

REGULATORY AGENCY ACTION



STATE & CONSUMER SERVICES AGENCY (Department of Consumer Affairs)

BOARD OF ACCOUNTANCY

Executive Officer: Della Bousquet
(916) 920-7121

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. The California Society of Certified Public Accountants' (CSCPA) task force on relieving the backlog of CPA candidates has circulated a questionnaire among BOA members on this issue. (See CRLR Vol. 9, No. 2 (Spring 1989) p. 43 for background information.) The questionnaire solicited the Board members' concerns about changing the required 500 hours of audit experience and/or the required experience in seventeen items of audit procedure. The task force believes its goal of reducing the backlog of applicants who need audit experience may be met without reducing the quality of experience.

The Board and the task force are in agreement that the current requirements are too rigid in evaluating experience. At its May meeting, the Board unanimously passed a resolution recognizing

the need for a change in the experience requirements and appointing four Board members as a subcommittee to work with the Board's Qualifications Committee (QC) and recommend changes. The subcommittee and the QC were expected to make specific recommendations for changes in the seventeen items (but not the 500 hours) at the Board's July meeting in San Diego.

Regulatory Changes. On April 28, the Office of Administrative Law (OAL) approved the Board's adoption of sections 66.1, 87.5, and 87.6, Chapter 1, Title 16 of the California Code of Regulations, and the amendment of section 75.7. (See CRLR Vol. 9, No. 1 (Winter 1989) p. 36 and Vol. 8, No. 4 (Fall 1988) p. 41 for background information on these changes.)

In early June, BOA published notice of its intent to adopt numerous other regulatory changes. The Board scheduled a July 27 public hearing on these proposed changes. BOA has proposed the following:

-Adoption of section 37, to establish criteria under which applications for relicensing without reexamination from former licensees whose licenses have expired may be approved.

-Repeal of existing section 66.1 and the substitution of existing section 75.7 as new section 66.1; new section 66.1 regarding names under which corporations may practice would be amended.

-Adoption of new section 66.2, which would allow an accounting firm to practice under its existing name for two years after a partner whose name is used in the practice name dies.

-Amendment of section 87 to delete the existing requirement that forty hours of continuing education (CE) be completed each year, and instead provide that the required eighty hours may be completed at any time during the two-year licensure period. This amendment would also establish within the eighty-hour requirement a minimum of 24 hours of CE in governmental accounting or

auditing for licensees who are responsible for planning, directing, reporting, or conducting substantial portions of fieldwork on any financial or compliance audit report on any governmental agency.

-Adoption of sections 87.1 and 87.2, which would significantly increase the educational requirement for licensees who have been out of public practice (from such areas as private industry) for more than one year.

-Amendment of section 89, regarding reporting of CE requirements completion.

-Amendment of section 90, to define the circumstances under which an extension of time in which to complete required CE units may be granted.

Centralized Cashiering. In February, the Board switched over to the Department of Consumer Affairs' (DCA) automated centralized renewal and cashiering process. This system is already in use by most of the other agencies under DCA and has reduced the delay between remittance of renewal fees and continuing education certification and the issuance of a new license.

Previously, licensees completed a pre-printed card for renewal and filled in continuing education courses and hours completed, sending the card and fee to the Board. Under the new system, DCA generates a renewal form by computer and may revise the form to include regulation or fee change information. Licensees will complete the new form and return it with their renewal fee directly to the DCA cashier, and a new license is issued within one week.

The Board is concerned that the new standard form does not require the applicant to provide enough detail about continuing education courses and hours, and is still negotiating with DCA data processing staff. The standard form asks for a signature under penalty of perjury that the licensee has completed the required courses. Each licensee is responsible for keeping certification from course providers to prove CE participation and is subject to audit. The Board contends that certification without requiring a detailed list invites abuse and honest mistakes.

LEGISLATION:

AB 459 (Frizzelle) would eliminate the five-year cancellation provision for failure to pay renewal fees. Current law requires former licensees to take the CPA examination again if they wish to reenter the profession after a five-year fee delinquency. This measure, which has been made a two-year bill, would eliminate



the reexamination requirement.

AB 1730 (Chandler) would expand the definition of public accountancy to include bookkeeping, tax return preparation, financial planning, and management consulting when performed by a BOA licensee. Unlicensed persons who perform these services and do not hold themselves out to be licensees are not engaged in public accountancy. This bill is directed at service providers who do not have a license but call their work "accountancy" and hold themselves out to be licensed. The measure is pending in the Assembly Way and Means Committee.

AB 2003 (Chacon) is a spot bill sponsored by the Society of California Accountants (SCA) which would delete an obsolete provision regarding the use of the term "public accountant." The bill is currently pending in the Assembly Committee on Governmental Efficiency and Consumer Protection.

AB 1496 (McCorquodale) would permit payment to and acceptance of commissions by Board licensees in limited situations. Currently, section 5061 of the Business and Professions Code forbids any such payment to certified public accountants. This measure is sponsored by H.D. Vest, a Texas CPA firm, and is similar to bills pending in other states.

The National Association of State Boards of Accountancy has indicated support of this measure, and the Federal Trade Commission recently stated its position in favor of allowing commissions and contingency fees. (See CRLR Vol. 9, No. 1 (Winter 1989) p. 36 for background information.) The BOA and 45 other state boards oppose any change in the current hourly charge system, which they contend maintains "the hallmark of the profession of accountancy: objectivity and independence." This bill is pending in the Senate Rules Committee.

The following is a status update on bills discussed in detail in CRLR Vol. 9, No. 2 (Spring 1989) at page 43:

AB 226 (Cortese), which would increase BOA's maximum licensing fees, passed the Assembly on April 13 and is pending in the Senate Business and Professions Committee.

SB 465 (Montoya) is another spot bill sponsored by SCA which at this time changes existing legislation on appeal procedures to gender-neutral language. This bill is pending in the Senate Rules Committee.

AB 1336 (Eastin), which would amend the Board's continuing education requirements, passed the Assembly on June 1 and is awaiting assignment to a policy committee in the Senate at this

writing. This is a spot bill which may be amended depending on the final outcome of *Moore v. California State Board of Accountancy* (see *infra* LITIGATION; see also CRLR Vol. 9, No. 1 (Winter 1989) p. 37 for background information.)

LITIGATION:

On May 8, the final order was issued in *Moore v. California State Board of Accountancy*, No. 863037 (San Francisco Superior Court). (See CRLR Vol. 9, No. 1 (Winter 1989) p. 37 and Vol. 8, No. 2 (Spring 1988) p. 40 for discussion of this case.) The order enjoins plaintiffs Bonnie Moore and members of the California Association of Independent Accountants (CAIA) who are not licensed as CPAs or PAs from practicing "public accountancy" or using the term "accountant" in their title or advertisements. The order does not prohibit such persons from preparing compilation, review, and audit reports unless the preparer uses the term or title "accountant." CAIA, a trade association of unlicensed practitioners, intends to file an appeal and a motion to stay the injunction, which was scheduled to become effective in July.

RECENT MEETINGS:

At its March meeting in Los Angeles, the Board met in closed session pursuant to Government Code section 11126(d) to discuss pending disciplinary action against several licensees and the KMG Main Hurdman determination. (See CRLR Vol. 8, No. 4 (Fall 1988) p. 41 for background information.) The matter has been remanded to Administrative Law Judge Ruth Astle for further evidence and testimony.

FUTURE MEETINGS:

September 22-23 in San Francisco.
November 17-18 in Palm Springs.

BOARD OF ARCHITECTURAL EXAMINERS

Executive Officer: Stephen P. Sands (916) 445-3393

The Board of Architectural Examiners (BAE) was established by the legislature in 1901. BAE establishes minimum levels of competency for licensed architects and regulates the practice of architecture. Duties of the Board include administration of the California Architect Licensing Exam (CALE) and enforcement of Board guidelines. BAE is a ten-member body evenly divided between public and professional membership.

Governor Deukmejian recently reappointed industry members Paul Neel and Lawrence Chaffin, Jr., to the Board. Their four-year terms began on June 1.

MAJOR PROJECTS:

Regulatory Changes. On May 23, BAE held a hearing in Sacramento concerning proposed changes to its regulations, which appear in Chapter 2, Title 16 of the California Code of Regulations (CCR). The proposed changes are divided into two packages. The first package would change existing regulations which specify the requirements for registered building designers, who were regulated by the BAE between 1965 and 1985. In 1985, legislation was enacted requiring all registered building designers to be licensed as architects. (See CRLR Vol. 5, No. 4 (Fall 1985) p. 20 for background information.) The proposed changes to regulatory sections 104, 110, and 110.1, and the repeal of sections 145 and 146 would delete all references to registered building designers in the Board's regulations, as that term is no longer applicable or valid.

The second package would amend existing regulations which currently specify the eligibility requirements and transition policies for taking the CALE. Proposed amendments to sections 109, 116, 119, 119.5, 121, 123, 125, and 144 of BAE's regulations would delete all reference to the CALE, would provide for the administration of the National Council of Architectural Registration Board's (NCARB) examination beginning in 1990, and would specify that the filing deadline for a December examination is September 1 of each year. (See CRLR Vol. 9, No. 2 (Spring 1989) pp. 44-45 for detailed background information on the Board's administration of the CALE and NCARB exams.)

Since no public comment was offered at the May hearing, the regulatory changes were scheduled for approval by the Board at its June 15 meeting in Sacramento.

LEGISLATION:

AB 1789 (Cortese) would give architects, engineers, and land surveyors a design professional's lien on real property for which a work of improvement is planned and for which a specified governmental approval is obtained, in the amount of the contract fee earned, pursuant to a written contract with the landowner for design, engineering, or planning services for a prospective improvement to the real property prior to the commencement of the work of im-