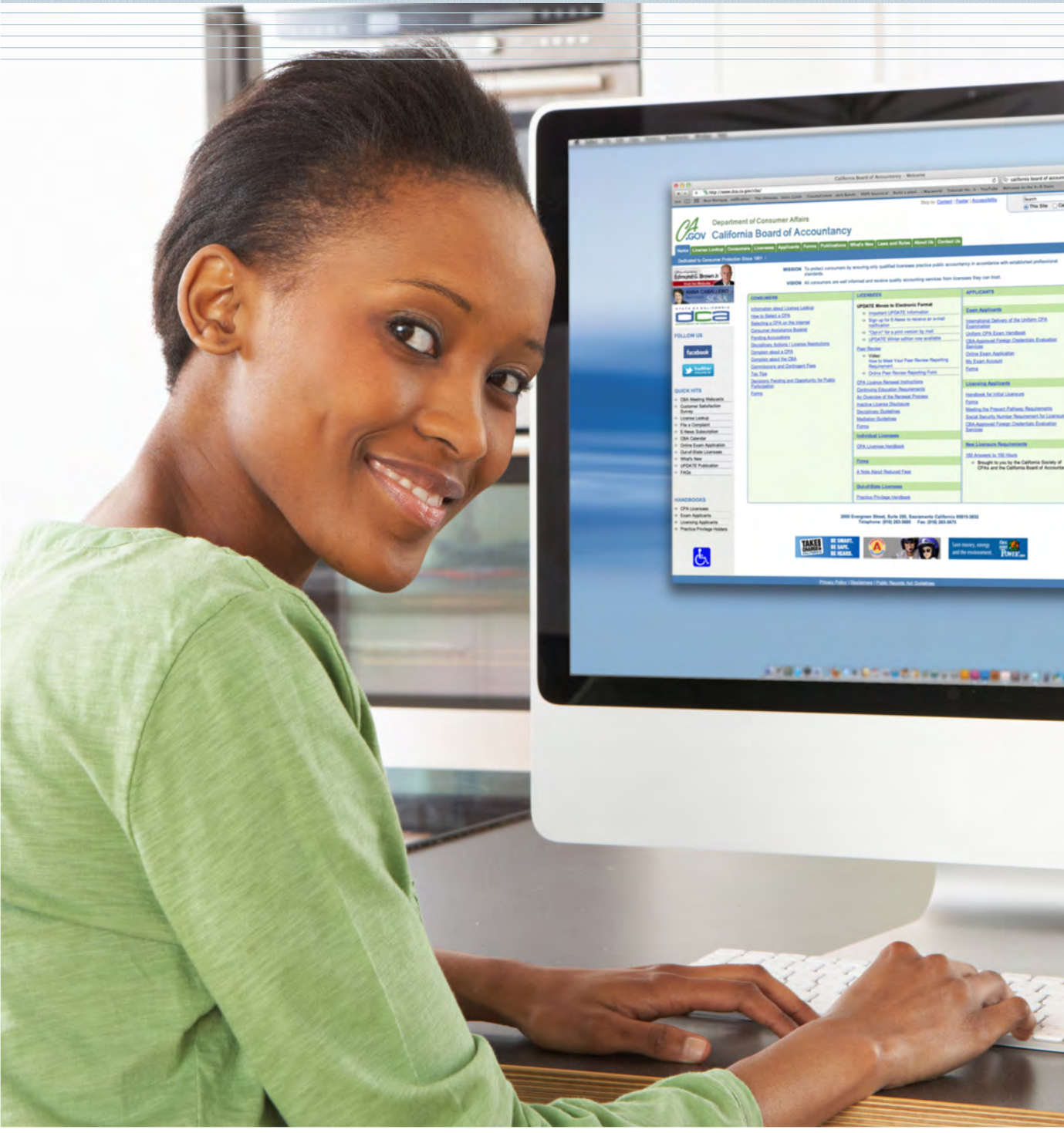


CONSUMER ASSISTANCE BOOKLET



The mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. We hope you will find this booklet a helpful tool in providing information you can use to make decisions as you seek to use the services of a licensed Certified Public Accountant or licensed Public Accountant in California.





What is a CPA?

A Certified Public Accountant (CPA) is a professional who holds a state license to practice public accounting. A California-licensed CPA is a professional who has passed the Uniform Certified Public Accountant Examination and met the education and experience requirements of California state law and has been issued a license to practice public accountancy by the California Board of Accountancy (CBA). The CBA regulates the largest group of CPAs in the United States.

To maintain the ability to practice public accountancy, CPAs are required to complete continuing professional education designed to maintain or enhance their knowledge and competence.

What is a PA?

A Public Accountant (PA) is a professional who received a certificate to practice public accountancy from the CBA during the period from 1945 to 1968 under the 1945 Accountancy Act. PAs that practice public accountancy are subject to the same continuing professional education requirements, can perform the same public accountancy services, and must adhere to the same statutes and regulations as a CPA. The last PA license was issued in 1968, and as these licenses expire or are cancelled, California will no longer have licensees with the PA designation.

The information regarding CPAs provided in this booklet also applies to PAs.

Who Can Provide Public Accounting Services in California?

CPAs and PAs who hold a valid and current license issued by the CBA have the authority to provide public accounting services to California consumers.

In addition, California allows CPAs who are licensed in another state to provide public accounting services to their California clients as long as the out-of-state license is current and valid. However, an out-of-state CPA who provides an audit or review, certain types of compilations, and/or an examination of prospective financial information for an entity headquartered in California must perform those services through a registered California CPA firm.

What Services are Provided by CPAs?

CPAs can provide a wide range of accounting services, including:

Accounting and Auditing Services

Financial accounting

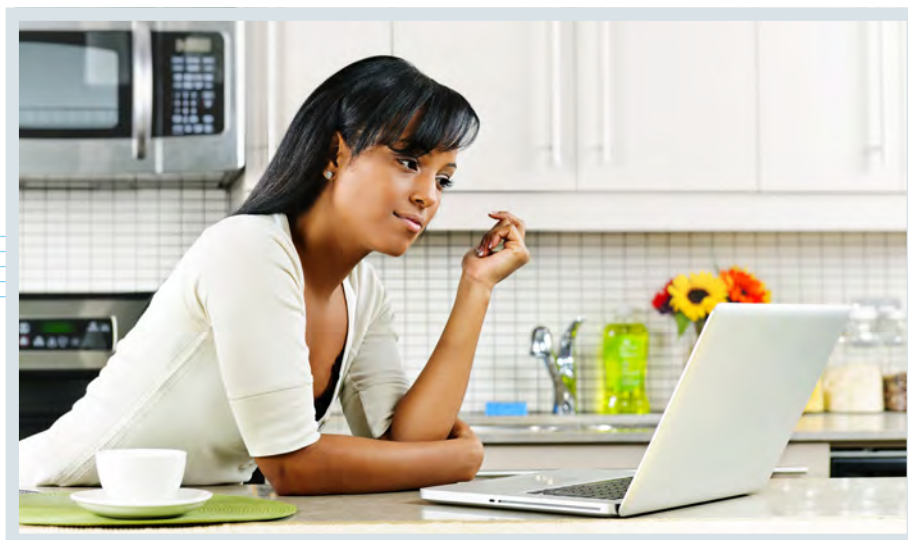
Audit or review of financial statements (Only a CPA with attest authority can sign reports on attest engagements. The attest report is a written communication issued by an independent accountant as to whether financial statements fairly represent the financial position and operating results of individuals, companies, nonprofits and governments), Compilations (Only a CPA can issue a compilation using the professional standards for CPAs), and Internal Controls.

Tax Services

Preparation

Planning

Representation before government agencies





Business and Management Consulting Services

- Financial analysis and planning
- Computer systems
- Business planning
- Accounting systems
- Corporate finance and governance
- Forensic accounting and litigation support

Financial Services

- Financial planning for individuals and businesses
- Investment advice and management
- Retirement planning
- Estate planning
- Business succession planning

All CPAs are authorized to perform a wide range of accounting services, including accounting, compilation preparation, management advisory, financial advisory, tax, and consulting services.

When selecting a CPA it is very important to ask what type of accounting work the CPA has experience in and typically performs. Compare the CPA's experience to your service needs.

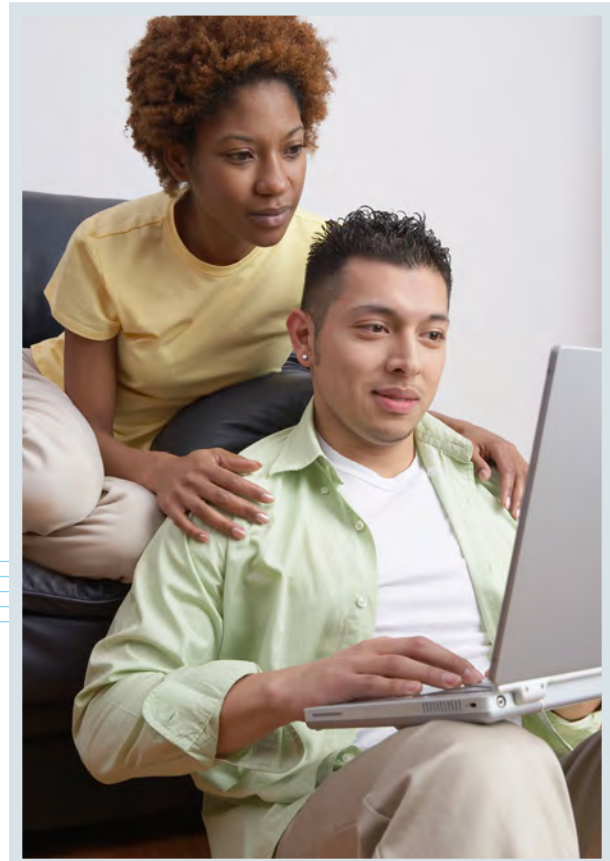
If the services you require include an audit, a review of financial statements, or an examination of prospective financial information, you need to be sure that the CPA signing the report is authorized and qualified to do so. It is important to understand that there is a distinction between a CPA who is authorized by law to sign reports on attest engagements and a CPA who is qualified to perform the work that he or she is being hired to perform; this includes signing reports on attest engagements.

AUTHORIZED means the CBA has determined that the CPA completed a portion (minimum of 500 hours) of his/her experience required for licensure in attest work.

QUALIFIED means that regardless of whether a CPA is authorized to sign reports on attest engagements, s/he complies with applicable professional standards. That requires the CPA to undertake only those professional services that s/he can reasonably complete with professional competence, including achieving a level of competence that will assure that the quality of service meets the high level of professionalism required. It is the responsibility of the CPA to evaluate whether his/her specific education, experience, and judgment are adequate to perform the services being requested. As a result, it is important to ask the CPA about his/her level and number of years of experience, continuing education, and recent peer review, if any.

Who can Provide Tax Services in California?

In California, the only individuals allowed to charge a fee for preparing taxes are CPAs, PAs, Enrolled Agents, attorneys, and California Registered Tax Preparers.



How to Select a CPA

Most of us will need the advice and services of a CPA at some time in our lives, and establishing a relationship with a CPA you trust can be important to the financial health of your family, your business, or both.

Whether a CPA will be preparing your taxes, helping you create a roadmap for your financial future, keeping your books and preparing financial statements for your business, auditing your financial statements, or any number of other services a CPA can offer, selecting the best person or accounting firm for your needs is an important decision.

Here are some helpful tips to assist in making this very important hire.

1. GET RECOMMENDATIONS FROM FAMILY AND FRIENDS

Ask for recommendations from those you trust and who may have had similar accounting needs. Here are some considerations:

- Do you have a small business? Are you looking for someone to help keep your books and prepare monthly financials? Are you looking for an annual audit and periodic advice? Are there other areas in which you need a CPA's help?
- Are you looking for a CPA to assist with financial planning, estate issues, a tax return, or IRS issues?

Recommendations should be where your search begins, not ends. Once you get several recommendations, be thorough in checking out potential candidates. Be aware that in recent years there have been several high profile cases of "affinity fraud," in which an unscrupulous individual takes advantage of people connected by religion, ethnicity, group membership, or other "affinity" in order to easily gain access and trust to sizable groups of people.

2. VERIFY ON LICENSE LOOKUP

Visit www.cba.ca.gov and click on License Lookup. You can search for a California-licensed CPA or accounting firm by the name of the CPA or firm or by license number if you have it. When you search for a license status and locate a licensee, you will see the following information listed:

- Licensee/ Firm Name
- Type of License
- License Number
- License Status
- Experience Completed

The Experience Completed field reflects the type of experience the individual completed in order to obtain his/her CPA license.

If an “A” Appears: All CPAs must complete a minimum amount of experience providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. The experience may have been gained through employment in public accounting, private industry, or government.

This CPA also completed at least 500 hours of experience in attest services, the minimum amount of experience required to sign reports on attest engagements. This experience may have been completed before or after receiving his/her CPA license. This CPA may sign reports on attest engagements.

If an “G” Appears: All CPAs must complete a minimum amount of experience providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. The experience may have been gained through employment in public accounting, private industry, or government.

This CPA can perform a wide range of accounting services, including participating in attest engagements; however, the CPA may not sign reports on attest engagements.

You will also see:

- Expiration Date
- Issue Date
- Address of Record
- Disciplinary Actions/License Restrictions (“yes” or “no”)
- If a “yes” appears in Disciplinary Actions/License Restrictions, please click on “Details” for further information.

License Lookup will allow you to see if the CPA or accounting firm you are considering has a current and active license, and if there have been any disciplinary actions or license restrictions.

License Lookup also allows you to verify the registration of an out-of-state CPA firm providing an audit or review, certain types of compilations, and/or an examination of prospective financial information for companies headquartered in California. Just click on Out-of-State Registered Accounting Firm in License Lookup.

A new resource for consumers desiring to check the status of a CPA practicing in other parts of the nation is CPAverify.org. This website is an online central repository of information about licensed CPAs and public accounting firms maintained by the National Association of State Boards of Accountancy (NASBA) to provide a single-search resource covering participating jurisdictions where a person or firm has been licensed. Access to the website is free and open to the public.

3. MEET THE CPA

Now that you have recommendations for CPAs that perform the type of services you may need and have determined that they hold a valid and current license, the next step is to find out if you are a good “match.” Because you will be trusting someone with your financial information, being comfortable that they can meet your needs is important to a good long-term relationship. The best way to determine that is through an interview, preferably in person, but at the very least, by telephone. Please be aware that the CPA may charge a fee for an interview.



What to ask:

- What type of accounting work does the CPA have experience in and typically perform? Remember, not all CPAs provide the same range of services. Compare the CPA’s experience to your service needs.
- What office hours does the CPA or accounting firm keep? Determine whether the office is open year-round; inquire if the CPA is available to take telephone inquiries.
- What type of continuing education has the CPA taken recently?
- Has the CPA been disciplined?
- Is the CPA licensed in another state? If yes, you may check with the licensing state or CPAverify.org to review the status of that license.
- If the services you require include either compiled, reviewed or audited financial statements, the CPA is required to participate in a peer review. Ask for a copy of the most recent review. A more detailed description of the peer review program appears on page 12 of this brochure.
- Does the CPA disclose any of your confidential information in connection with outsourcing any of the services to be provided?
- You may also want to ask if the CPA carries professional liability insurance. Professional liability insurance helps protect you in the event a claim is made for damages arising from a CPA’s failure to perform tax or other services satisfactorily.

4. ENGAGEMENT LETTER

Before any work is done by the CPA, it is important to make certain that you receive an engagement letter regarding the purpose of the engagement and the work the CPA will perform for you. The engagement letter should include:

- The scope of the work to be performed (what the CPA will and won't do)
- Who will be performing the work, including whether the work is outsourced
- Client responsibilities
- The cost of the services
- When the work will be completed





Some final advice on selecting a CPA

The best time to choose a CPA is when you are beginning a business venture, planning for your financial well-being, or have time to meet with a CPA well before “tax season,” not when you have a crisis. This approach provides you both the opportunity to gather the necessary documents and make the necessary preparations to launch a successful professional relationship.

Confidential Information

All information you provide to your CPA is confidential, and your CPA is required by law to ensure that none of your confidential information is disclosed without your permission. This includes any of your confidential information disclosed to persons or entities in connection with outsourcing any services provided by the CPA. While other persons or entities may provide you with financial services, including tax preparation, it is important to be aware that this is a regulation that pertains only to CPAs providing services in California. Only under specified circumstances, such as a subpoena in a legal proceeding or an official inquiry by a state or federal regulatory agency, are your records authorized to be disclosed without your permission.



Peer Review

A peer review is a study of an accountancy firm's accounting and auditing work by a CPA who is unaffiliated with the firm being reviewed. Peer review is required for all California-licensed firms, including sole proprietorships, which issue accounting and auditing reports that are prepared following specified professional standards. Tax practice is not required to be monitored by peer review.

A peer review provides accountancy firms with an evaluation of whether the services they provide meet applicable professional standards. It is an educational opportunity to learn best-practice techniques and improve services, so they can provide up-to-date methods and practices to consumers. Peer review also better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems to ensure the work products meet professional standards.

There are three results from a peer review: pass, pass with deficiencies, and substandard (also referred to as fail). If the result is pass with deficiencies or substandard, the CPA must take corrective action. Ask the CPA if the proper corrective actions have been completed.

Can the CBA Help Me If I Have a Complaint?

The California Accountancy Act and the California Code of Regulations are the laws that govern the practice of public accountancy in California. It is the CBA's responsibility to investigate complaints involving violation of these laws, which may include service or work that is of poor or substandard quality and unprofessional conduct such as dishonesty, fraud, or negligence. If you have questions or concerns about the services you receive and are unable to resolve them with your CPA, we encourage you to file a complaint with the CBA. Please be aware that matters involving fees and employer/employee relations are not under the jurisdiction of the CBA.

How Do I File a Complaint?

The CBA has a complaint form to assist consumers in filing a complaint. You may file the complaint online via the CBA website, www.cba.ca.gov. Click on the "Consumers" tab. Select and click the "Complain about a CPA" text link and then select and click on "interactive version."

You may also file a complaint in letter form, or you may obtain a paper copy of the complaint form on the CBA website in the "Complain about a CPA" text link under "PDF" or by calling the CBA's Enforcement Division directly at (916) 561-1729 to have a complaint form mailed to you. The letter or complaint form and copies of supporting documents may be submitted to the CBA in person, by FAX at (916) 263-3673 or by mail to:

**CALIFORNIA BOARD OF
ACCOUNTANCY**
ATTN: Enforcement Division
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833



What Information Do I Need to Provide?

The information you provide will be used by the CBA to follow up on your complaint. Please provide a detailed description of your complaint, including your name and contact information, the name of the CPA, the reason for your complaint, when the problem first occurred, and a chronological summary of the facts and circumstances will assist the CBA in addressing your concerns. You will also be requested to submit a copy of any documentation (such as the engagement letter, tax forms, tax notices, audit reports, financial statements, and correspondence) to support your complaint. It is not necessary to reference specific sections of the law that you believe have been violated.

If you do not wish to identify yourself, you may remain anonymous; however, this may limit the CBA's ability to contact you or help you resolve your complaint.

What Happens When the CBA Receives a Complaint?

Within 10 days of receipt of your complaint, the CBA will send you a letter acknowledging that your complaint was received. This acknowledgement will contain an initial complaint referral number. Please reference this number in all communications with the CBA's Enforcement Division regarding your complaint.

Every complaint is reviewed by CBA staff, and you may be contacted with a request for additional information. Complaints that are outside of the CBA's jurisdiction are closed. When a complaint is closed, the complainant is notified of the reason for closure by mail.

Complaints within the jurisdiction of the CBA are assigned for investigation, and you will be advised in writing of the name and contact information of the assigned investigator. If the investigation substantiates violation of the Accountancy Act or the CBA Regulations, enforcement action against the CPA may include the issuance of a citation and fine or forwarding the investigative file to the Attorney General's Office for review and possible disciplinary action. Please be aware that California law requires the CBA to provide clear and convincing evidence in order to substantiate a disciplinary action; therefore, the investigative process can be lengthy. Once the investigation is completed, the investigator will notify you in writing of the results.





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Sacramento, CA 95833
www.cba.ca.gov