



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

MINUTES OF THE
JULY 25, 2013
CBA MEETING

Hyatt Regency Sacramento
 1209 L Street
 Sacramento, CA 95814
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Roll Call and Call to Order.

President Leslie LaManna called the meeting to order at 9:42 a.m. on Thursday, July 25, 2013 at the Hyatt Regency in Sacramento. The meeting adjourned at 1:30 p.m.

CBA Members

Leslie LaManna, President	9:42 a.m. to 1:30 p.m.
Michael Savoy, Vice President	9:42 a.m. to 1:30 p.m.
Kitak (KT) Leung, Secretary/Treasurer	9:42 a.m. to 1:30 p.m.
Sarah (Sally) Anderson,	9:42 a.m. to 1:30 p.m.
Diana Bell	9:42 a.m. to 1:30 p.m.
Alicia Berhow	9:42 a.m. to 1:30 p.m.
Michelle Brough	9:42 a.m. to 1:30 p.m.
Jose Campos	9:42 a.m. to 1:30 p.m.
Herschel Elkins	9:42 a.m. to 1:30 p.m.
Laurence (Larry) Kaplan	9:42 a.m. to 1:30 p.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	9:42 a.m. to 1:30 p.m.
Marshal Oldman	9:42 a.m. to 1:30 p.m.
Manuel Ramirez	9:42 a.m. to 1:30 p.m.
Katrina Salazar	9:42 a.m. to 1:30 p.m.

Staff and Legal Counsel

Rich Andres, Information Technology Staff
Patti Bowers, Executive Officer
Andrew Breece, Legislative Coordinator
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Kari O'Connor, Board Relations Analyst
Deanne Pearce, Assistant Executive Officer
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Mary Rose Caras, Vice Chair, Enforcement Advisory Committee (EAC)
Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
Robert Lee, Vice Chair, PROC

Other Participants

Corrine Fishman, DCA
Jason Fox, California Society of Certified Public Accountants (CalCPA)
Pilar Onate-Quintana, KP Public Affairs
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA

I. Report of the President.

A. Director's Report.

There was no report for this item.

B. Project to Review and Possibly Expand the Role of CBA Committee Liaisons.

President LaManna stated that a survey will be sent to current and prior CBA committee liaisons to gain input and feedback regarding the role of CBA committee liaisons. Ms. LaManna stated that once she receives the survey responses, she will communicate with current committee chairs and vice chairs to discuss the survey results and overall expectations of committee liaisons. She further stated that conducting an orientation for newly appointed CBA committee liaisons would also be discussed.

II. Report of the Vice President.

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

It was moved by Mr. Savoy, seconded by Mr. Ramirez and carried by those present to reappoint Mervyn J. McCulloch to the EAC. Mr. Campos abstained.

It was moved by Mr. Savoy, seconded by Mr. Elkins and unanimously carried to reappoint Jeffrey DeLyser to the EAC.

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

There was no report for this item.

C. Recommendation for Appointment to the Peer Review Oversight Committee (PROC) Vice Chair.

It was moved by Mr. Savoy, seconded by Ms. Anderson and unanimously carried by those present to appoint Ms. McCoy as Vice Chair of the PROC, effective January 1, 2014.

III. Report of the Secretary/Treasurer.

A. Discussion of Governor's Budget.

There was no report for this item.

IV. Report of the Executive Officer (EO).

A. Update on Staffing.

Ms. Bowers stated that the Enforcement Division is completing the recruitment process to fill several vacancies. She noted that retired annuitants will be hired to fill positions effected by the transition to BreZE.

B. Update on CBA Working Conference.

There was no report for this item.

C. Update on CBA 2013-2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

V. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item. Mr. Franzella stated that the report was redesigned to include additional information, including prior

fiscal year data and customer service statistics. He further reported that the processing time for initial licensing remains less than 30 days.

Mr. Campos requested that staff provide further information regarding the increase in year-end, outstanding renewal deficiencies.

B. Planned Implementation for License Renewal-Related Changes Effective January 1, 2014.

Mr. Franzella reported that there are several regulation changes that will impact the license renewal process beginning January 1, 2014. He stated that these regulations include peer review reporting, retroactive fingerprinting and a decrease in the amount of fraud continuing education. He stated that staff is conducting outreach to licensees including publishing several UPDATE articles and sending a letter to licensees about these changes.

Ms. Anderson inquired how many licensees will need to provide fingerprints.

Mr. Franzella stated that there are approximately 27,000 licensees who will need to be fingerprinted.

Mr. Campos inquired about the transition period for receiving fingerprints from 27,000 licensees.

Mr. Franzella clarified that fingerprints are due at the time of license renewal. He noted that that licensees may submit fingerprints prior to the time of license renewal.

Ms. Tindel commented that licensees are frustrated that they have to be fingerprinted specifically for the CBA.

Ms. Shellans stated that it is illegal for agencies to share Criminal Offender Record Information which is why another agency cannot share results with the CBA.

VII. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of this item. Mr. Ixta noted that 518 investigations are pending. He also stated that there is one investigation that has been pending over 24 months, and three cases are pending at the Office of the Attorney General.

Mr. Ixta stated that 83 non peer review related citations have been issued for fiscal year 2012-2013, primarily for continuing education deficiencies.

Mr. Ixta indicated that three probation hearings were conducted at the July 2013 EAC meeting. He also noted that July 1, 2013 was the final reporting date for the third phase of peer review reporting.

Mr. Ramirez complimented the Enforcement Division on addressing the concerns of the board members and improving processing times.

VI. Regulations.

A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 5.5, 18, 19, 20, 21, 22, 26, 36.1, and 98 – Practice Privilege.

Mr. Stanley read the following statement regarding the regulation hearing into the record:

“This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider adopting regulations to specify and clarify the CBA’s requirements pertaining to practice privilege.

The CBA is contemplating this action pursuant to the authority vested by sections 5010, 5018, 5092, 5093 and 5116 of the Business and Professions Code and section 11400.20 of the Government Code, authorizing the CBA to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.

For the record, the date today is July 25, 2013 and the time is approximately 1:01 p.m. This hearing is being held at The Hyatt Regency, located at 1209 L Street, in Sacramento, California.

The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today's hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the CBA's Web site and upon request by other members of the public. Copies of the proposed regulations are available at the back of the room.

If the CBA has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The CBA shall be provided and shall consider all written comments received up until 5:00 p.m., May 27, 2013. Anyone who wishes to comment in writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking proceedings.

Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify in the order determined by recognition from the hearing officer. If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded. Remember, it's not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the CBA an opportunity to address your comments directly when the CBA makes its final determination of its response to your comments.

Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed.”

No public comments were received.

Mr. Stanley adjourned the regulation hearing at 1:04 p.m.

B. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 5.5, 18, 19, 20, 21, 22, 26, 36.1, and 98 – Practice Privilege.

Mr. Stanley stated that OAL approved emergency regulations regarding Practice Privilege on June 10, 2013. Mr. Stanley further stated that this proposed regulation will make the rulemaking permanent.

It was moved by Mr. Ramirez, seconded by Mr. Leung and unanimously carried by those present to direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text and documents added to the file for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations and documents added to the file, and adopt the proposed regulations as described in the

modified text notice.

VIII Committee and Taskforce Reports.

A. Taskforce to Examine Experience for CPA Licensure (Taskforce).

1. Report of the July 24, 2013 Taskforce Meeting.

Mr. Ramirez reported that while no comprehensive recommendation has been reached regarding possible modifications to California's experience requirement, the Taskforce made a preliminary recommendation to not revert back to the pre-2002 licensure requirements which require attest experience for all applicants.

Mr. Ramirez commended staff for providing excellent written information to the Taskforce.

2. Overview of Information Related to State Boards of Accountancy Experience Requirements for CPA Licensure and Available Consumer Information Regarding Authorized Services Provided by CPAs.

There was no action on this item.

3. Overview of CBA-Related Licensure Information Regarding CPA Applicant Qualifying Experience Earned in Public and Non-Public Accounting and Areas of Practice, and Enforcement Statistical Information.

There was no action on this item.

4. Overview of Post-CPA Licensure Specializations and Affiliations and CBA Post-Licensure Requirements to Perform Certain Accounting and Auditing Services.

There was no action on this item.

5. Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16 California Code of Regulations Sections 12 and 12.5.

There was no action on this item.

6. Bonnie Moore Case Decision and Results of Legal Cases Research.

There was no action on this item.

B. Legislative Committee (LC).

1. Report of the July 25, 2013 LC Meeting.
2. Update on Legislation Which the CBA Has Taken a Position (AB 186, AB 258, AB 291, AB 376, AB 1057, AB 1151, AB 1420, SB 176, SB 305, SB 822, and SB 823).

It was moved by Mr. Kaplan, seconded by Ms. Brough and unanimously carried by those present to accept the LC's recommendation to remove the CBA's Watch position and stop following AB 1420.

It was moved by Mr. Oldman, seconded by Ms. Bell and unanimously carried by those present to accept the LC's recommendation that the CBA take a Support position on SB 176.

It was moved by Mr. Kaplan, seconded by Mr. Ramirez and unanimously carried by those present to accept the LC's recommendation to adopt an Oppose Unless Amended position on AB 1412 and send a letter to the author's office specifically objecting to the language in the bill that relates to non-licensees.

3. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

There was no report for this item.

C. Peer Review Oversight Committee (PROC).

1. Report of the June 21, 2013 PROC Meeting.

Ms. Corrigan introduced Mr. Lee, Vice Chair of the PROC. Mr. Lee reported that the PROC discussed its participation in oversight activities including the AICPA board meeting, the CalCPA Advanced Peer Review class, CalCPA's Peer Review Committee Meeting and a site visit to CalCPA. Mr. Lee noted that future agenda items for the PROC include review of the PROC Procedures Manual and CalCPA's Annual Oversight Report.

D. Enforcement Advisory Committee (EAC).

1. Report of the July 11, 2013 EAC Meeting.

Ms. Caras reported that six investigative hearings were conducted. She stated that five cases concluded with a recommendation to the Attorney General's Office for preparation of an accusation. She further reported that the EAC review nine closed cases and agreed with the closure on all of the cases.

E. Qualifications Committee (QC).

There was no report for this item.

IX. Acceptance of Minutes

A. Draft Minutes of the May 23-24, 2013 CBA Meeting.

B. Draft Minutes of the May 23, 2013 LC Meeting.

C. Minutes of the May 23, 2013 Taskforce Meeting.

D. Minutes of the February 22, 2013 PROC Meeting.

It was moved by Mr. Ramirez seconded by Ms. Bell and carried by those present to accept agenda items X.A.-X.D. Ms. Berhow abstained.

X. Other Business.

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

There was no report for this item.

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

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force (ALD).

Ms. Bowers reported that 44 states are presently participating in ALD. Ms. Bowers further stated that 40 states are participating in CPA Verify.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

At this time, the CBA heard Item XII., Closed Session Disciplinary Matters.

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

XI. Closing Business.

A. Public Comments.

There were no public comments.

B. Agenda Items for Future CBA Meetings.

Ms. LaManna commented that a topic of discussion for a future CPC meeting be to evaluate whether the current requirements for continuing education are overly prescriptive.

Mr. Ramirez suggested that to ensure consumer protection, the LC discuss a taxpayer's bill of rights and systems of accountability for taxing agencies in California such as the Franchise Tax Board and Board of Equalization.

C. Press Release Focus.

Ms. Pearce suggested a press release focused on the CBA's new Practice Privilege program and the final approval of the regulations for Practice Privilege.

Mr. Ramirez also suggested a press release highlighting the achievements and statistics of the Enforcement Division.

Adjournment.

President LaManna adjourned the meeting at 1:30 p.m.

Leslie LaManna CPA, President

K.T. Leung, CPA, Secretary-Treasurer

Kari O'Connor, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.