

CALIFORNIA BOARD OF ACCOUNTACY

Executive Officer: Patti Bowers ♦ Phone: (916) 263-3680 ♦ <http://www.dca.ca.gov/cba>

Protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

—Business and Professions Code § 5000.1

The California Board of Accountancy (CBA) licenses, regulates, and disciplines certified public accountants (CPAs) and public accounting firms and corporations. The Board also regulates existing members of an additional classification of licensees called public accountants (PAs). The 1945 Accountancy Act granted the PA license only during a short period after World War II, with the last PA license issued in 1968. CBA currently regulates over 97,000 individuals, corporations, and partnerships. It establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its power to license. CBA's enabling act, the Accountancy Act, is found at Business and Professions Code section 5000 et seq.; its regulations appear in Division 1, Title 16 of the California Code of Regulations (CCR).

CBA is a consumer protection agency located within the Department of Consumer Affairs (DCA). The Board consists of 15 members: seven CBA licensees and eight public members. Each Board member serves a four-year term.

The Board's staff administers and processes the nationally standardized Uniform CPA Examination, currently a four-part computerized exam encompassing the subjects of auditing and attestation; business law and professional responsibilities; regulation (including taxation, managerial accounting, and accounting for governmental and not-for-profit organizations); and

financial accounting and reporting (business enterprises). In order to be licensed, an applicant must complete 150 hours of college-level education (including substantial units in accounting and business-related subjects and ethics), complete twelve months of general accounting experience, and successfully pass all parts of the Uniform CPA Exam.

The operations of the Board are conducted through various advisory committees and, for specific projects, task forces which sunset at project completion. The Board's major advisory committees include the following:

- The Qualifications Committee (QC), authorized in Business and Professions Code section 5023, consists of non-Board member CPAs who review applicants' experience to determine whether their experience complies with the requirements in Business and Professions Code section 5093 and section 12, Title 16 of the CCR.

- The Enforcement Advisory Committee (EAC), authorized in Business and Professions Code section 5020, consists of up to 13 non-Board member CPAs who provide technical assistance to the Board's enforcement program by conducting investigations or hearings against licensees, and making recommendations to the enforcement program and the Executive Officer.

- The Peer Review Oversight Committee (PROC), created in Business and Professions Code section 5076.1, consists of up to seven CPAs appointed by the Board and oversees the Board's peer review requirement that is mandatory for licensees who perform attest engagements; the PROC is responsible for ensuring that peer review providers administer peer reviews in accordance with the standards set forth in section 48, Title 16 of the CCR.

- The Mobility Stakeholder Group (MSG), created in Business and Professions Code section 5096.21, is charged with considering whether the current "no notice, no fee" practice

privilege (under which CPAs not licensed in California may offer public accounting services here without providing notice and/or paying a fee to CBA) is consistent with the Board’s duty to protect the public, and whether the provisions of the practice privilege law satisfy the objectives of stakeholders of the accounting profession, including consumers.

Other advisory committees consist solely of Board members. The Legislative Committee reviews legislation and recommends a position to the Board, reviews proposed statutory and regulatory language developed by other committees before it is presented to the Board, and serves as an arena for various accountant trade associations to air their concerns on issues. The Committee on Professional Conduct (CPC) considers all issues related to the professional and ethical conduct of CPAs and PAs. The Enforcement Program Oversight Committee (EPOC) was created in 1996 to establish policy and procedures for the Board’s complex enforcement program.

On August 17, 2018, Governor Brown [appointed](#) two licensee members, Nancy Corrigan and Mary Geong, to CBA. Ms. Corrigan is a CPA who has worked in the accounting profession since 1977 and was a partner and co-owner at Jeffery, Corrigan & Shaw LLP from 1985 to 2015. Ms. Geong has been principal owner at Mary Geong, CPA since 2013 and financial advisor at HD Vest Financial Services since 1999. She held several positions at the Franchise Tax Board from 1994 to 2013 and was manager of accounting at the Federal Reserve Bank in San Francisco from 1984 to 1989.

MAJOR PROJECTS

Sunset Review Report

At its [July](#) and [September](#) meetings the Board discussed its draft 2018 Sunset Review Report. The statute that creates the Board—Business and Professions Code section 5000—expires on January 1, 2020, thus requiring the legislature to evaluate the Board and pass legislation during

2019 to extend the Board's existence. The Board's final report is due to the legislature by December 1, 2018. CBA's President and Executive Officer will testify at its Sunset Review hearings in March 2019. The Board proposed eleven sections to be included in the Sunset Review Report.

Of note, the Board discussed the need for increased funding for enforcement and voted to include a fee increase request in the final version of the Sunset Report.

2019–2021 Strategic Plan

At CBA's September 20, 2018 [meeting](#), CBA's Strategic Planning Committee met to develop goals for the Board's [2019–2021 Strategic Plan](#), which is intended to serve as a guide to future CBA priorities and activities. In 2015, CBA developed its 2016–2018 Strategic Plan in conjunction with DCA by identifying seven strategic areas which are essential to carrying out its mission of regulating the accounting profession for the public interest: enforcement, licensing, customer service, outreach, laws and regulations, emerging technologies, and organizational effectiveness.

The Committee reviewed the [2018 Environmental Scan](#), a comprehensive report compiled by SOLID Planning Solutions, a division of DCA, stakeholder, Board member, and Board management thoughts about the Board's performance within the seven strategic areas. SOLID collected the included data by interviewing all Board members including the Executive Officer, conducting one focus group of 11 Board members aimed at assessing the internal perspective on the Board's strengths and weaknesses, and through online surveys completed by 241 stakeholders to assess external perspective on the strengths and weaknesses. The report includes statistical data and respondent comments for each of the seven areas.

CBA reviewed the 2016–2018 Plan’s Mission Statement, Vision, and Values, determined that they are still relevant, and made no changes. CBA also determined the seven strategic areas set forth in the 2016–2018 Plan would be retained for the 2019–2021 Plan.

The Board developed specific objectives for each goal area and will present a draft 2019–2021 Strategic Plan at a future meeting. The strategic plan and the goals for improvement overlap in several categories with the Sunset Review Report.

Board Issues Decision on Series of Petitions for Rulemaking

On May 4, 2018, the Board published its [decision](#) with respect to eight petitions to amend various CBA regulations submitted by JoAnn Henkel, a member of the public. Ms. Henkel also proposed various changes to the Accountancy Act. The Board denied all the petitions.

Petition 1 proposed language to add “accounting services” to section 17206.1(a)(1) of the Business and Professions Code, which imposes civil liability in some unfair competition actions perpetrated against senior citizens or disabled persons. The Board denied the proposed change because section 17206.1 is a statute, and CBA has no authority to amend through the regulatory process. Petition 1 also requested adding language to section 58, Title 16 of the CCR, relating to professional standards for licensees, to state that licensees are responsible to provide accounting services for senior citizens and disabled persons. The Board denied the proposed regulation change because it does not meet the requirements of the APA for reference, necessity, or nonduplication. Finally, the Board denied the petition to amend section 5100 of the Business and Professions Code due to lack of authority to amend statutes.

Petition 2 proposed a change to section 52, Title 16 of the CCR to remove certain requirements of licensees to respond to Board inquiries relating to enforcement actions. The Board denied this petition, citing the petition's inconsistency with the Board's duty to protect the public.

Petition 3 proposed adding language to section 58 of the Accountancy Regulations to reference the AICPA Code of Professional Conduct as a requirement for licensees to comply with. The Board determined that licensees are already required to comply with "all applicable professional standards" under section 58, including the AICPA Code of Professional Conduct. The Board denied the petition for not meeting the necessity requirement of the APA.

Petition 4 proposed adding language to section 57 of the Accountancy regulations to reference the Business and Professions Code and Article VI of the AICPA Code of Professional Conduct. Section 57 prohibits licensees from engaging in the practice of public accountancy while simultaneously engaging in business that would impair their independence, objectivity, or would create a conflict of interest in rendering professional services. The Board denied the petition for not meeting the APA requirements of necessity, nonduplication, and clarity.

Petition 5 proposed amending section 58 of the Accountancy regulations, regarding compliance with professional standards, to include the Internal Revenue Code (IRC). The Board reasoned that the IRC is presumptively included in the "professional standards" requirement of section 58. The Board denied the petition for not meeting the APA requirements of necessity and nonduplication.

Petitions 6 and 7 proposed adding language to section 5000.1 of the Business and Professions Code, regarding CBAs duty of public protection. Section 5000.1 is a statute which CBA has no authority to amend through the regulatory process. The Board denied the petitions due to lack of authority.

Petition 8 proposed adding language to section 58 of the Accountancy Regulations, regarding CPA professional responsibility, to add a specific reference to AICPA Articles I-V. The Board determined that section 58 presumptively includes these AICPA standards. The Board denied the petition for not meeting the APA requirements of necessity and nonduplication.

Petitioner Henkel filed a request for reconsideration of the 8 denied petitions as reported in the July 13, 2018 California Regulatory Notice Register. Petitioner made minor changes to her petitions but the changes did not cure the defects and the Board again [denied](#) the petitions.

LEGISLATION

[SB 795 \(Galgiani\)](#), as amended July 3, 2018, repeals the January 1, 2019 sunset date on the Board’s “no notice, no fee” practice privilege program and extends the program indefinitely. The practice privilege program statutes, codified at Business and Professions Code section 5096 et seq., allow CPAs licensed in other states to practice public accountancy in California without a California CPA license and without notifying or paying a fee to CBA. To qualify for the “practice privilege,” CPAs must have a valid license to practice in another state as well as satisfy one of three qualifying conditions: 1) Have continually practiced public accountancy as a CPA under a valid license issued by any state for at least 4 of the last 10 years; 2) Have a license, certificate, or permit from a state that has been determined by the Board to have education, examination, and experience qualifications for licensure substantially equivalent to California’s under section 5093; or 3) Possess education, examination, and experience qualifications for licensure that the Board has determined to be substantially equivalent to California’s qualification under section 5093.

The bill also amends section 5096.21 of the Business and Professions Code, to require the Board to examine the licensing requirements, enforcement program(s), and Internet disclosure of disciplinary information about licensees when determining if another state licensing authority

qualifies as substantially equivalent to CBA. Additionally, it requires out-of-state individuals to file a notice and pay a fee as required by new section 5096.22 if the Board determines that allowing individuals from a particular state to practice in California pursuant to a practice privilege violates the Board's duty to protect the public.

Governor Brown signed SB 795 on September 17, 2018 (Chapter 447, Statutes of 2018).

[AB 2138 \(Chiu\)](#), as amended August 24, 2018, amends, repeals, and adds sections of the Business and Professions Code to limit the ability of boards under the Department of Consumer Affairs to deny, suspend, or revoke a license based on some prior criminal convictions. Of note, new section 481 requires state boards to make a determination that activity which led to a conviction substantially relates to the qualifications, functions, or duties of the profession or business the board regulates if the board decides to deny, suspend, or revoke a license. To be considered, the conviction must have occurred in the prior seven years. The same standards would apply when a board considers a disciplinary action taken by a different state or federal agency, within or outside of California.

The legislature made an exception to the requirements in new section 480 if the conviction the board is considering is for one of the "serious felonies" as defined in section 1192.7 of the California Penal Code; for a crime which requires registration pursuant to California Penal Code section 290; and also for any financial crime which is determined to be directly and adversely related to the fiduciary qualifications, functions, or duties of the business or profession for which the application is made.

State boards will also be prevented from denying, suspending, or revoking a license for a past conviction for which a certificate of rehabilitation has been issued by the state, or for which a pardon or granting of clemency was received. A state board also may not deny, revoke, or suspend

a license for a conviction which has been expunged or dismissed, or consider an arrest which did not result in a conviction.

This bill's changes go into effect beginning July 1, 2020. Governor Brown signed AB 2138 on September 30, 2018 (Chapter 995, Statutes of 2018).

[AB 2958 \(Quirk\)](#), as amended August 24, 2018, amends the Bagley-Keene Open Meeting Act, Government Code section 11120 et. seq., to expand the ability of members of multimember advisory bodies to participate in meetings subject to the Act via teleconference. Currently the Act requires state bodies to publish in the agenda and make open to the public each location where a member will be participating in a public meeting via teleconference. Added section 11123.5 eases the notification requirement significantly by separating it from the agenda, which must be published at least 10 calendar days before the meeting and replaces it with a public notification to be published on the state body's website at least 24 hours prior to the meeting. When a member of the state body plans to attend via teleconference information regarding how to access the meeting remotely will be provided in the website notification so interested members of the public can participate remotely.

The state body must designate the primary physical meeting location in the notice. An agenda must be posted at the primary meeting location, and members of the public may physically attend and participate in the meeting. A quorum of the Board's members must be physically present at the primary physical meeting location. Members participating in the meeting remotely do not count toward establishing a quorum. Governor Brown signed AB 2958 on September 28, 2018 (Chapter 881, Statutes of 2018).

[SB 1492 \(Committee on Business, Professions and Economic Development\)](#), as amended August 6, 2018, is an omnibus bill which makes minor, non-substantive updates to

Business and Professions Code section 5000 et seq., the Accountancy Act. It also adds section 5100.1 relating to licensee discipline actions. Previously the CBA was authorized to rely on disciplinary actions taken against a licensee or applicant by various governmental agencies or accounting firms when the Board is deciding whether to suspend, revoke, or deny a license. The Board must now only rely on such actions if they receive a certified true and correct copy of the action they are relying on.

Governor Brown signed SB 1492 on September 14, 2018 (Chapter 422, Statutes of 2018).

Legislative Bills that Died

The following bill reported in Volume 23, No. 2 (Spring 2018) died in committee or otherwise failed to be enacted during 2018: [SB 1159 \(Moorlach\)](#), which would have exempted members of the California legislature or the U.S. Congress from having to identify their license as “inactive” if they were previously registered as CPAs with the CBA.

RECENT MEETINGS

At its July 26, 2018 [meeting](#), the Board discussed recognizing mutual recognition agreements (MRAs) between the Institute of Chartered Accountants of Scotland (ICAS), CPA Australia Ltd, and the United States International Qualifications Appraisal Board (IQAB). The IQAB allows foreign accountants to take the International Qualification Examination (IQEX) in order to be recognized as a CPA in the U.S., rather than requiring them to take the Uniform CPA exam. The Board voted to recognize the members of ICAS and CPA Australia as having satisfied the examination requirement under Business and Professions Code section 5082.3 upon successful completion of the IQEX. CBA directed staff to send a letter to NASBA/AICPA IQAB, notifying

them that although CBA does not enter into reciprocity agreements, CBA will grant recognition to members of ICAS and CPA Australia, upon passing the IQEX.

At its July meeting, the Board discussed accepting credit card payments for renewal fees. The main issue discussed was if CBA should absorb the credit transaction fee of two percent of the total amount charged or if the cost should be passed on to licensees. The Board voted to absorb the transaction fees. The Board indicated that credit cards will be accepted for license renewals beginning in November 2018.

At the July meeting, the Board voted to include a request for a legislative change in its Sunset Review Report which would require all licensees to provide the CBA with an email address.

At the September 20–21, 2018 [meeting](#), the Board approved participation in the international delivery of the Uniform CPA Exam and directed staff to prepare a communication to NASBA conveying the action. This will allow individuals to take the Uniform CPA Exam in locations outside of the United States.