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).

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, 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, which are legislatively established, 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 compliance 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 thirteen 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 pursuant to 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.

CBA is a consumer protection agency located within the Department of Consumer Affairs (DCA). The Board consists of fifteen members: seven CBA licensees and eight public members. Each Board member serves a four-year term. In early October of 2019, the Speaker of the Assembly appointed Ariel Pe as a public member to the Board. Mr. Pe has both marketing and business experience, formerly working in global marketing for a large shoe company, and currently as owner of a printshop in the Los Angeles area. There is still one public board member vacancy.

**MAJOR PROJECTS**

**Board Survives Sunset Review**

CBA’s current Sunset date is January 1, 2020. CBA submitted its Sunset Report on November 29, 2018. The legislative oversight committees prepared a background paper prior to the February 26, 2019 hearing. The background paper highlighted issues of concern that the committees wanted Board members and CBA staff to address at the public hearing. The Sunset hearing took place on February 26, 2019. On March 26, 2018, CBA submitted written responses to eight issues raised in conjunction with the Sunset Review hearing.

[24:2 CRLR 104–111]
The Board included four proposals to the legislature in its Report for changes to statutes (see LEGISLATION). AB 1521 (Business and Professions Committee) (Chapter 359, Statutes of 2019) is the resulting Sunset bill and includes the following:

1) Amends Business and Professions Code section 5134 to increase CBA’s maximum license renewal and initial permit fee amounts to between $250 and $280.

2) Amends Business and Professions Code section 5008 to allow CBA to distribute biannual publications and reports of other matters of interest to the public and practitioners through electronic mail and their website.

3) Adopts Business and Professions Code section 5001.2 related to the denial of an application for certified public accountant licensure.

4) Amends Business and Professions Code sections 5070, 5070.5, 5073, 5096, 5096.12, 5151, and 5152.1 to require CBA applicants and licensees to provide electronic mail addresses.

Governor Newsom signed AB 1521 on September 27, 2019, thereby extending the CBA for four more years, until January 1, 2024. Between introduction in February 2019 and chaptering, AB 1521 was amended several times to address the findings from the Sunset process. Of note, Business and Professions Code section 480 addresses the overall impact on how Boards will be able to use criminal information in the denial of licenses. Because AB 1076 (Ting) (Chapter 578, Statutes of 2019) was approved by the Governor on October 8, 2019, Section 1 of the Sunset bill is enforceable.
Uniform CPA Examination Prior to Degree Conferral

At its May 16, 2019 meeting, CBA considered a timing issue with summer graduates looking to take the CPA exam after graduation, but before an official degree had been conferred. The current regulations allow recent graduates to take the CPA exam upon a successful degree conferral by an accredited educational institution. Board member Jacobson indicated this had led to applicants being unable to take the examination in the summer after they graduate. (Minutes item XII(B)).

The Board discussed that other states have adopted regulations allowing exam applicants to become eligible for taking the CPA exam before degree conferral. For instance, in Washington, an exam applicant can agree to provide the examination administrator complete documentation demonstrating that they will meet the board's education requirements within one hundred eighty days of first sitting for any one section of the exam. University professors in California have also approached Board members about the benefit of making such changes.

Ultimately, the Board voted to direct staff to work with universities with a high volume of graduates applying for the CPA exam to expedite the process to receive degree conferral documentation. The Board further voted to approve a recommendation that CBA staff pursue legislative changes to allow candidates to sit for the CPA exam prior to degree conferral and incorporate within the Business Modernization Project a process to track individuals who may apply for the CPA exam prior to degree conferral. At this writing, the Board has not taken formal action on the issue.
National Continuing Education Standards Draft and CBA Response Letter

At its July 25, 2019 meeting, CBA discussed and approved a July 30, 2019 letter to the National Association of State Boards of Accountancy (NASBA) related to draft standards for continuing professional education of accountants. The letter states that CBA supports NASBA’s full exploration of new methodologies designed to enhance knowledge and competency of licensees, and will, upon release of the final standards from NASBA, review and consider what changes will be appropriate for incorporation into CBA regulations. CBA also provided specific comments on the Exposure Draft regulations, which were last revised in 2016.

NASBA’s Exposure Draft included the addition of an adaptive learning self-study program, as well as a nano learning program, which allows a participant to learn a specific subject in as little as 10 minutes, but no more than 20 minutes. These changes involve technology applications, and computer-based or web-based technology without interaction with a real time instructor. Board members commented that younger accountants respond particularly well to the newer methodologies for learning, and there was general support among CBA members for the proposed national standards revisions.

RULEMAKING

Peer Review Reporting

On July 12, 2019, CBA published notice of its intent to amend section 45, Title 16 of the CCR to clarify the reporting of peer reviews, as set forth in the proposed language. According to the initial statement of reasons, the proposed regulations constitute the
Board’s effort to simplify the reporting process and make clear that licensees only need to report accounting and auditing services performed and peer review compliance if they are considered an accounting “firm.” There had been confusion with requirements, which led to over-reporting from individual CPAs who were not required to complete the reviews. The public comment period expired on August 26, 2019, and CBA held a public hearing on the proposed regulations on September 26, 2019. No public comments were received.

At its September 26, 2019 meeting, after discussion, the Board voted to modify the final text of the proposed rules to improve clarity of the requirements. The 15-day public comment period will end on November 22, 2019.

**Obsolete Language**

On September 27, 2019, CBA published notice of its intent to modify obsolete and outdated language of sections 7.1(c), 8, 70, 75.5, 87.6, and 89.1, Title 16 of the CCR. The planned changes are set forth in the proposed language. CBA states the old regulations caused confusion to consumers, stakeholders, and licensees. According to the initial statement of reasons, the proposed amendments “ensure that CBA’s stakeholders have access to accurate and relevant regulations governing the practice of public accountancy in California.”

The changes would repeal section 7.1(c), which addressed a 24-month retention period for electronic exams taken in 2004, as the language is no longer necessary. Section 8 would be stricken, as it also deals with the 2004 examination process and is no longer relevant to current applicants. Section 70 would have a portion of language taken out that deals with certain fees that were in place between 2014 and 2016. Section 75.5 would remove language that cites to sections 75.7 and 75.10, as these no longer exist, and replace
relevant and updated section numbers. Sections 87.6 and 89.3 would be removed because a Report Quality Monitoring Committee no longer exists.

The public comment period expires on November 12, 2019. A public hearing for the proposed regulation will be on November 21, 2019.

**LEGISLATION**

**AB 1521 (Low)**, as amended September 3, 2019, is the Board’s sunset legislation and amends various sections of the Accountancy Act. Of note, in addition to amending sections 5000 and 5105.5 of the Business and Professions Code to extend the operation of the Board and its authorization to designate an executive officer to January 1, 2024, the bill implements the following reforms:

*Administrative action by federal or foreign governments:* This bill amends section 480, and section 5100.1, and adds section 5100.2 to the Business and Professions Code to authorize CBA to deny an applicant for a license if the applicant was convicted of a financial crime currently classified as a felony that is directly and adversely related to the qualifications, functions, or duties of a certified public accountant, per regulations adopted by the Board. The bill also authorizes the Board to deny an applicant a license if the applicant, within the preceding seven years from the application date, was subjected to disciplinary action by a federal government agency, specific oversight board, or another country for an act substantially related to the functions, qualifications, or duties of a certified public accountant.

*Biennial renewal fees:* The bill also amends section 5134 to clarify that biennial fee for the renewal of each of the permits to engage in the practice of public accountancy shall not be less than $250 and shall not exceed $280. This effectively authorizes the Board...
to raise biennial licensing fees by $30. CBA has justified the raise in fees due to an annual negative cash flow, and in increasing the fees the legislature found the increase necessary to fund operations and maintain an adequate reserve.

*Email addresses:* Amended section 5008 allows the Board to distribute activity materials via email or by making them available on the Board’s internet website. Further, amended sections 5070, 5070.1, 5070.2, 5070.5, 5070.6, 5073, 5096, 5096.12, 5134, 5151, and 5152.1 require an applicant, partnership or firm who has a valid email address to report that email address to the Board. These changes have been implemented to allow for quicker communication and reduce costs. CBA’s newsletter will now be dispersed electronically.

Governor Newsom signed AB 1521 on September 27, 2019 (Chapter 359, Statutes of 2019).

**AB 1076 (Ting),** as amended August 30, 2019, amends sections 480, 480.2, and 11345.2 of the Business and Professions Code to require the Department of Justice (DOJ), beginning January 1, 2021, to review the records in the statewide criminal justice databases on a monthly basis and to identify persons who are eligible for relief by having their arrest records, or their criminal conviction records, withheld from disclosure, as specified. The bill also requires the DOJ to grant relief to an eligible person, without requiring a petition or motion, and prohibits the DOJ from disclosing information concerning a conviction that has been granted relief to boards and bureaus within the Department of Consumer Affairs.

For this reason, at its July 25, 2019 meeting, CBA members voted to oppose the bill unless it was amended to ensure that the CBA maintained access to conviction records for its existing licensees who have not yet submitted to a criminal background check. CBA staff argued that 10,000 to 13,000 licensees, who do not have active licenses, have not...
completed their fingerprint submissions for a complete criminal background check. CBA could be prevented from knowing about any convictions if an individual wished to become active and submitted to a criminal background check, and the DOJ granted relief for a conviction pursuant to this bill.

Despite opposition from several DCA boards, Governor Newsom signed AB 1076 on October 8, 2019 (Chapter 578, Statutes of 2019). In the bill-signing press release, the Governor stated, “I am signing more than two dozen bills that give hope to those that have earned a second chance in our communities, and also support victims of crime, . . . [t]hese bills show a new path to ensure our state moves closer toward a more equitable criminal justice system.” Assembly member Ting stated, “[p]eople shouldn’t have to pay for their mistakes for the rest of their lives. A fresh start improves an individual’s chances of succeeding and reduces the likelihood of recidivism. Automating the record clearance process will enable former offenders to get back on their feet and lead productive lives, . . . [o]ur economy and society pay the price when job-seeking workers are shut out.”

**Legislative Bills That Died**

The following bills reported in Volume 24, No. 2 (Spring 2019) died in committee or otherwise failed to be enacted during 2019: AB 613 (Low) would have regulated the way Boards calculated fees; a hearing for the bill was postponed in July; AB 1140 (Stone) would have required certain disclosures be made by tax preparers; and AB 544 (Brough) would have limited the maximum fee for license renewal; the bill never made it out of the Assembly. [24:2 CRLR 114–115]
RECENT MEETINGS

At its September 26, 2019 meeting, the Board discussed initiating a rulemaking process to amend section 2.8, Title 16 of the CCR regarding the definition of satisfactory evidence as it relates to meeting the educational requirements for applicants applying for admission to the Uniform CPA Examination and CPA licensure. Board member Jacobsen reported that the purpose would be to streamline the process on how CBA may receive certified transcripts, including the ability to receive certified transcripts via a secured electronic method directly from the educational institution. The Board voted to approve the amended regulatory text, direct staff to submit the text to DCA for review, and if no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for hearing.