



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

MINUTES OF THE
July 24, 2014
CBA MEETING

Tsakopoulos Library Galleria
 828 I Street
 Sacramento, CA 95814
 Telephone: (916) 264-2920

Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 11:58 a.m. on Thursday, July 24, 2014 at the Tsakopoulos Library Galleria. The meeting convened into closed session at 2:59 p.m. and recessed at 3:24 p.m. President Savoy reconvened the open meeting from 3:28 p.m. to 4:15 p.m. at which time closed session was reconvened at 4:19 p.m. The meeting adjourned following closed session at 4:47 p.m.

CBA Members

July 24, 2014

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|--------------------------------------|-------------------------|
| Michael Savoy, President | 11:58 a.m. to 4:47 p.m. |
| Jose Campos, Vice President | 11:58 a.m. to 4:47 p.m. |
| Katrina Salazar, Secretary-Treasurer | 11:58 a.m. to 4:47 p.m. |
| Sarah (Sally) Anderson | 11:58 a.m. to 4:47 p.m. |
| Diana Bell | 11:58 a.m. to 4:47 p.m. |
| Alicia Berhow | 11:58 a.m. to 4:47 p.m. |
| Herschel Elkins | 11:58 a.m. to 4:47 p.m. |
| Laurence (Larry) Kaplan | 11:58 a.m. to 4:47 p.m. |
| Louise Kirkbride | Absent |
| Kay Ko | 12:00 p.m. to 4:47 p.m. |
| Leslie LaManna | 11:58 a.m. to 4:47 p.m. |
| K.T. Leung | 11:58 a.m. to 4:47 p.m. |
| Manuel Ramirez | 11:59 a.m. to 4:47 p.m. |
| Mark Silverman | 11:58 a.m. to 4:47 p.m. |

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Emmanuel Estacio, Information Technology Staff
Dominic Franzella, Chief, Licensing Division
Lauren Hersh, Information and Planning Manager
Rafael Ixta, Chief, Enforcement Division
Vincent Johnston, Enforcement Manager
Nicholas Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Schiedge, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Regulation and Legislation Coordinator

Committee Chairs and Members

Jeffrey DeLyser, Vice-Chair, Enforcement Advisory Committee (EAC)
Robert Lee, Chair, Peer Review Oversight Committee (PROC)

Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)
Marc Aprea, Aprea & Micheli
Ken Bishop, President and CEO, National Association of State Boards of Accountancy (NASBA)
Maria Caldwell, NASBA
Kimberly Chen, Legislative Aide to Assembly Member Phillip Ting
Jason Fox, CalCPA
Christine Lally, Deputy Director, Board and Bureau Relations, Department of Consumer Affairs (DCA)
Marcie Larson, Administrative Law Judge, Office of Administrative Hearings
Kasey O'Connor, CalCPA
Pilar Oñate-Quintana, KP Public Affairs
Joseph Petito, The Accountants Coalition
Jon Ross, KP Public Affairs
Brandon Rutchmann, BreEZe Project Director, DCA
Hal Schultz, CalCPA

- I. Report of the President.
 - A. Resolution for Retiring Qualifications Committee Member Fausto Hinojosa.

It was moved by Ms. Berhow, seconded by Mr. Campos and unanimously carried by those present to approve the resolution for retiring Qualifications Committee member Fausto Hinojosa.

B. DCA Director's Report.

Ms. Lally was present on behalf of Director Awet Kidane and introduced Mr. Rutchmann, who is the BreEZe Project Manager

1. Update on BreEZe.

Mr. Rutchmann provided an overview of the BreEZe Project. Mr. Ruchmann stated that after Release 1 of the project, staff identified various lessons learned and challenges, including the design methodology, organizational change management and designation of project resources. He further stated that the project is currently half way through with the design process of Release 2 and staff will be exploring restructuring the boards/bureaus included in Release 3.

C. Discussion Regarding the Draft Sunset Review Report.

Mr. Stanley provided an overview of this item. Mr. Stanley stated that CBA members could provide comments or revisions regarding the report through August 1, 2014.

Mr. Campos provided the following suggestions:

- Section 1 – Include when new licensees were required to be fingerprinted
- Section 5 – Provide an explanation that the increase in complaints is due to proactive consumer protection measures implemented by the CBA
- Section 9 – When necessary, incorporate processes impacting timeframes that are out of the CBA's control
- Section 11 – Incorporate mobility and enforcement guidelines as additional reasons why the CBA's participation in national organizations is critical.

Mr. Elkins suggested that the CBA include a statement that some of the discipline performance issues are due to factors outside of the CBA's control.

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.

There was no report on this item.

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

- A. Enforcement Advisory Committee (EAC).

- 1. Report of the July 10, 2014 EAC Meeting.

Mr. DeLyser reported that the EAC reviewed eight open investigations and held four investigative hearings.

- B. Qualifications Committee (QC).

There was no report on this item.

- C. Peer Review Oversight Committee (PROC).

There was no report on this item.

V. Report of the Executive Officer (EO).

- A. Update on the Relocation of the CBA's Principal Office.

Ms. Bowers reported that lease negotiations are underway and additional information will be provided as it becomes available.

- B. Update on Staffing.

There was no report on this item.

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

Mr. Ramirez inquired about the CBA's current relationship with the press.

Ms. Hersh stated that press' interest in the CBA is very limited, as many media outlets have withdrawn from Sacramento.

VI. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item.

Mr. Savoy stated that he received an email from a California State University Professor, which included information that students may be having issues with completing the new educational requirements.

Mr. Franzella stated that staff was looking into the issue and would provide the CBA more information.

Mr. Schultz stated that he believes that the universities should be encouraged to design programs that satisfy the new educational requirements.

Ms. Bowers complimented the Licensing Division for being proactive with reaching out to examination candidates regarding educational deficiencies.

VII. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Ixta provided an overview of this item. He stated that the Enforcement Division has received 3,255 complaints in Fiscal Year (FY) 2013-2014 and 2,969 cases were assigned for investigation. He noted that 74 days was the average days to close cases. Mr. Ixta reported that 74 cases were referred to the Attorney General's Office (AG) resulting in 95 cases still pending. Mr. Ixta further noted that since the last report, 23 licensees have reported their peer review information and currently 642 licensees still need to report.

VIII. Regulations.

A. Discussion and Possible Action to Issue a Notice of Decision Not to Proceed with Rulemakings Regarding Section 98 – Disciplinary Guidelines and Model Orders and Section 19 – Practice Privilege Notification of Pending Criminal Charges Form.

It was moved by Mr. Campos, seconded by Mr. Leung, and unanimously carried by those present to:

- **Rescind the prior motion and direct staff to take all steps**

necessary to complete the rulemaking process to amend section 98 of Title 16 of the California Code of Regulations (CCR) and the Disciplinary Guidelines

- **Rescind the prior motion and take all steps necessary to complete the rulemaking process to incorporate by reference its Practice Privilege Notification of Pending Criminal Charges form in section 19 of Title 16 of the CCR**
- **Recommend that staff file corresponding Notices of Decision Not to Proceed with the office of Administrative Law (OAL)**

- B. Discussion and Possible Action to Initiate Rulemaking Regarding CBA Regulations Section 98 – Disciplinary Guidelines and Model Orders and Section 19 – Practice Privilege Notification of Pending Criminal Charges Form.

It was moved by Mr. Elkins, seconded by Mr. Ramirez, and unanimously carried by those present to direct staff to take all steps necessary to initiate the formal rulemaking to amend CCR, Title 16, section 98 and the Disciplinary Guidelines 9th edition, which are incorporated by reference, and authorize the Executive Officer to make any non-substantive changes to the rulemaking package. If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to adopt the proposed regulation at CCR, Title 16, section 98 as filed with the OAL.

It was moved by Mr. Elkins, seconded by Ms. Bell and unanimously carried by those present to direct staff to take all the steps necessary to initiate the formal rulemaking to amend CCR, Title 16, section 19 and incorporate by reference the Practice Privilege Notification of Pending Criminal Charges form, and authorize the Executive Officer to make any non-substantive changes to the rulemaking package. If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to adopt the proposed regulation at CCR, Title 16, section 19 as filed with the OAL.

Mr. Campos requested that staff provide the CBA with information regarding the processing issue, to ensure the error does not reoccur.

- IX. Petition Hearings.

- A. Cristian Gonzalez – Reduction of Penalty.

The CBA heard Mr. Gonzalez’s petition for reduction of penalty.

- X. Closed Session. Pursuant to Government Code Section 11126(c)(3), the

CBA Convened Into Closed Session to Deliberate of Disciplinary Matters
(Petition for Reduction of Penalty).

XI. Committee/Group Reports.

A. Legislative Committee (LC).

1. Report of the July 24, 2014 LC Meeting.
2. Update on Legislation on Which the CBA Has Taken a Position (AB 186, AB 1702, AB 2058, AB 2396, AB 2415, AB 2720, SB 176, SB 1159, and SB 1467).

Mr. Kaplan reported that the LC was not recommending any change in position to AB 186, AB 1702, AB 2058, AB 2396, AB 2720, and SB 176.

Mr. Kaplan noted AB 2415 has seen ongoing discussion between the author and various stakeholders. Mr. Kaplan reported that Ms. Chen, from Assembly member Ting's office, provided the draft amendments and information on the progress of the discussions with stakeholders. Mr. Kaplan further stated that CalCPA also testified that they have agreed to the amendments and would remove their opposition, if the amendments were incorporated into the bill.

Mr. Campos stated that he was compelled that Los Angeles County already has a registration requirement. He further stated that due to the need of transparency, the CBA may not want to take an oppose position.

Mr. Aprea provided information regarding the Los Angeles County Property Tax Ordinance, which became effective on July 1, 2014. He stated that of the 1,100 registrants, 400 were surveyed and determined that approximately 15 percent were working in accounting firms.

Ms. Chen stated that Assembly member Ting requests that the CBA take a neutral position on AB 2415, as they have reached an agreement with stakeholders and the bill was currently being amended.

Mr. Ramirez stated that he believes the CBA has been clear about its position of CPAs being excluded from the bill. He stated that property taxes and representation by accountants has existed since 1796 and has been regulated by the CBA since 1901. Mr. Ramirez stated that in 2011 the California Alliance of Tax Agents began an effort to establish a title act to establish this new profession. He questioned

why CPAs would be included, as they are already regulated by the CBA and the additional fee would mean CPAs are paying twice for the same service. He stated that the bill would be bad for consumers, as they currently have the right to hire anyone they want to reduce their property taxes. Lastly, he stated that he recommended that the CBA maintain its previous position of oppose unless amended to exclude CPAs.

It was moved by Mr. Kaplan, seconded by Mr. Ramirez and carried by those present to accept the LC's recommendation to continue with its "Oppose unless amended" position on AB 2415 to exclude CPAs and to direct staff to send letters stating such to the Senate and Governor when appropriate. Mr. Campos voted against the LC's recommendation.

Mr. Kaplan stated that SB 1159 has not changed significantly since the CBA took a "Watch" position in May and the LC took no action on this bill, maintaining the CBA's "Watch" position.

Mr. Kaplan informed the CBA that the annual omnibus bill, SB 1467, includes a new provision affecting the CBA. The new provision removes a requirement that two CBA members represent small firms and eliminates the definition of small firms from the law, which provides the Governor with greater flexibility when making appointments to the CBA. Mr. Kaplan further stated that the LC took no action on this bill, maintaining the CBA's "Support" position.

3. Consideration of Positions on Newly Introduced Legislation.

a. SB 1243 – Professions and Vocations.

Mr. Kaplan stated that SB 1243 addresses issues that were a part of the Department of Consumer Affairs' 2014 sunset review. It contains six provisions which may affect the CBA.

- It would require boards to provide meeting notices by email, mail or both at the option of those that request it. In addition, a statement of intent to webcast must be included on the public notice.
- Current law allows the CBA and other entities to disconnect phone service to those who advertise unlicensed activity in the phone book and who fail to comply with a cease and desist order. This bill will change this law to include any form of advertising.
- DCA would be required to develop and offer enforcement training to enforcement employees at least once per year.
- DCA would be required to conduct a study of the efficiency

and cost-effectiveness of its pro rata system.

- The DCA annual report to the Governor was revised to add detail regarding programs under DCA. This may require the CBA to provide DCA with more information if it is not already in DCA's possession.
- DCA would be required to develop a board member mentor program through which experienced board members would mentor a new board member from a different board.

It was moved by Mr. Kaplan, seconded by Ms. Salazar, and unanimously carried by those present to accept the LC's recommendation to take a "Watch" position on SB 1243.

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

There was no report on this item.

B. Committee on Professional Conduct (CPC).

1. Report of the July 24, 2014 CPC Meeting.
2. Discussion Regarding the Study of California's Attest Experience Requirement.

Mr. Campos reported that representatives of CPS HR Consulting, Michael DeSousa, Geoff Burcaw, and Arnold Schuler attended the CPC meeting and will be working with the CPC and staff on California's study of the attest experience requirement. Mr. Campos stated that the CPC explored three topics and made decisions to guide CPS HR Consulting as they begin to develop questions and statements for the study.

Mr. Campos reported that the CPC adopted a general unifying question to aid in guiding the study. Specifically, Mr. Campos stated the agreed upon question as:

- Is the present attest experience requirement necessary and sufficient to support the CBA mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards?

Mr. Campos also noted that the CPC finalized a group of audiences and various topics/areas of consideration which it originally adopted in May. He noted that two additional groups were added, specifically university accounting programs and professors and experienced CPAs. Lastly, Mr. Campos noted that the CPC accepted staff's

recommendations of the scope of the consumer audience related to consumers, with a slight change from “Agencies that rely on CPA attest work products” to “Agencies and consumers that rely on CPA attest work products.”

It was moved by Ms. Salazar, seconded by Mr. Elkins, and unanimously carried by those present to accept the CPC’s recommendation to adopt the stated unifying question, added university accounting programs and professors, and experienced CPAs as audiences, and defined the scope of the consumer audience as supplied by staff with the slight modification on the second bullet point to read “agencies and consumers that rely on the CPA attest work products.”

It is anticipated that CPS HR Consulting will return to the CPC in September with initial questions, methodologies, and population and sample size information.

C. Mobility Stakeholder Group.

1. Report on the July 23, 2014 MSG Meeting.
2. Overview of the MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG.

Ms. Salazar reported that an updated MSG decision matrix would be provided as a written report only at each meeting.

3. Overview and Comparison of the Prior and Current California Practice Privilege Laws.

Ms. Salazar reported that staff provided a summary of the similarities and differences between the prior practice privilege law and the current law. She noted that some of the major differences include the no notice and no fee provisions in the current law, the increased out-of-state firm registration requirements, the various reports to the Legislature and other stakeholders, and the increased prescription of the CBA website.

4. Overview of the Consumer Protection Provisions of the California Practice Privilege Law (Article 5.1 of Chapter 1 of Division 3 of the Business and Professions Code (BPC)) and Proposed Timeline for Future Discussions.

Ms. Salazar reported that staff provided an overview of the consumer protection provisions of the mobility law. She noted that the provisions include qualifications, pre-notification, rules regarding

cessation of practice, administrative suspensions, disciplinary actions, out-of-state accounting firm registrations, improvements to the CBA website, and the functions of the MSG. She further noted that the MSG will be reviewing the provisions in more detail over its next two meetings in order to fulfill its charge to consider whether the provisions of the mobility law are consistent with the CBA's duty to protect the public.

5. Overview of the Implementation of the Current California Practice Privilege Law.

Ms. Salazar noted that staff provided the MSG with an overview of how the mobility law has been implemented. The implementation resulted in modifications to the CBA's Practice Privilege database, development of several new forms, a new registration for out-of-state firms was initiated, enforcement processes were modified, and the practice privilege and license lookup portion of the website was overhauled. Ms. Salazar noted that staff provided a walkthrough of the website including the License Lookup for out-of-state licensees, SEC and PCAOB discipline information, various disclaimers required by the law, where consumers can file a complaint, and links to CPAverify and other state boards' of accountancy websites.

6. Overview of Practice Privilege/Mobility Provisions in Other States/Jurisdictions.

Ms. Salazar reported that a chart was prepared by staff that provides the MSG with a summary of the mobility provisions of other state boards of accountancy.

7. Overview and Discussion Regarding Survey of Other States' Practice Privilege/Mobility Provisions to Obtain Information Necessary for Reporting Under BPC 5096.21(d).

Ms. Salazar reported that the MSG was informed of the survey that was approved by the CBA at its May 2014 meeting, which includes some questions that were developed as a direct result of the MSG's request for information.

It was moved by Mr. Campos, seconded by Mr. Ramirez, and unanimously carried by those present to allow staff flexibility in the timing of the survey, in order to allow NASBA to complete its work interviewing other states regarding their enforcement practices, while keeping in mind the ultimate deadline for preparing the report to the Legislature.

8. Discussion Regarding Stakeholder Objectives Pursuant to BPC Section 5096.1(e).

Ms. Salazar reported that the MSG developed two stakeholder objectives and requested that the MSG have the opportunity, at each meeting, to add and revise objectives as needed.

- The first objective was to help licensees know and understand their self-reporting requirements in other states where they are licensed and/or practicing.
- The second objective was to assure the CBA that all states have adequate enforcement.

9. Discussion Regarding Proposed Agenda Items for Next Meeting.

Ms. Salazar noted that for its next meeting in November, the MSG will be discussing the following topics:

- The results of the survey of the other state boards of accountancy
- An in-depth review of consumer protection provisions of the mobility law, discussing stakeholder objectives
- Reviewing the latest licensing, enforcement, and website usage statistics for mobility
- A summary of states that do not provide full data to ALD
- The NASBA Enforcement Guidelines

XII. Acceptance of Minutes

A. Draft Minutes of the May 29-30, 2014 CBA Meeting.

It was moved by Mr. Campos, seconded by Ms. Berhow and carried by those present to accept the draft the minutes of the May 29-30, 2014 meeting, with the amendment of “stat” to “state” on page 19555, section VIII.A.3.c. Ms. Salazar, Mr. Elkins, and Mr. Ramirez abstained.

B. Minutes of the March 20, 2014 CPC Meeting.

C. Minutes of the March 20, 2014 EPOC Meeting.

D. Minutes of the March 20, 2014 LC Meeting.

E. Minutes of the January 30, 2014 EAC Meeting.

F. Minutes of the January 31, 2014 PROC Meeting.

G. Minutes of the January 22, 2014 QC Meeting.

It was moved by Mr. Campos, seconded by Mr. Savoy, and carried by those present to accept the minutes of agenda items XII.B. – XII.G. Ms. Salazar, Mr. Elkins, and Mr. Ramirez abstained.

XIII. 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.

C. Nominations for NASBA Board of Directors.

There was no report on this item.

XIV. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

Mr. Savoy requested a discussion take place regarding the upcoming CBA board vacancies.

C. Press Release Focus.

Ms. Hersh suggested the study regarding attest experience requirement as the topic for the Press Release Focus.

XV. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, Reconsideration of Board's Decision, and Decision after Non-Adoption).

President Savoy adjourned the meeting at 4:47 p.m. on Thursday, July 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.