



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

MINUTES OF THE
September 18-19, 2014
CBA MEETING

Declan Suites San Diego
 701 A Street
 San Diego, CA 92101
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Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 9:51 a.m. on Thursday, September 18, 2014 at the Declan Suites San Diego. The meeting convened into closed session at 3:52 p.m. and recessed at 4:24 p.m. President Savoy reconvened the open meeting on September 19, 2014 from 9:01 a.m. to 10:38 a.m. at which time closed session was reconvened. The meeting adjourned following closed session at 10:59 a.m.

CBA Members

September 18, 2014

Michael Savoy, President	9:51 a.m. to 4:24 p.m.
Jose Campos, Vice President	9:51 a.m. to 4:24 p.m.
Katrina Salazar, Secretary-Treasurer	9:51 a.m. to 4:24 p.m.
Sarah (Sally) Anderson	Absent
Diana Bell	9:51 a.m. to 4:24 p.m.
Alicia Berhow	9:51 a.m. to 4:24 p.m.
Herschel Elkins	9:51 a.m. to 4:24 p.m.
Laurence (Larry) Kaplan	9:51 a.m. to 4:24 p.m.
Louise Kirkbride	Absent
Kay Ko	9:51 a.m. to 4:24 p.m.
Leslie LaManna	9:51 a.m. to 4:24 p.m.
K.T. Leung	9:51 a.m. to 4:24 p.m.
Manuel Ramirez	9:51 a.m. to 4:24 p.m.
Mark Silverman	9:51 a.m. to 4:24 p.m.

CBA Members

September 19, 2014

Michael Savoy, President	9:01 a.m. to 10:59 a.m.
Jose Campos, Vice President	9:01 a.m. to 10:59 a.m.
Katrina Salazar, Secretary-Treasurer	9:01 a.m. to 10:59 a.m.
Sarah (Sally) Anderson	Absent
Diana Bell	9:01 a.m. to 10:59 a.m.
Alicia Berhow	9:01 a.m. to 10:59 a.m.
Herschel Elkins	9:01 a.m. to 10:59 a.m.
Laurence (Larry) Kaplan	Absent
Louise Kirkbride	Absent
Kay Ko	9:01 a.m. to 10:59 a.m.
Leslie LaManna	9:01 a.m. to 10:59 a.m.
K.T. Leung	9:20 a.m. to 10:59 a.m.
Manuel Ramirez	9:01 a.m. to 10:59 a.m.
Mark Silverman	9:01 a.m. to 10:59 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, 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 Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
Jenny Sheldon, Enforcement Manager
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Regulation and Legislation Coordinator

Committee Chairs and Members

Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)
Robert Lee, Chair, Peer Review Oversight Committee (PROC)
Robert Ruehl, Vice-Chair, Qualifications Committee (QC)

Other Participants

Ruben Davila
Jason Fox, CalCPA
David Greenberg, Petitioner
Roy Hewitt, Administrative Law Judge, Office of Administrative Hearings
Pilar Oñate-Quintana, KP Public Affairs
Joseph Petito, The Accountants Coalition

Jon Ross, KP Public Affairs

I. Report of the President.

- A. Resolution for Retiring Qualifications Committee Members Maurice Eckley, Alan Lee, and Kristina Mapes.
- B. Resolution for Retiring Enforcement Advisory Committee Member Cheryl Gerhardt.

It was moved by Mr. Campos, seconded by Mr. Ramirez and unanimously carried by those present to approve the resolutions for retiring Qualifications Committee members Maurice Eckley, Alan Lee, and Kristina Mapes and retiring Enforcement Advisory Committee member Cheryl Gerhardt.

C. Announcement Regarding Annual Officer Elections.

President Savoy announced that the annual officer elections will be held at the November CBA meeting. Mr. Savoy stated that any member interested in a leadership position should submit a statement of qualifications to CBA staff.

D. Announcement of CBA Leadership Award of Excellence.

Mr. Savoy announced that the recipients of the CBA Leadership Award of Excellence are Terri Dobson, Personnel Analyst and Matthew Stanley, Regulation and Legislation Coordinator.

E. Discussion Regarding the Draft Peer Review Report to the Legislature.

Mr. Stanley provided an overview of the Peer Review Report. Members provided several suggestions, including:

- Expand the graph on page 14 to highlight those that previously had a peer review performed and include pass with deficiencies
- Expand the graph on page 15 to change “corrective actions ordered” to “passed with deficiency with corrective actions ordered, modify the total to be consistent with the graph on page 14
- Identify that the numbers on the graphs on page 14 and 15 are firm deficiencies
- Provide information regarding current actions the CBA takes to verify that individuals/firms are properly reporting whether they are subject to peer review
- Clarify the survey results in the last paragraph of page 15
- Emphasize the CBA’s recommendation that the peer review report is an important consumer protection at the beginning of the report

- Expand the conclusion

F. Discussion and Approval of the CBA's Sunset Review Report.

Ms. Bowers presented the CBA's Sunset Review Report. She noted that the recommended changes provided by the CBA were incorporated.

It was moved by Mr. Ramirez, seconded by Ms. Bell, and unanimously carried by those present to approve the Sunset Review Report and delegate Ms. Bowers with the authority to make any formatting and wording changes and correct the data on page 30-31.

G. Discussion Regarding What Criminal Convictions are Substantially Related to the Profession.

Ms. Schieldge and Mr. Sonne provided an overview of the history, legislative framework, and definition of crimes that are substantially related to the profession.

H. Discussion Regarding Compelling Physical and Mental Evaluations of Licensees or Applicants.

Mr. Johnston provided an overview of this agenda item.

Ms. Berhow inquired how the CBA would determine when an examination is necessary.

Ms. Bowers stated that CBA may compel an examination if a situation was brought to staff's attention that may affect the licensee's ability to practice.

Mr. Ramirez expressed his concern about including physical illness, as he does not see how it could affect a licensee's practice of accountancy. He stated he would be inclined to exclude physical evaluations.

It was moved by Mr. Elkins, seconded by Ms. Berhow, and carried by those present to allow staff to further investigate the possibility of the CBA compelling mental and physical evaluations and determine which committee to assign the topic to, in the future. Mr. Campos voted against the motion.

II. Report of the Vice President.

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

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

unanimously carried by those present to reappoint Joseph Buniva to the EAC for a two-year term effective October 1, 2014.

- 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.

- D. Report on Activities Regarding CBA and Committee Recruitment/Vacancies.

Mr. Campos stated that the CBA has various recruitment activities to solicit interest in the CBA and committees including articles in its publication UPDATE, advisements on various social media outlets, information in CalCPA communications, and direct letters to qualified licensees.

III. Report of the Secretary/Treasurer.

- A. Discussion of Governor's Budget.

- B. Fiscal Year 2013-2014 Year End Financial Statement.

Ms. Salazar provided an overview of the 2013-2014 Year End Financial Statement. She stated that the fiscal year (FY) 2014-2015 budget is currently set at \$13,413,000. Ms. Salazar stated that in FY 2013-2014 the CBA collected \$10.3 million in total receipts. She noted staff has submitted revenue projections to be included in the Governor's Budget for FY 2014-2015 and FY 2015-2016. The revenue projections of \$5,432,000 represent a reduction of about \$4.87 million from FY 2013-2014 due to the temporary two-year fee reductions. Lastly, Ms. Salazar stated that the expenditures outpaced revenues by \$1.2 million and the CBA ended the year with approximately \$14.2 million in the Reserve.

Mr. Ramirez inquired that how subsequent fiscal years result a reduction in the reserve, if the fee levels return to the original amounts and the CBA receives repayment of \$6 million from the general fund loan.

Ms. Salazar stated that the numbers are very conservative as the revenues do not include fines and penalties and the expenditures provide a generous increase.

Mr. Ramirez stated that the numbers substantiate that the CBA should

maintain the reduced fee levels.

Ms. Bowers stated that an agenda item regarding fee levels is scheduled for the November meeting.

Mr. Ng stated that the fund condition statement had formula errors in the prior year expenditure and the months in reserve, however the total fund balance is accurate. He further stated that the data was used in Section 3 of the Sunset Review Report and staff will correct these errors prior to the issuance of the report to the legislature.

IV. Report of the Executive Officer (EO).

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

Ms. Bowers stated that the CBA is undergoing lease negotiations and anticipates releasing the location at the November 2014 or January 2015 CBA meeting.

B. Update of Staffing.

Ms. Bowers announced that the CBA is recruiting for a new Exam Licensing manager, as Jenny Sheldon, accepted a manager position in Enforcement. She also noted that the Enforcement Chief, Rafael Ixta, will be retiring and the CBA is actively recruiting for the position.

Ms. Bell acknowledged Ms. Bowers for developing and coaching staff within the CBA.

C. Comments Regarding the American Institute of Certified Public Accountants (AICPA) Exposure Draft Regarding Breach of an Independence Interpretation, Proposed Interpretation of the AICPA Professional Ethics Division.

Mr. Fisher provided an overview of this agenda item. He stated that the exposure draft will have an impact on the auditor independence rules, which are a cornerstone of the profession. Mr. Fisher stated that the proposed new interpretation would allow the member's firm to not have to resign from the attest engagement. He further stated that staff have determined that the proposed changes would not have a direct impact on California's rules and regulations, but does impact the professional standards regarding independence.

Mr. Ramirez expressed his concern regarding consumer protection and suggested the comment letter state our concern and indicated more information may be needed in order for the CBA to provide additional comments.

Mr. Campos stated that the evaluation of independence has become complicated over the years. He stated that he believes that the revisions may be trying to provide some relief regarding some minor things that would not necessarily have an impact on the decisions that individuals are trying to make. He further stated that the stringent requirements do not grant much relief as currently the questions are either yes or no in regards to independence.

Ms. Bowers stated that she could contact AICPA requesting a representative attend the November CBA meeting.

Ms. Savoy suggested that the representative provide a presentation to the Committee on Professional Conduct.

It was moved by Mr. Elkins, seconded by Mr. Leung and unanimously carried by those present to direct staff to prepare a comment letter to the AICPA stating the CBA's concerns on consumer protection and authorize Mr. Savoy to approve the letter.

- D. 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, SB 1243, and SB 1467) and Additional Legislation Identified Since the CBA's July 2014 Meeting (SB 1226).

Mr. Stanley provided an overview on this item. He stated that SB 1467 and SB 1243 have been signed and are effective January 1, 2014.

Mr. Stanley stated that staff recommends maintaining the current positions on AB 1702, 2058, 2396, 2415, and 2720. He stated that SB 176 failed passage and is dead for the year. Mr. Stanley further noted that AB 186 was amended in such a way that it no longer affects the CBA, and staff recommends that the CBA discontinue following the bill. Mr. Stanley stated that staff recommends a neutral position on SB 1159, as it has no effect on consumer protection and was amended in such a way that addressed the CBA's previous concerns.

Mr. Ramirez stated that AB 2415 is currently on the Governor's desk and requested that the CBA find an author to carve out CPA's from the bill.

It was moved by Mr. Kaplan, seconded by Ms. Berhow, and carried by those present to adopt a "Neutral" position on SB 1159.

Ms. LaManna opposed and Mr. Elkins abstained.

Lastly, Mr. Stanley stated that SB 1226 was significantly amended and now affects the CBA. He stated that the bill would require all Department of Consumer Affairs boards and bureaus to expedite, and may assist, the initial licensure process for an applicant who supplies evidence that he or

she has served as an active duty member of the armed forces and was honorably discharged.

It was moved by Ms. LaManna, seconded by Ms. Berhow, and unanimously carried by those present to adopt a “Support” position on SB 1226.

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

There were no comments on this item.

V. Regulations.

- A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37 – Continuing Education for Licensure With Experience Obtained Five Years or More Prior to Application or With a Cancelled License.

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

“Good morning. 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 Board’s requirements pertaining to continuing education for licensure with experience obtained five years or more prior to application or with a cancelled license.

On behalf of the Board and its staff, I'd like to welcome you. My name is Matthew Stanley and I serve as the Board’s Regulation Coordinator. I will preside over this hearing on behalf of the Board and the Department.

The California Board of Accountancy is contemplating this action pursuant to the authority vested by Sections 5010, 5018, 5092, 5093, and 5095 of the Business and Professions Code, authorizing the Board 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 September 18, 2014 and the time is approximately 1:05 p.m. Our hearing is being held at the Declan Suites San Diego, 701 A St., San Diego, 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 board’s Web site and upon request by other members of the public. Copies

of the proposed regulations are available.

If the Board has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The Board shall be provided and shall consider all written comments received up until 5:00 p.m., September 8, 2014. 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 Board an opportunity to address your comments directly when the Board 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 1:08 p.m.

- B. Discussion and Possible Action to Adopt or Amend CBA Regulation Sections 12, 12.5, and 37 – Continuing Education for Licensure with Experience Obtained Five Years or More Prior to Application or With a Cancelled License.

Mr. Stanley stated that staff have identified additional amendments for CBA

consideration. He stated that staff are proposing that the language related to the 12-hour technical subject matter requirement be eliminated, as sections 12, 12.5 and 37 contain a provision that of the 80 hours a minimum of 40 hours be completed in technical subject matter. Additionally, Mr. Stanley stated staff are proposing to incorporate references that the CE must meet the requirements as described in CBA Regulations section 88, which defines what programs qualify for CE.

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 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 adopt the proposed regulations as described in the modified text notice.

VI. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item. He stated that staff have completed 800 advisory reviews of the new educational requirements and has seen an increase in individuals qualifying under the new requirement. He stated that approximately 150 retired status applications have been processed since July 1, 2014. Mr. Franzella further noted that the top deficiency of license renewals is the peer review reporting form, whether it is failing to submit the form, submitting an incomplete form, or submitting an incorrectly filed form. Lastly, Mr. Franzella expressed his appreciation to CalCPA, Jason Fox, Mr. Savoy, and CBA staff for their participation in the collaborative Outreach event with CalCPA at the University of San Diego.

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 463 complaints in FY 2014-2015 and 337 cases were assigned for investigation. He noted that 307 cases were closed and 858 cases are pending. Mr. Ixta stated that Enforcement staff is currently interviewing for seven Investigative CPA positions. Mr. Ixta reported that 24 cases were referred to the Attorney General's Office (AG) resulting in 107 cases still pending. Mr. Ixta further noted that since the last report, nine licensees have reported their peer review information and currently 633 licensees still need to report. Lastly, Mr. Ixta stated that fingerprinting will be handled by the Enforcement Division.

Mr. Ramirez stated that the CBA needs to be cognizant to reduce Enforcement staff, as the number of peer review cases decrease. He also expressed his appreciation for Mr. Ixta and his staff for all their hard work.

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

A. Enforcement Advisory Committee (EAC).

1. Approval of the 2015 EAC Meeting Dates.

It was moved by Mr. Ramirez, seconded by Ms. Berhow, and unanimously carried by those present to approve the 2015 EAC meeting dates. Ms. Salazar and Mr. Campos were temporarily absent.

B. Qualifications Committee (QC).

1. Report of the July 30, 2014 QC Meeting.

Mr. Ruehl reported that 12 interviews, three personal appearances, and nine Section 69 reviews were conducted. Mr. Ruehl stated that the QC approved one personal appearance and six Section 69 reviews and deferred the remaining cases.

2. Approval of the 2015 QC Meeting Dates.

It was moved by Mr. Ramirez, seconded by Ms. Berhow, and unanimously carried by those present to approve the 2015 QC meeting dates. Ms. Salazar and Mr. Campos were temporarily absent.

C. Peer Review Oversight Committee (PROC).

1. Report of the August 22, 2014 PROC Meeting.

Mr. Lee expressed his gratitude for Ms. Corrigan's leadership and work as the first PROC Chairperson. Mr. Lee reported on various oversight events that PROC members participated. He reported that the PROC discussed various exposure drafts initiated by AICPA and found no impact on the CBA's Peer Review Program. Mr. Lee stated that Mr. Ixta reported on the Employee Retirement Income Security Act audit issue. Mr. Lee noted that based on the report, AICPA is addressing the issue and a conclusion has not been reached; however, the PROC will continue to monitor the issue.

2. Approval of the 2015 PROC Meeting Dates.

It was moved Mr. Ramirez, seconded by Ms. Bell, and unanimously carried by those present to approve the 2015 PROC meeting dates. Ms. Salazar was temporarily absent.

IX. Committee Reports/Group Report.

A. Committee on Professional Conduct (CPC).

1. Report of the September 18, 2014 CPC Meeting.
2. Discussion Regarding the Study of California's Attest Experience Requirement.

Mr. Campos reported that the CPC discussed the estimated populations and target response rates, proposed methodologies, and draft questions and statements for each of the specified audiences, for use in the study. He stated that the CPC discussed that they were only providing approval to the direction of the questions and the final questions are still to be developed. Mr. Campos stated that he had suggested that staff use the expertise of Mr. Howard and the attest sub-committee as the questions are being completed. He stated that the CPC directed staff to bring forward suggestions, to the November meeting, on how outreach for the study may be accomplished.

It was moved by Mr. Ramirez, seconded by Ms. Berhow, and unanimously carried by those present to accept staff's proposed estimated population size and target response rates, the methodology for collecting information, and the draft statements/questions for the study of California's attest experience requirement.

X. Acceptance of Minutes

A. Draft Minutes of the July 24, 2014 CBA Meeting.

Mr. Savoy requested that the draft minutes of the July 24, 2014 CBA meeting be deferred to the November 2014 CBA meeting to incorporate the following edits:

- Revise Mr. Campos' comment on agenda item XI.B. page 19574 to state that "university accounting programs and professors" were added as an additional group
- Expand Mr. Ramirez' comments regarding AB 2415
- Revise the typo in agenda item VIII.B. page 19571 in the second paragraph, last sentence to state "as filed with the OAL"

- B. Minutes of the July 24, 2014 CPC Meeting.
- C. Minutes of the May 2, 2014 PROC Meeting.
- D. Minutes of the April 23, 2014 QC Meeting.

It was moved by Mr. Campos, seconded by Mr. Ramirez, and carried by those present to accept the minutes of agenda items X.B. – X.D.

XI. 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.

Ms. Bowers stated that as the taskforce is focusing on communication and outreach. Ms. Bowers noted that Ms. Hersh has submitted her interest to NASBA, and if selected would replace her on the committee.

XII. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

Mr. Ramirez suggested a discussion on whether the CBA's CE is overprescribed in comparison to other states.

Mr. Savoy stated it is on the agenda for the November 2014 CPC meeting.

C. Press Release Focus.

Ms. Pearce stated the topic of consideration was the recruitment of the Enforcement Chief.

Mr. Campos also suggested the CBA and CalCPA Outreach Event.

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

XIV. Petition Hearings.

A. David Greenberg – Petition for Reinstatement of Revoked Certificate.

The CBA heard Mr. Greenberg's petition for reinstatement of his revoked certificate.

XV Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate of Disciplinary Matters (Petition for Reinstatement of Revoked Certificate).

President Savoy adjourned the meeting at 10:59 a.m. on Friday, September 19, 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.