



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
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**CALIFORNIA BOARD OF ACCOUNTANCY
 PUBLIC MEETING NOTICE FOR THE CHAIR/VICE-CHAIR TRAINING AND STRATEGIC
 PLANNING COMMITTEE, COMMITTEE ON PROFESSIONAL CONDUCT, LEGISLATIVE
 COMMITTEE, MOBILITY STAKEHOLDER GROUP, AND
 CALIFORNIA BOARD OF ACCOUNTANCY MEETINGS**

- DATE:** Thursday, January 21, 2016 **CHAIR/VICE-CHAIR TRAINING AND
 STRATEGIC PLANNING COMMITTEE
 MEETING**
TIME: 9:00 a.m.
- DATE:** Thursday, January 21, 2016 **COMMITTEE ON PROFESSIONAL
 CONDUCT MEETING**
TIME: 10:30 a.m.
- DATE:** Thursday, January 21, 2016 **LEGISLATIVE COMMITTEE MEETING**
TIME: 10:45 a.m.
 Or upon adjournment of the Committee on
 Professional Conduct Meeting
- DATE:** Thursday, January 21, 2016 **MOBILITY STAKEHOLDER GROUP
 MEETING (one or more members will
 participate via teleconference)**
TIME: 11:00 a.m.
 Or upon adjournment of the Legislative
 Committee Meeting
- DATE:** Thursday, January 21, 2016 **CALIFORNIA BOARD OF ACCOUNTANCY
 MEETING**
TIME: 1:30 p.m. to 5:00 p.m.
- DATE:** Friday, January 22, 2016 **CALIFORNIA BOARD OF ACCOUNTANCY
 MEETING**
TIME: 9:00 a.m. 3:00 p.m.

PLACE: Wyndham Irvine-Orange County Airport
 17941 Von Karman Avenue
 Irvine, CA 92614
 Telephone: (949) 863-1999

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

Enclosed for your information is a copy of the agendas for the Chair/Vice-Chair Training and Strategic Planning Committee, Committee on Professional Conduct, Legislative Committee, Mobility Stakeholder Group, and California Board of Accountancy meetings on January 21-22, 2016. For further information regarding these meetings, please contact:

Corey Riordan, Board Relations Analyst
(916) 561-1716 or cfriordan@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 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 Corey Riordan at (916) 561-1716, or email cfriordan@cba.ca.gov, or send a written request to the California Board of Accountancy 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'S MOBILITY STAKEHOLDER GROUP

NOTICE OF PUBLIC TELECONFERENCE MEETING AND AGENDA

Thursday, January 21, 2016

11:00 a.m.

Or Upon Adjournment of the Legislative Committee Meeting

One or more Mobility Stakeholder Group (MSG) members will participate in this meeting at the teleconference sites listed below. Each teleconference location is accessible to the public and the public will be given an opportunity to address the MSG members at each teleconference location. The public teleconference sites for this meeting are as follows:

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

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

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Mobility Stakeholder Group's Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at <http://www.cba.ca.gov>.

	<u>CBA Item #</u>
Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Jose Campos, Chair).	
I. Approval of Minutes of the September 17, 2015 Mobility Stakeholder Group Meeting.	XIII.D.
II. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives (Written Report Only).	XII.C.2.

- III. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21 **(Written Report Only)**. XII.C.3.
- IV. Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report **(Matthew Stanley, Information and Planning Officer)**. XII.C.4.
- V. Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c) **(Matthew Stanley)**. XII.C.5.
- VI. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify **(Matthew Stanley)**. XII.C.6.
- VII. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting **(Matthew Stanley)**. VIII.C.7.
- VIII. Public Comments.*

Adjournment

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

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



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CBA XIII.D.
January 21-22, 2016

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

DRAFT

**MINUTES OF THE
September 17, 2015
MOBILITY STAKEHOLDER GROUP (MSG) MEETING**

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

CALL TO ORDER

Katrina Salazar, Chair, called the meeting of the MSG to order at 10:00 a.m. on Thursday, September 17, 2015 at the Wyndham Irvine-Orange County Airport. Ms. Salazar requested that the roll be called.

MSG Members

Katrina Salazar, CPA, Chair	Present
Joe Petito, Vice Chair	Present
Donald Driftmier, CPA	Present
Dominic Franzella	Present
Ed Howard	Absent
Michael Savoy, CPA	Present
Stuart Waldman	Absent

CBA Members Observing

Sarah (Sally) Anderson, CPA
Alicia Berhow
Jose Campos, CPA, President
Laurence (Larry) Kaplan
Herschel Elkins, Esq.
Leslie LaManna, CPA
Xochitl León
Jian Ou-Yang, CPA
Deidre Robinson
Mark Silverman, Esq.
Kathleen Wright, Esq., CPA

Staff and Legal Counsel

Patti Bowers, Executive Officer

Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff

Pat Billingsley, Regulatory Analyst

Corey Faiello-Riordan, Board Relations Analyst

Dorothy Osgood, Enforcement Supervising ICPA

Gina Sanchez, Chief, Licensing Division

Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)

Carl Sonne, Deputy Attorney General, Department of Justice

Matthew Stanley, Information and Planning Officer

Committee Chairs and Members

Robert Lee, Chair, CPA, Peer Review Oversight Committee

Robert Ruehl, CPA, Chair, Qualifications Committee

Other Participants

Pilar Oñate-Quintana

Jon Ross, KP Public Affairs

- I. Approve Minutes of the July 23, 2015 MSG Meeting

It was moved by Mr. Driftmier; seconded by Mr. Petito and carried unanimously to approve the minutes of the July 23, 2015 MSG Meeting.

Yes: Mr. Driftmier, Mr. Franzella, Mr. Petito, Ms. Salazar, and Mr. Savoy

No: None

Abstain: None

The motion passed.

- II. The Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

Ms. Salazar indicated this item is a written report only.

- III. Timeline for Activities Regarding Determination to be Made Pursuant to Business and Professions Code Section 5096.21.

Ms. Salazar indicated this item was a written report only.

- IV. Discussion Regarding the Minimum Amount of Information to be Posted on the Internet in Order to be Deemed Substantially Equivalent.

Mr. Stanley provided the MSG an overview regarding the amount of information that must be posted on the Internet in order for a state to satisfy Business and Professions Code (BPC) section 5096.21(c)(4), which requires disciplinary history of a state's

licensees to be publicly available through the Internet in a manner that allows the CBA to link consumers to a website.

He reported that the Legislature has established what the minimum amount of information must include in the law itself.

BPC section 5096.21(c)(4) requires the information to be, at a minimum, equal to the information that was previously available to consumers through the prior practice privilege form. The form required a licensee to indicate if disciplinary history exists and if yes, self-report the explanatory details through an attachment. Regardless of the details provided by a licensee, which vary greatly from person to person, staff would conduct its own investigation. If action was warranted, the CBA would revoke the practice privilege and post a flag on its website to indicate disciplinary history. Therefore, a disciplinary flag posted in the Internet is the level of information required by the Legislature.

Mr. Stanley provided an overview of how the CBA, CPAVerify, and other states make this type information available on their websites. Mr. Stanley reported that staff performed preliminary research to determine which states flag disciplinary history for their licensees.

No action was needed on this item as it was informational only. NASBA will use this information as it works with states in determining which states have already posted, or can post, the disciplinary history flag on the Internet.

V. Discussion Regarding Options Including a Possible Legislative Proposal for Expediting a Rulemaking Pursuant to Business and Professions Code Section 5096.21(a).

The MSG discussed the options for expediting the rulemaking process undertaken pursuant to BPC section 5096.21(a) and explored methods to reduce the normal 12-18 month rulemaking time to add and remove states from the no notice, no fee practice privilege program in order to better protect consumers.

The first option considered was to pursue each rulemaking as an emergency regulation, which, if approved by the Office of Administrative Law (OAL), can be in-place within a few weeks. The normal rulemaking process is still required to make the emergency regulation permanent. The CBA would need to provide in its rulemaking substantial evidence to demonstrate the existence of an emergency.

The second option was to amend BPC section 5096.21(a) as proposed to provide for a legislatively declared emergency, by which the rulemaking timelines outlined in the first option would apply, but the CBA would not need to demonstrate by substantial evidence the existence of an emergency to OAL; an emergency would be presumed.

The rulemaking would only apply to removing states from the no notice, no fee practice privilege program in order to protect the public.

The MSG discussed that it appears it was the intent of stakeholders that the full timeframe for a rulemaking would allow a state time to correct its deficiencies. However, it was also pointed out that the proposal is permissive, and the CBA would have the option to pursue an emergency rulemaking if it were necessary.

It was moved by Mr. Driftmier; seconded by Mr. Savoy to recommend that the CBA adopt the proposed amendment and direct staff to proceed with the Legislative process.

Yes: Mr. Driftmier, Mr. Franzella, Mr. Petito, Ms. Salazar, and Mr. Savoy

No: None

Abstain: None

The motion passed.

VI. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.

Mr. Stanley reported that NASBA will hold its 108th Annual Meeting October 25-28 in Dana Point, CA. Some of the major topics listed on the agenda include a review of the exposure draft for the New Uniform CPA Examination, peer review, and discussion panels to address meeting enforcement standards and recognizing changes in Education.

He further stated that there are still five states – Delaware, Hawaii, Michigan, Utah and Wisconsin – that are not yet participating in the US Accountancy Licensee Database (ALD) and CPAVerify.

No action was taken on this item.

VII. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

Mr. Stanley indicated that there would be a very light agenda for the MSG at its November 2015 meeting.

It was moved by Ms. Salazar; seconded by Mr. Savoy that the MSG recommends the CBA direct the MSG to next convene in January 2016.

Yes: Mr. Driftmier, Mr. Franzella, Mr. Petito, Ms. Salazar, and Mr. Savoy

No: None

Abstain: None

The motion passed.

There being no further business, the meeting adjourned at 10:26 a.m.



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MSG Item II.
January 21, 2016

CBA Item XII.C.2.
January 21-22, 2016

Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives

Presented by: Written Report Only

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with its decision matrix (**Attachment 1**) and stakeholder objectives (**Attachment 2**). The decision matrix and stakeholder objectives are intended to ensure that the MSG is considering whether the provisions of the California practice privilege law “satisfy the objectives of stakeholders of the accounting profession in this state, including consumers.”

Action(s) Needed

No specific action is required on this agenda item.

Background

At its March 2014 meeting, staff presented the MSG with a plan to maintain a decision matrix in order to track decisions made by the MSG. The purpose for the decision matrix was to assist the MSG and staff in determining what activities have been accomplished and what decisions still remain for discussion.

In addition, the MSG is charged with considering whether the provisions of the California practice privilege law “satisfy the objectives of stakeholders of the accounting profession in this state, including consumers.” At its July 2014 meeting, the MSG established two stakeholder objectives and requested that they be provided at future meetings in order that the MSG may continue to revise and add to them as needed.

Comments

Staff will continue to provide the decision matrix and stakeholder objectives as a written report only agenda item unless otherwise directed by the MSG.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives

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Attachments

1. MSG Decision Matrix
2. Stakeholder Objectives



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Attachment 1

MSG Decision Matrix

<u>Date</u>	<u>Decision</u>
March 2014	The MSG will meet three times per year in conjunction with the March, July and November CBA meetings.
March 2014	The MSG will prepare a written report to the CBA at least once per calendar year.
March 2014	The MSG will prepare a final report in time to be considered by the CBA as it prepares its final report to the Legislature which is due January 1, 2018.
November 2014	The MSG adopted the following definition for "stakeholders:" Stakeholders include consumers, licensees, applicants, and professional organizations and groups that have a direct or indirect stake in the CBA because they can affect or be affected by the CBA's actions, objectives, and policies.
March 2015	The MSG approved the timeline for making determinations pursuant to Business and Professions Code (BPC) section 5096.21. The MSG agreed that staff will prepare a letter for each state to notify them of the process the CBA is undertaking and to request specific information that will assist the CBA as it makes the determinations pursuant to BPC section 5096.21. ¹
May 2015	The MSG opined that the National Association of State Boards of Accountancy's Guiding Principles of Enforcement (NASBA Enforcement Guidelines) meet or exceed the CBA's enforcement practices.
July 2015	The MSG selected NASBA to assist the CBA in comparing the enforcement practices of other states to the NASBA Enforcement Guidelines.
July 2015	The MSG will meet in conjunction with scheduled CBA meetings until the comparison project is complete.

¹ At its May 28-29, 2015 meeting, the CBA deferred the timeframe for sending the letter to the Executive Officer.

MSG Decision Matrix

Page 2 of 2

<u>Date</u>	<u>Decision</u>
September 2015	The MSG approved a legislative proposal to grant emergency rule-making authority to remove states from California's mobility program.

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**Attachment 2****Stakeholder Objectives**

Date Added or Revised	Objective
July 2014	Help out-of-state licensees know and understand their self-reporting requirements.
July 2014	Assure the CBA that all states have adequate enforcement.



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MSG Item III.
January 21, 2016

CBA Item XII.C.3.
January 21-22, 2016

Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21

Presented by: Written Report Only

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to discuss items related to the timeline for practice privilege activities (**Attachment**) pursuant to Business and Professions Code (BPC) section 5096.21. BPC section 5096.21(a) requires the California Board of Accountancy (CBA) to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public.

Action(s) Needed

No specific action is required on this agenda item.

Background

In 2012, the Legislature revised the practice privilege law to eliminate the requirement for out-of-state licensees to provide notice and fee prior to obtaining a California practice privilege. BPC section 5096.21(a) requires the California Board of Accountancy (CBA) to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. These determinations are to be made on and after January 1, 2016, and on an ongoing basis. In making the determinations, the CBA is required to consider three factors:

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21

Page 2 of 2

3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

Alternatively, a state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. The National Association of State Boards of Accountancy adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The initial timeline for this project was approved by the CBA at its March 2015 meeting.

Comments

This agenda item is a standing item to keep members apprised of upcoming activities regarding the determinations made pursuant to BPC section 5096.21. It also serves as an opportunity for members to discuss any of the items on the timeline.

The timeline reflects the most current information available. Staff determined the timeline based on the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

The timeline may be changed as needed or as directed.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21



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Attachment

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

Substantial Equivalence to NASBA's Enforcement Guidelines

Business and Professions Code (BPC) section 5096.21(c) states that a state's licensees may remain in the no notice, no fee practice privilege program if the following four conditions are met:

1. The National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines (Enforcement Guidelines).
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

This portion of the timeline outlines the activities surrounding the CBA's determination of which states' enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines. While the law does not specify a date by which these activities must be concluded, staff developed this timeline keeping in mind the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

These dates are the only firm dates in BPC section 5096.21. There is no firm date by which the CBA must take action to remove a state or states from the no notice, no fee practice privilege program. This allows some flexibility for the CBA to work with an individual state in bringing it to a position where the CBA may indicate that they are substantially equivalent to the NASBA Enforcement Guidelines.

May 28, 2015	NASBA released its final version of its Enforcement Guidelines
May 28, 2015	CBA issued a finding that the NASBA Enforcement Guidelines met the CBA's enforcement practices
July 23, 2015	CBA determines how best to compare other states' enforcement practices with the NASBA Enforcement Guidelines
Summer/Fall 2015	Staff implements the method for comparing other states' enforcement practices with the NASBA Enforcement Guidelines
January 2016	CBA makes its initial determinations of substantial equivalence based on early research provided by the entity to be selected in CBA Agenda Item IX.C.4. (this date may be later if the consultant approach is selected)
September 2016	CBA reviews the final findings provided by the entity performing the research

State-by-State Determinations

After the CBA completes the portion of the timeline regarding substantial equivalence to the NASBA Enforcement Guidelines, there may be states that were not found to be substantially equivalent. If so, these states may still remain under the no notice, no fee practice privilege program if they are allowed to do so by the CBA in the state-by-state determination process.

The CBA must determine whether allowing the licensees of those states to practice in California under a practice privilege violates its duty to protect the public. In doing so, the CBA must consider the three items listed in BPC section 5096.21(b):

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

The CBA is required to make the determinations using these considerations on and after January 1, 2016. The following portion of the timeline outlines the activities

surrounding the CBA's determinations made for those states not found to be substantially equivalent to NASBA's Enforcement Guidelines.

September 2016	Staff requests information to assist the CBA in making the determinations from states not found by the CBA to be substantially equivalent to the NASBA Enforcement Guidelines
March 2017	CBA reviews information provided by those states and identifies any that are at risk of removal from the no notice, no fee practice privilege program
May and July 2017	CBA deliberates on states that should remain or be removed from the no notice, no fee practice privilege program
July 2017	CBA initiates Rulemaking to remove states, where the CBA determines that allowing the licensees of that state to practice in California under a practice privilege violates its duty to protect the public, from the no notice, no fee practice privilege program
November 2017	CBA conducts a public hearing on the Rulemaking and initiates a 15-day notice of changes to include any additional states
July 2017 – January 2019	CBA continues reviewing states regarding whether their licensees should remain or be removed from the no notice, no fee practice privilege program as needed

Practice Privilege Final Report to the Legislature

BPC section 5096.21(f) states:

On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:

- (1) How the board has implemented this article and whether implementation is complete.
- (2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
- (3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

At its initial meeting, the Mobility Stakeholder Group (MSG) decided to prepare a final report for the CBA to reference as it prepares its report to the Legislature by January 1, 2018. This portion of the timeline outlines the activities surrounding these reporting requirements.

July 2017	CBA receives the MSG's Final Report
September 2017	CBA reviews its draft Practice Privilege Report to the Legislature
November 2017	CBA approves the final version of the Practice Privilege Report to the Legislature
January 1, 2018	Practice Privilege Report due to the Legislature



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MSG Item IV.
January 21, 2016

CBA Item XII.C.4.
January 21-22, 2016

Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) an opportunity to review and adopt its 2015 Annual Report (**Attachment**) for presentation to the California Board of Accountancy (CBA). The annual report describes the actions and activities the MSG undertook in 2015 to ensure consumer protection.

Action(s) Needed

The MSG will be asked to adopt its 2015 Annual Report.

Background

In 2012, the Legislature created a new practice privilege program for the CBA through Senate Bill (SB) 1405. The new practice privilege program, also referred to as mobility, began on July 1, 2013.

The MSG conducted its initial meeting on March 20, 2014, where the MSG voted to issue a report to the CBA a least once per calendar year. At its November 20, 2014 meeting, the MSG voted to include the following topics in its Annual Report:

- Message from the Chair
- Background of Mobility
- MSG Responsibilities
- MSG Members
- Legislative and Regulatory Changes to Mobility
- Program Overview
- Statistic for the Mobility Program
- Meetings and Activities
- Future Considerations

The statistics provided in the attached 2015 Annual Report of the MSG are through November 30, 2015. The statistics will be subsequently updated after the close of the calendar year.

Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report

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Comments

The attached report highlights the activities of the MSG throughout 2015 and fulfills the MSG's requirement for periodic reporting under BPC section 5096.21(e).

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend the MSG delegate authority to the Chair to adopt the final 2015 Annual Report once the statistics have been finalized.

Attachment

The MSG 2015 Annual Report

CALIFORNIA BOARD OF ACCOUNTANCY



MOBILITY STAKEHOLDER GROUP

**ANNUAL REPORT
2015**

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I. MESSAGE FROM THE CHAIR

I am pleased to present the California Board of Accountancy (CBA) with the Mobility Stakeholder Group's (MSG) 2015 Annual Report.

The MSG worked diligently throughout 2015 to fulfill its statutory mandate of ensuring the practice privilege law is protecting the consumers of this state. During 2015, the MSG further reviewed the consumer protection provisions of the practice privilege law. In addition, the MSG recommended the CBA find that the National Association of State Boards of Accountancy's (NASBA) Guiding Principles of Enforcement (Enforcement Guidelines) meet or exceed California's enforcement practices. Finally, the MSG recommended the CBA request that NASBA perform the research that will be used to determine the substantial equivalency of other states' enforcement programs to the NASBA Enforcement Guidelines.

As we approach the third year of the MSG, it will focus on the substantial equivalency of the various states' enforcement programs. The MSG will continue considering the consumer protection provisions and discussing and clarifying stakeholder objectives of the practice privilege law.

I am grateful to have had the opportunity to serve as Chair of the MSG. I would also like to express my appreciation for the dedication of those serving on the MSG. It has been a pleasure to work on behalf of consumers. Under the leadership of the new chairman, Jose Campos, the MSG will continue to strive to remain on the forefront of consumer protection.

As the past MSG Chair and the new CBA President, I look forward to working with the MSG to ensure the continued success of California's practice privilege program.

Katrina L. Salazar, CPA, CBA President
2015 MSG Chair

II. BACKGROUND

Legislation enacted in 2012 (Stats. 2012, ch. 411 (Senate Bill (SB) 1405)) rewrote the CBA's practice privilege provisions (Article 5.1, Chapter 1, Division 3 of the Business and Professions Code (BPC)), which became effective July 1, 2013 and shall become inoperative on January 1, 2019. The new provisions beginning at section 5096 of the BPC allow individuals, whose principal place of business is outside of California and are licensed in states that have licensing requirements substantially equivalent to California's, to practice in California under a practice privilege conferred by operation of law without providing a notice or paying a fee. Prior to the passage of SB 1405, individuals possessing

out-of-state licenses to practice public accountancy were required to notify the CBA, as well as pay a fee in order to practice public accountancy in California.

BPC section 5096.21(e) creates the MSG and, in addition, states in part:

The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

Effective July 1, 2013, sections 26 – 35.1 of Title 16, Division 1 of the California Code of Regulations (CBA Regulations) became inoperative, and were simultaneously replaced by new sections 5.5 and 18 – 22 of CBA Regulations.

III. MOBILITY STAKEHOLDER GROUP RESPONSIBILITIES

The MSG derives its authority from BPC section 5096.21(e). The roles and responsibilities of the MSG, as defined by the law and the CBA, are as follows:

- Hold meetings as necessary in order to conduct business,
- Adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board,
- Consider whether the practice privilege provisions are consistent with the CBA's duty to protect the public in accordance with BPC section 5000.1,
- Consider whether the mobility law satisfies the objectives of stakeholders of the accounting profession, including consumers,
- Prepare an Annual Report to the CBA highlighting its activities.

IV. MOBILITY STAKEHOLDER GROUP MEMBERS

The MSG is comprised of seven members, which consists of members of the CBA, CBA enforcement staff, representatives of the accounting profession, and consumer representatives.

Upon his election as CBA President for 2015, Jose Campos removed himself from the MSG and appointed CBA Member Michael Savoy to take his place.

Early in 2015, the MSG was saddened to learn of the passing of its Vice-Chair, Harold (Hal) Schultz. Hal's hard work and dedication to the profession was a mainstay of CBA meetings and the various committees on which Hal had served, including the MSG. Former CBA Member Donald Driftmier was appointed to the MSG in his place.

For the majority of 2015, the MSG membership consisted of the following members:

Katrina L. Salazar, CPA, Chair and CBA member
Joseph P. Petito, Esq. Vice-Chair and accounting profession representative
Don Driftmier, CPA, accounting profession representative
Dominic Franzella – CBA Enforcement Division Chief
Edward Howard, Esq., consumer representative
Michael Savoy, CBA Member
Stuart Waldman, Esq., consumer representative

V. LEGISLATION AND REGULATIONS

To further enhance consumer protection, the CBA pursued legislative and regulatory changes to the program in 2013 and 2014. Effective January 1, 2014, BPC section 5096(e)(10) was added to Article 5.1 by SB 822 (Stats. 2013, Ch. 319) to require practice privilege holders to notify the CBA of any pending criminal charges, other than minor traffic violations, in any jurisdiction. In 2014, the CBA sought a further change to that same section to clarify that the individual had to be exercising practice privilege in California before reporting pending criminal charges is required. In addition, SB 1467 (Stats. 2014, Ch. 400) stated that such a report must be made to the CBA in writing within 30 days. These new provisions took effect January 1, 2015.

In 2015, the CBA gained approval of an amendment to CBA Regulations section 19 to create a Practice Privilege Notification of Pending Criminal Charges form. Effective October 1, 2015 this form is used by individuals to report pending criminal charges.

VI. PROGRAM OVERVIEW

If a licensee's principal place of business is located outside California and he or she holds a valid and current license, certificate, or permit to practice public accountancy from another state, he or she may qualify to practice public accountancy in California under a practice privilege, without giving notice or paying a fee, provided one of the following conditions is met:

- They have continually practiced public accountancy as a CPA under a valid license issued by any state for at least four of the last 10 years.
- They hold a valid license, certificate, or permit to practice public accountancy from a state determined by the CBA to be substantially equivalent to the licensure qualifications in California under BPC section 5093.

- They possess education, examination, and experience qualifications which have been determined by the CBA to be substantially equivalent to the licensure qualifications in California.

A licensee is required to notify and receive written permission from the CBA prior to practicing public accountancy in California if, within the seven years immediately preceding the date on which he or she wishes to practice in this state, certain conditions apply as outlined in BPC Section 5096(i).

If any of those conditions apply, the licensee must submit a completed notification form and await written permission from the CBA prior to engaging in the practice of public accountancy in California.

If an individual exercises a practice privilege and subsequently acquires any condition disqualifying them from holding a California practice privilege, they must cease practicing immediately and notify the CBA in writing within 15 days of the occurrence of the cessation event using the “Notification of Cessation of Practice Privilege Form” (PP-11(1/13)).

If an individual is exercising a practice privilege in California, they are required to notify the CBA in writing of any pending criminal charges, other than for a minor traffic violation, within 30 days of the date they have knowledge of those charges.

If an individual intends to provide audit or attestation services for an entity headquartered in California, they may only do so through an accounting firm registered with the CBA.

An accounting firm that is authorized to practice public accountancy in another state and that does not have an office in this state must register with the CBA prior to performing attest services for an entity headquartered in California.

To register an out-of-state accounting firm, while there is no fee, an applicant must first complete the “Out-of-State Accounting Firm Registration Form” (PP-13(1/13)). The out-of-state accounting firm registration must be renewed every two years in order for the out-of-state accounting firm to maintain practice rights in California. The out-of-state accounting firm must also notify the CBA of any change of address or change in ownership within 30 days of the change.

VII. STATISTICS

The following is statistical information for the Licensing, Enforcement, and Administration Divisions for the calendar year 2015 as it pertains to the practice privilege program. The information listed on page 5 is categorized into sections detailing Out-of-State Accounting Firm Registration information, customer service and the volume of contact with consumers and licensees, enforcement-

related referrals and investigations, and the CBA's use of the website to enhance consumer protection.

Licensing Division

The Practice Privilege Unit within the Licensing Division is responsible for two main functions associated with the practice privilege program: (1) processing out-of-state accounting firm registrations and (2) providing customer service in response to telephone calls and e-mails.

Out-of-State Accounting Firm Registration (OFR)

The practice privilege provisions require practice privilege holders providing certain attestation services to California-headquartered entities to do so only through a firm registered with the CBA. These accounting firms must submit a registration form and obtain approval from the CBA prior to providing these services.

Below is the statistical data associated with processing OFRs for the 2015 calendar year.

Out-of-State Firm Registrations	2015 Totals
Total Registration Applications Received	134
Total Registration Applications Approved	99
Total Registration Applications Referred to Enforcement	20

Service to Stakeholders

The Practice Privilege Unit is the primary point of contact associated with the practice privilege program. Providing excellent service to stakeholders while effectively communicating the requirements of California's practice privilege law is an important part of the efficient functioning of the unit. Below is the statistical data for the total number of telephone calls and e-mails for the 2015 calendar year.

Stakeholder Contact	2015 Totals
Telephone	417
E-mails	421

Enforcement Division

The Enforcement Division is responsible for numerous consumer protection aspects of the practice privilege program, including processing pre-notification and cessation notification forms, reviewing the Securities and Exchange Commission's (SEC) and Public Company Accounting Oversight Board's (PCAOB) websites for CPAs that have been disciplined by those entities,

reviewing OFR referrals from the Practice Privilege Unit, and reviewing complaints received against practice privilege holders.

The following is statistical data associated with the various Enforcement Division activities for the 2015 calendar year.

Enforcement Division Activities	2015 Totals
Pre-Notification Forms Received	2
Cessation Notification Forms Received	0
SEC Discipline Identified*	27
PCAOB Discipline Identified*	21
Out-of-State Accounting Firms Referred by Licensing Division for Reported Other Discipline	14
Out-of-State Accounting Firm Registrations Denied	0
Complaints Against Practice Privilege Holders Received	11

*These numbers indicate discipline instituted against **all** licensees and is not limited to California licensees or practice privilege holders.

Administration Division

Website Usage

One of the key components of providing widespread consumer protection is by continuously striving to ensure consumers and out-of-state CPAs are equipped with updated information regarding all laws, rules and regulations of the accounting profession in California. For this reason, the CBA created and maintains a robust website associated with providing information both to consumers and licensees regarding the practice privilege program to serve as an additional safeguard for consumer protection.

The CBA website contains a license lookup feature for out-of-state CPAs that contains all information in the possession of the CBA on such licensees. It also contains a license lookup feature for all OFRs registered in California. A user may also find links to the other board of accountancy jurisdictions and the CPAVerify website so that consumers can find information on CPA licenses throughout the United States.

The following information is statistical data for various web pages on the CBA website associated with the practice privilege program for the 2015 calendar year.

The information details the total number of hits to each web page and is not indicative of unique visitors.

Webpage	2015 Totals
Out-of-State Licensed CPA Search	7,236
Out-of-State Registered Accounting Firms Search	1,442
Practice Privilege Reporting Requirements (Disqualifying Conditions, Pre- & Cessation Notification Requirements)*	3,501
Practice Privilege Handbook	9,307

*This page provides consumers and out-of-state CPAs specific information regarding the events and circumstances that necessitate out-of-state CPAs to: (1) pre-notify the CBA and receive approval prior to exercising a practice privilege, and (2) to cease practicing via a practice privilege, notify the CBA, and await approval to resume practice.

VIII. ACTIVITIES AND ACCOMPLISHMENTS

The following are some of the major activities and accomplishments of the MSG during 2015:

- The MSG held meetings as necessary in order to conduct business and make periodic reports to the CBA. The MSG held four meetings in 2015 as follows:
 - March 19, 2015 – Irvine, CA
 - May 28, 2015 – Los Angeles, CA
 - July 23, 2015 – Sacramento, CA
 - September 17, 2015 – Irvine, CA

Ms. Salazar reported on MSG activities to the CBA at its meetings which followed each MSG meeting.

- The MSG continued reviewing the consumer provisions of the practice privilege law.
- The MSG reviewed the CBA's Practice Privilege Preliminary Determinations Report to the Legislature.
- The MSG recommended a timeline to the CBA for determining whether the licensees of particular states should remain eligible to practice in California under a no notice, no fee practice privilege.

- The MSG recommended the CBA issue a finding that NASBA's Guiding Principles of Enforcement meet or exceed the CBA's own enforcement practices.
- The MSG recommended NASBA to perform the research necessary to determine whether a state's enforcement program is substantially equivalent to NASBA's Guiding Principles of Enforcement.
- The MSG maintained an awareness of NASBA activities and received status reports on the CPAverify website.
- The MSG ascertained that through regular contact with the State Controller's Office (SCO) and the Franchise Tax Board, the CBA communicates significant changes in the law such as practice privilege.

IX. 2016 ANTICIPATED TOPICS FOR DISCUSSION

The MSG will continue to meet in conjunction with CBA meetings. It is anticipated the following will be topics presented for discussion before the MSG:

- A state-by-state discussion regarding allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096,
- NASBA's national enforcement guidelines and best practices,
- Further discussion and clarification of stakeholder objectives; and
- Continuing discussion and consideration of the consumer protection provisions of the practice privilege law.

X. CONCLUSION

Throughout 2015, the MSG was hard at work vetting a process by which the CBA can determine whether a state's licensees should be allowed to continue to practice in California under a no notice, no fee practice privilege program. Moving forward into its third year, the MSG will continue to focus on consumer protection as its primary concern as it continues to discuss the practice privilege law, stakeholder objectives and the results of the research being performed by NASBA.

Memorandum

To : CBA Members
MSG Members

Date : January 14, 2016
Telephone : (916) 561-1792
E-mail : matthew.stanley@cba.ca.gov

From : Matthew Stanley
Information and Planning Officer

Subject : CBA Agenda Item XII.C.5. / MSG Agenda Item V. – Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

The purpose of this memo is to clarify some of the points made in this agenda item to ensure that the Mobility Stakeholder Group (MSG) and the California Board of Accountancy (CBA) have the information they may need to make informed decisions.

First, while this item does not require any action, the CBA may take any actions that it deems appropriate.

Second, on page 3, this item references the Timeline in CBA Agenda Item VIII.C.3. This is an error, and should read CBA Agenda Item XII.C.3.

Finally, this agenda item states that the “next steps as discussed at the CBA’s July 2015 meeting is for staff to conduct an audit” of some of the states’ information as collected by the National Association of State Boards of Accountancy (NASBA). To be clear, the previously adopted timeline states that the “CBA makes its initial determinations of substantial equivalence” at its January 2016 meeting. Therefore, if it chooses to do so, the CBA may also make determinations of substantial equivalence based on the recommendations of NASBA.

Because there are 28 states yet to be identified as substantially equivalent or do not yet post disciplinary history on their websites, staff would recommend not taking action on those states until NASBA has completed its review or worked with them to post the required information online.

For the 26 states identified by NASBA as substantially equivalent, staff have identified three options for how to proceed. For each state individually, the CBA may approve it as substantially equivalent, request that staff conduct an audit of the information gathered by NASBA, or defer action.

For the option of approving a state, if the CBA determines that there is sufficient information regarding a particular state that indicates that consumers are being

protected, the CBA could make a motion determining that a particular state meets the requirements of Business and Professions Code (BPC) section 5096.21(c), specifically, that the state is substantially equivalent to the NASBA Guiding Principles of Enforcement and posts its disciplinary history online.

If the CBA opts to direct staff to conduct any audits, staff would request further direction from the CBA as to its areas of priority for the audit based on the NASBA Objectives for Substantial Equivalency Determinations (**Attachment 3**). The CBA could also choose to direct staff to select a certain number of states to be audited. In this case the CBA might wish to provide guidance to staff on its criteria for selecting states to be audited. Such criteria could include the population from which states are to be selected, a number of states to be selected, size of the states to be selected, geographical proximity to California, or any other criteria upon which the CBA may decide.

The CBA may choose to defer action on a particular state, particularly if it wants to see the results of the initial audits before taking any action. Any states on which the CBA defers action will be brought back to the CBA for consideration at its next meeting along with any additional states identified as substantially equivalent by NASBA.

The CBA may choose to take any of these three described actions with as many or as few of the listed 26 states as it wishes, or it may choose to pursue other actions.

As identified in the agenda item, staff do not have any recommendations on this item.



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MSG Item V.
January 21, 2016

CBA Item XII.C.5.
January 21-22, 2016

Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

Presented by: Matthew Stanley, Information Officer

Consumer Protection Objectives

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the findings of the National Association of State Boards of Accountancy (NASBA) related to Business and Professions Code (BPC) Section 5096.21(c). The findings will be used by the CBA to determine whether allowing licensees of certain states to continue practicing under a no notice, no fee practice privilege fulfills the responsibility of the CBA to protect consumers.

Action(s) Needed

No specific action is required on this agenda item.

Background

BPC section 5096.21 (**Attachment 1**), specifically subdivision (a), requires the CBA to determine on and after January 1, 2016, whether allowing individuals from a particular state to practice in California pursuant to a practice privilege violates its duty to protect the public.

A state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. NASBA adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The first condition was fulfilled when NASBA released its Guiding Principles of Enforcement (NASBA Enforcement Guidelines) (**Attachment 2**) in May 2015. The second condition was fulfilled when the CBA issued a finding that the NASBA

Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

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Enforcement Guidelines met the CBA's own enforcement practices at its May 28-29, 2015 meeting.

In order to meet the third condition, at the July 2015 meeting, the CBA discussed the best approach to complete a comparison of states enforcement practices to determine if they are substantially equivalent to the NABA Enforcement Guidelines including identifying the process and objectives of the party who would be responsible for conducting the comparison. After an in depth discussion, the CBA selected NASBA as the entity to conduct the research. The process in which the research and recommendations were to be made is outlined below and includes the deliverables to the CBA:

- NASBA will be responsible for gathering the information needed to assess the substantial equivalency of each state.
- NASBA will rely, in large part, on data it previously gathered during the drafting of the NASBA Enforcement Guidelines.
- NASBA will collect additional information through email, phone calls, and travel to meet with other states.
- In order to encourage candor and open discussions, NASBA will honor the confidentiality of any direct communication with the other state boards of accountancy and will retain the data collected during this process.
- NASBA's subjective analysis of each state's statutes, rules, and practices will assist in deciding whether, collectively, they create an enforcement practice that reflects the objectives of the NASBA Enforcement Guidelines.
- A representative from NASBA will be available at future CBA meetings where substantial equivalence to the NASBA Enforcement Guidelines is discussed.
- NASBA will provide staff with the ability to audit the results of the substantial equivalency determinations by meeting with NASBA to collectively review states as identified by the CBA. This review will include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions, and, when deemed necessary by staff, a confidential review of the underlying documents used to make a particular determination at a meeting between NASBA and staff.

Comments

NASBA's Objectives for Substantial Equivalency Evaluation (**Attachment 3**) were presented at the July 2015 CBA meeting to assist with the evaluation process as they relate to determining states substantial equivalence to the NASBA Enforcement Guidelines. The objectives are identified below with additional identifying criteria provided by NASBA

- Time Frames for Prosecuting a Complaint from Intake to Final Disposition
 - Average Number of Complaints
 - Timeliness of Past and Present Complaints
- Enforcement Resources to Adequately Staff Investigations

Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

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- Investigation Resources for Current and Projected Workload
- Investigator Training Required
- Use of Experts
- Case Management
 - Available Case Funding
 - Prioritization of Cases
- Disciplinary Guidelines
 - Consistency of Discipline
 - Factors Assessing Penalties
 - Grounds for Revocation, Suspension, Probation, Fine, Penalty or Remediation
- Internet Disclosures
 - CPAVerify versus Individual Board Website

Consistent with The Timeline for Activities Regarding Determination to be Made Pursuant to BPC Section 5096.21 as identified in **CBA Agenda Item VIII.C.3**, NASBA has provided the results of its initial analysis of other state's enforcement practices as they compare to the NASBA Enforcement Guidelines. NASBA will be present at the January CBA meeting to answer questions members may have.

NASBA's initial analysis has identified 27 jurisdictions as substantially equivalent to the NASBA Enforcement Guidelines (**Attachment 4**). The second column in **Attachment 4** titled *SE* identifies the jurisdictions NASBA deemed substantially equivalent to the NASBA Enforcement Guidelines. The third column in **Attachment 4** titled *SE w/o DISC FLAG* represents jurisdictions NASBA deemed substantially equivalent with suggested guidance as they do not currently reflect the necessary disciplinary flag on the Internet. NASBA continues to work diligently with these jurisdictions in order to bring them into substantially equivalent status as soon as possible. NASBA stated it will continue to actively pursue additional information from the remaining 18 jurisdictions in order to verify the equivalency of the enforcement practices and Internet disciplinary history. These recommendations will be brought to a future CBA meeting.

The next steps as discussed at the July 2015 CBA meeting is for staff to conduct an audit of states that have received NASBA's substantially equivalent recommendation. This will include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions and the underlying documents used to make a particular determination at a meeting between NASBA and staff.

Staff are requesting direction from the CBA as to the specific jurisdictions it would like audited and if any emphasis should be placed on the specific criteria referenced above. To assist with the state selection process, the CBA may want to consider factors such as licensee population and practice privilege holder information from all jurisdictions (**Attachment 5**). Once directed, CBA staff will initiate the audit and provide a summary at an upcoming CBA meeting.

**Overview of the Findings of the National Association of State Boards of
Accountancy Related to Business and Professions Code Section 5096.21(c)**

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Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. BPC Section 5096.21
2. NASBA's Guiding Principles of Enforcement
3. Objectives for Substantial Equivalency Evaluation
4. NASBA Listing of Substantially Equivalent States
5. Table of Factors to Assist with State Selection for Audit

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**Attachment 1****Business and Professions Code**

5096.21

(a) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.

(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):

(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.

(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).

(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this

section no later than July 1, 2015. The board shall, prior to January 1, 2016, and thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section.

(2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.

(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:

(1) How the board has implemented this article and whether implementation is complete.

(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.

(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

(g) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

Guiding Principles of Enforcement

NASBA

5-28-15

The purpose of issuing these Guiding Principles is to promote consumer protection by promoting uniformly effective board enforcement and disclosure policies and practices nationally as a reinforcing compliment to mobility, which depends upon all states having confidence in the enforcement and disclosure policies and practices of the home state of the mobile licensee. While of course not binding on boards, these Guiding Principles are based on exhaustive, multi-year research into the enforcement and disclosure practices and policies of the boards of the 55 jurisdictions, and represent NASBA identifying common practices for boards to consider and, potentially, against which to measure themselves.

ENFORCEMENT

Board enforcement throughout the nation is largely complaint driven. How boards handle complaints is, therefore, foundational to how well its enforcement program works to benefit consumers.

What follows are the performance-based hallmarks of enforcement programs and Guiding Principles related to each. How fast are complaints addressed? How are complaints prioritized? How fast are urgent complaints addressed? What discipline is imposed? What is the quality of the resources available and the capacity of those resources? These are some of the key questions to be weighed when evaluating an enforcement program.

1. Time Frames for prosecuting a complaint from intake to final disposition

General Findings: State laws often dictate the manner in which boards prosecute cases, in some cases dictating the manner in which actions are handled. For example one board may have the authority to close a complaint without merit almost immediately based solely on the decision of the Executive Director, while another board may be required to hold the file open until a vote by the board at the next scheduled meeting.

When considering a new complaint, boards should first determine whether a complaint has legal merit and, if legal merit is found, whether the state board has jurisdictional nexus on the matter. If both these criteria are satisfied and the board determines to move forward with the enforcement matter, the board should then consider whether any discipline already issued by another agency, board, etc. was sufficient to address the violations or whether the harm justifies further enforcement action by the board.

An analysis of the various jurisdictions reveals useful benchmarks for the time frame of handling complaints. Set forth below are targeted time frames that boards should strive to meet, understanding there are instances where different time frames are appropriate in light of the legal and operational considerations (e.g. volume of complaints) that may justify different targets for certain boards.

- a. Decision to (i) close complaints for lack of legal merit or jurisdictional nexus or (ii) initiate an investigation
 - i. Target – 7 days after expiration of time period for responses with either receipt of all supporting document from parties or failure to respond, or

- at next scheduled board/complaint committee meeting
- b. Assignment of investigator
 - i. Target – 10 days from decision to initiate investigation
- c. Completion of investigation
 - i. Target – 180 days or less from initiation of investigation
- d. Formal Discipline at administrative level – final disposition
 - i. Target – 540 days or less from initiation of complaint
- e. Initiation of action (re-opening of complaint) or initiation of new complaint following probation violation
 - i. Target – 15 days or next scheduled board/complaint committee meeting

2. Enforcement resources to adequately staff investigations

General Findings: Both consumers and licensees have an interest in seeing complaints processed expeditiously, with a board enjoying adequate enforcement resources to ensure a fair and efficient process. Generally, the appropriate level of enforcement resources in a given jurisdiction is a function of the size of the jurisdiction’s licensee population, and the number and nature of complaints typically handled by that jurisdiction. A board with 70,000 licensees will need a much more robust investigative unit with more personnel, but a board with 1,500 licensees may be able to utilize board members with specialized knowledge to handle investigations. Overall, 33 jurisdictions have less than 10,000 licensees (“small” jurisdictions); 13 jurisdictions have 10,000-20,000 licensees (“mid-size”); and nine have more than 20,000 licensees (“large”). In instances where the size of a jurisdiction’s licensee population has a direct bearing on what should be considered a “guiding principle of enforcement” (e.g. setting appropriate staff levels and training), separate targets are suggested below for small, mid-size and large jurisdictions.

- a. In determining adequate staffing resources a board should routinely evaluate staffing levels to ensure that the appropriate number of staff are assigned to the right positions and at the right time. A board should evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years (possibly as a result of law or rule changes). When evaluating staffing workload, a board should consider identified core tasks to complete investigations, general duration of time to complete the tasks, and the number of staff presently assigned to handle investigation. Based on this evaluation, a board should determine if any overages or shortages in workload exists and seek to align staffing resources accordingly.
- b. Factors that may warrant modification (up or down) in staffing:
 - i. Ratio of administrative complaints to practice complaints – history of practice claims in a particular jurisdiction would warrant more investigators per licensee. Administrative complaints are typically less complicated and would include violations like failure to renew, failure to obtain CPE (“Administrative Complaints”). Practice complaints are generally more complex and would include violations such as failure to follow standards, failure to follow the code of conduct and actions involving dishonesty or fraud (“Practice Complaints”).
 - ii. Ratio of complaints involving firms with offices in multiple states

versus smaller firms with local offices. The prevalence of complex cases, such as cases against the auditors in Enron and against big firms that involve representation by outside law firms may require an increase in the ratio of investigators to licensees, to handle the added workload associated with periodic complex cases.

- c. Qualification and training of investigators
 - i. Large, mid-size and small accountancy boards should all seek to utilize CPAs, law enforcement, board staff, or other individuals with accounting or investigative training (such as the Investigator Training Series identified in Section 2 (c)(iii) below or the training offered by the Council on Licensure, Enforcement and Regulation (CLEAR)) as an investigator whenever possible;
 - ii. Encourage investigative staff to attend investigative training seminars such as those hosted by CLEAR;
 - iii. Encourage investigative staff to complete the Investigator Training Series on NASBA.org
 - iv. Boards should establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case involves an Administrative Complaint or involves a Practice Complaint.
 - v. Boards should utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud.
 - 1. Work with NASBA to identify a means of obtaining the necessary resources if costs are prohibitive to boards
 - 2. Use NASBA pool of available expert witnesses, if needed, to address complex issues, such as those items referenced in subsection (v) above
 - 3. Referral to a board member with expertise that is case specific
 - a. In such cases, the Board member should recuse himself/herself from further participation in any formal disciplinary action in the specific matter
- d. Boards should be able to access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency.

3. Case management

General Findings: The volume of complaints considered by a board will also have a bearing regarding case management for a particular board. For example, a board handling 3,000 complaints a year typically should have a system in place to prioritize those cases based upon the potential for harm, while a board receiving only 1-3 complaints will not need a prioritization system because each complaint can receive immediate attention. If the number of complaints received by board requires prioritization in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public, then such jurisdiction should identify cases for potential to cause greatest harm, or offenses that are indicators of problems that could lead to such harm and adopt procedures to manage Administrative Complaints by handling them in a manner similar to that outlined below in Section 3(a) and Practice Complaints by handling them in a manner similar to that outlined below in Section 3(b).

- a. Administrative Complaints involving matters of licensing deficiencies such as, failure to timely renew or obtain CPE, improper firm names, other administrative matters and certain first-time misdemeanor offenses, generally pose a lesser threat to the public and as such may be processed as follows:
 - i. Attorney, Executive Director, and/or qualified staff review informal matters
 - ii. Cases can be closed based on voluntary compliance
 - iii. Informal conference may be scheduled to assist in reaching a settlement or if there is non-compliance with an agreed resolution
- b. Practice Complaints generally involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty or fraud or disclosing confidential information pose a greater threat to the public and as such are generally processed as follows:
 - i. Summary of investigation is reviewed by Attorney, Executive Director, appointed Board member, or Complaint Committee (depending upon board structure)
 - ii. Further investigation may be requested
 - iii. Information Conference may be scheduled to aid settlement
 - iv. Upon determination of a violation, corrective (remedial) or disciplinary action is taken (either by consent agreement or proceeding to formal hearing) upon approval of the Board
- c. Boards should review discipline from other agencies, such as the DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the Board.
- d. Boards should use a method of tracking probationary matters with assigned personnel (staff or investigator) to monitor compliance with probationary terms, such as follow up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the Board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the Board.

4. Disciplinary Guidelines

General Findings: Boards of accountancy are charged with protecting consumers by regulating the profession and disciplining licensees who fail to comply with the professional standards. Another goal of the disciplinary process is to increase adherence to licensing requirements and professional standards, thereby elevating the quality of services provided by the profession. Boards have the authority to impose discipline to revoke, suspend, condition, or refuse to renew a license or certificate for violation of rules and regulations or statutes of the accountancy law. Boards should strive to impose fair and consistent discipline against licensees who violate the accountancy laws or rules. These guidelines recommend penalties and conditions of probation for specific statutes and rules violated, as well as aggravating and mitigating circumstances that may necessitate deviation from the recommended discipline. The disciplinary guidelines are to be used by Board members, Board staff, and others involved in the disciplinary process. Boards may exercise discretion in recommending penalties, including conditions of probation, as warranted by aggravating and mitigating circumstances.

- a. The disciplinary process for boards of accountancy should consider offenses and their appropriate penalties, including the following major categories of offenses. Each determination should be fact specific and penalties may be escalated, reduced or combined depending on the Boards' consideration of the relevant mitigating and aggravating factors.
 - i. Grounds for Revocation
 - 1. Revocation of a license/permit by another agency or Board
 - 2. Failure to inform the Board of a failed peer review
 - 3. Fraud or deceit in obtaining a license
 - 4. Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)
 - 5. Dishonesty, fraud, or gross negligence in the practice of public accounting
 - 6. Commission of a felony
 - ii. Grounds for Suspension/Probation
 - 1. Failure to comply with board order
 - 2. Failure to meet firm ownership requirements
 - 3. Failure of a peer review
 - iii. Grounds for Monetary Fine/Penalty
 - 1. Unlicensed conduct
 - 2. Failure to comply with professional standards or code of conduct
 - 3. Failure to renew
 - 4. Failure to timely complete CPE or peer review
 - iv. Grounds for Remediation
 - 1. Failure to comply with professional standards
 - 2. Issues regarding client records/ownership of work papers
 - 3. Issues regarding confidential disclosures
 - 4. Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accountants, etc.)
 - 5. Misleading name, title, or designation
- b. Boards may adopt specific factors to consider in assessing penalties, such as:
 - i. Permissible sanctions available to the Board, including those sanctions set forth in Section 4(a) above
 - ii. Mitigating or aggravating factors (described in detail below)
 - iii. Past disciplinary history or "trends" in licensee's behavior involving this Board or other agencies such as SEC, IRS, PCAOB and societies
 - iv. Likelihood of repeating the behavior
 - v. Potential for future public harm
 - vi. Potential for licensee's rehabilitation
 - vii. Extent of damages or injury due to licensee's behavior
 - viii. Board sanctions with similar misconduct in other cases
 - ix. Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case (and impact of those actions/sanctions upon licensee)
 - x. Whether action was a clear violation or was an area of law/rule subject to interpretation
 - xi. Whether the individual or firm has already been sanctioned for the action by another state, PCAOB the SEC, or other enforcement body,

- and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances.
- c. Boards may consider the following mitigating factors in assessing penalties:
 - i. Passage of time without evidence of other professional misconduct
 - ii. Convincing proof of rehabilitation
 - iii. Violation was without monetary loss to consumers and/or restitution was made
 - iv. If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered
 - d. Boards may consider the following aggravating factors in assessing penalties:
 - i. Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)
 - ii. Violation is willful, knowingly committed and/or premeditated
 - iii. Case involved numerous violations of Board's statutes and rules, as well as federal or other state statutes
 - iv. History of prior discipline, particularly where prior discipline is for same or similar conduct
 - v. Violation results in substantial harm to client, employer and/or public
 - vi. Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client

5. Internet Disclosure

General Findings: The goal is to allow market forces to elevate the profession by directing consumers away from licensees with troubled records and toward those who have adhered to professional standards. Thus, the disclosures must be of sufficient detail for consumers to be able to make informed judgments about whether discipline poses a risk to them or is indicative of a prior problem relevant to why they are retaining the CPA.

Finally, internet disclosure has two other beneficial consequences. One, it elicits confidence in the board's operations. If a consumer found out that the board had secreted information from the public about a CPA that hurt the consumer, that consumer would not view the board as its champion. Likewise, as enforcement is the major duty of the board, disclosure of enforcement promotes transparency and accountability about the performance of an important state government agency.

Internet disclosures should for these reasons provide easy access by consumers to the disciplinary history, if any, of a CPA offering services to the consumer. States will vary in the documents that may be accessed by the public online, but at a minimum, states should provide sufficient information that a consumer can readily determine if any regulatory "red flags" exist that warrant further investigation by the consumer.

- a. Boards should participate in the ALD and CPAverify
 - i. Boards should strive to provide final disciplinary action to ALD/CPA Verify for notation in the database
 - ii. Boards should strive to provide information necessary for "hashing" licensee records across jurisdictions to the ALD to assist transparency and cross-border discipline

- b. Boards should publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details.
- c. Boards should capture “discipline under mobility” violation in CPAverify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline.

The following information is provided by the National Association of State Boards of Accountancy (NASBA) to serve as its basis for determining which states' enforcement practices are substantially equivalent to its Enforcement Guidelines.

GUIDING PRINCIPLES OF ENFORCEMENT

OBJECTIVES FOR SUBSTANTIAL EQUIVALENCY EVALUATION

The CBA, MSG, and NASBA recognize that the enforcement process of each jurisdiction will vary based on many factors that are specific to the particular board, such as number of licensees, number of complaints/cases, authority vested in the board, delegation of certain phases of enforcement to other agencies, and interaction with an umbrella agency. As such, it is a disservice to this project to attempt to conform the review of an enforcement process to an objective checklist which does not allow one to consider the uniqueness of a specific enforcement process and its ability to meet the needs of the particular board. The term "substantial equivalency" implies that the review is not a checklist of specific data points, but rather an analysis that allows various methods of satisfying the over-reaching objectives of the project. Therefore, the review to determine whether a board's enforcement process is substantially equivalent to the Guiding Principles of Enforcement must be a subjective analysis of each jurisdiction's statutes, rules, and practices to inquire whether those elements create an enforcement process that reflects the comprehensive objectives of the Guiding Principles as described below.

The development of the Guiding Principles of Enforcement was a key element in assisting the California Board in meeting its legislative mandate pursuant to 5096.21, as well as a significant advance in cross-border accountancy regulation. The Guiding Principles identify the characteristics of an active and effective enforcement process, thereby enabling all state Boards to have confidence that other jurisdictions have a proactive culture of enforcement which successfully regulates the profession and protects the public consumer. In the environment of CPA mobility, Boards who are allowing CPAs licensed in other jurisdictions to provide services to their consumers through mobility have a vested interest in ensuring that the enforcement practices of other jurisdictions meet or exceed the objectives of the Guiding Principles. Consumer protection and disclosure of disciplinary data were important aspects of the development of the Guiding Principles, and Boards have used these Guiding Principles to review and in certain cases enhance their enforcement practices and policies."

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition

The structure and authority of boards of accountancy vary greatly across the country. Some boards are empowered to close or dismiss a matter without board vote while others would be required to hold the complaint open until a vote at the next board meeting. Some boards do not perform their own investigation of a complaint, but rather are required to send the complaint to an investigative unit within an umbrella agency, in which case it is beyond the authority of the board to regulate the speed of investigation, available investigative personnel, assignment of files, etc. The Guiding Principles set forth

benchmarks the help facilitate the speedy handling of complaints. Regardless of the timing of individual steps throughout the process (perhaps a board takes longer than the benchmark of 10 days to assign an investigator but completes investigations in less than the benchmark of 180 days), the ultimate objective of this principle is that (1) matters will be resolved in 540 days or less from the initiation of the complaint. Parties recognize that matters which are pending before other agencies or involved in civil litigation, or complex matters involving large firms or multiple parties may still fall outside this goal of 540 days due to the circumstances of the particular case.

2. Enforcement Resources to Adequately Staff Investigations

Boards typically either have one or more investigators dedicated to the board, utilize an investigator from an investigative pool provided by an umbrella agency, or utilize board staff or personnel to investigate complaints. Any of these methods may provide adequate resources to investigate complaints in a timely and knowledgeable manner. (1) As a measurement, if a board is able to meet the 540 day disposition benchmark in Principle #1, then the board is adequately staffed with sufficient personnel to timely conduct the investigations. Otherwise, the investigation process would bottleneck the disposition of cases. (2) Regarding qualification and training of investigators, those boards utilizing a designated investigator or personnel from an investigative pool would have sufficient investigative training to satisfy their particular board. Likewise, this principle can be satisfied by the performance of investigations by board members who can additionally provide particular subject matter expertise. (3) Boards should have access (through use of board members, contract hire, or other means) to subject matter experts to advise or testify as needed. (4) Boards should be able to access funds in order to prosecute a case against a big firm.

3. Case Management

The primary goal of this Principle is to determine that the board has (1) a case management process in place which allows staff to handle those complaints that can be dealt with administratively, if the Board is authorized to do so, and creates a process for efficient management of practice complaints through investigation, settlement, disciplinary hearings, etc. Again, the time management goal of 540 days in Principle #1 is an indicator that a board's case management system is meeting this criteria. (2) In addition, the case management process should also allow the board to prioritize those cases with the greatest potential for harm, if prioritization is required due to larger caseloads. (3) Boards should also consider discipline from other agencies as a basis for possible discipline by the board. (4) If probation is utilized, then the terms of the probation agreement should be monitored.

4. Disciplinary Guidelines

The disciplinary process of each board should consider offenses and appropriate penalties. (1) Boards may have written disciplinary guidelines and/or may utilize historical knowledge of the disciplinary history of the board to ensure consistency in disciplinary decisions. (2) Penalties may be escalated, reduced, or combined with other penalties or remedial measures depending on the board's

consideration of relevant mitigating or aggravating factors. Penalties can include revocation, suspension/probation, monetary fine/penalty, and remediation.

5. Internet Disclosures

The goal of internet disclosures is to provide sufficient information to allow the public to make an informed decision regarding the employment of a specific CPA. Consumers should be able to ascertain whether or not a CPA has an active license and whether the CPA has been disciplined by a particular board of accountancy. Because public records laws vary among jurisdictions, states should be least provide sufficient information that a consumer can readily determine if any regulatory “flags” exist that warrant further investigation by the consumer. This Principle can be satisfied by (1) disciplinary data being reflected on the board’s web site or (2) by the board providing disciplinary flags to be displayed in CPAverify.

NASBA Listing of Substantially Equivalent States		
JURISDICTION	SE	SE w/o DISC FLAG
Alabama		X
Alaska		
Arizona		X
Arkansas	X	
California	X	
Colorado	X	
Connecticut	X	
CNMI		X
Delaware		
D.C.		
Florida		
Georgia		
Guam	X	
Hawaii		
Idaho	X	
Illinois	X	
Indiana		
Iowa	X	
Kansas	X	
Kentucky	X	
Louisiana	X	
Maine		
Maryland		X
Mass.	X	
Michigan		X
Minnesota		X
Mississippi		X
Missouri		
Montana	X	
Nebraska	X	
Nevada	X	
New Hampshire		X
New Jersey	X	
New Mexico		
New York		
North Carolina	X	
North Dakota	X	
Ohio	X	
Oklahoma	X	
Oregon	X	
Pennsylvania	X	

NASBA Listing of Substantially Equivalent States

JURISDICTION	SE	SE w/o DISC FLAG
Puerto Rico		
Rhode Island	X	
South Carolina	X	
South Dakota		
Tennessee		X
Texas	X	
Utah		
Vermont		
Virgin Islands		
Virginia		X
Washington	X	
West Virginia		
Wisconsin		
Wyoming	X	

27 Jurisdictions = SE

**10 Jurisdictions = SE But Lacking
Display of Disciplinary Flag**

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**Attachment 5****Table of Factors to Assist with State Selection For Audit**

<u>Jurisdictions Recommended by NASBA to be Substantially Equivalent</u>	<u>Internet History of Discipline</u>	<u>Licensee Population</u>	<u>Practice Privilege¹</u>	
Arkansas	Yes	Small	27	0
Colorado	Yes	Large	446	19
Connecticut	Yes	Medium	171	2
Guam	Yes	Very Small	0	0
Idaho	Yes	Small	58	4
Illinois	Yes	Very Large	579	18
Iowa	Yes	Small	91	1
Kansas	Yes	Small	22	2
Kentucky	Yes	Small	49	1
Louisiana	Yes	Medium	37	4
Massachusetts	Yes	Medium	355	15
Montana	Yes	Small	19	2
Nebraska	Yes	Small	27	2
Nevada	Yes	Small	123	13
New Jersey	Yes	Large	191	9
North Carolina	Yes	Medium	163	8
North Dakota	Yes	Small	13	0
Ohio	Yes	Large	245	9
Oklahoma	Yes	Medium	48	3
Oregon	Yes	Medium	457	9
Pennsylvania	Yes	Very Large	270	6
Rhode Island	Yes	Very Small	22	2
South Carolina	No	Small	21	0
Texas	Yes	Very Large	632	24
Washington	Yes	Medium	695	17
Wyoming	Yes	Very Small	3	0

¹ The first column represents the number of individuals approved for a practice privilege by the CBA from each state during the time of the prior notice and fee practice privilege program (January 2006 – June 2013). The second column represents the number of Out-of-State Firm Registrations (OFR) that have been approved from each state since the no notice, no fee practice privilege program went into effect July 1, 2013 through July 1, 2015.

Table of Factors to Consider for Staff Assignment

Page 2 of 2

<u>Remaining Jurisdictions to be Determined</u>	<u>Internet History of Discipline</u>	<u>Licensee Population</u>	<u>Practice Privilege</u>	
Alabama	No	Small	37	7
Alaska	No	Small	8	0
Arizona	No	Medium	293	17
CNMI	No	Very Small	0	0
Delaware	Yes	Small	1	0
DC	No	Small	101	0
Florida	Yes	Very Large	244	20
Georgia	Yes	Large	174	14
Hawaii	Yes	Small	80	3
Indiana	No	Medium	161	9
Maine	Yes	Small	6	0
Maryland	No	Medium	156	13
Michigan	No	Medium	167	7
Minnesota	No	Medium	255	9
Mississippi	No	Small	10	3
Missouri	Yes	Medium	173	9
New Hampshire	No	Small	3	2
New Mexico	No	Small	46	2
New York	No	Very Large	583	31
Puerto Rico	No	Small	0	0
South Dakota	No	Very Small	11	1
Tennessee	No	Medium	57	9
USVI	No	Very Small	0	0
Utah	No	Small	160	12
Vermont	No	Small	2	0
Virginia	No	Large	242	8
West Virginia	Yes	Small	6	1
Wisconsin	No	Medium	106	3

Key

Population

Very Large

Large

Medium

Small

Very Small

Licensees

>35,000

20,000-35,000

10,000-20,000

2,000-10,000

<2,000



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MSG Item VI.
January 21-22, 2016

CBA Item XII.C.6.
January 21-22, 2016

Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objective

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the National Association of State Boards of Accountancy's (NASBA) recent activities and CPAVerify as they pertain to consumer protection.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its November 2014 meeting, the MSG requested that NASBA activities and CPAVerify be added as a standing agenda item to allow for ongoing discussion.

The Accountancy Licensing Database (ALD) is a national database of certified public accountant license information. Only the CBA and other state boards of accountancy have direct access to ALD. CPAVerify is the public website that conveys information contained in the ALD database. If information is not available in ALD, it is not available on CPAVerify. The CBA maintains a link to CPAVerify on its website for the use of consumers and other stakeholders.

Comments

108th Annual Meeting

NASBA held its 108th Annual Meeting October 26-28, 2015 in Dana Point, CA. Some of the major topics on the agenda included a review of the exposure draft for the new version of the Uniform CPA Examination, limitations and challenges regarding availability of peer review information, and discussion panels that addressed meeting enforcement standards and recognizing changes in education.

Additional Information regarding NASBA's Activities and CPAVerify

At this time, there are 50 jurisdictions participating in ALD and CPAVerify. NASBA continues its efforts to bring the remaining five onto the system. These five jurisdictions are Delaware, Hawaii, Michigan, Utah, and Wisconsin. It is anticipated Michigan will begin using the ALD within the next few months.

Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify

Page 2 of 2

At its July 22-23, 2015 meeting, the CBA selected NASBA to assist in comparing whether a state's enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines. As identified in Agenda Item XII.C.5., NASBA continues to review states for substantial equivalency to the NASBA Guiding Principles of Enforcement, and NASBA is working with each state to determine if disciplinary history information is, or can be made, available on the Internet.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

None.



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MSG Item VII.
January 21, 2016

CBA Item XII.C.7.
January 21-22, 2016

Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objective

The purpose of this agenda item is to establish the items that will be included on the next agenda for the Mobility Stakeholder Group (MSG) in order to provide transparency and allow for input from consumers.

Action(s) Needed

The MSG will be asked to identify topics it wishes to discuss at its next meeting.

Background

As the MSG is intended to be representative of "stakeholders of the accounting profession in this state, including consumers," it may wish to set its future agenda during its meetings in order that all public input may be considered when deciding how best to proceed.

Comments

The following topics are being proposed for consideration when determining the agenda for the next MSG meeting:

- Further Discussion Regarding the Progress Made in Comparing Other States to the National Association of State Boards of Accountancy's Guiding Principles of Enforcement.

The MSG may wish to accept, alter, or add to these suggestions based on the direction in which it wishes to proceed.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

None.