



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
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CBA Item IX.B.
 March 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
January 23-24, 2014
CBA MEETING

Irvine Marriott
 18000 Von Karman Avenue
 Irvine, CA 92612
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Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 1:30 p.m. on Thursday, January 23, 2014 at the Irvine Marriott. The meeting recessed at 4:57 p.m. President Savoy reconvened the meeting at 9:01 a.m. on Friday, January 24, 2014 and the meeting adjourned at 9:52 a.m.

CBA Members

January 23, 2014

Michael Savoy, President	1:30 p.m. to 4:57 p.m.
Jose Campos, Vice President	1:30 p.m. to 4:57 p.m.
Katrina Salazar, Secretary-Treasurer	1:30 p.m. to 4:57 p.m.
Sarah (Sally) Anderson	1:30 p.m. to 4:57 p.m.
Diana Bell	1:30 p.m. to 4:57 p.m.
Alicia Berhow	1:30 p.m. to 4:07 p.m.
Herschel Elkins	1:30 p.m. to 4:57 p.m.
Laurence (Larry) Kaplan	1:30 p.m. to 4:57 p.m.
Louise Kirkbride	1:30 p.m. to 4:57 p.m.
Kay Ko	1:30 p.m. to 4:57 p.m.
Leslie LaManna	1:30 p.m. to 4:57 p.m.
K.T. Leung	1:30 p.m. to 4:57 p.m.
Manuel Ramirez	1:30 p.m. to 4:57 p.m.
Mark Silverman	1:30 p.m. to 4:57 p.m.

CBA Members

January 24, 2014

Michael Savoy, President	9:01 a.m. to 9:52 a.m.
Jose Campos, Vice President	9:01 a.m. to 9:52 a.m.
Katrina Salazar, Secretary-Treasurer	9:01 a.m. to 9:52 a.m.
Sarah (Sally) Anderson	9:01 a.m. to 9:52 a.m.
Diana Bell	9:01 a.m. to 9:52 a.m.
Alicia Berhow	Absent
Herschel Elkins	9:01 a.m. to 9:52 a.m.
Laurence (Larry) Kaplan	9:01 a.m. to 9:52 a.m.
Louise Kirkbride	9:01 a.m. to 9:52 a.m.
Kay Ko	9:01 a.m. to 9:52 a.m.
Leslie LaManna	9:01 a.m. to 9:52 a.m.
K.T. Leung	9:01 a.m. to 9:52 a.m.
Manuel Ramirez	9:01 a.m. to 9:52 a.m.
Mark Silverman	9:01 a.m. to 9:52 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Paul Fisher, Enforcement Supervising ICPA
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nicholas Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Legislation Analyst

Committee Chairs and Members

Katherine Allanson, Peer Review Oversight Committee (PROC) member
Nancy Corrigan, Chair, PROC
Jeffrey De Lyser, Vice Chair, Enforcement Advisory Committee (EAC)

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
Michael Morphew, Center for Public Interest Law (CPIL)
Hal Schultz, CalCPA

- I. Report of the President.
 - A. Resolutions for Retiring Qualifications Committee Members Carlos Aguila, Gary Bong and Michael Haas.

It was moved by Mr. Kaplan, seconded by Ms. Bell and unanimously carried by those present to approve the resolutions for retiring Qualifications Committee (QC) members Carlos Aguila, Gary Bong and Michael Haas.

B. Report on CBA Leadership Roundtable.

1. Training for New Committee Leadership.

Mr. Savoy provided an overview of the Leadership Roundtable. He stated Mr. Campos, Ms. Salazar and he met with the CBA Executive Team to discuss the planned legislative activities, CBA committee succession planning, and the goals and priorities for 2014. He further stated the CBA Leadership decided to hold a training for committee chairs and vice chairs.

Mr. Savoy stated during the training he discussed his expectations of the chair/vice chair roles. Mr. Savoy also stated the CBA will provide the training on an ongoing basis. He further stated Ms. Shellans, CBA Legal Counsel discussed many topics including how to conduct meetings in accordance with the Bagley-Keene Open Meeting Act.

2. Next Steps in Evaluating Attest Experience Requirement for CPA Licensure.

Mr. Savoy stated the CBA Leadership discussed the next steps the CBA will be taking in the continued exploration of the attest experience requirement. He stated that with the CBA's decision to not accept the Taskforce's recommendation to eliminate the attest experience requirement, leadership directed staff to begin securing a consultant to facilitate the data collection as it is related to California. Mr. Savoy further stated the CBA will be able to draw on the consultant's considerable experience and ensure a greater level of independence as it relates to data collection and final reporting findings. He also stated he has selected the Committee on Professional Conduct (CPC) to aid in the process of working with the consultant and establishing a plan for collecting data nationally.

Mr. Kaplan inquired about how the CBA will select a consultant.

Mr. Ng stated if the contract amount is less than \$250,000, a small business consultant could be selected from the Department of General Services list without having to advertise for bids. The steps would include drafting the scope of work, soliciting easily accessible contractors to determine if they would be able to perform the work and, after a contractor is chosen, finalizing the contract through DCA review.

Mr. Ramirez stated due to the highly political process, the consultant should have a good reputation with the Legislature so that the independent report will be considered meaningful.

Mr. Elkins inquired if the consultants will be formulating questions for out-of-state information.

Ms. Bowers stated the consultant will primarily work collecting data in-state regarding California licensees. She further stated the staff will work with outside stakeholders including the National Association of State Boards of Accountancy (NASBA) to collect out-of-state data.

C. Announcement of New Committee and Liaison Appointments.

Mr. Savoy stated the 2014 appointments to the CPC, the Enforcement Oversight Committee (EPOC), the Legislative Committee (LC), and the CBA liaisons have been made and are posted to the CBA website.

D. Overview of Upcoming Legislative Reports on Sunset Review and Peer Review.

Mr. Savoy provided an overview of this item. He stated the Sunset Review Report is required of all Department of Consumer Affairs (DCA) boards before renewing a board's statutory authority for continued existence. Mr. Savoy further stated following the submission of the report in 2015, the CBA President and Executive Officer will testify before the Legislature to answer questions regarding the CBA and its operations. He also noted that staff is expected to receive more details from the Legislature concerning the report in March or April and that the report will be due to the Legislature in fall of 2014.

Mr. Savoy also stated that a peer review report is due to the Legislature before January 1, 2015 and it is expected that many questions the Legislature will ask during the sunset review process will be about the peer review program. He further stated the Legislature has asked for some specific information to be provide in the peer review report and staff has began collecting the data needed to address these questions. Lastly, Mr. Savoy assigned the CPC to assist staff in the preparation of the report.

E. Proposed Comment Letter on the National Association of State Boards of Accountancy's (NASBA) and the American Institute of Certified Public Accountants' (AICPA) Firm Mobility Exposure Draft.

Mr. Savoy provided an overview of this item. He stated that the CBA directed Mr. Campos and himself to draft a comment letter in response to the Uniform Accountancy Act (UAA) firm mobility exposure draft.

Mr. Savoy stated with the information staff provided, it did not appear that there was much support from other state boards of accountancy for the exposure draft. He further noted after meeting with staff and using the information provided, he and Mr. Campos drafted a letter in opposition to the exposure draft. Mr. Savoy stated the proposed opposition was mainly due to the fact that the CBA's practice privilege program is new and the changes to such a key portion are premature. He also noted that if adopted, the exposure draft would eliminate the registration process for out-of-state accounting firms who perform certain attest functions for California-headquartered entities.

It was moved by Mr. Elkins, seconded by Ms. Anderson and unanimously carried by those present to adopt the proposed comment letter and direct staff to send it to the appropriate parties. Ms. Berhow was temporarily absent.

F. DCA Director's Report.

There was no report for this item.

II. Report of the Vice President.

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

There was no report on this item.

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

There was no report on this item.

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

There was no report on this item.

III. Report of the Secretary/Treasurer.

A. Discussion of Governor's Budget.

Ms. Salazar provided overview of this item. She stated on January 9, 2014 Governor Brown presented the proposed budget for Fiscal Year (FY) 2014-2015. Ms. Salazar further stated the CBA is waiting for the budget to go through the legislative process.

Mr. Ramirez inquired if there was any intention to repay the outstanding loans to the CBA now that there appears to be a surplus.

Mr. Ng stated the 2014-2015 budget did not contain any language regarding loan repayment; however, given the additional expenditures the CBA will incur, the reserves will mostly likely be exhausted and at such time the Department of Finance will consider repayment of the loans.

Ms. Bowers stated that there is a proposed repayment plan which includes the target dates of repayment. She further stated she believed the intention is that those with the greatest need will be repaid first.

Mr. Ramirez inquired if the CBA could lobby for language for repayment to be included in a bill.

IV. Report of the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (EAC).

1. Report of the December 12, 2013 EAC Meeting.

Mr. De Lyser reported that the EAC reviewed 12 closed cases and agreed with the closure on all cases. He stated one open case was reviewed, which concluded with the recommendation that a citation be issued. He further stated that two investigative hearings were conducted, one concluded with a recommendation to refer the case to the Attorney General's (AG) Office for the preparation of an accusation and the other concluded with a recommendation for a citation.

B. Qualifications Committee (QC).

1. Report of the January 22, 2014 QC Meeting.

Mr. Franzella reported that one personal appearance and 14 Section 69 appearances were conducted resulting in the recommendation to approve 11 for CPA Licensure and defer four appearances.

C. Peer Review Oversight Committee (PROC).

There was no report on this item.

V. Report of the Executive Officer (EO).

A. Update on Locations for 2014 CBA Meetings.

Ms. Riordan provided an overview of this item. She stated that staff was unable to secure a March meeting location in Northern California and, as a result, needed to relocate the meeting to Southern California.

Ms. Riordan stated the CBA staff has secured the Hilton Pasadena for the March meeting and is working on securing a location in Northern California for the July and November meetings.

Ms. Bell expressed her concern for continuing to secure three meeting locations in Northern California.

Ms. Bowers stated the CBA was not planning on adjusting the locations of the remaining 2014 meeting dates; however, if the CBA would like to suggest a change staff will adjust the plan accordingly. Ms. Bowers further stated that the CBA has secured approval to include a conference room when it relocates. The conference room will be large enough to accommodate the Northern California CBA meetings in the future.

Mr. Ramirez agreed with Ms. Bell that the CBA meeting locations should remain equally divided between Northern and Southern California.

Mr. Campos suggested searching for a Northern California meeting location for the September CBA meeting.

B. Update on Staffing.

There was no report for this item.

C. Review and Approval of Proposed Changes to the CBA Member Guidelines and Procedures Manual.

Ms. Pearce provided an overview of this item and she highlighted some of the substantial changes.

Mr. Campos suggested using the language from page 7 regarding the CBA meetings for the MSG meeting language.

Ms. Shellans stated the language used in regards to the CBA meeting locations provides clarity to the legal requirement for meeting locations, but does not prohibit the meetings to one time per year in Northern California.

Ms. Bell stated she agreed with the inclusion of the legal reference, however she wanted the CBA to discuss if the intent was to adjust the meeting locations for its current, three in Northern California and three in Southern California.

Mr. Ramirez stated he prefers the flexibility of the current language with the intention of alternating between locations, as it allows for the President to make changes when necessary.

It was moved by Ms. Berhow, seconded by Mr. Ramirez and

unanimously carried by those present to accept the recommended changes to the Guidelines and Procedures Manual including legal counsel's suggestions.

D. Update on Practice Privilege Program.

Mr. Franzella provided an overview of this item. He reviewed the activities of eight items associated with the ongoing implementation of the new provisions which included legislation, rulemaking activities, outreach, website, reviews of other governmental agencies, out-of-state accounting firm registration, reports to various stakeholders, and the Mobility Stakeholder Group.

E. Report on Implementation of Fingerprint Requirement.

Mr. Franzella provided an update on this item. Mr. Franzella reported that the implementation components focus on outreach and compliance verification.

F. Update on the CBA 2013-2015 Communications and Outreach Plan.

Mr. Kaplan inquired about what the CBA has posted on Pinterest.

Ms. Bowers stated the report provides a summary of the items on Pinterest, which include pins from the CBA favorite boards, accounting humor and aspirational pins.

VI. Committee Reports.

A. Committee on Professional Conduct.

1. Report of the January 23, 2014 CPC Meeting.
2. Discussion Regarding Initiating a Rulemaking to Amend Title 16, California Code of Regulations Section 19 (Practice Privilege Forms for Individuals).

Mr. Campos reported at the CPC meeting, members discussed the proposed regulatory language to implement the new requirement for practice privilege holders to report pending criminal charges to the CBA. Mr. Campos stated that the CPC recommended that the CBA should approve the language and direct staff to initiate the rulemaking process.

It was moved by Mr. Campos, seconded by Ms. Anderson and unanimously carried by those present to approve the language and direct staff to initiate the rulemaking process. Mr. Leung was temporarily absent.

B. Legislative Committee (LC).

1. Report of the January 23, 2014 LC Meeting.
2. Discussion Regarding Legislative Proposals for Inclusion in the Annual Omnibus Bill.

Mr. Kaplan reported that the LC discussed two proposed changes to the Accountancy Act for inclusion in the Senate's Business and Professions annual omnibus legislation. He stated that the first proposal would correct a drafting error, moving a requirement that presently does not take effect until January 1, 2019 into the section of the practice privilege provisions that took effect July 1, 2013. The provision requires the CBA to consult the websites of the Public Company Accounting Oversight Board and Securities Exchange Commission every six months. Mr. Kaplan further stated that the second proposal clarifies that only those individuals exercising practice privilege would be required to report, in writing, pending criminal charges within 30 days.

It was moved by Mr. Kaplan, seconded by Ms. Salazar to approve the LC's recommendation to approve the proposals for inclusion in the omnibus bill.

Mr. Elkins requested a change be made to read "at least every six months".

After deliberation the motion failed.

It was moved by Mr. Kaplan, seconded by Mr. Ramirez and unanimously approved by those present to adopt the LC's recommendation to approve the proposals for inclusion in the omnibus bill with the change from "on a every six-month basis" to "not less frequently than every six months" in the Business and Professionals Code section 5096.4.

3. Discussion and Possible Recommendation Regarding Sponsorship of Legislation to Collect Email Addresses from Licensees.

Mr. Kaplan reported that the LC discussed a legislative proposal to collect licensees' email addresses. He further stated the proposed language is permissive which means regulations would be required to implement the law. Lastly, Mr. Kaplan stated the language would require the licensee to update their email address at the time of renewal and would the exempt the emails from public record.

Ms. Kirkbride expressed her concern that requiring licensees to

provide a valid email address is not enforceable.

Mr. Ramirez stated he supported the collection of email addresses, as we could use the email address as an additional form of communication.

It was moved by Mr. Kaplan, seconded by Mr. Ramirez and unanimously carried by those present to approve the proposed language and direct staff to seek its inclusion in the annual omnibus bill or, if not possible, sponsor the language as a separate bill.

4. Approval of Proposed Legislative Language Regarding Acceptance of Academia Experience to Qualify for CPA Licensure.

Mr. Kaplan stated that the LC discussed staff-proposed legislative language allowing experience earned in academia to qualify towards the general experience requirement for CPA licensure. He stated the proposal permissively allows the CBA, by regulation, to allow experience gained in academia to qualify as general experience for licensure.

It was moved by Mr. Kaplan, seconded by Ms. Berhow, and unanimously carried by those present to approve the proposed language and direct staff to seek its inclusion in the annual omnibus bill or, if not possible, sponsor the language as a separate bill.

5. Overview of the Legislative Process and the Legislative Committee's Role (Written Report Only).

There were no comments on this item.

C. Enforcement Program Oversight Committee (EPOC).

1. Report of the January 23, 2014 EPOC Meeting.
2. Discussion of Recommended Changes to the Disciplinary Guidelines and Model Orders Regarding Changes to Business and Professions Code Section 5096(e)(10) – Notification of Pending Criminal Charges for Practice Privilege Holders.

Ms. Berhow stated that the EPOC discussed the proposed changes to the disciplinary guidelines and model orders in regards to notification of pending criminal charges for practice privilege holders. Ms. Berhow stated the EPOC discussed whether tolling of probation should be included as a standard condition of probation. Mr. Ixta pointed out

that the proposed disciplinary guidelines did not include tolling as a standard term of probation, as the change is for practice privilege holders. She further stated the EPOC tabled the agenda item and directed staff to provide additional information regarding how enforcement staff will monitor out-of-state practice privilege holders who are on probation.

Mr. Ramirez inquired if revocation is required to be a statement in the probationary order.

Ms. Shellans stated the Administrative Procedure Act provides the CBA with the authority to place a licensee on probation. She also stated the Act states the authority is to issue an order, stay it, and place a licensee on probation with terms and conditions. Ms. Shellans further stated revocation or suspension is used to legally implement the probation.

VII. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item. He stated that the Initial Licensing Unit has experienced an increase in activities due to the new educational requirements.

Mr. Elkins inquired if the title customer service could be changed, as legislation has determined the customer to be the public.

Mr. Savoy suggested the term applicant/customer service be used for the report.

Mr. Elkins agreed with Mr. Savoy's suggestion.

Mr. Franzella noted the applications for initial CPA licensure for the present fiscal year have almost doubled when compared to the same time period in the prior fiscal year. Mr. Franzella noted this is due mainly to individuals submitting applications before the new requirements began on January 1, 2014.

VIII Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of this item. He stated Enforcement had received 2,127 complaints, assigned 2,050 and closed 50 with no action. He stated the workload has increased by about six percent possibly due to referrals from renewals. He further stated 1,953 cases were closed, 598 cases are pending, with 53 at the Attorney General's Office. Mr. Ixta

noted that Enforcement has issued 1,500 citations with 1,481 of the citations being issued for failure to respond to the CBA inquiries regarding peer review.

Mr. Ramirez inquired what the fee amount is for licensees that are do not respond but are not subject to peer review.

Mr. Ixta stated that after the CBA sends three letters, the licensee is fined \$250 for failing to respond.

Mr. Campos suggested that the report notate probationers who reside out of California.

IX. Acceptance of Minutes

A. Draft Minutes of the November 21-22, 2013 CBA Meeting.

B. Minutes of the November 21, 2013 CPC Meeting.

C. Minutes of the October 23, 2013 QC Meeting.

D. Minutes of the October 24, 2013 EAC Meeting.

E. Minutes of the July 25, 2013 LC Meeting.

F. Minutes of the September 26, 2013 EPOC Meeting.

It was moved by Mr. Ramirez, seconded by Ms. Anderson and carried by those present to accept the minutes of agenda items IX.B-IX.F and directed staff to provide the edited November 2013 CBA meeting minutes at the next CBA meeting. Ms. Ko and Mr. Silverman abstained.

X. Other Business.

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

There was no report on this item.

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

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

There was no report on this item.

b. Board Relevance & Effectiveness Committee.

There was no report on this item.

2. NASBA's Request for Vice Chair Recommendations for 2014-2015.

It was moved by Ms. LaManna, seconded by Mr. Ramirez and unanimously carried by those present to recommend Ms. Gray as Vice Chair of NASBA for 2014-2015.

C. Proposed Responses to NASBA Focus Questions.

Ms. Riordan provided an overview of this item.

Mr. Campos suggested including an update on question number four to include fingerprinting, peer review, MSG, and academic experience.

XI. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

Ms. Kirkbride suggested the CBA provide an overview on how repayment of the loan would affect the CBA.

Ms. Savoy suggested an educational presentation regarding the enforcement process as a future topic.

C. Press Release Focus.

Ms. Pearce stated the topics for consideration include the continued evaluation of the attest experience requirement and the planned legislative items.

XII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements and Reconsideration of Board's Decision.)

Adjournment.

President Savoy adjourned the meeting at 9:52 a.m. on Friday, January 24, 2014.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, CPA,
Secretary-Treasurer

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