



**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 ENFORCEMENT PROGRAM OVERSIGHT  
 COMMITTEE (EPOC), COMMITTEE ON PROFESSIONAL CONDUCT (CPC),  
 LEGISLATIVE COMMITTEE (LC), STRATEGIC PLANNING COMMITTEE (SPC),  
 AND CBA MEETINGS**

**DATE:** Thursday, March 22, 2012

**COMMITTEE MEETING (EPOC)**

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

**COMMITTEE MEETING (LC)**

**TIME:** 9:30 a.m., or upon adjournment  
 of the EPOC meeting

**CBA MEETING**

**TIME:** 12:30 p.m. to 5:30 p.m.

**DATE:** Friday, March 23, 2012

**COMMITTEE MEETING (SPC)**

**TIME:** 8:30 a.m.

**COMMITTEE MEETING (CPC)**

**TIME:** 8:45 a.m., or upon adjournment  
 of the SPC meeting

**CBA MEETING**

**TIME:** 9:00 a.m. to 2:30 p.m.

**PLACE:** Hyatt Regency San Francisco Airport  
 1333 Bayshore Highway  
 Burlingame, CA 94010  
 Telephone: (650) 347-1234  
 Fax: (650) 696-2669

Enclosed for your information is a copy of the agendas for the CPC, EPOC, LC, SPC, and CBA meetings on March 22-23, 2012. For further information regarding these meetings, please contact:

Veronica Daniel, Licensing Manager  
 (916) 561-1716, or [vdaniel@cba.ca.gov](mailto: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 May 24-25, 2012 in Southern 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](mailto: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 at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**  
**ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC)**  
**AGENDA**

Thursday, March 22, 2012  
9:00 a.m.

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 (**Diana Bell, EPOC Chair**).

- I. Overview of the Enforcement Process (**Rafael Ixta, Enforcement Chief**).
- II. Discussion on the Role of the EPOC, Role of the Enforcement Advisory Committee (EAC), and Review of the CBA Member Guidelines and Procedures Manual (**Deanne Pearce, Assistant Executive Officer**).
- III. Public Comments.\*
- IV. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the EPOC 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 EPOC prior to the EPOC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the EPOC. Individuals may appear before the EPOC to discuss items not on the agenda; however, the EPOC can take no official action on these items at the time of the same meeting. (Government Code sec. 11125.7(a).)

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



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
LEGISLATIVE COMMITTEE (LC)  
AGENDA**

Thursday, March 22, 2012  
9:30 a.m.

Or upon adjournment of the  
Enforcement Program Oversight Committee

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 (**Sally Anderson, LC Chair**).

- I. Approve Minutes of the January 26, 2012 LC Meeting (**Sally Anderson, LC Chair**).
- II. Update on Bills on Which the CBA Has Taken a Position (AB 675, AB 958, AB 991, AB 1193, SB 103, SB 366) (**Matthew Stanley, CBA Staff**).
- III. Consideration of Positions on Legislation (**Matthew Stanley and Kari O'Connor, CBA Staff**).
  - A. AB 1345 – Local Government: Audits.
  - B. AB 1504 – Administrative Regulations.
  - C. AB 1537 – Regulations: Sunset Date.
  - D. AB 1588 – Reservist Licensees: Fees and Continuing Education.
  - E. AB 1810 – Professions and Vocations: Occupational Regulations.
  - F. AB 1904 – Military Spouses: Temporary Licenses.
  - G. AB 1914 – Agency Reports.
  - H. AB 1982 – Regulations: Effective Date: Legislative Review.
  - I. AB 2022 – Controller: Financial Information Request.
  - J. AB 2041 – Regulations: Adoption: Disability Access.
  - K. AB 2570 – Licensees: Settlement Agreements.
  - L. SB 975 – Regulatory Authority.
  - M. SB 1099 – Regulations: Effective Date.
  - N. SB 1165 – Denial of License.
  - O. SB 1405 – Accountancy: Renewal Exemption: Military Service.
  - P. Omnibus Legislation.

IV. Discussion and Possible Action to Seek Legislation to Amend Business and Professions Code Section 5008 – Email Address Requirement (**Matthew Stanley, CBA Staff**).

V. Public Comments.\*

VI. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the LC 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).)

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 LC may attend the meeting only as observers.



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

**CBA MEETING  
AGENDA**

**Thursday, March 22, 2012  
12:30 p.m. – 5:30 p.m.**

**Friday, March 23, 2012  
9:00 a.m. – 2:30 p.m.**

**REVISED  
3/14/12**

**Important Notice to the Public**

The order of agenda items other than those identified as “time certain” are approximate. Agenda items may be discussed and action taken out of order at the discretion of the CBA President.

Hyatt Regency San Francisco Airport  
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Roll Call and Call to Order (**Marshal Oldman, President**).

- I. Report of the President (**Marshal Oldman**).
  - A. Proposed 2013 CBA Meeting Dates (**Veronica Daniel, Licensing Manager**).
  - B. Resolution for Retiring Ethics Curriculum Committee Member Dave Cornejo (**Dominic Franzella, Licensing Manager**).
- II. Report of the Vice President (**Leslie LaManna**).
  - A. Recommendations for Appointment(s) to the Enforcement Advisory Committee (EAC).

- B. Recommendations for Appointment(s) to the Qualifications Committee (QC).
- III. Report of the Secretary/Treasurer (**Michael Savoy**).
  - A. Discussion of Governor's Budget.
  - B. Fiscal Year 2011-2012 Mid-Year Financial Statement.
- IV. Report of the Executive Officer (EO) (**Patti Bowers**).
  - A. Update on Staffing.
  - B. Update on CBA 2010-2012 Communications and Outreach Plan (Written Report Only).
  - C. Discussion and Possible Action to Amend Business and Professions Code Sections 5063(b)(2) and 5063.2 – Civil Action Settlements or Arbitration Awards (**Matthew Stanley, CBA Staff**).
- V. Open Session. Petitions for Reinstatement.
  - A. Colina, Jose M. – Petition for Reinstatement of Revoked CPA Certificate.
  - B. Censoprano, Salvatore – Petition for Reinstatement of Revoked CPA Certificate.
  - C. Shattuck, Allan D. – Petition for Reinstatement of Revoked CPA Certificate.
- VI. 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 Petitions for Reinstatement).
- VII. Report of the Licensing Chief (**Deanne Pearce, Assistant Executive Officer**).
  - A. Report on Licensing Division Activity.
  - B. Discussion and Possible Action on the International Delivery of the Uniform CPA Examination (**Dominic Franzella, Licensing Manager**).
- VIII. Report of the Enforcement Chief (**Rafael Ixta**).

**3/22/2012  
TIME CERTAIN  
1:00 PM**

- A. Enforcement Case Activity and Aging Report.
  - B. Citation and Fine Activity Report.
  - C. Reportable Events Report.
  - D. Update on Peer Review Implementation.
  - E. Results of 2<sup>nd</sup> Quarter Performance Measures Report to DCA.
  - F. Educational Presentation on the Securities and Exchange Commission (SEC) Investigations Process (**Karen Kreuzkamp, SEC**).
- IX. Regulations (**Kari O'Connor, CBA Staff**).
- Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Section 4 – Safe Harbor.
- X. Committee and Task Force Reports.
- A. Enforcement Program Oversight Committee (EPOC) (**Diana Bell, Chair**).
    - 1. Report of the March 22, 2012 EPOC Meeting.
    - 2. Overview of the Enforcement Process.
    - 3. Discussion on the Role of the EPOC, Role of the EAC, and Review of the CBA Member Guidelines and Procedures Manual.
  - B. Legislative Committee (LC) (**Sally Anderson, Chair**).
    - 1. Report of the March 22, 2012 LC Meeting.
    - 2. Update on Bills on Which the CBA Has Taken a Position (AB 675, AB 958, AB 991, AB 1193, SB 103, SB 366).
    - 3. Consideration of Positions on Legislation.
      - a. AB 1345 – Local Government Audits.
      - b. AB 1504 – Administrative Regulations.
      - c. AB 1537 – Regulations: Sunset Date.

- d. AB 1588 – Reservist Licensees: Fees and Continuing Education.
  - e. AB 1810 – Professions and Vocations: Occupational Regulations.
  - f. AB 1904 – Military Spouses: Temporary Licenses.
  - g. AB 1914 – Agency Reports.
  - h. AB 1982 – Regulations: Effective Date: Legislative Review.
  - i. AB 2022 – Controller: Financial Information Request.
  - j. AB 2041 – Regulations: Adoption: Disability Access.
  - k. AB 2570 – Licensees: Settlement Agreements.
  - l. SB 975 – Regulatory Authority.
  - m. SB 1099 – Regulations: Effective Date.
  - n. SB 1165 – Denial of License.
  - o. SB 1405 – Accountancy: Renewal Exemption: Military Service.
  - p. Omnibus Legislation.
4. Discussion and Possible Action to Seek Legislation to Amend Business and Professions Code Section 5008 – Email Address Requirement.

C. Committee on Professional Conduct (CPC) **(Michael Savoy, Chair)**.

- 1. Report of the March 23, 2012 CPC Meeting.
- 2. Discussion on Initiating a Rulemaking to Amend Title 16, CCR Sections 12, 12.5, and 37 – Continuing Education Requirements for Applicants with Experience Obtained Five Years Prior to Application and Reissuance.

D. Strategic Plan Committee (SPC) **(Manuel Ramirez, Chair)**.

- 1. Report of the March 23, 2012 SPC Meeting.

2. Discussion on the Role of the SPC and Review of the CBA Member Guideline and Procedures Manual.
  3. Discussion on Methodology to be used to Develop the 2013-2015 CBA Strategic Plan.
  4. Discussion on Future Meeting Dates for the SPC and Plan Development.
  5. Update on 2010-2012 CBA Strategic Plan.
- E. Enforcement Advisory Committee (EAC) **(Cheryl Gerhardt, Chair)**.
1. Report of the February 2, 2012 EAC Meeting.
  2. Discussion on the Role of the EAC.
- F. Qualifications Committee (QC) **(Fausto Hinojosa, Chair)**.
- No Report.
- G. Peer Review Oversight Committee (PROC) **(Nancy Corrigan, Chair)**.
1. Report of the February 10, 2012 PROC Meeting.
  2. 2011 PROC Annual Report.
- XI. Acceptance of Minutes.
- A. Draft Minutes of the January 26-27, 2012 CBA Meeting.
  - B. Minutes of the January 25, 2012 CBA Open House.
  - C. Minutes of the January 26, 2012 CPC Meeting.
  - D. Minutes of the January 26, 2012 LC Meeting.
  - E. Minutes of the November 3, 2011 EAC Meeting.
  - F. Minutes of the December 9, 2011 PROC Meeting.
- XII. 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. Education Committee **(Donald Driftmier).**
- d. Uniform Accountancy Act Committee (UAA)  
**(Sally Anderson).**

2. Proposed Responses to NASBA Focus Questions  
**(Kari O'Connor, CBA Staff).**

C. Participation on National Committees **(Veronica Daniel, Licensing Manager).**

XIII. Closing Business.

A. Public Comments.\*

B. Agenda Items for Future CBA Meetings.

C. Press Release Focus **(Deanne Pearce, Assistant Executive Officer).**

Recent Press Releases.

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 CBA President and items 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.

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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
STRATEGIC PLANNING COMMITTEE (SPC)  
AGENDA**

Friday, March 23, 2012  
8:30 a.m.

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 (**Manuel Ramirez, SPC Chair**).

- I. Discussion on the Role of the SPC and Review of the CBA Member Guidelines and Procedures Manual (**Kari O'Connor, CBA Staff**).
- II. Discussion on Methodology to be used to Develop the 2013-2015 CBA Strategic Plan (**Kari O'Connor, CBA Staff**).
- III. Discussion on Future Meeting Dates for the SPC and Plan Development (**Kari O'Connor, CBA Staff**).
- IV. Update on 2010-2012 CBA Strategic Plan (**Kari O'Connor, CBA Staff**).
- V. Public Comments.\*
- VI. Agenda Items for Next Meeting.

Adjournment.

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



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
COMMITTEE ON PROFESSIONAL CONDUCT (CPC)  
AGENDA**

Friday, March 23, 2012  
8:45 a.m.

Or upon adjournment of the  
Strategic Planning Committee

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 (**Michael Savoy, CPC Chair**).

- I. Approve Minutes of the January 26, 2012 CPC Meeting (**Michael Savoy, CPC Chair**).
- II. Discussion on Initiating a Rulemaking to Amend Title 16, California Code of Regulations (CCR) Sections 12, 12.5, and 37 – Continuing Education Requirements for Applicants with Experience Obtained Five Years Prior to Application and Reissuance (**Kari O'Connor, CBA Staff**).
- III. Public Comments.\*
- IV. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CPC are open to the public.

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



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**CBA Item I.A**  
March 22-23, 2012

### **Proposed 2013 CBA Meeting Dates**

**Presented by:** Veronica Daniel, CBA Staff

**Date:** March 1, 2012

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#### **Purpose of the Item**

The purpose of this item is for California Board of Accountancy (CBA) members to consider proposed 2013 CBA meeting dates. The dates were compared with state holidays, and a 2013 meeting dates/locations calendar is attached for reference.

#### **Action Needed**

Members may choose to adopt or modify the 2013 CBA meeting dates.

#### **Background**

The proposed 2013 CBA meeting dates are also identified below:

- January 24-25, 2013                      Southern California
- March 21-22, 2013                        Northern California
- May 23-24, 2013                          Southern California
- July 25, 2013                                Northern California
- September 26-27, 2013                  Southern California
- November 21-22, 2013                  Northern California

Special meeting dates on legislation may be scheduled on an as-needed basis. These meetings will most likely occur in late August or early September 2013.

#### **Comments**

None

#### **Recommendation**

None

#### **Attachment**

1. 2013 Meeting Dates/Locations Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
2013 MEETING DATES/LOCATIONS CALENDAR  
(CBA MEMBER COPY)**

**JANUARY 2013**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24 SC	25 SC	26
27	28	29	30	31		

**FEBRUARY 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

**MARCH 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21 NC	22 NC	23
24	25	26	27	28	29	30
31						

**APRIL 2013**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

**MAY 2013**

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23 SC	24 SC	25
26	27	28	29	30	31	

**JUNE 2013**

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**JULY 2013**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25 NC	26	27
28	29	30	31			

**AUGUST 2013**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**SEPTEMBER 2013**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26 SC	27 SC	28
29	30					

**OCTOBER 2013**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**NOVEMBER 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21 NC	22 NC	23
24	25	26	27	28	29	30

**DECEMBER 2013**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

**GENERAL LOCATION**

NC-NORTHERN CALIFORNIA  
SC-SOUTHERN CALIFORNIA

 CBA OFFICE CLOSED  
 CBA MEETING

Department of Consumer Affairs  
**California Board of Accountancy**



## RESOLUTION

*WHEREAS, Dave Cornejo was appointed by the California Public Employees' Retirement System, and he has faithfully served as a member of the California Board of Accountancy's Advisory Committee on Accounting Ethics Curriculum from June 7, 2010, through December 27, 2011; and*

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

*WHEREAS, the members of the California Board of Accountancy wish to express their high esteem and regard;*

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

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*Marshal A. Oldman, Esq., President*

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*Michael M. Savoy, CPA, Secretary-Treasurer*

*Dated: March 22, 2012*



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**CBA Item II.B.**  
**March 22-23, 2012**

**Recommendation For Appointment to the  
Qualifications Committee (QC)**

**Presented by:** Leslie LaManna, Vice President

**Date:** February 21, 2012

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**Purpose of the Item**

Recommendation for appointment of Mr. Lewis R. Fisher, CPA, to the QC.

**Action Needed**

It is requested that the CBA adopt the following recommendation.

**Background**

This recommendation was made on the advice of and in consultation with the committee chair, Fausto Hinojosa, CPA, who carefully reviewed and considered the needs of this committee and the skills and talents of existing and prospective committee members.

**Comments**

None

**Recommendation**

Mr. Hinojosa recommends, with my concurrence, the appointment of Mr. Lewis R. Fisher, CPA, to the QC.

**Attachments**

Resumé/CV for Lewis R. Fisher, CPA



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**CBA Item III.B.**  
March 22-23, 2012

### **FY 2011-12 Mid-Year Financial Report**

**Presented by:** Michael Savoy, Secretary/Treasurer

**Date:** March 8, 2012

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#### **Purpose of the Item**

This financial report, descriptive narrative, and attachments provide an overview of year-to-date receipts, expenditures, and the status of the Accountancy Fund Reserve.

#### **Action(s) Needed**

No specific action is required on this agenda item.

#### **Background**

CBA Financial Reports are prepared quarterly (October, January, April, and August) and are included in CBA meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

#### **Comments**

None

#### **Recommendation**

Staff has no recommendation on this item.

#### **Attachments**

- 1. Mid-Year Financial Report - Narrative**
- 2. Mid-Year Financial Report - Statistics**
- 3. CBA Budget Allocation History**
- 4. CBATotal Revenue and Expenditures**

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2011-12**  
**MID-YEAR FINANCIAL REPORT - NARRATIVE**  
 (for period of 7/01/11 through 12/31/11)



**DISCUSSION AND ANALYSIS OF FINANCIAL REPORT**

**BUDGET**

There have been no major changes in the budget since the update provided at the January 2012 meeting.

**REVENUES/TOTAL RECEIPTS**

During the first half of FY 2011-12 the CBA collected approximately \$5.3 million in total receipts. Overall, this was a decrease of about 24 percent when compared to the same period last fiscal year. Renewal income, which comprises the largest share of the CBA’s revenue, decreased 35.2 percent which is a direct result of the temporary reduction in fees that began July 1, 2011. The chart below compares past renewal revenue totals and projects the total for FY 2011-12.

<b>Renewal Revenue – Five Year History</b>				
FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12 (Proj)
\$7,961,922	\$8,182,460	\$8,457,550	\$8,853,620	\$5,576,019

**EXPENDITURES**

The personal leave program (PLP) instituted by Governor Schwarzenegger to reduce expenditures, subjected state employees to one unpaid personal leave day for each month beginning November 2, 2010 through October 31, 2011. The ending of this program last October resulted in a resumption of an additional day’s pay each month to state workers. This increase as well as increased benefit costs, reflect an 11 percent increase in CBA personal services over the same period last fiscal year.

An unusually large increase in fingerprint expenses is reflected in the mid-year report. Licensing staff noticed increases in fingerprinting expenditures during November-December 2011. After discussions with the Department of Justice (DOJ), CBA staff discovered that the CBA was incorrectly charged for fingerprint reports belonging to other state agencies. A credit for these overcharges will be submitted through the DCA and subsequently be reflected in the CBA 3<sup>rd</sup> quarter financial report.

The CBA moved from standard telephone service to a reduced-cost digital subscriber line with additional functionality not available with regular phone service. The combined reductions reflect a communication expenditure decrease of 55 percent compared to last fiscal year. Additionally, in January 2011, Governor Brown issued an Executive Order (EO) requiring a 50 percent reduction in the number of state-owned cell phones by June 1, 2011. The CBA removed six cell phones from service.

An approximate \$250,000 increase in expenditures for additional external investigative contracts is reflected in the report. The contract consultants will assist the Enforcement Division by performing technical work on high-profile cases.

**RESERVES**

The CBA ended the second quarter with 14.6 months in Reserve (MIR). Total expenditures exceeded total revenue, however, higher than expected cost recovery reimbursements have temporarily offset the intended reduction in the Reserve. Cost recovery has been unusually high during the current year due to the reimbursement of a single large case. This type of income is variable and cannot be anticipated. It is expected that expenditures will continue to exceed revenues for the rest of the fiscal year as the CBA continues to fill vacant positions. The MIR is projected to decrease to 14 months by the end of the year.

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2011-12**  
**Mid Year Financial Report**  
(for period of 7/1/11 through 12/31/11)

**ATTACHMENT 2**

	FY 2011-12 Received/Expended 7/01/11 - 12/31/11 (6 months) [9]	FY 2010-11 Received/Expended 7/01/10 -12/31/10 (6 months) [9]	% Change FY 2011-12 to FY 2010-11 (A:B)	FY 2011-12 Annual Governor's Budget 7/01/11 - 6/30/12 (12 months) [10]	FY 2011-12 Receipts/Expenditures Over/Under Budget (D:A)	FY 2011-12 Annual Projections (12 months) [11]
<b>RECEIPTS</b>						
<b>Revenues:</b>						
Renewals [1]	3,237,235	4,993,110	-35.2%	5,531,500	-41.5%	5,576,019
Examination Fees	1,491,740	1,453,127	2.7%	2,969,700	-49.8%	2,981,351
Licensing Fees	472,700	461,739	2.4%	946,900	-50.1%	945,400
Practice Privilege Fees	74,250	63,300	17.3%	186,100	-60.1%	199,177
Miscellaneous [2]	28,813	28,486	1.1%	56,201	-48.7%	56,946
Monetary Sanctions [3]	0	0	NA	0	NA	0
Penalties and Fines	9,403	2,412	289.8%	26,104	-64.0%	28,806
<b>Total Revenues</b>	<b>5,314,141</b>	<b>7,002,174</b>	<b>-24.1%</b>	<b>9,716,505</b>	<b>-45.3%</b>	<b>9,787,699</b>
<b>Interest</b>	<b>11,824</b>	<b>22,974</b>	<b>NA</b>	<b>0</b>	<b>NA</b>	<b>39,202</b>
<b>TOTAL NET RECEIPTS</b>	<b>5,325,965</b>	<b>7,025,148</b>	<b>-24.2%</b>	<b>9,716,505</b>	<b>-45.2%</b>	<b>9,826,901</b>
<b>EXPENDITURES:</b>						
<b>Personal Services:</b>						
Salaries & Wages	2,016,762	1,793,623	12.4%	4,301,649	-53.1%	4,407,231
Benefits	811,870	743,448	9.2%	1,875,601	-56.7%	1,623,740
<b>Total Personal Services:</b>	<b>2,828,632</b>	<b>2,537,071</b>	<b>11.5%</b>	<b>6,177,250</b>	<b>-54.2%</b>	<b>6,030,971</b>
<b>Operating Expenses:</b>						
Fingerprints	25,821	7,144	261.4%	185,000	-86.0%	77,463
General Expense	61,707	63,003	-2.1%	91,314	-32.4%	148,097
Printing	52,576	49,221	6.8%	85,608	-38.6%	110,576
Communications	8,001	18,033	-55.6%	48,614	-83.5%	19,202
Postage	36,699	34,832	5.4%	195,988	-81.3%	88,078
Travel: In State	50,188	30,463	64.8%	132,886	-62.2%	132,886
Travel: Out of State	0	0	NA	0	NA	0
Training	9,543	4,194	127.5%	28,012	-65.9%	22,903
Facilities Operations	557,430	531,085	5.0%	613,818	-9.2%	613,818
Utilities	0	0	NA	0	NA	0
Consultant & Professional Services Int.	0	0	NA	3,708	-100.0%	0
Consultant & Professional Services Ext.	404,696	148,744	172.1%	482,363	-16.1%	454,696
Departmental Services	582,460	567,193	2.7%	1,165,977	-50.0%	1,180,852
Consolidated Data Center	9,145	30,000	-69.5%	41,148	-77.8%	30,000
Data Processing	10,058	1,592	531.8%	71,103	-85.9%	24,139
Central Administrative Services	257,076	248,680	3.4%	514,151	-50.0%	514,151
Exams	136,600	131,400	4.0%	0	NA	136,600
Enforcement	442,835	245,903	80.1%	1,463,551	-69.7%	1,125,167 [12]
Minor Equipment	10,378	4,543	128.4%	36,800	-71.8%	24,907
Major Equipment	0	0	NA	13,000	-100.0%	13,000
<b>State Controller Operations</b>	<b>0</b>	<b>0</b>	<b>NA</b>	<b>13,000</b>	<b>-100.0%</b>	<b>13,000</b>
<b>FI\$Cal [4]</b>	<b>0</b>	<b>0</b>	<b>NA</b>	<b>53,000</b>	<b>-100.0%</b>	<b>53,000</b>
<b>Total Operating Expenses:</b>	<b>2,655,213</b>	<b>2,116,030</b>	<b>25.5%</b>	<b>5,239,041</b>	<b>-49.3%</b>	<b>4,782,535</b>
<b>TOTAL EXPENDITURES</b>	<b>5,483,845</b>	<b>4,653,101</b>	<b>17.9%</b>	<b>11,416,291</b>	<b>-52.0%</b>	<b>10,813,506</b>
Less Scheduled Reimbursements	12,288	9,928	23.8%	296,000	-95.8%	199,481
<b>TOTAL NET EXPENDITURES</b>	<b>5,471,557</b>	<b>4,643,173</b>	<b>17.8%</b>	<b>11,120,291</b>	<b>-50.8%</b>	<b>10,614,025</b>
<b>RECEIPTS IN EXCESS OF EXPENSES</b>	<b>-145,592</b>	<b>2,381,975</b>		<b>-1,403,786</b>		<b>-787,124</b>
<b>PLUS COST RECOVERY</b>	<b>725,676</b>	<b>186,991</b>		<b>0</b>		<b>792,054</b>
<b>BEGINNING RESERVES JULY 1 [5]</b>	<b>14,346,000</b>	<b>19,753,000</b>		<b>14,003,000</b>		<b>14,346,000</b>
<b>GENERAL FUND LOAN 2011 [6]</b>	<b>-1,000,000</b>	<b>0</b>		<b>-1,000,000</b>		<b>-1,000,000</b>
<b>GENERAL FUND LOAN 2010</b>	<b>0</b>	<b>-10,000,000</b>		<b>0</b>		<b>0</b>
<b>Total Resources</b>	<b>13,926,084</b>	<b>12,321,965</b>		<b>11,599,214</b>		<b>13,350,930</b>
<b>PROJECTED ENDING RESERVES</b>	<b>13,926,084</b>	<b>12,321,965</b>	<b>13.0%</b>	<b>11,599,214</b>		<b>13,350,930</b>
<b>GENERAL FUND LOAN 2002 [7]</b>	<b>(6,000,000)</b>					
<b>GENERAL FUND LOAN 2003 [7]</b>	<b>(270,000)</b>					
<b>GENERAL FUND LOAN 2008 [7]</b>	<b>(14,000,000)</b>					
<b>GENERAL FUND LOAN 2010 [7]</b>	<b>(10,000,000)</b>					
<b>GENERAL FUND LOAN 2011 [7]</b>	<b>(1,000,000)</b>					
<b>MONTHS IN RESERVE (MIR) [8]</b>	<b>14.6</b>	<b>12.1</b>		<b>12.2</b>		<b>14.0</b>

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**Footnotes:**

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] Enforcement monetary sanctions received as components of stipulated settlements and disciplinary orders approved by the CBA. These orders bring to a conclusion any accusations that had previously been filed by the Executive Officer, and are separate from fines or citations.
- [4] FI\$Cal is the Financial Information System for California, an historic project with four Partner Agencies having authority over the state's financial management. Comprised of the Department of Finance (DOF), the State Controller's Office (SCO), the State Treasurer's Office (STO), and the Department of General Services (DGS), the project represents a multi-year commitment by the State of California to operate within an integrated financial management system environment. Leveraging the power of Enterprise Resource Planning (ERP) will assist the project to integrate the data, functions and processes of state fiscal data management into one system. All Agencies contribute a portion of their expenditure authority to this project.
- [5] FY 2011-12 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office in December 2011.
- [6] The CBA budget for FY 2011-12 includes a \$1 million loan to the General Fund.
- [7] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for these loans. The "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at .389% for 2011, .515% for 2010, 2.78% for 2008, 1.64% for 2003 loan, and 2.64% for 2002). "It is the intent of the Legislature that repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees." Outstanding General Fund loans total \$31,270,000.
- [8] Calculation: expenditure authority for FY 2011-12 (\$11,416,291) divided by twelve months equals monthly expenditure authority (\$951,357). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [9] Received/Expended amounts through December 31, 2011 for FY 2011-12 and December 31, 2010 for FY 2010-11 include encumbrances, and are from DCA Budget Reports.
- [10] Figures reflect projected revenues from FY 2011-12 Workload and Revenue Statistics, expenditures are from the FY 2011-12 DCA Budget Galley STONE and the DCA Fund Condition statement prepared 12/9/2011.
- [11] This column reflects CBA's annual revenue and expenditure projections for FY 2011-12 based on six months of actual data.
- [12] Annual expenditures projected for the Enforcement line item are based only on what the CBA has spent to date. No other factors are used in determining this projection. This estimate is not indicative of the number or type of enforcement cases the CBA anticipates being involved in or is currently investigating.

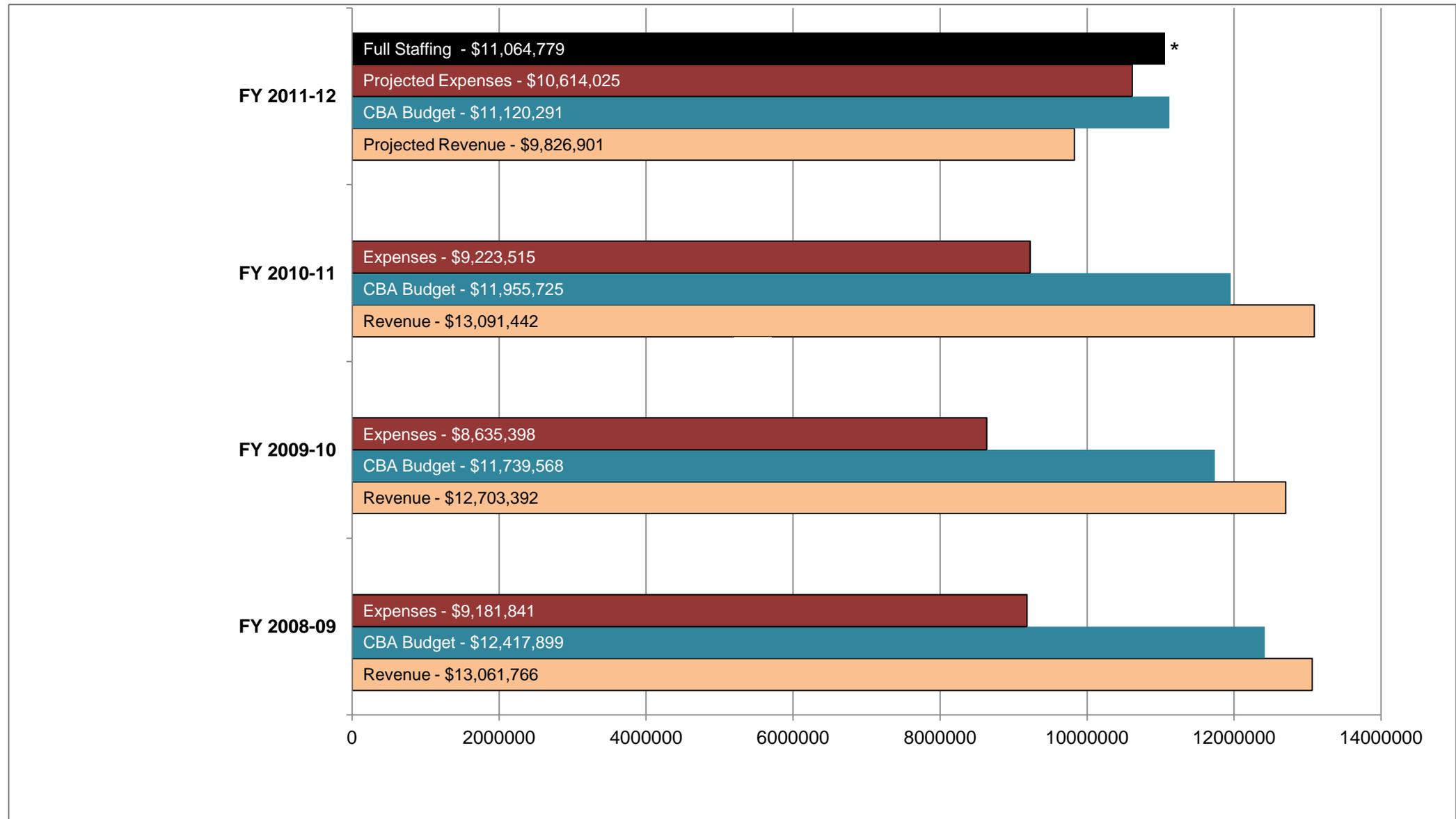
NOTE: CBA Financial Reports are prepared quarterly (October, January, April, and August) and included in CBA Meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

<b>CBA Budget Allocation History</b> (including reimbursements FM06)											
<b>Mid-Year FY 2011-12</b>	Total Budget Act <sup>1</sup>	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
<b>\$ Budgeted</b>	<b>\$11,054,291</b>	197,834	821,552	1,220,260	572,984	1,088,238	4,381,334	2,130,304	489,076	0.0	152,709
<b>\$ Spent*</b>	<b>\$5,483,844</b>	92,832	557,127	599,668	311,911	501,698	2,049,115	1,084,500	244,223	0.0	42,770
<b>Authorized Positions</b>	<b>83.5<sup>2</sup></b>	2.0	7.0	12.0	5.0	11.0	22.5	20.0	4.0	0.0	0.0
<p>1. Total Budget Act dollars (\$11,120,291), minus \$13,000 for State Controller Operations and \$53,000 for CBAs allocation toward FI\$Cal.</p> <p>2. Authorized positions increased to 87.5 in the first quarter resulting from the approval of two FY 2011-12 BCPs. The mid-year CBA budget includes the elimination of four positions. Three Office Technicians and one Associate Governmental Program Analyst were eliminated through a budget change proposal to finalize the Governor's Workforce Cap Plan. This plan was issued in January 2010 to achieve an additional five percent salary savings for all departments. Elimination of the funding for these positions already occurred in prior versions of the budget.</p>											
<b>FY 2010-11</b>	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services <sup>3</sup>	Board
<b>\$ Budgeted</b>	<b>\$11,928,725</b>	176,337	1,023,455	1,208,197	618,616	929,864	5,150,079	2,169,348	519,624	0	133,206
<b>\$ Spent</b>	<b>\$9,223,515</b>	140,127	883,475	1,230,379	530,717	980,654	2,743,474	2,118,158	478,714	0	117,816
<b>Authorized Positions</b>	<b>84.0</b>	2.0	9.0	15.0	5.0	8.0	20.0	21.0	4.0	0.0	0.0
<p>3. The Client Services Unit was closed in 2010 and staff were redirected to the Examination, Enforcement, and RCC units.</p>											
<b>FY 2009-10</b>	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
<b>\$ Budgeted</b>	<b>\$11,739,568</b>	446,994	617,118	1,311,926	568,326	788,597	4,970,948	1,830,145	591,295	501,841	112,378
<b>\$ Spent</b>	<b>\$8,635,398</b>	301,775	665,369	1,122,477	517,342	805,498	2,601,959	1,564,363	469,070	409,554	177,991
<b>Authorized Positions</b>	<b>83.0</b>	5.0	6.0	15.0	5.0	7.0	17.0	19.0	4.0	5.0	0.0
<b>FY 2008-09</b>	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
<b>\$ Budgeted</b>	<b>\$12,417,899</b>	494,269	648,337	1,519,371	514,956	909,587	4,985,373	2,068,830	655,651	515,029	106,496
<b>\$ Spent</b>	<b>\$9,181,841</b>	375,141	693,167	1,296,551	451,308	851,468	2,504,456	1,820,381	644,070	418,855	126,444
<b>Authorized Positions</b>	<b>83.0</b>	5.0	6.0	15.0	4.0	8.0	16.0	19.0	5.0	5.0	0.0

\* Dollars spent through December 31, 2011.

## CBA Total Revenue and Expenditures Mid-Year FY 2011-12

Year-End Projection	
Revenue:	\$9,826,901
Expenditure Budget:	\$11,120,291
With full staffing*:	\$11,064,779



\*Expenditures assuming full staffing for an entire year.



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**CBA Item IV.B.**  
 March 22-23, 2012

### **Update on CBA 2010-2012 Communications & Outreach Plan**

**Presented by:** Lauren Hersh, Information & Planning Manager

**Date:** March 8, 2012

#### **Purpose of the Item**

To keep CBA members informed of communications and outreach efforts and activities.

#### **Action(s) Needed**

No specific action is required on this agenda item.

#### **Background**

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.

#### **Comments**

##### **E-News**

E-News subscriptions have increased by more than 4,000 since the last report. The largest increase was notably those requesting the delivery of UPDATE via E-News followed by California Licensee. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

<b>List Name</b>	<b>External</b>	<b>Internal</b>	<b>Total</b>
California Licensee	6,044	44	6,088
Consumer Interest	2,861	49	2,910
Examination Applicant	2,037	39	2,076
Licensing Applicant	2,358	42	2,400
Out-of-State Licensee	1,481	37	1,518
Statutory/Regulatory	4,867	51	4,918
CBA Meeting Info & Agenda Materials	2,026	30	2,056
UPDATE Publication	4,120	10	4,130
<b>Total subscriptions</b>	<b>24,794</b>	<b>302</b>	<b>26,096</b>

## **Update on CBA 2010-2012 Communications & Outreach Plan**

Page 2 of 2

### UPDATE PUBLICATION

The Fall 2011 edition of UPDATE, posted to the website on November 10, 2011, received 14,833 hits through February 20, 2012. After much anticipation, the UPDATE became primarily an electronic publication with the Winter 2012 edition, which was posted to the CBA website and distributed via E-News on February 24. As of March 7, the Winter 2012 UPDATE has received 23,517 hits.

The hard copies for those who opted-in were mailed on March 6. Currently, there are 1,840 licensees and interested parties who have opted in to receive a hard copy. This is an increase of over 1,200 individuals since the last CBA meeting. Post cards to direct licensees and interested parties to opt-in for mail delivery of a printed copy were sent out at the end of February.

### Social media

At this writing, the CBA has more than 1,250 Facebook fans. Twitter growth continues as well, with more than 700 Twitter followers and 17 lists.

### Peer Review Outreach

During the January CBA Meeting, staff was directed to continue its efforts on performing outreach to consumers on Peer Review. Following the meeting, staff researched the following two ideas as an initial step in increasing outreach for Peer Review:

- Department of Consumer Affairs (DCA) Consumer Connection Magazine  
The DCA publishes a quarterly magazine, which contains a cross section of articles on subjects relating to consumer protection. CBA staff will be reaching out to DCA to discuss opportunities to publish an article on Peer Review.
- Department of Consumer Affairs Website  
DCA presently provides a list of various consumer related publications on its website. CBA staff is working to have its "Consumer Assistance Handbook" included in this list of resources. The newly revised "Consumer Assistance Handbook" contains information on Peer Review.

Staff is researching other outreach opportunities both to consumers and businesses regarding the benefits of Peer Review.

### Upcoming Events

The California Society of CPAs has invited CBA staff to participate in a webinar regarding the new educational requirements for CPA licensure. The webinar, titled "150 Answers to 150 Questions" is tentatively scheduled for April/May 2012. CBA staff will provide an overview of the upcoming educational changes and be available to answer questions.

### Recommendation

Staff has no recommendation on this item.



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**CBA Item IV.C.**  
March 22-23, 2012

**Discussion and Possible Action to Amend Business and Professions Code Sections 5063(b)(2) and 5063.2 – Civil Action Settlements or Arbitration Awards**

**Presented by:** Matthew Stanley, Legislation/Regulation Analyst

**Date:** March 5, 2012

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**Purpose of the Item**

To provide information to members regarding the reportable events threshold for civil action settlements or arbitration awards (settlements and awards).

**Action(s) Needed**

Members will be asked to discuss the need to increase the reportable events threshold for settlements and awards.

**Background**

In 2002, the Legislature utilized the CBA's sunset bill (AB 270) to not only extend the CBA's sunset date, but to address issues in the accounting profession at that time. To address those issues, AB 270 also did the following to enhance consumer protection:

- increased the membership of the CBA from 11 to 15 members,
- made the CBA a public member majority board,
- removed certain powers from the Administrative Committee (now the Enforcement Advisory Committee) and made it purely advisory,
- required the CBA to report on problems with policing large firms,
- added restatements as a new reportable event including restatements, and
- added several other provisions.

AB 270 also added as another new reportable event the reporting of settlements and awards of \$30,000 or more. According to the legislative analysis of AB 270, the CBA had initially requested a threshold of \$100,000 for the settlements and awards; however, the malpractice insurers indicated to the Legislature that an amount of \$30,000 is considered an indication of a possible violation of professional standards and would be closely reviewed by the insurer. In fact, one insurer indicated that the amount might be set as low as \$25,000 to catch major violations. The Legislature deemed the CBA's request as too high and believed that serious violations could escape detection at the \$100,000 level.

Presently, Business and Professions Code (B&P) Section 5063(b)(2) requires licensees to report a settlement or award against the licensee where the value is \$30,000 or

greater and the licensee is not insured for the full amount. In contrast, B&P Section 5063.2 requires insurers to report any settlement or award against a licensee where the value is \$30,000 or greater.

Several other boards (all the healing arts boards, Architect's Board) and the State Bar have statutes that require reporting of settlements and awards. At the time AB 270 was enacted, the thresholds for those boards ranged from \$3,000 to \$30,000 making the CBA one of the boards with a higher threshold.

At the CBA's November 2011 meeting, during a discussion on reportable events, the CBA requested that a discussion on raising the reporting threshold take place at a future meeting. The CBA President at the time, Ms. Anderson, later requested that staff provide statistics regarding this particular reportable event (**Attachment 1**).

### **Comments**

#### **Statistics**

The statistics gathered by the CBA Enforcement Unit for the past three fiscal years show 17 insurer reported settlements for values between \$30,000-100,000. Of those, two formal investigations were opened and one was closed with no violation. The other is still pending.

The same statistics show 5 licensees reporting settlements for values between \$30,000-100,000. The number is lower than the insurers report because the law only requires the licensee to report when they are not insured for the full amount. Of those 5 reports, no formal investigations were opened.

#### **Proposed Changes**

If the CBA determines that the settlement and awards threshold should be increased, it would require a legislative change to B&P Sections 5063 and 5063.2. The most likely vehicle for this amendment would be the omnibus bill which requires that a provision be non-controversial. Any motion to increase the threshold this year should include directing staff to work with the profession, consumer groups and insurers to try to gain consensus prior to the May 2012 meeting to allow the CBA to approve proposed language at that time.

Alternatively, if the CBA wishes to sponsor a bill to make this change in the next legislative year, staff will prepare language that will be included in the November 2012 meeting for a decision on sponsorship at that time.

### **Recommendation**

Staff have no recommendation on this item.

### **Attachment**

Reportable Events – Settlements and Arbitration Awards

**REPORTABLE EVENTS  
SETTLEMENTS AND ARBITRATION AWARDS**

<b>Licensee Reporting</b>	<b>08/09</b>	<b>09/10</b>	<b>10/11</b>	<b>TOTAL</b>
Number Settlements Reported	4	24	15	43
\$30,000 to \$100,000	0	5	0	5
> \$100,000	4	19	15	38
No. Investigations Opened \$30,000 to \$100,000	0	0	0	0
No. Investigations Opened > \$100,000	0	2	1	3
Arbitration Awards Reported	0	0	0	0

<b>Insurer Reporting</b>	<b>08/09</b>	<b>09/10</b>	<b>10/11</b>	<b>TOTAL</b>
Number Settlements Reported	10	6	26	42
\$30,000 to \$100,000	3 <sup>1</sup>	3 <sup>2</sup>	11 <sup>3</sup>	17
> \$100,000	7 <sup>4</sup>	3 <sup>5</sup>	15 <sup>6</sup>	25
No. Investigations Opened \$30,000 to \$100,000	0	1 (pending)	1 (closed no violation)	2
No. Investigations Opened > \$100,000	2 (closed no violation)	0	1 (pending)	3
Arbitration Awards Reported	0	0	0	0

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<sup>1</sup> \$50,000 – 1; \$60,000 – 1; \$100,000 – 1

<sup>2</sup> \$38,500 – 1; \$50,000 – 1; \$87,000 – 1

<sup>3</sup> \$39,500 – 1; \$40,000 – 1; \$47,500 – 1; \$60,000 – 1; \$65,000 – 1; \$75,000 – 2; \$87,500 – 1; \$95,000 – 2; \$100,000 - 1

<sup>4</sup> \$195,000 – 1; \$250,000 – 2; \$650,000 – 1; \$1,000,000 – 1; \$1,100,000 – 1; \$1,250,000 – 1

<sup>5</sup> \$200,000 – 1; \$500,000 – 1; \$730,000 – 1

<sup>6</sup> \$110,000 – 2; \$150,000 – 1; \$175,000 – 1; \$240,000 – 2; \$300,000 – 2; \$350,000 – 2; \$675,000 – 1; \$750,000 – 1; \$850,000 – 1; \$1,250,000 – 1; \$13,900,000 – 1;

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**CBA Item IV.C. Attachment 2****Sections 5063 and 5063.2****5063. Licensee report**

(a) A licensee shall report to the board in writing of the occurrence of any of the following events occurring on or after January 1, 1997, within 30 days of the date the licensee has knowledge of these events:

(1) The conviction of the licensee of any of the following:

(A) A felony.

(B) Any crime related to the qualifications, functions, or duties of a public accountant or certified public accountant, or to acts or activities in the course and scope of the practice of public accountancy.

(C) Any crime involving theft, embezzlement, misappropriation of funds or property, breach of a fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.

As used in this section, a conviction includes the initial plea, verdict, or finding of guilt, pleas of no contest, or pronouncement of sentence by a trial court even though that conviction may not be final or sentence actually imposed until appeals are exhausted.

(2) The cancellation, revocation, or suspension of a certificate, other authority to practice or refusal to renew a certificate or other authority to practice as a certified public accountant or a public accountant, by any other state or foreign country.

(3) The cancellation, revocation, or suspension of the right to practice as a certified public accountant or a public accountant before any governmental body or agency.

(b) A licensee shall report to the board in writing the occurrence of any of the following events occurring on or after January 1, 2003, within 30 days of the date the licensee has knowledge of the events:

(1) Any restatement of a financial statement and related disclosures by a client audited by the licensee.

(2) Any civil action settlement or arbitration award against the licensee relating to the practice of public accountancy where the amount or value of the settlement or arbitration award is thirty thousand dollars (\$30,000) or greater and where the licensee is not insured for the full amount of the award.

(3) Any notice of the opening or initiation of a formal investigation of the licensee by the Securities and Exchange Commission or its designee.

(4) Any notice from the Securities and Exchange Commission to a licensee requesting a Wells Submission.

(5) Any notice of the opening or initiation of an investigation by the Public Company Accounting Oversight Board or its designee, as defined pursuant to subdivision (g).

(c) A licensee shall report to the board in writing, within 30 days of the entry of the judgment, any judgment entered on or after January 1, 2003, against the licensee in any civil action alleging any of the following:

- (1) Dishonesty, fraud, gross negligence, or negligence.
- (2) Breach of fiduciary responsibility.
- (3) Preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.
- (4) Embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses, or other errors or omissions.

(5) Any actionable conduct by the licensee in the practice of public accountancy, the performance of bookkeeping operations, or other professional practice.

(d) The report required by subdivisions (a), (b), and (c) shall be signed by the licensee and set forth the facts which constitute the reportable event. If the reportable event involves the action of an administrative agency or court, then the report shall set forth the title of the matter, court or agency name, docket number, and dates of occurrence of the reportable event.

(e) A licensee shall promptly respond to oral or written inquiries from the board concerning the reportable events, including inquiries made by the board in conjunction with license renewal.

(f) Nothing in this section shall impose a duty upon any licensee to report to the board the occurrence of any of the events set forth in subdivision (a), (b), or (c) either by or against any other licensee.

(g) The board may adopt regulations to further define the reporting requirements of this section.

### **5063.2. Report by insurer on certain settlements or arbitration awards involving licensee**

Within 30 days of payment of all or any portion of any civil action settlement or arbitration award against a licensee of the board in which the amount or value of the settlement or arbitration award is thirty thousand dollars (\$30,000) or greater, any insurer or licensed surplus broker providing professional liability insurance to that licensee shall report to the board the name of the licensee, the amount or value of the settlement or arbitration award, the amount paid by the insurer or licensed surplus broker, and the identity of the payee.