



STATE & CONSUMER SERVICES AGENCY (Department of Consumer Affairs)

BOARD OF ACCOUNTANCY

*Executive Officer: Carol Sigmann
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The Board of Accountancy (BOA) licenses, regulates, and disciplines certified public accountants (CPAs). The Board also regulates and disciplines existing members of an additional classification of licensees, public accountants (PAs); the PA license was granted only during a short period after World War II. BOA currently regulates over 60,000 licensees. The Board establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its power to license. The Board's enabling act is found at section 5000 *et seq.* of the Business and Professions Code; the Board's regulations appear in Title 16, Division 1 of the California Code of Regulations (CCR).

The Board consists of twelve members: eight BOA licensees (six CPAs and two PAs), and four public members. Each Board member serves a four-year term and receives no compensation other than expenses incurred for Board activities.

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

- The Qualifications Committee, among other things, reviews all applications for licensure, reviews workpapers to determine qualifications if it is unable to do so based on a file review, and considers all policy and/or procedural issues related to licensure.

- The Legislative Committee reviews legislation and recommends a position to the Board; reviews and/or edits proposed statutory language and regulatory language developed by other committees before it is presented to the Board; and serves as an arena for the various trade associations to express their concerns on issues.

- The Committee on Professional Conduct considers all issues related to the professional and ethical conduct of CPAs and PAs.

- The Administrative Committee is responsible for handling disciplinary matters concerning licensees.

The Board's staff administers and processes the nationally standardized CPA examination, a four-part exam encompassing the categories of Audit, Law, Theory, and combined sections Practice I and II. Applicants must successfully complete all four parts of the exam and 500 hours of qualifying auditing work experience in order to be licensed. Approximately 20,000 examination applications are processed each year. Under certain circumstances, an applicant may repeat only the failed sections of the exam rather than the entire exam. BOA receives approximately 4,000 applications for licensure per year.

The current Board officers are President Ira Landis, Vice President Janice Wilson, and Secretary/Treasurer Jeffery Martin.

MAJOR PROJECTS

Board Adopts Statements on Auditing Standards. At its July 31 meeting, the Board unanimously adopted as acceptable reporting standards for California licensees four statements on auditing standards (SAS), which are promulgated by the American Institute of Certified Public Accountants (AICPA) in order to ensure uniform and consistent reporting standards throughout the United States. Specifically, BOA adopted the following AICPA statements:

- SAS 67, "The Confirmation Process," provides guidance about the confirmation process in audits performed in accordance with generally accepted auditing standards (GAAS). SAS 67 defines the confirmation process as the process of obtaining and evaluating a direct communication from a third party in response to a request for information about a particular item affecting financial statement assertions; discusses the relationship of confirmation procedures to the auditor's

assessment of audit risk; describes certain factors that affect the reliability of confirmations; provides guidance on performing alternative procedures when responses to confirmation requests are not received; provides guidance on evaluating the results of confirmation procedures; and specifically addresses the confirmation of accounts receivable and supersedes paragraphs 3-8 of SAS 1, "Codification of Auditing Standards and Procedures."

- SAS 68, "Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance," establishes standards for testing and reporting on compliance with laws and regulations in engagements under GAAS.

- SAS 69, "The Meaning of *Present Fairly in Conformity With Generally Accepted Accounting Principles* in the Independent Auditor's Report," explains the meaning of that phrase as used in an independent auditor's unqualified opinion.

- SAS 70, "Reports on the Processing of Transactions by Service Organizations," provides guidance on the factors an independent auditor should consider when auditing the financial statements of an entity that uses a service organization to process certain transactions, and provides guidance for independent auditors who issue reports on the processing of transactions by a service organization for use by other auditors.

Board Reduces Number of CPA Exam Sites. In an effort to reduce administrative expenses, at its July 31 meeting the Board reduced the number of sites for administering the CPA exam from six to four, eliminating exam administration in San Francisco and Fresno. The November 1992 CPA exam was scheduled to be administered in Sacramento, Hayward, Pomona, and San Diego. The Board decided that the alternative chosen results in the highest dollar savings while displacing the fewest candidates; eliminating the two sites is expected to result in a savings of approximately \$61,000.

Board Suspends Program Sponsor Agreements. At its September 18 meeting, BOA voted to suspend its Program Sponsor Agreements (PSA) program, under which continuing education (CE) providers are approved by the Board. After reviewing Business and Professions Code section 5026 *et seq.*, dealing with CE requirements for CPAs and public accountants, BOA noted that it is not mandated to administer a CE provider licensing program; the only statutory reference regarding CE sponsor agreements is found at Business and Professions Code section 5134(i), which limits the fees charged for



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the filing of such sponsor agreements with BOA. The Board does establish guidelines for licensees regarding acceptable CE courses at section 88, Title 16 of the CCR, as required by Business and Professions Code sections 5027 and 5029. Additionally, the Board noted that it does not have any statutory or regulatory authority to enforce any violations by CE program providers. Because the Board noted that it does not have the resources, staff, or funds to fully administer the PSA program, it decided to suspend the program indefinitely.

Board Adopts Budget. At its September 18 meeting, the Board adopted its 1992-93 budget prepared by its Budget Advisory Committee for presentation to the Department of Consumer Affairs (DCA). The adopted budget reduces program expenses by \$908,000 and appears to comply with the 1992-93 California Budget Act's mandatory 10% reduction from the Board's initial proposed budget of \$9 million (*see supra* COMMENTARY). Specifically, the cuts come from reducing actual program expenses by \$408,000 and reducing BOA's reserve fund by \$500,000.

Board Rulemaking. On September 25, BOA published notice of its intent to amend sections 11.5, 89, and 95.2, Title 16 of the CCR. Existing section 11.5, which specifies how candidates for CPA licensure may meet the experience requirement in Business and Professions Code section 5083, does not specify how the experience of out-of-state licensees shall be evaluated for purposes of qualifying experience for California licensure. BOA's proposed amendment to section 11.5 would specify that an out-of-state licensee shall be deemed to have met the experience requirement for California licensure if the applicant can show to the satisfaction of the Board that (1) he/she has been engaged in the practice of public accountancy for five of the last ten years; (2) the preponderance of the applicant's experience was obtained in another state, territory, or district of the United States; and (3) a certificate of experience is submitted on behalf of the applicant. If the applicant's experience was obtained five or more years prior to application, the Board may prescribe a maximum of 48 hours of CE courses in specified subject areas. If the applicant does not meet the conditions of section 11.5, the Qualifications Committee may request that the applicant appear before it to present evidence of his/her qualifying experience.

Business and Professions Code section 5027 authorizes the Board to adopt regulations to control the reporting of continuing

education courses. Existing section 89, Title 16 of the CCR, requires licensees to maintain records confirming attendance at CE courses. However, this section does not require the licensee to obtain and retain a certificate of completion or its equivalent signed by the course provider disclosing information about the course including the actual hours of attendance. Under existing regulations, some licensees have claimed full CE hours for courses in which they have registered but not necessarily attended for the full time of presentation. Also, existing regulations do not specifically provide for CE credit obtained through preparing and presenting a CE class. In addition, existing regulations do not require that licensees claiming credit for published articles or books retain a copy of the publication for four years after renewal.

BOA's proposed amendments to section 89 would require that for a licensee to receive credit for attending a CE course, the licensee must obtain and retain for four years after renewal a certificate of completion signed by the course provider disclosing the school or organization conducting the course, the location, course title or description of the content, dates of attendance, and the number of hours of actual attendance. To receive credit as an instructor, discussion leader, or speaker, the licensee would be required to obtain and retain for four years after renewal the name of the school or organization providing the course, course location, course title or description of the content, course outline, dates of presentation, and the number of hours of actual preparation and presentation time. To receive credit for published articles or books, the licensee would be required to maintain for four years after renewal the name and address of the publisher, the title of the publication, a brief description, date(s) of publication, a copy of the publication, and the hours claimed.

Business and Professions Code sections 125.9 and 125.95 authorize BOA to adopt regulations authorizing the imposition of citations and fines for violations of the Board's statutes and regulations. Existing section 95.2, Title 16 of the CCR, provides a schedule of citations and a range of minimum and maximum fines applicable to various violations of the statutes and regulations. BOA's proposed amendments to section 95.2 would change the minimum fine applicable to a violation of section 55 of the CCR from \$100 to \$200, and change the maximum fine applicable to a violation of section 56 of the CCR from \$2,000 to \$2,500. The proposed amendments would also include violations of sections 5, 66.1, and 75.11,

Title 16 of the CCR, and violations of sections 123, 5050, 5062, 5072, 5074, 5076, 5081, 5081.1, 5100(h)-(j), and 5151 of the Business and Professions Code as a basis for citations. The minimum fine applicable to violations of Business and Professions Code sections 123, 5081, 5081.1, and 5151 and sections 66.1 and 75.11 of the CCR would be \$100; the minimum fine applicable to violations of Business and Professions Code sections 5050, 5072, 5074, and 5076 would be \$150; the minimum fine applicable to violations of Business and Professions Code section 5062 and section 5 of the CCR would be \$200; and the minimum fine applicable to violations of Business and Professions Code section 5100 (h)-(j) would be \$500.

The maximum fine applicable to violations of Business and Professions Code sections 123, 5081, 5081.1, and 5151 and section 75.11 of the CCR would be \$1,000; the maximum fine applicable to violations of Business and Professions Code sections 5050, 5072, 5074, and 5076 and sections 5 and 66.1 of the CCR would be \$2,000; and the maximum fine applicable to violations of Business and Professions Code sections 5100(h)-(j) and 5062 would be \$2,500.

The Board was scheduled to conduct a public hearing on these proposed changes on November 13.

Board Approves Administrative Committee's Enforcement Policy Manual. At its July 31 meeting, BOA approved the Administrative Committee's proposed Enforcement Policy Manual. Among other things, the Manual provides an overview of BOA's general investigative procedures; describes BOA's major case program investigative procedures; provides an overview of the Board's process for handling investigations regarding unlicensed individuals; describes the use of disciplinary alternatives; and specifies the procedure for recruiting and selecting outside legal counsel.

■ LEGISLATION

SB 1996 (Hart) requires the Controller to review the audit working papers for the prior three years of a school district that has received a specified emergency apportionment and to refer to BOA a case against the independent auditor if the quality control review indicates that the audit was conducted in a manner that may constitute unprofessional conduct. This bill was signed by the Governor on September 26 (Chapter 962, Statutes of 1992).

SB 1900 (McCorquodale) would have provided that a licensed public accountant owes a duty of ordinary care and



is liable to reasonably foreseeable persons for his/her negligence or other tortious conduct. While awaiting the California Supreme Court's decision in *Bily v. Arthur Young & Co.* (see *infra* LITIGATION), BOA requested that the legislature defer action on the bill, which it did; SB 1900 died in the Senate inactive file.

The following is a status update on bills reported in detail in CRLR Vol. 12, Nos. 2 & 3 (Spring/Summer 1992) at pages 60-61:

SB 2044 (Boatwright) declares legislative findings regarding unlicensed activity and authorizes all DCA boards, bureaus, and commissions, including BOA, to establish, by regulation, a system for the issuance of an administrative citation to an unlicensed person who is acting in the capacity of a licensee or registrant under the jurisdiction of that board, bureau, or commission. This bill also increases the number of CPAs on BOA to seven and decreases the number of public accountants to one. This bill also provides that in appointing the seven CPA members, the Governor shall appoint members representing a cross-section of the accounting profession with at least one member representing a small public accounting firm, as defined. This bill was signed by the Governor on September 28 (Chapter 1135, Statutes of 1992).

AB 2743 (Frazee) revises revocation, suspension, or refusal to renew requirements with respect to the licensure of accountants. Specifically, existing law provides that a candidate who qualifies for admission to BOA's CPA examination under Business and Professions Code section 5081.1(d) and who passes the examination in one or more subjects shall have the right to be reexamined in the remaining subject(s) only at subsequent examinations held by the Board; if he/she passes the remaining subject(s) within a period of five years, he/she shall be considered to have passed the examination. This bill requires such candidates to pass the examination in two or more subjects in order to be eligible to be reexamined only in the remaining subject(s).

This bill also amends Business and Professions Code section 5100 to provide that a violation of Business and Professions Code sections 478, 498, or 499 dealing with false statements or omissions in the application for a license, in obtaining a CPA certificate, registration under BOA's enabling act, or a permit to practice public accountancy under BOA's enabling act shall constitute grounds for discipline by the Board.

AB 2743 also amends Business and Professions Code section 5082, to provide

that an applicant for a CPA certificate shall be over the age of eighteen and shall have successfully passed written examinations in such subjects as BOA deems appropriate. AB 2743 adds Business and Professions Code section 5082.1, to provide that an application for the examination will not be considered filed unless all required supporting documents, fees, and the fully completed Board-approved application form are received in the BOA office or filed by mail in accordance with Government Code section 11003 on or before the specified final filing date. This bill was signed by the Governor on September 30 (Chapter 1289, Statutes of 1992).

SB 869 (Boatwright) was a controversial bill which would have revised existing educational prerequisites for admission to the CPA examination by, among other things, amending Business and Professions Code section 5081.1(a) to require 45 hours of instruction in a four-year institution in accounting, commercial law, economics, finance, and related business administration subjects and, effective January 1, 1997, 55 semester units in those subjects; providing for qualification by examination by BOA rather than by an agency approved by the U.S. Department of Education; and, as of January 1, 1997, requiring applicants for admission to the CPA exam to have completed at least 150 semester hours of education in a four-year institution and a baccalaureate or higher degree, or be a public accountant. This bill died in committee.

AB 1142 (Chacon) would have required licensees engaged in the practice of public accountancy to display their Board license designation and other specified information in a manner determined by BOA to be appropriate. This bill died in committee.

■ LITIGATION

Over the summer, the California Supreme Court handed two major victories to the CPA profession. In *Bily v. Arthur Young & Company*, 3 Cal. 4th 370 (Aug. 27, 1992), the court considered whether and to what extent an accountant's duty of care in the preparation of an independent audit of a client's financial statements extends to persons other than the client. When Osborne Computer Corporation began planning for an initial public offering of its stock, it retained Arthur Young & Company, a public accounting firm, to perform audits and issue audit reports on Osborne's 1981 and 1982 financial statements. Arthur Young issued unqualified, "clean" audit opinions on Osborne's financial statements. When the public offering never materialized and Os-

borne filed for bankruptcy shortly thereafter, early investors lost their investments. Those investors filed suit against Arthur Young, charging the firm with fraud, negligent misrepresentation, and professional negligence. The jury exonerated Arthur Young with respect to the allegations of intentional fraud and negligent misrepresentation. However, it returned a verdict in plaintiffs' favor based on professional negligence and awarded compensatory damages of \$4.3 million, representing approximately 75% of each investment made by plaintiffs; the court of appeal affirmed the resulting judgment. [10:4 CRLR 51-52]

On appeal, the California Supreme Court acknowledged that "audits of financial statements and the resulting audit reports are very frequently (if not almost universally) used by businesses to establish the financial credibility of their enterprises in the perceptions of outside persons, e.g., existing and prospective investors, financial institutions, and others who extend credit to an enterprise or make risk-oriented decisions based on its economic viability." The court also noted that the U.S. Supreme Court has held that by "certifying the public reports that collectively depict a corporation's financial status, the independent auditor assumes a public responsibility transcending any employment relationship with the client.... This 'public watchdog' function demands that the accountant maintain total independence from the client at all times and requires complete fidelity to the public trust." *U.S. v. Arthur Young & Co.*, 465 U.S. 805, 817-18 (1984).

With respect to liability to third parties, the Supreme Court found that the negligence instructions provided to the jury by the trial court were consistent with *International Mortgage Co. v. John P. Butler Accountancy Corp.*, 177 Cal. App. 3d 806 (1986), to the effect that: "An accountant owes a further duty of care to those third parties who reasonably and foreseeably rely on an audited financial statement prepared by the accountant. A failure to fulfill any such duty is negligence." However, the court noted that a substantial number of jurisdictions follow the lead of Chief Judge Cardozo's 1931 opinion for the New York Court of Appeals in *Ultramares Corp. v. Touche*, 174 N.E. 441 (N.Y. 1931), and deny recovery to third parties for auditor negligence in the absence of a third party relationship to the auditor that is "akin to privity." For example, in *Credit Alliance v. Arthur Anderson & Co.* 483 N.E.2d 110 (N.Y. 1985), a New York appellate court promulgated the following rule for deter-



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mining auditor liability to third parties for negligence: "Before accountants may be held liable in negligence to noncontractual parties who rely to their detriment on inaccurate financial reports, certain prerequisites must be satisfied: (1) the accountant must have been aware that the financial reports were to be used for a particular purpose or purposes; (2) in the furtherance of which a known party or parties was intended to rely; and (3) there must have been some conduct on the part of the accountants linking them to that party or parties, which evinces the accountants' understanding of that party or parties' reliance."

The Supreme Court commented that it has employed a checklist of factors to consider in assessing legal duty in the absence of privity of contract between a plaintiff and a defendant, such as the extent to which the transaction was intended to affect the plaintiff, the foreseeability of harm to him/her, the degree of certainty that the plaintiff suffered injury, the closeness of the connection between the defendant's conduct and the injury suffered, the moral blame attached to the defendant's conduct, and the policy of preventing future harm. In the case at hand, the court held that it would not permit all merely foreseeable third party users of audit reports to sue the auditor on a theory of professional negligence, based on three central concerns: (1) given the secondary "watchdog" role of the auditor, the complexity of the professional opinions rendered in audit reports, and the difficult and potentially tenuous causal relationships between audit reports and economic losses from investment and credit decisions, the auditor exposed to negligence claims from all foreseeable third parties faces potential liability far out of proportion to fault; (2) the generally more sophisticated class of plaintiffs in auditor liability cases (e.g., business lenders and investors) permits the effective use of contract rather than tort liability to control and adjust the relevant risks through "private ordering"; and (3) the asserted advantages of more accurate auditing and more efficient loss spreading relied upon by those who advocate a pure foreseeability approach are unlikely to occur.

Therefore, because plaintiffs were not clients of Arthur Young, the court held that they were not entitled to recover on a general negligence theory. In so doing, the court "rejected the rule of *International Mortgage Co.* in favor of a negligent misrepresentation rule substantially in accord with section 552 of the Restatement Second of Torts," which generally im-

poses liability on suppliers of commercial information to third persons who are intended beneficiaries of the information.

On July 2, the California Supreme Court issued a controversial 4-3 decision in *Moore v. State Board of Accountancy*, 2 Cal. 4th 999 (1992). In this case, plaintiff Bonnie Moore challenged the validity of section 2, Title 16 of the CCR, which prohibits non-CPA accountants from using the words "accounting" or "accountant" to describe themselves or their services; Moore contended that section 2 violates her constitutionally-protected commercial speech rights. [12:1 CRLR 42] In a confusing decision which is likely to be appealed to the U.S. Supreme Court, the California Supreme Court held that non-CPAs may not use the terms "accounting" or "accountant" unless such terms are accompanied by an explanation or disclaimer indicating that the advertiser is not licensed by the state, or that the services being offered do not require a state license, thereby eliminating any potential or likelihood of confusion regarding those terms. The court found that the use of such terms by unlicensed persons is misleading to the public; this finding was apparently based on a BOA-financed poll conducted by the Field Research Corporation which indicated that 55% of those surveyed believe that a person who advertises as an "accountant" must be licensed, and 53% believe that a person who advertises "accounting services" to the public is required to be licensed by the state.

Although acknowledging that California law authorizes non-CPAs to offer to the public and perform for compensation a limited category of basic accounting services, and although conceding that Business and Professions Code section 5058 does not itself expressly prohibit the use of the unmodified terms "accountant" and "accounting" by non-CPAs, the majority held that section 2 of BOA's regulations "appears reasonably necessary to effectuate the purpose and intent behind section 5058: the protection of the public from the unlicensed practice of public accountancy through the elimination of any likelihood of confusion from the use of potentially misleading or confusing titles." The court cited the BOA-sanctioned poll as support for the necessity of such consumer protection.

However, the court also held that the legislature (through section 5058) and the Board (through section 2) may constitutionally ban only those uses of the generic terms "accountant" and "accounting" that stand to potentially mislead the public regarding the user's licensee or nonlicen-

see status. "[W]here the generic terms are used in conjunction with a modifier or modifiers that serve to dispel any possibility of confusion—for example, an express disclaimer stating that the 'accounting' services being offered do not require a state license—their use in such a context may not be constitutionally enjoined."

Accompanying the majority's decision were two blistering dissents. Justice Ronald George, joined by Justice Joyce Kennard, wrote that the legislature has expressly allowed many accounting tasks to be performed by non-CPAs and has never barred non-CPAs from using the terms "accounting" or "accountant" to describe themselves or their services. Also in dissent, Justice Stanley Mosk agreed that Business and Professions Code section 5052 allows nonlicensed persons to offer basic accounting services, and stated that "it is axiomatic that those who perform accounting are accountants." As a result, Mosk argued, section 2 of BOA's regulations "prohibits what the statute permits." Mosk agreed with *amicus curiae* Center for Public Interest Law that the majority of BOA members have an obvious pecuniary interest in preventing non-CPA competitors from advertising to the public that they are performing accounting services, and commented that "the law has long looked with disfavor on rules adopted by a regulatory body the majority of which consists of members of a profession with a pecuniary stake in restricting the rights of competitors." Mosk also chastised the majority for relying on a public opinion poll to support its conclusion, stating that "[j]udicial integrity suffers when judges hold a finger up to see which way the wind is blowing. Indeed, I doubt that poll results—which are notoriously inaccurate—should be admitted in evidence."

In a petition for rehearing filed on July 17, Moore pointed out an apparent internal inconsistency in the majority's opinion. Although the majority held that non-CPAs may use the terms "accounting" and "accountant" provided they are accompanied by a disclaimer which clarifies they are not licensed as CPAs, the rule challenged in the case (section 2, Title 16 of the CCR) explicitly prohibits non-CPAs from using the terms "either singly or collectively in conjunction with other titles." Thus, under the express language of the rule, Bonnie Moore may not call herself an "unlicensed accountant," an "independent accountant," an "accountant whose services do not require a CPA license," or any other title the majority would deem acceptable. Moore argued that, under the reasoning of the majority, the rule is constitutionally



defective and should be stricken; however, the court failed to invalidate the rule in its July 2 decision. Moore urged the court to strike section 2 in order to ensure compliance with its own conclusion and directive. *Amicus curiae* Center for Public Interest Law filed a brief in support of Moore's petition, arguing that the court had improperly acted as legislature and regulatory agency by effectively rewriting the rule at issue, instead of striking it and leaving the decision about its content to the legislative branch. On August 27, again on a 4-3 vote, the Supreme Court denied Moore's petition for rehearing without explanation.

At this writing, Moore's counsel is considering a petition for *certiorari* to the U.S. Supreme Court.

In *Ross A. Johnson v. Board of Accountancy, et al.*, No. CIV. S-91-1250 LKK (U.S. District Court, Eastern District of California), Johnson, a CPA, seeks a declaration that Business and Professions Code section 5061 and sections 56 and 57, Title 16 of the CCR, constitute an unconstitutional restraint of his commercial speech rights. Johnson's complaint seeks a preliminary and permanent injunction prohibiting BOA from taking any disciplinary action against him. [12:1 CRLR 42]

Plaintiff is a CPA, and is also licensed as a real estate broker, an insurance broker, and a securities dealer; he performs no attest functions in his business, instead focusing on tax consultation, bookkeeping, compilation of financial statements, and financial planning. As a result of his tax consultation work, he occasionally arranges for the sale of mutual funds, limited partnerships involved in leasing and oil and gas production, unit investment trusts, and real property to his clients, for which he receives a commission. Under Business and Professions Code section 5051, one who holds him/herself out as a CPA may not accept commissions; however, a CPA who does not hold him/herself out as a CPA may accept commissions. Johnson alleged that the Board's statute and rules have the effect of impairing his commercial speech rights under first amendment. In response, the Attorney General's Office contended that section 5061 of the Business and Professions Code does not prohibit or infringe "speech" protected by the constitution, but conduct (the acceptance of a commission) which the Board believes impairs an accountant's ability to be independent and objective. The AG argued that Johnson is attempting to intertwine the "commissions" statute (section 5061) with the "holding out" statute (section 5051) in order to create a commercial speech cause of action where none exists.

On July 15, U.S. District Court Judge Lawrence K. Karlton agreed with the Attorney General that "the regulations at issue address conduct and affect speech, if at all, only incidentally." The court denied Johnson's motion for a preliminary injunction "because it does not appear that plaintiff is likely to succeed on the merits nor that he raises serious constitutional questions."

RECENT MEETINGS

At BOA's July 31 meeting in South San Francisco, the Board unanimously adopted the Continuing Education Committee's recommendation to approve a request from the Institute of Chartered Accountants in Australia and the New Zealand Society of Accountants, that—subject to their certifying that they practice in the spirit of BOA Rule 53 (non-discrimination)—the two organizations be extended recognition equal to that given to the Institutes of England, Wales, and Ireland. BOA found that these institutes have entrance standards, training requirements, and practical experience terms which are essentially the same as the Board's requirements for admission to the Uniform CPA Examination.

At BOA's September 18 meeting in San Diego, the Board agreed to continue considering the use of outside counsel. The Board instructed its Outside Counsel Advisory Committee to continue its work in light of SB 1594 (Boatwright) and SB 1847 (Royce), which relate to state agency use of outside counsel. Specifically, SB 1594 (Chapter 1287, Statutes of 1992) states legislative intent that efficiency and economy in state government is enhanced by the employment of the Attorney General as counsel for representation of state agencies and employees in judicial and other proceedings. SB 1594 also provides that, with specified exceptions, the written consent of the Attorney General is required prior to employment of counsel for representation of any state agency or employee in any judicial proceeding. SB 1847 (Chapter 734, Statutes of 1992) requires all contracts for legal services to contain provisions for, among other things, legal cost and utilization review, legal bill audits, and law firm audits. According to BOA's Enforcement Policy Manual (*see supra* MAJOR PROJECTS), it is BOA's policy to employ outside legal counsel as necessary for complaint investigation and prosecution and to assist the Board from time to time with its legal actions.

The Board plans to respond to Governor Wilson's request that all state agencies provide feedback on the impact of the

North American Free Trade Agreement (NAFTA); BOA is primarily concerned with the issues of international reciprocity, protecting the public interest, and limiting the practice of accounting in California to those who have the necessary training, education, and experience.

FUTURE MEETINGS

February 12-13 in Los Angeles.
May 14-15 in Sacramento.

BOARD OF ARCHITECTURAL EXAMINERS

Executive Officer:
Stephen P. Sands
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The Board of Architectural Examiners (BAE) was established by the legislature in 1901. BAE establishes minimum professional qualifications and performance standards for admission to and practice of the profession of architecture through its administration of the Architects Practice Act, Business and Professions Code section 5500 *et seq.* The Board's regulations are found in Division 2, Title 16 of the California Code of Regulations (CCR). Duties of the Board include administration of the Architect Registration Examination (ARE) of the National Council of Architectural Registration Boards (NCARB), and enforcement of the Board's statutes and regulations. To become licensed as an architect, a candidate must successfully complete a written and oral examination, and provide evidence of at least eight years of relevant education and experience. BAE is a ten-member body evenly divided between architects and public members. Three public members and the five architects are appointed by the Governor. The Senate Rules Committee and the Speaker of the Assembly each appoint a public member.

MAJOR PROJECTS

BAE Modifies Its Table of Educational/Experience Equivalents. On May 22, BAE published notice of its intent to amend section 117, Division 2, Title 16 of the CCR, regarding its Table of Equivalents which specifies the criteria by which BAE recognizes educational and vocational credit toward licensure. Specifically, the Table of Equivalents specifies the categories that a candidate may utilize to meet the minimum education and experience requirements for each phase of the licensing process. The Board