

# REGULATORY AGENCY ACTION



## STATE & CONSUMER SERVICES AGENCY (Department of Consumer Affairs)

### BOARD OF ACCOUNTANCY

Executive Officer: Della Bousquet  
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The Board of Accountancy (BOA), a twelve-member board, regulates, licenses and disciplines public accountants and certified public accountants (PAs and CPAs). Each member serves a four-year term and receives no compensation other than expenses incurred for Board activities. The Board establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its power to license. It is a misdemeanor to practice accountancy without a license in California.

The Board's staff administers and processes the nationally standardized CPA examination. Approximately 16,000 applications are processed each year. Three to four thousand of these applicants successfully complete the entire exam and are licensed.

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

### MAJOR PROJECTS:

**Certification Requirements.** In response to the growing backlog of CPAs unable to fulfill the current certification requirements, the California Society of Certified Public Accountants (CSCPA) appointed a task force to study the issue. At the Board's January 27 meeting in Oxnard, CSCPA's task force presented a recommendation for changes in the certification requirements. Currently, candidates must work for two years under the supervision of a licensee, complete 500 hours of audit work, and show experience in seventeen items of audit procedure.

According to CSCPA, many candidates have difficulty obtaining the required audit work. Task force chair Duane Hansen explained that only 25% of CPA firms even perform audits, and competition for these jobs is fierce. Additionally, firms not involved in audit work find it difficult to attract recent

college graduates. Because of these factors, the audit requirement becomes a barrier to entry which does little to guarantee competence in tax preparation and other accounting and business advisory services performed by most CPAs.

The task force recommended that the audit work experience and seventeen-item procedure requirements be dropped in favor of a minimum number of hours of education in auditing. Additionally, audit specialists who are responsible for signing financial reports would be required to complete extra audit and attestation courses. If these recommendations were adopted, California would still have one of the most stringent certification procedures.

Board members criticized the proposal as being too drastic and expressed concern about relaxing competency requirements in the only area reserved to licensees. Another problem with the plan relates to protection of the public. Some members fear reaction to lowering standards and want to avoid confusion about qualifications. In response, CSCPA encouraged the Board to redirect its attention and resources to education, ethics, and enforcement as more appropriate means of public protection.

The task force urged the Board to adopt its solution to the burden on candidates while assuring the competence of auditing specialists. The Board asked the task force to continue its study and indicated some flexibility on narrowing or relaxing the 500 audit hours and seventeen-item requirements.

**Regulation Changes.** The Board is currently considering proposed revisions of several rules not adopted after the November 1988 regulation hearing. (For background information on the earlier versions, see CRLR Vol. 8, No. 2 (Spring 1988) p. 39.) Rules 54 and 54.2, regarding disclosures of confidential client information as part of disciplinary action by the Board, and rule 54.1, compelling production of the documents covered in rule 54, are not significantly changed.

New Article 12.5, sections 95 to 95.6

regarding citations and fines, has been revised. In particular, proposed rule 95.2 would establish minimum fines which are much lower than originally proposed. Rule 95.6 would set a maximum fine of \$2500 for practicing accountancy by unlicensed persons, in addition to any existing civil or criminal remedies.

At this writing, both sets of revisions are being circulated for informed comment, after which they will be published for formal comment in the *Notice Register*.

### LEGISLATION:

**AB 226 (Cortese),** a revision of defeated AB 4537 (Cortese), is a fee increase proposal. This bill would increase the maximum amount of BOA licensing and regulation fees, and would fix the fees until July 1990 when the Board could increase fees through regulation. The American Institute of CPAs opposed AB 4537, citing a lack of budgetary analysis, but supports the current bill. At this writing, AB 226 is pending in the Assembly Ways and Means Committee.

**AB 1336 (Eastin)** would specify that at least sixty hours of continuing education must be completed by BOA licensees as a condition of license renewal, effective after December 31, 1990. This bill is pending in the Assembly Committee on Governmental Efficiency and Consumer Protection.

**SB 465 (Montoya)** would make technical changes to the existing law which permits CPAs whose certificates are cancelled to apply for and obtain a new certificate and permit, under specified conditions. This is a spot bill which is pending in the Senate Rules Committee at this writing.

### RECENT MEETINGS:

At the Board's January meeting in Oxnard, several candidates took advantage of a newly developed informal appeal procedure to explain their certification cases before the Board. This procedure affords a less formal opportunity than the more structured hearing before an administrative law judge. A personal appearance does not waive a licensee's right to a formal hearing.

At the same meeting, the Board selected new officers for 1989: Jack Kazanjian, a public accountant, was elected as President; Ira Landis, former BOA Secretary/Treasurer, will serve as Vice President; and Jeffery Martin, the former Secretary/Treasurer, will continue for another term.

### FUTURE MEETINGS:

July 27-29 in San Diego.

September 22-23 in San Francisco.

November 17-18 in Palm Springs.