for this sentence until the language for the un-capped and capped recommendations was addressed.

Further discussions were held regarding the mandated accounting ethics requirement and the legislative intent.

**Motion #3**
**It was moved by Mr. Ueltzen, seconded by Mr. Yetman, to add business ethics to Recommendation #1. Mr. Driftmier, Mr. McBride, Mr. Mintz, Mr. Pieroni, and Mr. Yetman opposed. The motion failed.**

Mr. Mikkelsen stated it was important to have accounting specific ethics. Mr. Pieroni suggested business ethics be moved under the un-capped area.

Mr. Mintz suggested that Recommendation #2 be revised to consist of business ethics, corporate social responsibility, accounting/auditing financial statement fraud, legal environment and business, and corporate governance and removing the remaining courses.

**Motion #4**
**It was moved by Mr. Mintz to have four categories: Number 1, accounting ethics or accounting professional responsibilities; Number 2, corporate ethics and leadership to include business ethics, corporate social responsibility or business government and society, accounting/auditing/financial statement fraud, ethical leadership, corporate governance, and legal environment of business, Number 3 three or four units of capped courses with the exception of economics, and number 4 remains as recommendation #4 of the proposal. As there was no second to the motion, the motion failed.**

Ms. Anderson commended the committee on their efforts and diligence throughout this process. She encouraged a proposal that was less complicated and more practical for the students. She urged members to come up with courses which meet the legislative intent while still allowing students leeway in taking courses.

Mr. Mikkelsen suggested the committee may be overstepping its ground by defining individual course titles but understands the necessity for it. He stated it may be easier to implement if wording was included to say equivalency of topics or topics or courses like these which would thereby include courses that may not be listed in the proposal. Mr. Yetman explained there would be no way of ensuring courses met the intent of the law if course titles were left open ended. He was in favor of adding corporate social responsibility to the list.

**Motion #5**
**It was moved by Mr. Mikkelsen, seconded by Mr. McBride, and carried by those present, to add corporate social responsibility to the list of courses for Recommendation #2**.

Mr. Ueltzen suggested removing the terms capped and un-capped and having one aggregate listing of courses. Further discussion followed regarding implications should all seven units be taken under the existing capped category.

**Motion #6**
**It was moved by Mr. Ueltzen, seconded by Mr. McBride, and carried by those present to strike the terms Recommendation #2 – Un-Capped Courses and Recommendation #3 – Capped Courses to Recommendation #2 – Courses and Recommendation #3 – Disciplines and strike the sentence which says "no more than three semester units may be applied from any one discipline." Mr. Mikkelsen and Mr. Mintz opposed.**

Mr. Mikkelsen expressed concern on allowing students to take courses in general areas without having exposure to the contextual decision making within business or only focusing on accounting practice courses. Mr. Mintz concurred.

The committee had no objections or changes to Recommendation #4.

There being no further discussion, the committee revisited the motions on the table. At this time members voted on Motion #2 which was to modify the last sentence of the second bullet of the proposal and Motion #1, the adoption of the proposal.

Mr. Mikkelsen suggested that the un-capped and capped terms under Recommendation #2 and #3 be changed to Ethics and Business and Ethical Foundations.

IV. Update on Joint ECC/Accounting Education Committee Meeting

Ms. Pearce presented the memorandum for this item (**Attachment # 3**). Ms. Pearce reported extensive outreach had been done to notify stakeholders of the upcoming June 7, 2011 joint AEC/ECC meeting, with over 700 save-the-date emails, formal e-mails with a flyer and invitations being sent to colleges and universities, as well as, other stakeholders. The meeting will be web casted and CBA Sally Anderson will be the moderator.

V. ECC Timeline and Future Agenda Items

Mr. Franzella presented the memorandum for this item (**Attachment #4**). He reported it was anticipated the ECC would need to convene for two additional meetings after the June 7, 2011 meeting to approve the letter that must be issued during the public comment period and to approve the report to the Legislature. Mr. Yetman suggested the final report meeting be held by teleconference. The committee recommended staff draft letter and report. Ms. Pearce explained any minor adjustments to the proposal could be done and voted on at the June meeting in advance of the July CBA meeting.

VI. Public Comments

No public comments were offered.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 2:59 p.m. on Wednesday, May 18, 2011.

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Donald A. Driftmier, Chair

Prepared by Cindi Fuller, Licensing Coordinator

CALIFORNIA BOARD OF ACCOUNTANCY

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**CBA Agenda Item X.G**
**July 21, 2011**

# CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)

# MINUTES OF THE
## May 6, 2011
## PROC MEETING

Red Lion Hotel
150 Hegenberger Road
Oakland, CA 94621
Telephone: (510) 635-5300

PROC Members:
Nancy Corrigan, Chair
Katherine Allanson
Gary Bong - Absent
T. Ki Lam
Sherry McCoy
Robert Lee
Seid M. Sadat

Staff and Legal Counsel:
Rafael Ixta, Chief, Enforcement Division
Kathy Tejada, Manager, Enforcement Division
April Freeman, Peer Review Analyst

Other Participants:
Jim Brackens, American Institute of Certified Public Accountants (AICPA)
Linda McCrone, California Society of Certified Public Accountants (CalCPA)
Janice Gray, National Association of State Boards of Accountancy (NASBA)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:00 a.m.

II. Report of the Committee Chair.

A. Approval of March 4, 2011 Minutes.

Ms. Corrigan asked members if they had any changes or corrections to the March 4, 2011 PROC meeting minutes.

April Freeman stated that the second sentence of the third paragraph on page four was revised to read “She added that all peer review reports have gone through a technical review prior to the RAB.”

Ms. Corrigan corrected the last paragraph of page four and the first paragraph of page five to read:

"In connection with becoming familiar with the process, Ms. Corrigan asked if any members thought it would be beneficial at this time to attend the March 15, 2011 or April 20, 2011 RAB teleconferences, or the June 2-3, 2011 CalCPA Peer Review Committee meeting in Southern California. Members agreed that more work should be done prior to attending additional meetings."

"In connection with becoming familiar with the process, Ms. Corrigan asked if any members or staff thought it would be beneficial at this time to participate in the May 3, 2011 AICPA Peer Review Board teleconference. Those interested included Ms. Corrigan, Mr. Ixta, and Mr. Sadat."

**It was motioned by Seid Sadat, seconded by Katherine Allanson, and unanimously carried by those present to adopt the revised minutes of the March 4, 2011 PROC meeting.**

B. Report on the March 24-25, 2011 CBA Meeting

Ms. Corrigan summarized her report to the California Board of Accountancy (CBA) at its March 24-25, 2011 meeting. Ms. Corrigan reported that the CBA accepted the PROC's recommendation and response to the AICPA Exposure Draft regarding SSARS 19.

C. Report on the May 3, 2011 American Institute of Certified Public Accountants (AICPA) Peer Review Board Meeting

Ms. Corrigan stated that she, Sherry McCoy, and Rafael Ixta attended the teleconference of the AICPA Peer Review Board (PRB) Meeting on May 3, 2011. She stated that at that particular meeting the PRB reviewed changes in standards regarding SSARS 19, discussed alternative methods of peer review training in order to enhance the quality of peer reviewers, and reported on firms whose enrollment have been terminated.

Ms. McCoy commented that the Peer Review Program Oversight Handbook and the Report Acceptance Body (RAB) Handbook are being revised, and recommended that the PROC monitor the revisions for the purpose of developing PROC materials.

Mr. Ixta added that the proposed new methods of training for peer reviewers include self-study and hands-on activities with review captains. He believes this is a good way for individuals to learn on their own schedule while also improving the quality of the peer reviewers. He was also impressed that the AICPA is looking to make changes to the peer review program that will address international accounting standards.

III. Reports and Status of Peer Review Initial Implementation.

A. Pending Regulations Regarding Board-Recognized Peer Review Program Reporting Responsibilities (Proposed Title 16 California Code of Regulations, Section 48.3).

Kathy Tejada informed members that the rulemaking package modifying Section 48.3 of the CBA Regulations was approved on April 25, 2011, and becomes effective on

May 25, 2011. This section requires that peer review program providers submit copies of substandard peer reviews to the CBA within sixty (60) days of acceptance.

B. Discussion Regarding Revised Proposed Legislative Language to Extend the Sunset Date on Mandatory Peer Review

Ms. Tejada advised members that Senator Curren Price introduced Senate Bill 542 which would extend mandatory peer reviews and the PROC to January 1, 2016. The bill would also require the CBA report to the Legislature and the Governor by January 1, 2015. The bill is set for hearing in the Senate on May 2, 2011.

C. Statistics of Licensees who have reported their Peer Review Information to the CBA

Ms. Tejada reported that as of April 27, 2011, 15,572 licensees had reported peer review information. The breakdown is as follows: 1,200 firms required to undergo peer review, 2,742 firms not required to undergo peer review, and 11,610 licensees not operating as a firm.

D. Status of Correspondence to Licensees Regarding Peer Review Reporting and Updates to License Renewal Application

Ms. Freeman advised members that on April 5, 2011, reminder letters were mailed to 9,223 licensees who were required to report peer review information by July 1, 2011. She reported that about 2,000 reporting forms have been received since the reminder was mailed.

Ms. Freeman added that staff is finalizing the notification letter that will be sent to licensees who are required to report by July 1, 2012. Further revisions have been made to those letters to make the requirements more clear. The letters are expected to be mailed in June or early July.

Ms. McCrone suggested that the notification letter include a statement that licensees need to enroll in the peer review program no later than September 1, 2011 in order to complete the process in time to report by the July 1, 2012 deadline. Staff will also consider writing an article for the UPDATE regarding peer review scheduling.

Ms. Freeman further stated that the license renewal form is being revised to include a statement whereby the licensee acknowledges that by signing the renewal form, they have read and understood the peer review requirements. Information regarding peer review requirements has also been added to the renewal form insert. The revisions are still in process, but are expected to be in place on the renewal forms for licenses expiring on July 31, 2011.

IV. Presentation Regarding Peer Review Oversight Suggested Practices

Ms. Corrigan introduced Jim Brackens, Vice President of Firm Quality and Practice Monitoring, AICPA, and Janice Gray, Chair of NASBA's Compliance Assurance Committee, and Linda McCrone, Division Director of Technical Services, CalCPA. Mr. Brackens and Ms. Gray presented information regarding the AICPA Peer Review Program and suggested practices for peer review oversight committees. This presentation was webcast.

Mr. Brackens discussed the role of the National Peer Review Committee (NPRC) which was developed to review firms that are required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) and firms that perform audits of non-Security Exchange Commission (SEC) issuers pursuant to standards promulgated by the PCAOB. He added that any firm can elect to be reviewed by the NPRC.

Ms. Gray stated that the Oklahoma PROC monitors firms to ensure that corrective actions are completed. They send letters to firms letting them know that the state board is aware that corrective action(s) have been ordered by the AICPA.

Ms. Gray further suggested that the PROC oversee CalCPA's oversight of peer reviewers by observing a peer review while it is being performed and verify peer reviewers' resumés on a regular basis.

Ms. Gray informed members that NASBA is planning a PROC Summit for August 2011, possibly in Charleston, South Carolina. NASBA will be inviting PROC members, state board members and persons responsible for the PROC, however, she does not know if scholarships will be made available. She added that there are currently only five states with active PROCs including Texas, Mississippi, Louisiana, California and Oklahoma. She stated that Virginia is also becoming more active.

V. Discussion Regarding the AICPA's Peer Review Procedures

Mr. Brackens provided members with information concerning the AICPA organizational structure, the peer review process, peer reviewer qualifications, and statistics for all administering entities versus NPRC. He also provided members with a copy of the 2009 Annual Report on Oversight for the National Peer Review Committee, issued February 1, 2011.

Ms. McCrone provided members with information concerning the most recent oversight report. She also answered questions from members concerning statistics.

Ms. Allanson asked about the AICPA's revision of the Peer Review Program Oversight Handbook and if the PROC could monitor that process. Mr. Brackens explained that the changes are not major changes.

VI. Discussion Regarding the Summaries of AICPA's Peer Review Oversight Manual, Report Acceptance Body Handbook and Administrative Manual, and the Texas State Board of Accountancy's Oversight Checklists

Ms. McCoy explained that summarizing the documents was challenging because of the recurring themes and similar information that is presented in the various documents. Ms. McCoy and Ms. Allanson reviewed and summarized all of the key documents.

With regard to the AICPA documents, Ms. McCoy gave a brief overview in the order she felt the documents were of the most value to PROC members. She began with the Oversight Handbook which contains the history of how peer review began. She recommended that all members review this handbook for information on PROC objectives, roles and responsibilities, as well as procedures for site visits of administering entities.

She stated that the RAB handbook contains good technical guidance, including checklists, which will be helpful as the PROC creates its own documents.

She stated the Administrative Manual contains various sample letters and information about scheduling. She recommended Chapter 7 for guidance concerning timing and due dates of reports.

She concluded with the Peer Review Manual which contains the standards and interpretations. She was specifically impressed with Section 10000 which contained completed monitoring forms and checklists.

Ms. Allanson discussed the checklists from the Texas State Board of Accountancy. She recommended identifying goals and then using the checklists to assist in accomplishing the goal.

Ms. Corrigan asked if the PROC was now ready to finalize the checklists and asked if Ms. McCoy and Ms. Allanson would continue working on the checklists. They agreed to finalize the checklists but wanted to make sure the roles and responsibilities would also be finalized to ensure the checklists include all necessary information.

VII. Discussion Regarding the Roles and Responsibilities Portion of the PROC Procedure Manual

Mr. Sadat explained that unfortunately he and Mr. Bong were unable to connect to complete the document. This item will be tabled until the next meeting.

Mr. Ixta commended the PROC for their work in this area and believes that work done at past meetings identified the specific activities required by the PROC. He suggested that members review materials from the January meeting regarding the roles and responsibilities and see them as deliverables that can be tracked. He also suggested staff develop a table of contents containing the elements of the annual report to the CBA.

**It was motioned by Robert Lee, seconded by Katherine Allanson, and unanimously carried by those present to direct staff to prepare a draft of the table of contents for the annual report to be submitted to the CBA for activities accomplished in 2011.**

VIII. Discussion Regarding PROC Activities and Assignments

Ms. Corrigan stated that, to date, PROC members have attended RAB meetings and AICPA Peer Review Board meeting teleconferences, but also have to complete an administrative site visit of the CalCPA offices, and begin reviewing files, peer reviewers and peer reviewer training.

Mr. Ixta clarified that more than three PROC members can attend a third party training without violating the Open Meeting Act; however, members cannot conduct or discuss Committee business during the training. He added that if the CBA pays for the training, PROC members cannot use the training toward their continuing education requirements. If the member pays for the training, then they can use it for continuing education.
Mr. Ixta updated the members on the travel freeze and how it will affect upcoming PROC activities.

Ms. Corrigan made the following assignments and reminded members to bring their calendars to future meetings:

May 24, 2011 Advanced Peer Review Training – T. Ki Lam

June 2-3, 2011 CalCPA Peer Review Committee Meeting – Nancy Corrigan, Katherine Allanson
June 15, 2011 RAB Meeting – Robert Lee, Sherry McCoy
July 7, 2011 RAB Meeting – T. Ki Lam, Nancy Corrigan, Robert Lee
July 18-19, 2011 Peer Review Training – Katherine Allanson, Seid Sadat, Sherry McCoy

Ms. McCrone reminded staff that the record retention has not been resolved; therefore, those attending the CalCPA meeting on June 2-3, 2011 will not receive the RAB documents in advance.

IX. Discussion Regarding Possible PROC Conflict of Interest Issues

Mr. Ixta advised that he has not received a decision from the Department of Consumer Affairs (DCA) Legal Counsel regarding the conflict of interest issue. He expects to have a decision by the PROC meeting in July. Ms. Corrigan added that regardless of the legal decision, the PROC must await a final decision from the CBA.

Mr. Brackens questioned whether the CBA would be influenced by how other state boards handle the issue. Ms. Gray stated that Oklahoma permits their PROC members to act as peer reviewers. She also offered to request that NASBA conduct a Quick Poll to determine what other states do.

X. Future PROC Agenda Items

Future agenda items include:

- Discussion of Draft Checklists
- Discussion of Draft Table of Contents for CBA Report
- Planning for Administrative Site Visit, File Reviews, etc.

XI. Public Comment for Items Not on the Agenda

Ms. McCrone discussed confidentiality in the peer review program and advised that the guidelines prohibit CalCPA from releasing information to anyone (including the CBA) beyond confirmation that a firm has or has not been peer reviewed. CalCPA only releases additional information upon receipt of a subpoena. She added that the peer reviewer also cannot release peer review information.

Mr. Brackens explained that the purpose of a PROC is to observe the process. The PROC should ensure that reports are appropriately considered and remedial actions are appropriate. He believes that PROCs are important because they give assurance to state boards that the process is working and firms are remediating as appropriate.

XII. Adjournment.

There being no further business, the meeting was adjourned at 3:01 p.m.

_____
Nancy Corrigan, Chair

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

**CBA Agenda Item X.H.**
**July 21, 2011**

# MINUTES OF THE June 7, 2011 ACCOUNTING EDUCATION COMMITTEE (AEC) and ETHICS CURRICULUM COMMITTEE (ECC) MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, CA 95814
Telephone: (916) 446-0100

Roll Call and Call to Order.

CBA President Sally Anderson called the joint meeting of the AEC and ECC to order at 1:04 p.m. on Tuesday, June 7, 2011 at the Holiday Inn Capitol Plaza in Sacramento, CA. President Anderson stated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

| AEC Members | |
|---|---|
| Ruben Davila, Chair | 1:04 p.m. to 5:20 p.m. |
| Donald Driftmier, CBA Member | 1:04 p.m. to 5:20 p.m. |
| Sherry Anderson | Not Present |
| Betty Chavis | Not Present |
| Thomas Dalton | 1:04 p.m. to 5:20 p.m. |
| Michael Moore | 1:04 p.m. to 5:20 p.m. |
| Gary Pieroni | 1:04 p.m. to 5:20 p.m. |
| Sara Seyedin | 1:04 p.m. to 5:20 p.m. |

| ECC Members | |
|---|---|
| Donald Driftmier, Chair | 1:04 p.m. to 5:20 p.m. |
| Gary McBride | 1:04 p.m. to 5:15 p.m. |
| Jon Mikkelsen | 1:04 p.m. to 5:20 p.m. |
| Steven M. Mintz | 1:04 p.m. to 5:20 p.m. |
| Gary Pieroni | 1:04 p.m. to 5:20 p.m. |
| Robert Yetman | 1:04 p.m. to 5:20 p.m. |

| | |
|---|---|
| Michael Ueltzen | Not Present |
| Dave Cornejo | 1:04 p.m. to 5:20 p.m. |
| Gonzalo Freixes | Not Present |

CBA Members
Sally Anderson, President

Staff and Legal Counsel
Rich Andres, Information Technology Staff
Patti Bowers, Executive Officer
Dominic Franzella, Manager, Licensing
Cindi Fuller, Licensing Coordinator
Suzanne Gracia, Licensing Coordinator
Deanne Pearce, Chief, Licensing Division
Jenny Sheldon, Licensing Coordinator
Kristy Shellans, Legal Counsel, DCA

Other Participants
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)
Jason Fox, CalCPA
Bruce Allen, CalCPA
Ellen Glazerman, Ernst & Young
Ed Howard, Center for Public Interest Law
Kathryn Hansen, California State University, Los Angeles
Susan Parker, Santa Clara University
Christopher G. Jones, California State University, Northridge (CSU-Northridge)
Will Snyder, San Diego State Universtiy
Catherine Jeppson, CSU-Northridge, AEC Member of CalCPA
Randolph P. Beatty, University of Southern California, Leventhal School of Accounting
Annhenrie Campbell, California State University, Stanislaus (CSU, Stanislaus)
David Lindsay, CSU, Stanislaus
Chrislynn Freed, University of Southern California
John Angelo, CalCPA
Chris Wardell, San Joaquin Delta College
Monica Jones, Deloitte & Touche
Shanna Stein, Sacramento City College
Kathleen Schaim
Molly Isbell, KP Public Affairs
Michael Haas, Morton Alan Haas & Co.
Frank Pasacreta, Frank Rimerman & Co. LLP
Amber Buck, Frank Rimerman & Co. LLP
Jason Wolins, Humphreys College
Suzanne Ogilby, California State University, Sacramento
Robert Diamond, American River College

I. Welcome and Introductions.

President Anderson welcomed all members of the public in attendance and viewing the webcast. President Anderson expressed her appreciation of the work of each committee and asked that each member provide a brief introduction of themselves.

II. Purpose of the Joint AEC/ECC Meeting.

President Anderson provided a brief background on Senate Bill (SB) 819. She reported the Legislature believed a need existed to define the additional 30 units with an increased emphasis on ethics education. The Legislature, therefore, established two committees charged with providing recommendations and guidelines to the CBA regarding the allocation of 20 units of accounting study and 10 units of ethics study.

III. Roles and Background of the Educational Committees Established Pursuant to Business and Professions (B&P) Code Section 5094.5, 5094.6, and 5094.7.

A. AEC.

Mr. Davila provided a brief overview of the composition and charge of the AEC explaining that the Legislature's broad definition of accounting study left the AEC with considerable latitude to determine the specific coursework that will fulfill the 20 units of accounting study. Mr. Davila emphasized that the CBA only has until January 1, 2012 to adopt regulations for the 20 units of accounting study.

B. ECC.

Mr. Driftmier provided a brief overview of the composition and appointing authorities of the ECC. He explained the committee was tasked with establishing the framework for the 10 units of ethics study. Mr. Driftmier stated the committee has until June 1, 2012 to recommend to the CBA the ethics study guidelines and the CBA must adopt these recommendations without substantive changes no later than January 31, 2013.

IV. Overview of the Proposed Education Requirements to Obtain CPA Licensure Beginning January 1, 2014.

A. Information on Availability of Upper Division Courses at California Community Colleges.

Ms. Pearce presented the memorandum for this item (**Attachment #1**). Ms. Pearce also provided an addendum (**Attachment #2**) to the first memorandum which included additional information received from the

California Community Colleges Chancellor's Office on the availability of upper division courses at community colleges. The information received from the Chancellor's Office provided suggested language which they believed would allow students to obtain the requisite education at community colleges.

B. Presentation of the AEC Recommendations for 20 Units of Accounting Study and the ECC Ethics Study Guidelines for the 10 Units of Ethics Study Required Pursuant to B&P Code Section 5094.

Mr. Franzella presented the memorandum and PowerPoint presentation for this item (**Attachment #3**). Mr. Franzella briefly explained the present education requirements and the proposal of each committee.

C. Testimony and Questions from Stakeholders Regarding the AEC and ECC Proposals.

Mr. Allen commended the AEC and ECC and staff on their work. Mr. Allen had originally intended to support the AEC proposal before noting the upper division issue. He urged the AEC to reconsider requiring upper division courses as he believed this requirement could present a problem to future candidates.

Mr. Howard questioned why the AEC required so many units be taken at the upper division level. His concerns regarding the ECC proposal were twofold. First, prior to 2017 all 10 units could be taken in the ethical foundation area without taking any units in the ethics in business area. Second, after implementation of the mandated three unit accounting ethics requirement, the remaining seven units could be taken in the ethical foundation area thereby again avoiding any units in the ethics in business area. His preference would be to eliminate the ethical foundation area as he believed courses taken in the ethics in business area were more likely to provide an ethical education relevant to accounting. He also believed course work in auditing was sufficiently related to ethics and would fit better in the ethics in business area.

Members asked clarifying questions of Mr. Howard to ensure his comments were understood.

Mr. Jones and Ms. Jeppson commended the ECC on its work. They raised concern over the specified terms required in the course titles for ethic foundation area. Mr. McBride clarified any course with ethics in the course title would qualify under Recommendation #2.

In regard to the upper division AEC requirement, Ms. Jeppson pointed out SB 1440 only allows colleges to accept 60 units from community colleges. She stated this would impact students transferring without a degree as colleges could only accept those courses at the freshman and sophomore level.

Ms. Parker pointed out a course may originally qualify but if the course title was changed down the road it may no longer qualify. She also urged the ECC to keep in mind the time contrains posed on students.

Ms. Buck echoed Ms. Parker's statements and also questioned how a person from out of state would qualify for initial licensure. Ms. Bowers explained out-of-state accredited education would be accepted. Ms. Buck pointed out out-of-state schools may not have a mandated ethics course and this would then impact the applicant. Mr. Davila stated out-of-state applicants would need to meet California requirements.

Mr. Rollins had concerns regarding units as it pertained to colleges on a semester or quarter unit system especially when transferring between semester and quarter unit colleges.

Mr. Haas inquired if the 150 units could come from any point in time and if the master's degree was a free ride toward the 30 units. Mr. Davila clarified a baccularеate degree was required and the required 30 units could be part of the 150 units or in addition to the 150 units.

Ms. Ogilby complimented the committees on the proposals and stated her support of the requirement that all units be completed at the upper divison level. Ms. Ogilby opined that the nature of the upper division education ensures a level of discipline-based rigor and quality that will result in the kind of accounting profession that is intended, and also stated that the educational stage that the student would be at when taking an upper division class increases the likelihood that the student will be able to assimilate the information from the course in the context needed.

Mr. Diamond commented that he would welcome a study comparing the quality of community college courses and four-year universities to determine if there is evidence to support that community college courses are inferior. Mr. Diamond expressed concern that hundreds of students at his college alone will have the door to CPA licensure closed if they are unable to complete their education at the community college level.

V. Written Comments Received Regarding the Recommendations for 20 Units of Accounting Study and the ECC Ethics Study Guidelines for the 10 Units of Ethics Study Required Pursuant to B&P Code Section 5094.

President Anderson stated no written comments were received.

VI. Integration and Implementation of the Additional 30 Units of Education Required to Obtain CPA Licensure Beginning January 1, 2014.

A. Presentation on Staff's Initial Plans for Including the Proposed Education Requirements into the Initial Licensing Unit's Business Processes.

Ms. Pearce presented the memorandum for the agenda item (**Attachment #4**), which outlined the CBA's present transcript review process. Ms. Pearce stated that the new education requirements will increase the review time involved with the transcript review process, but she did not anticipate a need to change the present process.

Mr. Davila inquired about the CBA's policy regarding college and university extension programs. Ms. Pearce responded that it is the opinion of legal counsel that courses completed through extension programs are acceptable as long as the program is a nationally or regionally accredited institution.

Ms. Anderson inquired how many other states require upper division courses as part of their education requirements. Ms. Pearce was unable to immediately recall, which states, if any, had an upper division requirement.

Mr. Yetman inquired if staff knew whether community colleges outside of California have the ability to offer upper division courses. Ms. Pearce stated that is not something staff have researched.

B. Testimony and Questions from Stakeholders Regarding Staff's Proposal to Include the Proposed Education Requirements into the Initial Licensing Unit's Business Processes.

Ms. Buck questioned if candidates could sit for the exam prior to completing the additional 30 units of education. Ms. Pearce confirmed that the education requirements to sit for the exam will remain unchanged.

VII. Next Steps

A. Timeline of Activities Related to Implementing the 20 Units of Accounting Study and 10 Units of Ethics Study.

Mr. Franzella presented the memorandum for the agenda item (**Attachment #5**). Mr. Franzella briefly explained the rulemaking process including the requirements to notice the proposed regulatory language, hold a 45-day public comment period, and hold a public hearing prior to submitting the proposed regulations to the Department of Consumer Affairs, Secretary of State and Consumer Services Angency, Department of Finance, and Office and Administrative Law. Mr. Franzella also provided approximate dates for each step of the rulemaking process for each committee.

B. CBA's Initial Plans for Providing Information and Resources to Assist Stakeholders in Understanding the New Education Requirements.

Ms. Pearce presented the memorandum for the agenda item (**Attachment #6**). Ms. Pearce reported that staff had begun to provide targeted outreach for the new education requirements by creating a dedicated page on the CBA Web site. Additional outreach activities will include the use of social media, e-mail, the CBA's Wikipedia article, possible webinar technology, professional CPA journals, newspapers, and the CBA's ambassador program. Ms. Pearce encouraged members and stakeholders to provide any ideas they have for outreach opportunities.

VIII. AEC Approval of Minutes of the May 9, 2011 AEC Meeting.

**It was moved by Mr. Driftmier, seconded by Mr. Dalton, and unanimously carried by those present to approve the minutes of the May 9, 2011 AEC meeting (Attachment #7).**

IX. Discussions Regarding Possible Modifications to the Recommendations for the 20 Units of Accounting Study Required Pursuant to B&P Code Section 5094.

Mr. Davila asked members to begin discussions by addressing public comments and information received regarding the ability of community colleges to offer courses that are identifiable as upper division.

Ms. Shellans stated it is her legal opinion that members cannot require coursework be completed at the upper division level if the education is not available at community colleges because Section 5094(b) of the B&P Code permits applicants to obtain education at the community college level.

Mr. McBride expressed his disagreement with Ms. Shellans interpretation of the statute. President Anderson asked Ms. Shellans to research the matter further.

Mr. Moore questioned how much of a barrier would actually exist if the AEC maintained its present recommendation. He suggested further research is needed to determine how serious the barrier to entry would be and whether there is a solution that could be reached with the community colleges to designate "professionally qualified" courses, which could be determined equivalent to upper division. Mr. Davila suggested that staff research Mr. Moore's suggestion.

Ms. Seyedin proposed removing the language requiring all courses be completed at the upper division level. Members discussed the merits of continuing with or removing the upper division requirement.

**It was moved by Ms. Seyedin and seconded by Mr. Pieroni to remove the words "upper division" from the education requirement. Ms. Seyedin, Mr. Pieroni, and Mr. Dalton approved, while Mr. Driftmier, Mr. Davila, and Mr. Moore opposed. The motion failed.**

Mr. Mikkelson suggested adding language to state “or a course with a formal articulation agreement.”

Ms. Freed commented that Florida and Texas both require upper division courses as part of the 150 hour requirement. She further commented that the requirement does not have to be all 20 units at the upper division level and she believes the six units of accounting should be at the upper division level.

Mr. Diamond commented that upper division units are not necessarily at the professional level because there are independent and work study courses offered for upper division credit. He believes the stakeholders would be better served to have the qualifying courses specified.

Mr. Davila asked for another motion.

Mr. Moore suggested that members need to look at other potential solutions such as working with the community colleges to have upper division courses identified on the college transcripts. He further stated his belief that the community colleges need to accommodate the need to have upper division equivalent courses identified on transcripts.

**It was moved by Ms. Seyedin, seconded by Mr. Driftmier to establish a requirement that six units of the 20 units of accounting study be compeleted at the upper division level and the remaining 14 units to be without the label of upper division.**

Mr. Jones commented that the issue is too important to rush and suggested that one of the committee members make a motion to table the motion until there is further study.

Mr. Moore moved to table the motion. Ms. Seyedin stated her desire to move forward with the motion.

**Ms. Seyedin, Mr. Pieroni, Mr. Dalton, and Mr. Driftmier voted to approve, while Mr. Davila and Mr. Moore opposed, motion passed.**

**It was moved by Mr. Driftmier, seconded by Ms. Seyedin and unanimously carried by those present to defer approval of the minutes for the June 7, 2011 Joint AEC/ECC meeting to be approved by Mr. Davila.**

X. ECC Approval of Minutes of the May 18, 2011 ECC Meeting.

**It was moved by Mr. McBride, seconded by Mr. Yetman, and carried by those present to approve the minutes of the May 18, 2011 ECC meeting (Attachment #8). Mr. Cornejo abstained.**

XI. Discussions Regarding Possible Modifications to the Ethics Study Guidelines for the 10 Units of Ethics Study Required Pursuant to B&P Code Section 5094.

Based on earlier discussions and public comments, Mr. Driftmier suggested the committee clarify some of the language to the proposal. He proposed during the three-year period from 2014 and 2017 the three units of mandated accounting ethics be limited to courses in the ethics and business category.

**It was moved by Mr. McBride, seconded by Mr. Mintz, to amend Recommendation #1 to clarify during the three-year interim period the three units of accounting ethics be limited to courses in the ethics and business area.**

Prior to a vote on this motion, Mr. Howard requested clarification on the proposed recommendation. Ms. Shellans also requested clarification. Mr. McBride stated that prior to 2017 to meet the mandated ethics requirement applicants would meet the requirement by completing courses in the ethics and business area.

A friendly amendment to the motion was made by Mr. Mikkelsen and accepted by Mr. McBride to refer to the courses listed in Recommendation #1 as to what is currently known as ethics in business.

Upon accepting Mr. Mikkelsen's friendly amendment, Mr. McBride modified his original motion.

**It was moved by Mr. McBride, seconded by Mr. Mintz, and unanimously carried by those present to amend Recommendation #1 to state that prior to January 1, 2017 the three units of accounting ethics or accountants' professional responsibilities can be met by only those courses taken in what is currently known as ethics in business (Recommendation #2).**

Mr. Driftmier proposed amending Recommendation #3 by limiting the number of semester units to three.

**It was moved by Mr. Mikkelsen, seconded by Mr. Bride, and unanimously carried by those present to amend Recommendation #3 to a maximum of three semester units be completed from courses taken in the ethical foundation disciplines.**

After the vote, Mr. Howard suggested audits be included in the ethical foundation area. Additionally, he suggested limiting the disciplines to just philosophy, religion, theology, and cultural, ethnic, or diversity studies. He believed the other disciplines listed were least likely to have ethical components.

Mr. Driftmier asked Mr. Mikkelsen if he wished to amend his motion based on Mr. Howard's suggestions. Mr. Mikkelsen declined to amend the motion.

**It was moved by Mr. McBride to move financial statement auditing to the ethics in business area. The motion failed due to a lack of a second.**

**It was moved by Mr. Yetman, seconded by Mr. Mintz, and unanimously carried by those present, that the proposal be amended to reference quarter units wherever semester units were listed.**

**It was moved by Mr. Mikkelsen, seconded by Mr. Cornejo to amend the wording in Recommendation #2 to read: "A maximum of seven semester units may be completed from courses containing the following terms."**

Prior to a vote on this motion, Mr. Walls inquired if course titles must have the exact terms as listed in Recommendation #2. Ms. Shellans suggested Recommendation #2 could be revised to state "the following terms or words or any combination of those terms or words." As a friendly amendment, Mr. McBride suggested using "terms or words" for the ethics, morals, or fraud courses and "subjects" for the remaining courses. Mr. Franzella pointed out course subject matter was not identifiable on course transcripts. The committee clarified the core terms listed in Recommendation #2 must be contained in the course title. Upon considering the committee's input and explanations, Mr. McBride withdrew his friendly amendment. Ms. Anderson suggested the committee direct staff to wordsmith the language for clarity.

Mr. Mintz made a friendly amendment to change "business leadership" to "leadership." Mr. Mikkelsen accepted the friendly amendment.

Upon accepting Mr. Mintz's friendly amendment, Mr. Mikkelsen modified his original motion.

**It was moved by Mr. Mikkelsen, seconded by Mr. Cornejo, and unanimously carried by those present, to amend the wording in Recommendation #2 to read: "A maximum of seven semester units may be completed from courses containing the following terms" and to change business leadership to "leadership."**

At this time, Mr. Moore requested the AEC revisit the final vote made under Agenda Item IX as he believed a vote on his motion to table Ms. Seyedin's motion was required before the committee could move forward with the vote on Ms. Seyedin's motion.

Mr. Jones commented that Mr. Moore was correct in that a motion to table has to be voted on as a procedural point of order prior to voting on the motion.

**It was moved by Mr. Moore to table Ms. Seyedin's motion, the motion failed due to a lack of a seconded.**

**It was moved by Ms. Seyedin, seconded by Mr. Driftmier and carried by those present to require six units be compeleted at the upper division level and the remaining 14 units to be without the label of upper division. Mr. Davila and Mr. Moore opposed.**

XII. Public Comments for Items Not On the Agenda.

Mr. Haas suggested the committees or the CBA consider grandfathering under the existing rules individuals who have already obtained their degrees.

Ms. Bowers acknowledged Ms. Pearce and staff for putting together the joint meeting.

Ms. Anderson thanked all committee members for their work.

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 5:20 p.m. on Tuesday, June 7, 2011.

_____
Ruben Davila, AEC Chair

_____
Donald Driftmier, ECC Chair

Prepared by
Cindi Fuller, Licensing Coordinator
Jenny Sheldon, Licensing Coordinator.

**State of California**
Department of Consumer Affairs

**California Board of Accountancy**
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# M e m o r a n d u m

**CBA Agenda Item XII.C**
**July 21, 2011**

To : CBA Members

Date : July 7, 2011
Telephone : (916) 561- 1789
Facsimile : (916) 263- 3675
E-mail : lhersh@cba.ca.gov

From : Lauren Hersh
Information & Planning Manager

Subject : Press Release Focus

Staff will provide suggestions for an appropriate focus for the press release to be issued following each CBA meeting. This is a dynamic analysis based on the activities of each CBA meeting.

Press Releases

Six press releases were issued since the report to the CBA in May 2011, including a release following the May CBA meeting, three enforcement actions, and press advisories in advance of the June 7 Joint Meeting of the CBA's Accounting Education Committee and Ethics Curriculum Committee and the July CBA meeting Press releases on disciplinary actions against two other licensees are pending the outcome of their petition for review before the California Supreme Court, although the disciplinary actions are available for public review on the CBA Web site.

Staff is available to answer any questions CBA members may have regarding this update.

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# PRESS ADVISORY

FOR IMMEDIATE RELEASE
7-11-11

CONTACT: LAUREN HERSH
(916) 561-1789

## CALIFORNIA BOARD OF ACCOUNTANCY TO MEET IN PASADENA; WILL CONSIDER PROPOSALS FOR NEW CPA EDUCATION REQUIREMENTS

(Sacramento, CA) –The California Board of Accountancy (CBA) will consider proposals for 30 additional hours of education necessary for CPA licensure in California, when it meets **Thursday, July 21, 2011, 9:30 a.m. – 4:30 p.m. at The Hilton Pasadena, 168 South Los Robles Avenue, Pasadena, CA 91101.** This is a public meeting and members of the press are invited to attend.

Last month, the California Board of Accountancy's Accounting Education Committee and Ethics Curriculum Committee unveiled to the public their proposals for the 30 additional hours of education necessary for CPA licensure in California, beginning January 1, 2014. These additional hours were the result of the California Legislature's passage of Senate Bill 819 in 2009. The new requirements are designed to enhance consumer protection by strengthening the competency of applicants as practitioners.

CBA meetings may be viewed live on the CBA Web site at www.cba.ca.gov. Updates are also available via Twitter at http://twitter.com/CBAnews and on Facebook at http://www.facebook.com/pages/California-Board-of-Accountancy/139337249423654. A copy of the full July 21, 2011 CBA meeting agenda is available online at: http://www.dca.ca.gov/cba/meetings/materials/2011/mat0721cba.pdf

*Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.*

###

CALIFORNIA BOARD OF ACCOUNTANCY

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# NEWS RELEASE

FOR IMMEDIATE RELEASE

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## PROPOSALS FOR NEW EDUCATIONAL REQUIREMENTS FOR CPA LICENSE TO BE UNVEILED

(Sacramento, CA) – The California Board of Accountancy's (CBA) Accounting Education Committee (AEC) and Ethics Curriculum Committee (ECC) will hold a joint meeting to unveil their proposals for the 30 additional hours of education necessary for CPA licensure in California, beginning January 1, 2014. The meeting will be held June 7, 1pm-5pm, at the Holiday Inn Capitol Plaza, 300 J Street, Sacramento.

The AEC has been working on a framework for the 20 semester units of accounting study, while the ECC has been working on a framework for the 10 semester units of ethics study. These additional hours were the result of the California Legislature's passage of Senate Bill 819 in 2009. The new requirements are designed to enhance consumer protection by strengthening the competency of applicants as practitioners.

"Over the past several months the members of these committees have demonstrated continued dedication to the consumers of the State of California, and devoted considerable time and effort to developing their respective proposals," said CBA President Sally Anderson. "The proposals offered by the committees will vastly transform the landscape for obtaining a CPA license in California and this joint meeting is an opportunity for all stakeholders to see firsthand the proposed new requirements."

Invitations have been sent to more than 700 educators and interested parties in California in an effort to expose stakeholders to the proposed increase in ethics and accounting study

educational requirements for CPA licensure.

The full meeting agenda is available on the CBA's website at http://www.dca.ca.gov/cba/calendar.shtml and the meeting may be viewed via live Web cast at www.cba.ca.gov.

*Created by statute in 1901, the CBA's mandate ensures protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.*

*More information about the California Board of Accountancy is available at www.cba.ca.gov*

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CALIFORNIA BOARD OF ACCOUNTANCY

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# NEWS RELEASE

FOR IMMEDIATE RELEASE

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## CALIFORNIA BOARD OF ACCOUNTANCY LAYS GROUNDWORK FOR RETIRED LICENSE STATUS

*Votes to eliminate fees for maintaining retired license*

(Sacramento, CA) – As AB 431, the California Board of Accountancy's "retired license" bill, heads for the Senate the CBA is laying the groundwork to establish regulations that will accommodate California CPAs deciding to retire.

At its May 19 - 20 meeting in Burlingame, the CBA voted to approve several proposals that provide a picture of what the requirements for acquiring and maintaining a retired status CPA license might be should AB 431 become law. The bill's author, Assemblywoman Fiona Ma, also attended the meeting and took part in the discussion.

Notably, the CBA voted to propose that CPAs choosing to retire must renew their retired license every two years, though unlike active and inactive licenses, the retired CPA would not have to pay renewal fees. There would be an intitial $100 fee for changing a license status to the retired designation.

If AB 431 becomes law, the CBA would need to initiate a rulemaking to adopt these proposals as minimum requirements for acquiring and maintaining a retired status. The CBA will continue to develop policies to implement a retired license status in order to be prepared to begin the rulemaking process upon passage of AB 431.

AB 431 is expected to be considered by the Senate Business and Professions Committee in June.

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*More information about the California Board of Accountancy is available at www.cba.ca.gov  Sign up for E-News alerts at https://www.cba.ca.gov/forms/enews*

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**California Board of Accountancy**
**Enforcement Action News Release**

**Sent to strousdale@mercurynews.com on June 27, 2011**

**Antonio Canova,** Los Altos Hills, CA (CPA 52769) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_c.shtml#560

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**Sent to newstips@arizonarepublic.com on June 27, 2011**

**Jennifer Nipp,** Phoenix, AZ (CPA78106) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_n.shtml#559

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**Sent to business@ocregister.com on June 27, 2011**

**Michelle Vu Nguyen,** Orange, CA (CPA 92316) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_n.shtml#565

# CALIFORNIA BOARD OF ACCOUNTANCY
# REGULATION STATUS REPORT
**June 30, 2011**

| Reg. Action | Subject | Publication Date | Public Hearing Date | Status/Date | Next Action/ Target Date |
|---|---|---|---|---|---|
| Repeal §9 & 11.5, Add §11.5, Amend §12, 12.5, & 98 | Supervision, Master's Degree, & Disciplinary Guidelines | 6/3/2011 | 7/21/2011 | 45-Day Public Comment Period | Public Hearing Date 7/21/2011 |
| | Accounting Education Requirements | | | Drafting Regulation | Publish Notice 9/6/11 |
| | Ethics Curriculum Requirements | | | Drafting Regulation | Publish Notice 9/6/11 |

*(2) To qualify under this subdivision, the course title shall contain one or more of the terms "introduction," "introductory," "general," "fundamentals of," "principles," "foundation of," or "survey of," or have the name of the discipline as the sole name of the course title.*

~~(f) Notwithstanding subdivision (e), applicants may obtain credit for a~~

*(f) A* maximum of one semester unit of ethics study for completion of a course specific to financial statement audits.

~~SEC. 3.~~

*SEC. 4.* Section 5094.5 of the Business and Professions Code is amended to read:

5094.5. (a) There is hereby created within the jurisdiction of the board the Advisory Committee on Accounting Ethics Curriculum. For purposes of this section, "committee" means the advisory committee established under this section.

(b) The committee shall consist of the following 11 members:

(1) One member appointed by the California Public Employees Retirement System.

(2) Two members appointed by the Regents of the University of California. These members shall be professors of business ethics or accounting who have published works on the desirability and potential contents of accounting ethics education.

(3) Two members appointed by the California State University Board of Trustees. These members shall be professors of business ethics or accounting who have published works on the desirability and potential contents of accounting ethics education.

(4) Two members representing the California Community Colleges appointed by the Board of Governors of the California Community Colleges. These members shall be instructors of business ethics or accounting.

(5) The Senate Committee on Rules, the Speaker of the Assembly, and the board shall each appoint one member. The members appointed by the Senate Committee on Rules and the Speaker of the Assembly shall be from organized labor or consumer advocacy organizations.

(6) The Governor shall appoint one California certified public accountant in public practice from a list provided by the California Society of Certified Public Accountants.

(c) The term of a member of the committee shall be at the pleasure of the appointing authority.

(d) The committee shall be subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

~~(e) This section shall become inoperative on the later of the following:~~

~~(1) January 1, 2014.~~

~~(2) The day following the date on which the committee issues the final report required under subdivision (b) of Section 5094.6.~~

~~(f)~~

*(e)* This section shall remain in effect only until January 1, 2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2014, deletes or extends that date.

~~SEC. 4.~~

*SEC. 5.* Section 5094.6 of the Business and Professions Code is amended to read:

5094.6. (a) No later than June 1, 2012, the committee shall recommend to the board ethics study guidelines consisting of no less than 10 semester units to be included as a part of the education required under Section 5093. Ethics study may consist of academic courses, portions of courses, or independent study offered by degree-granting universities, colleges, or other institutions of learning accredited by a regional or national accrediting agency. Nothing herein shall be deemed inconsistent with prevailing academic practice regarding completion of units.

~~(b) No later than January 31, 2013, the board shall adopt the ethics study recommendations made by the committee pursuant to subdivision (a) without substantive changes.~~

~~(c)~~

*(b)* The board shall, no later than January 1, 2012, by regulation, adopt guidelines for accounting study to be included as part of the education required under Section 5093. In promulgating these regulations, the board shall consider the views of the Accounting Education Advisory Committee established under Section 5094.7.

~~(d)~~

*(c)* No later than six months following the issuance of the report by the California Research Bureau regarding the Uniform Accountancy Act's 150-hour rule, the board shall hold a hearing

on the report. At the hearing, the board shall make recommendations, based on that report, to the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants for ensuring the relevancy of accountancy education to the modern practice of accounting and shall approve a plan for the board to seek the adoption of those recommendations and any others the board may recommend related to enforcement and Internet disclosure.

~~(e)~~

*(d)* For purposes of this section, the following definitions shall apply:

(1) Except as provided in subdivision (c), "committee" means the Advisory Committee on Accounting Ethics Curriculum established under Section 5094.5.

(2) "Ethics study guidelines" means the guidelines for the study of ethics adopted for California by the committee and the board consisting of a program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession. At minimum, it includes academic work or independent study and shall include a foundation for ethical reasoning and the core values of integrity, objectivity, and independence consistent with the International Education Standards-4 of the International Accountants Education Standards Board, the International Federation of Accountants Code of Ethics, and the American Institute of Certified Public Accountants Code of Professional Conduct.

(3) "Accounting study" means independent study or other academic work in accounting, business, ethics, business law, or other academic work relevant to accounting and business, so as to enhance the competency of students as practitioners.

~~(f) This section shall remain in effect only until January 1, 2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2014, deletes or extends that date.~~

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