

# CALIFORNIA BOARD OF ACCOUNTANCY

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*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

**T**he 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 108,000 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, 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 whether the applicants' 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.

On December 1, 2020, Governor Gavin Newsom [reappointed](#) Katrina Salazar as a CPA member of the Board. She was originally appointed in December 2012 by Governor Brown. She has been a CFO at California Correctional Peace Officers Association since 2015. She serves as the Pacific Regional Director for the National Association of State Boards of Accounting (NASBA) and as a member of the American Institute of Certified Public Accountants (AICPA) State Board Committee. She is also a member of the California Society of CPAs and the American Society of CPAs.

On January 21, 2021, Governor Gavin Newsom [reappointed](#) Luz M. Molina as a public member of the Board. She was originally appointed in October 2017 by Governor Brown. She has been a Contract and Grant Officer at the University of California, San Diego, since 2018, and recently became the City Clerk for National City in December 2020.

At this writing, there are no vacancies on the Board.

At its November 19, 2020 [meeting](#) (Agenda item XI), CBA reelected Mark J. Silverman, Esq. as Secretary/Treasurer; Michael M. Savoy, CPA as Vice-President; and Nancy J. Corrigan, CPA as President.

# HIGHLIGHTS

## OAL Approves CBA's Peer Review Reporting Regulations

On December 3, 2020, the Office of Administrative Law (OAL) [approved](#) CBA's proposal to amend section 45, Title 16 of the CCR, to clarify that only accounting firms, as opposed to individual licensees, are required to report peer review information to the Board. Additionally, the rulemaking package amends Form PR-1 to remove questions designed to capture statistical information and to conform with the amendments to section 45.

CBA originally [noticed](#) its proposed amendments on July 12, 2019, to clarify the peer review reporting requirements. [[25:1 CRLR 116–117](#); [25:2 CRLR 80–81](#)] According to the [initial statement of reasons](#), these amendments will improve reporting, compliance, monitoring, and enforcement of the peer review requirement. “Peer review is a systematic review of a firm’s accounting and auditing services performed by a CPA peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards.” (See Initial Statement of Reasons, at p. 1).

The amended peer review reporting regulations became effective April 1, 2021.

## CBA Sponsors AB 298 (Irwin) to Implement its Legislative Priorities for 2021

[AB 298 \(Irwin\)](#), as amended on March 30, 2021, is a bill sponsored by CBA that would amend sections 5007, 5070, 5070.5, and 5094.3 of, and add sections 5009.5 and 5093.5 to the Business and Professions Code to implement the Board’s legislative proposals for 2021. The bill is substantially similar to [AB 2267 \(Irwin\)](#), which CBA sponsored in the 2020 legislative session

but did not pass due to the Coronavirus pandemic's effects on non-essential legislation. [[25:2 CRLR 81-82](#)]

The proposed amendment to section 5007 would allow the Board's secretary-treasurer to preside at Board meetings in the absence of the vice president and president and would permit the president to designate a board member to preside at a meeting in which the secretary-treasurer is also absent. According to a [memo](#) staff presented to the Board at its January 14, 2021 meeting (Item II.I), this amendment would authorize CBA to conduct its business in the unlikely event that the officers are unable to attend a meeting, unable to act, or have to recuse themselves from a particular agenda item.

The bill would also add section 5009.5 to clarify that CBA applicant and licensee email addresses are confidential and not considered to be a public record subject to disclosure pursuant to a California Public Records Act request or posted on the internet pursuant to section 27 of the Business and Professions Code unless required by a court order.

The proposed amendment to section 5093.5 would allow admission of applicants to the CPA exam prior to completing the education requirements for licensure if the applicant is enrolled in a degree-granting university, college, or institution of learning and is within 180 days of completing the educational requirements. The amendment would also require applicants to provide the Board with satisfactory evidence of completion within 240 days of submitting the application.

Finally, the bill would amend section 5094.3 to clarify that the ethics education requirement for applicants may be fulfilled with coursework related to auditing and fraud.

According to committee analysis, this proposal arises out of the Board's observation that existing law, which requires applicants to produce an official transcript demonstrating a bachelor's

degree conferral (which can take several weeks), combined with the additional 30-day timeframe for CBA to review and authorize qualified applicants to sit for the Uniform CPA Exam, can result in applicants often having to wait three months or longer before taking the exam, thereby delaying their entry into the CPA profession. The proposed language would streamline the process for applicants to complete the Uniform CPA Exam.

On April 7, 2021, the Assembly Committee on Business & Professions passed AB 298 out of committee. At this writing, the bill is currently pending in the Assembly Appropriations Committee.

## **CBA to Accept Remote-Proctored CPA Examination Scores**

At its January 14, 2021 [meeting](#) (Agenda items II. A and B ([recording](#))), the CBA heard an update from representatives of NASBA and AICPA regarding a pilot program for a remote-proctored CPA Exam they are administering in partnership with test-center administrator Prometric. The representatives reported that exam testing centers shut down from March 18 through April 30, 2020, due to the Covid-19 pandemic and have since been restricted in their capacity. Due to the delays, they have temporarily extended the period within which candidates must successfully pass all sections of the CPA Exam. The pilot remote proctored exam is a proposed solution for the Covid-19 pandemic and similar future emergencies. It would utilize Prometric's ProProctor web-based application to allow the CPA Exam to be taken outside of a testing center using human proctors and artificial intelligence to monitor the administration. The pilot is set to begin in the second quarter of 2021.

After the presentation, Board members expressed their concerns and asked questions of the presenters with respect to the security of the web-based exam, bathroom breaks, and internet connectivity. The presenters explained that they are doing their best to replicate the in-person security measures when administering the remote exam. For example, the exam check-in identification process involves a remote human proctor and requires a webcam that can be used to scan the test-taking room. Then a proctor observes the test-taker throughout the examination, and artificial intelligence is also used to flag unusual circumstances. The proctor can stop the test at any time and ask the test taker to rescan the room.

Following the January meeting, Colleen Conrad, Executive Vice President and Chief Operating Officer of NASBA, sent a letter to all Accountancy Board Chairs and Executive Directors, including CBA, following up on a white paper and FAQs about the pilot program, and asking each board to advise whether it will accept CPA exam scores from the pilot project to maintain uniformity among all jurisdictions. Accordingly, the Board considered this issue at its March 25, 2021 [meeting](#) (Item II.L ([recording](#))). In its [memo to the Board](#) (p. 52), staff reported that although there are no California candidates participating, candidates from other jurisdictions participating in the pilot tests may seek licensure in California. After consultation with legal counsel, staff prepared a draft response to Ms. Conrad for the Board's approval, advising NASBA that DCA's legal counsel conducted a review of California statutes and did not find any statute that would authorize the Board to refuse to accept scores from the pilot administration of the CBA exam if the AICPA determines them to be valid (p. 85). Therefore, the letter advises that California will accept scores from candidates participating in the remote testing pilot for CPA licensure in California. After a brief discussion, the Board voted to approve the letter and send it to NASBA as written.

It is worth noting that staff included a Supplemental Memo in the agenda materials (p. 86) addressing an article in the Professional Licensing Report regarding the American Civil Liberties Union (ACLU) of Northern California’s critique of remotely proctored exams. According to the ACLU, as they exist now, remotely proctored exams are inequitable for misidentified minority groups and for those who live in small dwellings and also raise concerns over the security and privacy of personal information. The memo suggests that these concerns will be considered when making future decisions with respect to the remote administration of exams. While the Board is keeping abreast of new developments in the licensing exam, such as the [CPA Evolution](#) initiative, which is expected to launch a new Uniform CPA Exam in 2024, at this writing, there is no indication as to whether the exam will be offered remotely.

## MAJOR PUBLICATIONS

The following studies have been conducted by or about CBA during this reporting period:

- [Annual Report – Fiscal Year 2019–2020](#), California Board of Accountancy (provides an overview of CBA’s budget, outreach, enforcement, licensing activities, regulations, supported legislation and information technology from the fiscal year ending June 30, 2020).

## RULEMAKING

The following is a status update on recent rulemaking proceedings that CBA has initiated:

- **Peer Review Reporting:** On December 3, 2020, OAL [approved](#) CBA’s proposed amendments to section 45, Title 16 of the CCR, which clarifies the reporting of peer reviews. The amended peer review reporting regulations became effective April 1, 2021 (*see* HIGHLIGHTS).



- **Attest Experience Form:** On March 19, 2021, CBA published [notice](#) of its intent to amend section 12.5, Title 16 of the CCR as set forth in the proposed [language](#). According to the [Initial Statement of Reasons](#), the amendment updates and improves the Certificate of Attest Experience forms used to document an applicant’s experience requirements. The 45-day public comment period expires on May 3, 2021. A public hearing is set for May 4, 2021.

- **Practice Privilege Notification Form:** On March 19, 2021, CBA published [notice](#) of its intent to add subsection (e) to section 19, Title 16 of the CCR as set forth in the proposed [language](#). According to the [Initial Statement of Reasons](#), subsection (e) requires individuals exercising the practice privilege to submit the Practice Privilege Notification and Agreement Form to CBA and brings CBA into compliance with section 5096.22 of the Business and Professions Code. The 45-day public comment period expires on May 3, 2021. A public hearing is set for May 4, 2021.

## LEGISLATION

- [AB 298 \(Irwin\)](#), as amended March 30, 2021, is a bill sponsored by CBA that would amend sections 5007, 5070, 5070.5, and 5094.5 of, and add sections 5009.5 and 5093.5 to the Business and Professions Code to implement the Board’s legislative proposals for 2021. The bill is substantially similar to [AB 2267 \(Irwin\)](#), which CBA sponsored in the 2020 legislative session but did not pass due to the Coronavirus pandemic’s effects on non-essential legislation (*see HIGHLIGHTS*). [*A. Appr*]

- [AB 1026 \(Smith\)](#), as introduced February 18, 2021, would amend section 115.4 of the Business and Professions Code to grant a 50% fee reduction for veterans applying for initial

licensure at any board within DCA. At its March 25, 2021, [meeting](#) (Agenda item II.M.6 ([recording](#))) CBA adopted a Support position on this bill. *[A. B&P]*

- [SB 772 \(Ochoa Bogh\)](#), as introduced February 19, 2021, would amend section 125.9 of the Business and Professions Code to prohibit DCA boards from administering fines to licensees for minor violations of the applicable licensing act or regulations. According to the author, this bill allows the boards and bureaus to engage with small business owners or licensees in order to fix the small violation in a productive manner. *[S. BP&ED]*

- [AB 107 \(Salas\)](#), as amended March 24, 2021, would amend sections 115.6 and 5132 of the Business and Professions Code and add section 95 to the Military and Veterans Code to allow CBA, and other licensing boards under DCA, to grant temporary licenses to out-of-state licensed applicants who are married to an active-duty member of the United States military. The amendment to section 5132 would clarify that revenues from temporary licenses would be credited to the Accountancy Fund. At its March 25, 2021 [meeting](#) (Agenda item II.M.2 ([recording](#))), CBA adopted a support position on this bill. *[A. M&VA]*

- [AB 225 \(Gray\)](#), as introduced January 11, 2021, would amend section 115.6 of and add section 115.7 to the Business and Professions Code. AB 225 would allow all DCA boards to issue a license to veterans or their spouses who have a license to practice in another state and meet other requirements. CBA currently has provisions in place that facilitate immediate practice rights, and CBA is suggesting amendments to the author to exclude similarly situated boards. At its March 25, 2021 [meeting](#) (Agenda item II.M.3 ([recording](#))), CBA adopted a Support if Amended position on this bill. *[A. M&VA]*