



# Annual

# Report

CALIFORNIA BOARD OF ACCOUNTANCY

**T**he 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.



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Fiscal Year 2013-14



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# EXECUTIVE OFFICER'S STATEMENT

I am happy to share with you the *California Board of Accountancy Annual Report for Fiscal Year 2013-14*. Keeping in focus our mission to “protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards,” our goal is clear, enhance and improve our services to California consumers, licensees, and our many other stakeholders.

The past year has seen important accomplishments and changes at the California Board of Accountancy (CBA), to meet that goal, including:

## ***Consumer Protection***

- Established a new fingerprinting regulation requiring those not previously fingerprinted to have a record of their fingerprints on file for purposes of securing a background check by the Department of Justice (DOJ) and the United States Federal Bureau of Investigation (FBI).
- Established the Mobility Stakeholder Group, which advises the CBA on consumer protection elements of the recently enacted mobility provisions.

## ***Enforcement Division***

- Focused resources on enforcement to reduce inventory and complete investigations more quickly. For consumers, it means their complaints are resolved more timely and they can have confidence that the services they receive are from a qualified CPA.
- Provided enhanced training to all enforcement staff, including attendance at the Council on Licensure, Enforcement, and Regulation National Certified Investigator Training and the Department of Consumer Affairs (DCA) Enforcement Academy.

## ***Licensing Division***

- Implemented the new 150 semester hour single pathway requirement for CPA licensure, and made statutory changes to ease the transition to the new requirements for CPA candidates who passed the Uniform CPA Examination (CPA Exam) by December 31, 2013.
- Implemented a new retired license status and a license status for active members of the military exempting them from any continuing education (CE) or peer review reporting requirements or paying the license renewal fee.

## ***Administration Division***

- Completed the rulemaking process to further reduce the initial permit and biennial license renewal fees, as well as reduced the application fee for the CPA Exam, license application fee, and fee for registration as a partnership or corporation. These fee reductions are for a two-year period taking effect July 1, 2014.

### ***Outreach***

- Expanded speaking engagements to emphasize the CBA's mission of consumer protection and provide information regarding licensing requirements, new legislation, regulation, and programs that would have a direct impact on consumers, students and faculty, applicants, and licensees.

This past year I have continued my participation on the National Association of State Board of Accountancy's Accountancy Licensee Database (ALD) committee. The ALD is a central repository of current licensee and firm information available to participating state boards of accountancy. The ALD committee has been key in gaining successful participation from state boards of accountancy, with the total number of jurisdictions participating on ALD now up to 46.

Additionally, I have participated in the American Institute of Certified Public Accountants (AICPA) Board of Examiners (BOE) committee meetings. The BOE oversees the development and scoring of the CPA Exam and ensures that the CPA Exam is consistent with entry-level knowledge and skill requirements of CPAs. My participation in BOE committee meetings has allowed me to stay abreast of the upcoming changes to the CPA Exam as a result of the present practice analysis being undertaken by AICPA. To keep members aware CPA Exam-related activities, information is now included in the Licensing Division reports.

The new achievements reflected in this report require a coordination of efforts by CBA staff. CBA staff consistently bring dedication, enthusiasm and professionalism, and are known for their impressive level of accomplishment. They are truly an asset in representing the CBA, and I believe California consumers, licensees, stakeholders, and fellow agencies are well-served by the California Board of Accountancy.

Patti Bowers  
Executive Officer



# THE CBA ORGANIZATION

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's practice act is found at section 5000 *et seq.* (Accountancy Act) of the Business and Professions Code (BPC), and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA has the authority to license and discipline not only individuals and partnerships but also CPA corporations. As accounting practitioners, the CPA and the public accountant (PA) are sole proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals; private and publicly-held companies; financial institutions; nonprofit organizations; and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia. The CBA performs its consumer protection mission for many stakeholders, including:

- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies, which require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, and federal and state banking regulators; and local, state, and federal taxing authorities.
- Retirement systems, pension plans, and stock exchanges.

Current law mandates that the CBA consist of 15 members, seven of whom must be CPAs, and eight of whom must be public members, not licensed or registered by the CBA. The Governor appoints four of the public members and all seven licensee members. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members.

The members of the CBA appoint an Executive Officer to oversee the daily operations of the board and implement the various policy decisions made by the board. The CBA is comprised of three divisions that encompass the areas of Administration, Licensing, and Enforcement. There are approximately 82 permanent staff members and additional temporary staff that assist throughout the CBA in various capacities. Although the CBA is "divided" into three divisions, the CBA operates as one, knowing that each activity performed is being done so in the interest of consumer protection.



CBA Member Dinner with Staff from the Governor's Office





# CBA MEMBERS



Michael M. Savoy, CPA, President



Jose A. Campos, CPA, Vice President



Katrina Salazar, CPA, Secretary/Treasurer



Sarah "Sally" Anderson, CPA\*



Diana Bell



Alicia Berhow



Herschel T. Elkins, Esq.



Laurence (Larry) Kaplan



Louise Kirkbride



Kay Ko



Leslie LaManna, CPA\*



Kitak (K.T.) Leung, CPA



Manuel J. Ramirez, CPA\*



Mark J. Silverman, Esq.

*\*Past President*



# STRATEGIC PLANNING & WORKFORCE AND SUCCESSION PLANNING

## Strategic Planning

The *2013-2015 Strategic Plan* identifies specific objectives that assist the CBA in fulfilling its mission and vision. The *2013-2015 Strategic Plan*, adopted in September 2012, identifies seven goals and 28 objectives developed to enable the CBA to meet its mandates identified in the Accountancy Act and CBA Regulations, as well as the policy directions of the CBA.

For each objective, staff has developed project outlines identifying specific tasks that must be accomplished to achieve the objectives. The project outlines are currently underway and several are already complete or nearing completion. Provided below is a summary of highlights from some of these goals and objectives from FY 2013-14.

### ***Goal 1 – Enforcement***

*Maintain an active, effective, and efficient program to maximize consumer protection.*

- The CBA pursued, and was granted, a budget change proposal (BCP) that allowed the CBA to hire six new Investigative CPAs (ICPA) which will allow for more expedient processing of outstanding investigations and increased fieldwork. *Objective 1.2*
- In an effort to reduce disciplinary timeframes, the CBA has begun work with the Office of the Attorney General (AG's Office) to streamline the processes, including strategies such as providing the Deputy Attorney General (DAG) with settlement terms upon service of an accusation or statement of issues and preparing default decisions in an expeditious manner when a licensee fails to file a Notice of Defense. *Objective 1.4*

### ***Goal 2 – Customer Service***

*Deliver the highest level of customer service.*

- To ensure a high level of service and professionalism, the CBA consistently monitors its level of customer service through its online Stakeholder Survey. The CBA uses the survey results to constantly strive to provide the highest level of customer service to its stakeholders. *Objective 2.3*

### ***Goal 3 – Licensing***

*Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.*

- The Licensing Division is meeting its goal of processing applications at or below the established 30-day processing timeframes for all units. *Objective 3.1*
- The Practice Privilege Program was successfully launched on July 1, 2013. *Objective 3.2*

- The Initial Licensing Unit has successfully implemented the new education requirements. *Objective 3.3*

#### ***Goal 4 – Outreach***

*Provide and maintain effective and timely outreach to all CBA stakeholders.*

- The CBA continues to maintain an active social media presence on Twitter, Facebook, Pinterest, and LinkedIn. The CBA will continue to review social media platforms and evaluate the suitability of each as an education and outreach tool. *Objective 4.4*

#### ***Goal 5 – Laws and Regulations***

*Maintain an active presence and leadership role that efficiently leverages the CBA’s position of legislative influence.*

- The CBA had positions on more than 25 pieces of legislation during the past year. Those positions were communicated to the Legislature via position letters to both the author’s office and the chair of the committee where the bill would next be heard. In addition, the CBA President, Vice-President, and members made visits to several Legislators including those on the Assembly and Senate Business and Professions Committees. *Objective 5.2*

#### ***Goal 6 – Emerging Technologies***

*Improve efficiency and information security through use of existing and emerging technologies.*

- The CBA regularly posts all of its minutes and public meeting materials on its website for access to the public, stakeholders, CBA members, and staff. *Objective 6.5*
- The CBA implemented a new method for secure access to closed session agenda items via the website. Closed session materials can now be downloaded to various electronic media, including tablets, which will save resources by reducing photocopying. *Objective 6.7*

#### ***Goal 7 – Organizational Effectiveness***

*Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.*

- Management continues to emphasize training courses and cross-training of staff, which is valuable when seeking internal promotional opportunities. Staff has begun working on revising the CBA’s *2012-2014 Workforce and Succession Plan*. *Objective 7.1*

## Workforce and Succession Planning

Workforce and succession planning is a process to help ensure that the right number of people, with the right skills are available when called upon to perform necessary tasks. This process allows the CBA to plan for and address foreseeable changes in the strategic direction of its workforce. In order to prepare staff for promotional opportunities, training and development are emphasized by CBA management. Each employee is provided by their supervisor with an Individual Development Plan once per year that outlines a strategy for professional improvement. In addition, staff are regularly cross-trained in order to assure vital knowledge retention as well as prepare for future staffing needs.

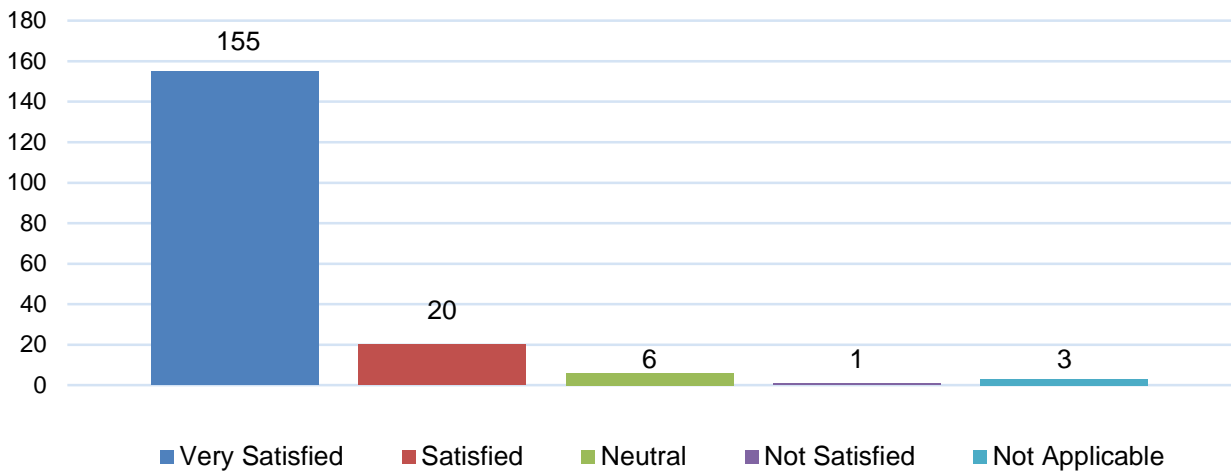
The CBA's *2012-2014 Workforce and Succession Plan* focuses on succession planning for its managerial staff. This plan has been closely followed in the past year as critical management positions have been filled in the Licensing and Enforcement Divisions using the procedures outlined in the plan. Additionally, since the development of the Workforce and Succession plan in 2012, the CBA has had a total of 29 promotions and internal transfers. Nearly 50 percent of the vacancies were filled by CBA staff. The *2012-2014 Workforce and Succession Plan* is currently being revised and updated. It will be provided to the CBA during the coming year



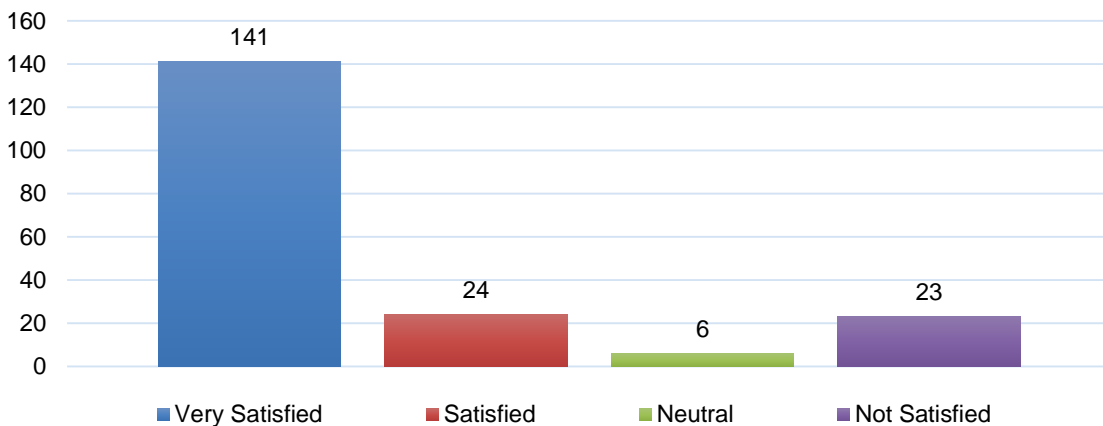
# STAKEHOLDER SATISFACTION

The CBA Stakeholder Satisfaction Survey offers a significant source of feedback from stakeholders on their experiences with the CBA. The CBA uses the results to further improve its customer service to all CBA stakeholders. On average, more than 85 percent of those responding to the survey report being satisfied with the service they received from the CBA. Additionally, more than 90 percent reported being satisfied with how quickly staff responded to their inquiries, as recorded in the accompanying Survey Results chart. In evaluating responses for trends, satisfaction with service and response time trended upward in FY 2013-14.

## Were You Satisfied with the CBA's Response Time to Your Inquiry?



## Did CBA Service Meet Your Expectations?

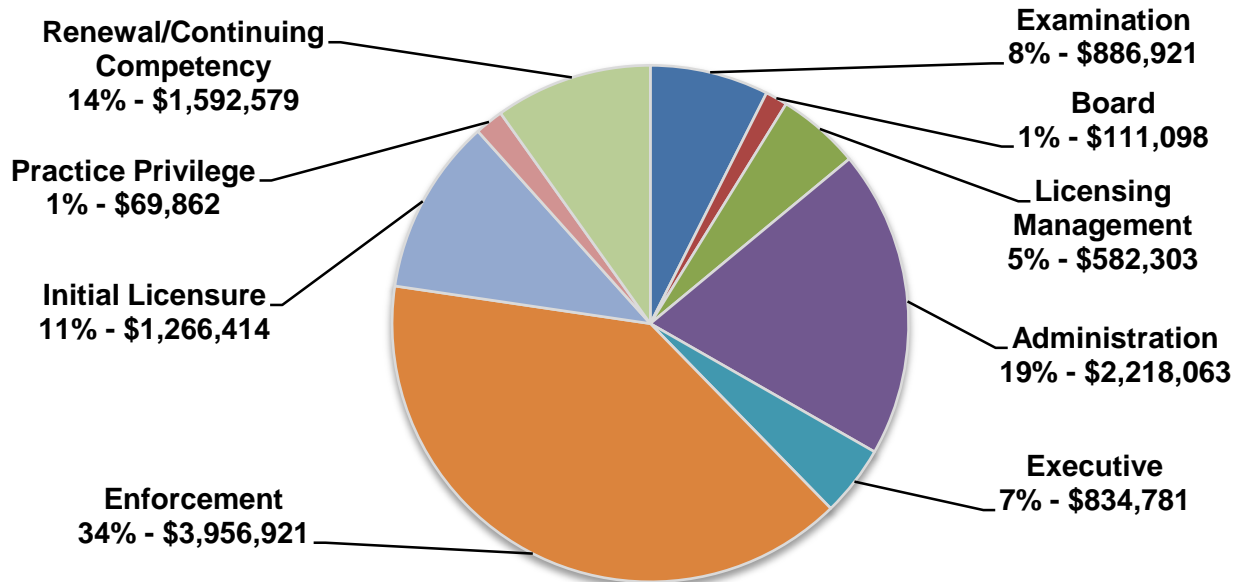






# CBA BUDGET

## FY 2013-14 Allocations Total Budget: \$11,518,942



The CBA's budget in FY 2013-14 was \$11,518,942, which represents the maximum amount of money that the CBA can spend on annual operations. The chart above illustrates the resources allotted to each unit within the CBA. The CBA Administration Division is responsible for determining the budgets for each program with the number and classification of personnel, specific contracts, and expected equipment purchases all considered when determining these amounts.

At the start of FY 2014-15 the CBA lowered fees further to ensure that the Accountancy Fund Reserve (Reserve) is reduced to approximately three months of annual expenditures. This will be accomplished by temporarily lowering exam, license application and licensee renewal fees to \$50 or less. The fees are part of a two-year temporary reduction from July 1, 2014 through June 30, 2016.

The CBA had previously reduced its license renewal fees in FY 2011-12 from \$200 to \$120 per biennial period in order to lower the Reserve to more appropriate levels. This temporary reduction continued through FY 2013-14. Despite this revenue reduction, the Reserve has remained relatively constant.

No loans to the state's General Fund were made from the Reserve in FY 2013-14; however, a total loan amount of \$31,270,000 from the CBA's Reserve still remains outstanding. With the reduced fee levels, staff expect that a \$6,000,000 loan will need to be repaid in FY 2015-16.

Staff keeps CBA members apprised of the CBA budget by providing updates and year-to-date expenditure and revenue data via quarterly financial reports at CBA meetings. These reports reflect revenues, expenditures, and reimbursements for the current quarter and are compared to

the same quarter of the prior year. Additional charts included in the report show historical CBA data with year-end expenditure projections reflecting revenue and expenditure levels.

The following table provides a general summary of the CBA Reserve including statistics for FY 2013-14 and staff projections for the next two years.

<b>ANALYSIS OF FUND CONDITION</b>	<b>FY 2013-14 (Actual)</b>	<b>FY 2014-15 (Projected)<sup>1</sup></b>	<b>FY 2015-16 (Projected)<sup>1</sup></b>
<b>Total Reserves, July 1</b>	\$15,360,642	\$14,238,000	\$6,123,000
<b>Total Revenues</b>	\$10,309,882	\$5,432,000	\$5,325,000
<b>Total Transfers</b>	\$0	\$0	\$7,861,000 <sup>2</sup>
<b>Total Resources</b>	\$25,670,524	\$19,670,000	\$19,309,000
<b>Total Expenditures</b>	\$11,518,942	\$13,413,000	\$13,514,000
<b>Scheduled Reimbursements</b>	\$202,520	\$296,000	\$296,000
<b>Investigative Cost Recovery</b>	\$86,414	\$134,000	\$134,000
<b>Reserve, June 30</b>	\$14,238,354	\$6,123,000	\$5,661,000
<b>MONTHS IN RESERVE</b>	12.7	5.4	5.4

<sup>1</sup>The revenue figures for FY 2014-15, and FY 2015-16 reflect revenue decreases from lowering of Examination, Renewal and Initial Licensing fees.

<sup>2</sup>A \$6 million General Fund Loan in 2002 is expected to be repaid in FY 2015-16. It is projected that the interest which is required to be repaid at the time of loan repayment will amount to \$1,861,000.

# LEGISLATION

The CBA continues to maintain an active role with the Legislature by tracking legislation and meeting with legislators regarding legislation that impacts consumers of accounting services and/or directly relates to the CBAs mission of consumer protection by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. Provided below is an overview of the legislation sponsored, tracked, and monitored by the CBA during 2013 and 2014.

## 2013 Legislation

*The following Assembly Bills (AB) and Senate Bills (SB) directly affecting the CBA became law following the 2013 legislative year:*

### ***AB 258***

This bill required state agencies to ask the question “Have you ever served in the United States military?” instead of “Are you a veteran?” on forms where such a question is asked. The CBA took a Support position. It took effect on July 1, 2014.

### ***AB 1057***

This bill requires every board, beginning January 1, 2015, to ask on its licensure applications whether the applicant is serving or has served in the military. The CBA took a Support position. It will take effect on January 1, 2015.

### ***SB 822***

This bill provided the CBA citation and fine authority over out-of-state CPAs practicing in California via a practice privilege. Additionally, it required practice privilege holders to notify the CBA of pending criminal charges. The CBA requested these provisions and took a Support position. It took effect January 1, 2014.

### ***SB 823***

This bill allowed candidates enrolled in a program that only confers a baccalaureate degree upon the completion of a master’s degree or 150 semester units to take the CPA Exam after completing the requirements for a baccalaureate degree. It also allowed CPA candidates to obtain licensure under the requirements as they existed on December 31, 2013 until January 1, 2016, if they passed the CPA Exam by December 31, 2013. The CBA requested these provisions and took a Support position. It took effect October 1, 2013.

## 2014 Legislation

*The following bills directly affecting the CBA were considered during the 2014 legislative year:*

### ***AB 1702***

This bill states that a board or bureau within the Department of Consumer Affairs (DCA) shall not delay or deny a license solely based on an applicant’s previous incarceration. The CBA took a Support position. It will take effect January 1, 2015.

***AB 2058***

This bill would require standing advisory committees of less than three members to notice their meetings under the Bagley-Keene Open Meeting Act. The CBA took an Oppose position. This bill was vetoed by the Governor.

***AB 2396***

This bill would prohibit a board from denying a license based solely on a conviction that has been dismissed. The CBA took an Oppose position. It will take effect on January 1, 2015.

***AB 2415***

This bill would establish a statewide structure for the regulation of Property Tax Agents which would include CPAs acting in that capacity. The CBA took an Oppose Unless Amended position to exclude CPAs. This bill was vetoed by the Governor.

***AB 2720***

This bill requires agencies to publically report its actions and the vote, including abstentions of each member, on those actions. The CBA took a Support position. It will take effect January 1, 2015.

***SB 1159***

This bill requires boards and bureaus within DCA to accept an Individual Taxpayer Identification Number in lieu of a Social Security Number. It also prohibited these entities from denying a license based on an individual's immigration or citizenship status. The CBA took a Neutral position. It will take effect January 1, 2015, and it must be implemented prior to January 1, 2016.

***SB 1226***

This bill would require all Department of Consumer Affairs (DCA) boards and bureaus, after July 1, 2016, to expedite, and assist with, the initial licensure process for an applicant who supplies evidence that he or she has served as an active duty member of the armed forces and was honorably discharged. The CBA took a Support position. It will take effect January 1, 2016.

***SB 1243***

This bill was the DCA sunset review bill. It contained various provisions including new meeting notice requirements, changes to the phone disconnect program for unlicensed activity, changes to enforcement training offered by DCA, and changes to the DCA Annual Report to the Governor. The CBA took a Watch position. It will take effect January 1, 2015.

***SB 1467***

This was one of the Senate Business, Professions and Economic Development Committee's omnibus bills and it contains four provisions requested by the CBA.

1. It authorizes the CBA to collect, but not require, an email address from applicants or licensees renewing a license, and it provides that an email address collected by the CBA shall be treated as confidential.
2. It authorizes the CBA to, by regulation, allow experience in academia to satisfy the one-year experience requirement for a CPA license.

3. It clarifies that a CPA who is licensed in another state and who holds and exercises a practice privilege in California, must notify the CBA in writing within 30 days of any pending criminal charges.
4. It corrects a drafting error by moving the requirement that the CBA consult with the Public Company Accounting Oversight Board and the United States Securities and Exchange Commission to practice privilege requirements which are in effect until January 1, 2019.
5. It removes the requirement that two members of the CBA represent small firms and removes the definition of small firm.

The CBA took a Support position. It will take effect January 1, 2015.

### Legislative Best Practices

To further strengthen the CBA's communications and interactions with the legislature, staff has worked on establishing best practices during FY 2013-14. Established best practices include increased communications with the author of the bill, inviting the authors or their legislative staff to attend CBA meetings, providing the CBA's legislative analysis to the author's office, and always expressing the CBA's willingness to meet and discuss the bill.

These best practices will work to further strengthen the CBA's relationship with the Legislature.





# REGULATIONS

## Approved Regulations

*The following regulations were approved in FY 2013-14*

### ***Continuing Education (9/10/2013)***

This rulemaking package conformed requirements for CE courses, in large part, to national standards. In addition, it changed the CE required for applicants whose experience was obtained five or more years prior to application for licensure and for reissuance of a cancelled license to be equivalent to the same standard of CE required for active license renewal.

This rulemaking package also reduced the number of fraud CE hours from eight to four hours and expanded the scope of the course to include prevention, in addition to the detection and reporting, of fraud in financial statements. The reduction was made, in part, due to the fact that prevention of fraud has become a regular part of the accounting education required for CPA licensure over the past decade.

### ***Retired Status (10/16/2013)***

This regulation implemented a retired license status as provided for in AB 431 of 2011. It outlines the qualifications needed to obtain retired status, provides a form for application for the status, and provides for restoration of the license back to active status. In addition, it sets the fees and only allows for the status to be granted on two occasions.

### ***Military Inactive Status (11/13/2013)***

This regulation created the form for applying for military inactive status as established in SB 1405 of 2012. It also clarified what sort of documentation the CBA would accept as proof of discharge from military service. In addition, it set forth the means by which a licensee could convert their license from a military inactive status to active status or inactive status.

### ***Practice Privilege (12/18/2013)***

This regulation made permanent the practice privilege regulations, which were originally adopted as emergency regulations.

### ***Fee Reduction (1/13/14)***

This regulation reduced several of the CBA's fees for a two year period starting July 1, 2014. These fees include the CPA exam application fee, the license application fee, the initial permit fee and the license renewal fee. This change was made to reduce the CBA's Reserve.

## Regulations in Progress

*The following regulations are in progress*

### ***Disciplinary Guidelines and Model Orders***

This regulatory proposal provides CBA staff and Administrative Law Judges updated Disciplinary Guidelines and Model Orders to discipline violations of CBA laws and regulations.

***Practice Privilege Notification of Pending Criminal Charges Form***

The regulatory proposal incorporates a Practice Privilege Notification of Pending Criminal Charges Form. This form collects information on individuals practicing in California under a practice privilege who have pending criminal charges.



## LEGISLATIVE REPORTS

Beginning in early 2014, staff initiated work on three major reports, which are due to the Legislature during the next year.

### *Sunset Review Report*

The Sunset Review Report is due to the Legislature by November 1, 2014. This report answers a series of questions posed by the Legislature that will assist it in determining whether to extend the sunset date of the CBA. Following submission of the report and review by the Legislature, CBA Leadership and the Executive Officer will provide testimony during various hearings regarding information contained in the report or on any other issue that arise.

The CBA was provided a draft report at the July 2014 CBA meeting. During the meeting members provided valuable feedback to enhance the information. The final report was submitted to the CBA in September 2014 and approved by a unanimous vote.

### *Peer Review Report*

The Peer Review Report is due by January 1, 2015. This report provides the Legislature with specific information it requested in BPC section 5076 detailing the implementation of mandatory peer review. The report also contains an overview of all activities relating to peer review, including statistics that will aid the Legislature during its evaluation. Based on the report, the Legislature may make changes to the program, as it deems necessary.

The CBA was provided a draft report at the September 2014 CBA meeting. During the meeting members provided crucial feedback to staff on additional information to include in the report as well as input on how to clarify the technical components of the report. The final report will be submitted to the CBA in November 2014.

### *Practice Privilege Preliminary Determinations Report*

The Practice Privilege Preliminary Determinations Report is due by July 1, 2015. This report will provide the Legislature with the information that will be used by the CBA when it makes its determinations as to whether allowing a particular state's licensees to practice in California under a practice privilege violates its duty to protect the public. Although preliminary survey questions were developed, the CBA opted to collaborate with the National Association of State Boards of Accountancy (NASBA) who was performing a similar survey. Responses from NASBA's survey will be provided to the CBA to assist in its evaluation and assessment of each state board of accountancy's enforcement processes.

The CBA will be provided a draft report at the March 2015 CBA meeting. In preparation for the report, the CBA is working collaboratively with NASBA on surveying accountancy jurisdictions regarding critical enforcement information. Results of the survey as well as statistics of the practice privilege program will be included in the report.



## NEW PROGRAMS AND PROJECTS

### *California Practice Privilege*

The 2013-14 fiscal year marked the start of a new practice privilege program in California resulting from the passage of SB 1405. SB 1405 eliminated the notification and fee requirement for most out-of-state CPAs and created a new registration for out-of-state licensed accounting firms effective July 1, 2013. As reported in the *2012-13 CBA Annual Report*, significant staff resources were focused on preparing for the implementation of the new program through the use of weekly planning meetings to monitor various aspects of the rulemaking process, assess outreach and training needs, identify enhancements to the CBA website, and modify the CBA's existing Practice Privilege Database to accommodate the new reporting and registration requirements. All of these efforts proved effective as implementation of the new law was seamless.

### *Fingerprint Requirement*

In January 2014, the CBA's retroactive fingerprint requirement took effect. Pursuant to CBA Regulations section 37.5, licensees renewing a license in an active status who have not previously submitted fingerprints or for whom an electronic record of the licensee's fingerprints does exist in the DOJ Criminal Offender Record Information database must undergo a state- and federal-level (FBI) criminal offender record information search. This requirement is waived for individuals renewing in an inactive or retired status, or who are actively serving in the United States military.

The new fingerprint requirement ensures consistency in licensure requirements and adds an important layer of protection for California consumers. Additionally, this new requirement furthers the CBA's mission to ensure only qualified licensees practice public accountancy in accordance with applicable professional standards.

Since the original enabling regulations took effect, staff have actively worked to keep licensees informed of the fingerprint requirement. For FY 2013-14 this has included:

- Staff prepared an article in the Spring/Summer 2013 UPDATE titled "Retroactive Fingerprinting: FAQs." For this article staff selected the most common frequently asked questions it had been receiving regarding the fingerprint requirement for increased exposure to licensees.
- Staff prepared an article in the Fall 2013 UPDATE titled "Guide to the New License Renewal Requirements." This article highlighted the new changes to the license renewal requirements, with a section dedicated to the retroactive fingerprint requirement and a link to the FAQs.
- In September 2013, staff revised the license renewal application and accompanying instructions to collect information on fingerprint compliance and further explain the fingerprint requirement.
- In late September 2013, staff mailed an informational letter to all licensees regarding the various license renewal-related changes occurring January 1, 2014 and after. A section of the letter focused on the new fingerprint requirement and provided a brief overview of how the CBA would be contacting affected licensees.
- Since October 2013, staff began sending notification letters to affected licensees. These notifications are sent to coincide with the mailing of the license renewal applications and to provide licensees sufficient time to complete the process.

For FY 2013-14, beginning with our initial mailing in late October 2013, staff has sent 15,373 notification letters to licensees with expiration dates between January 31, 2014 and September 30, 2014. During this same period, staff has worked to bring 5,643 of licensees into compliance with the retroactive fingerprint requirement.<sup>1</sup>

All data that is returned from DOJ and the FBI with a criminal record or an arrest record must be reviewed by the Enforcement Division to determine if an investigation should be initiated.

### ***New Educational Requirements***

Effective January 1, 2014, new educational requirements for CPA licensure took effect. The new educational requirements increased the prescribed education from 48 semester units to 78 semester units, with the increase coming from 20 semester units in accounting study and 10 semester units in ethics study. These new educational requirements represented a monumental shift in the qualifications necessary for California CPA licensure, with California now having some of the most, if not the most, rigorous educational requirements necessary to enter the profession, especially when it comes to ethics education.

Since the initial enabling legislation passed in 2009 (SB 819, Yee) that set in motion the shift in the educational requirements, staff have worked diligently to spread the message regarding the changes. This has included revisions to various publications, updating the CBA website to better organize the information specific to the educational requirements for licensure, and participated in several speaking engagements at colleges.

Additionally, beginning May 1, 2014, the Examination and Initial Licensing Unit began performing advisory reviews of first-time CPA Exam candidates' progress toward meeting the new licensing educational requirements that took effect January 1, 2014. The advisory review is based on all educational documents on file with the CBA and takes place after the CBA has approved the candidate to sit for the CPA Exam. Candidates are also provided with a copy of the reviewed educational documents so that they may see how the CBA reached its determination, which should provide candidates with a solid understanding of their standing toward meeting the educational requirements for CPA licensure.

### ***Evaluation of California's Experience Requirement for CPA Licensure***

As reported in the *2012-13 CBA Annual Report*, in March 2013, immediate-past president Leslie LaManna, CPA, established the Taskforce to Examine Experience for CPA Licensure (Taskforce). The primary purpose and goal of the Taskforce was to examine the experience requirement for CPA licensure, determine whether changes (if any) are necessary, and provide a recommendation to the CBA.

After the conclusion of the Taskforce's work, the CBA adopted a position to perform a more comprehensive study of California's attest experience requirement, focusing on California licensees and nationally to obtain out-of-state data and analyze enforcement criteria. CBA Leadership, after its Executive Leadership Roundtable, decided to secure an outside vendor to assist in the collection of California-specific data, while the national data would be gathered by staff.

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<sup>1</sup> Staff sends the notification letters to all active and inactive licensees. Presently, compliance with the retroactive fingerprint requirement is only necessary for those renewing a license in an active status. As a result, the number of notification letters sent will always outpace the number of compliances received, and the two totals will (most likely) never be equal.

For FY 2013-14, Staff worked to secure a vendor for the California attest study. Preliminary meetings began in May 2014 and will continue into 2015 until the CBA and stakeholders finalize the contents of the survey. It is anticipated that the survey would be launched by mid-2015 with a report to the CBA in January 2016.

The Taskforce further recommended that the CBA continue to explore the topic of academia as qualifying experience. At its January 2014 meeting, the CBA adopted proposed legislation, which would authorize the CBA to establish regulations to allow experience in academia to satisfy the one-year experience requirement for CPA licensure. The proposed legislation was included in one of the Senate Business, Professions and Economic Development Committee's omnibus bills (Senate Bill 1467). The Governor signed the bill, which becomes law on January 1, 2015.



# OUTREACH, SOCIAL MEDIA, AND TRANSPARENCY

## CBA Public Affairs and Outreach

Understanding the critical importance of “delivering the message of consumer protection,” CBA leadership and senior staff took an active role in outreach during FY 2013-14 through a variety of speaking engagements and presentations, including:

*August 3-7, 2013* – Immediate-Past President, Leslie LaManna, participated in the American Accounting Association’s Annual Meeting in Anaheim as a panelist in a presentation “Accounting Ethics and Audit Failure.”

*September 19, 2013* – Licensing Chief Dominic Franzella presented on the new CPA Educational Requirements at the University of California, San Diego Extension.

*February 4, 2014* – Licensing Chief Dominic Franzella provided a keynote address on the new educational requires for CPA licensure at the California Society of CPAs (CalCPA) Sacramento Chapter student luncheon.

*April 28, 2014* – President Michael Savoy addressed the CalCPA’s Government Relations Committee and provided information on legislation being followed by the CBA as well as recent regulatory developments.

*April 28, 2014* – President Michael Savoy and Vice-President Jose Campos visited seven legislative offices: Senator Block and Assemblymembers Millin, Gatto, Dickinson, Jones, Olsen and Gordon. Information was shared about the CBA, CBA positions on legislation, and the CBA’s desire to have the General Fund loans repaid as soon as practicable.

*May 28, 2014* – Licensing Chief Dominic Franzella and Licensing Manager Veronica Daniel attended the Annual meeting of the Accounting Department at Cosumnes River College and presented information regarding the new educational requirements for CPA licensure.

*May 28, 2014* – President Michael Savoy and Executive Officer Patti Bowers addressed a meeting of CalCPA’s Forensic Services Section in Los Angeles. The presentation focused on what is new at the CBA and issues that impact consumers and licensees.

*June 19-20, 2014* – President Michael Savoy addressed the CalCPA Council Meeting in Palm Springs.

## Social Media

In keeping with the CBA’s *2013-2015 Strategic Plan* Objective 4.4 “Continue to leverage emerging technologies to reach consumers and licensees with relevant issues and key messages,” the CBA has expanded its use of technology to enhance consumer outreach and education. Of particular note is the success the CBA has had with LinkedIn, a social media platform with a focus of linking professionals from a wide variety of disciplines.

In August 2013 the CBA launched its LinkedIn account, with the initial purpose of reaching accounting educators and providing them with resources regarding the new 150 unit requirement which became effective January 1, 2014. As a result, many of these educators shared links to CBA resources with their students and colleagues that also resulted in exponential growth and a more diverse audience. Subsequently, the CBA's LinkedIn posts have dealt with high-level issues in accounting education and practice that drew additional accounting educators, veteran CPAs and those relatively new to the profession. By year's end, the CBA's presence and influence on LinkedIn had quadrupled over the previous six months. With well-over 500 direct connections through LinkedIn, the CBA has more than eight million professionals in its LinkedIn network through those direct connections.

The CBA also maintained an active presence on Facebook, Twitter, and Pinterest, using these social media platforms and their corresponding demographics to reach out to different populations. The CBA maintains the following connections via social media:

- Twitter
- Facebook
- Pinterest
- LinkedIn
- E-News

### CBA Meeting Transparency

With the goal of enhancing outreach and communication with our stakeholders, information technology (IT) staff made several improvements to our webcasting system. A second camera, meeting title text and graphics, and the ability to stream presentation slides and materials were some of the capabilities added to our webcasting system. In addition, the webcast of committee meeting was changed to a single continuous "stream" with title screens noting when the webcast is "live" but the meeting is on break or in a closed session. This is an improvement over the previous method of stopping the webcast stream after each meeting, and during breaks, thus requiring the viewer to manually restart the webcast "stream" in order to continue watching the webcast. Together these enhancements provide stakeholders with more information, a better experience and hopefully a greater sense of involvement in our CBA and committee meetings.



Ken Bishop, NASBA CEO  
November 2013 CBA Meeting  
*Presentation on Firm Mobility*



So You Want to be a CPA?  
Outreach Event at University of San Diego  
September 2014  
*Pictured from left to right:*  
*Ben Bower, CPA*  
*Patti Bowers, CBA Executive Officer*  
*Michael M. Savoy, CPA, CBA President*  
*Tiffany Vo, CPA*



## CBA AND COMMITTEE ACTIVITIES

### *Support Activities*

Staff continue to serve the CBA and CBA statutory and standing committees by facilitating all aspects of the bi-monthly meetings, including securing facilities, compiling meeting materials, and assisting with travel arrangements, to name a few.

In early 2014, staff facilitated two orientations for newly appointed CBA members. The orientations covered a wide range of topics including an overview of the CBA organization, member training requirements, member role and expectations, Bagley-Keene Open Meeting requirements, and legislation and regulations.

In an effort to continually make improvements to the CBA and Committee meetings, staff implemented a post-meeting survey for issuance to all members to assess their satisfaction with the meetings and meeting materials. The overall feedback received has been positive and suggestions for improvement are being incorporated at future meetings.

Another project that was successfully completed this year was the update and streamlining of the appointment process for the statutory committees. In early 2014, staff completed a manual for distribution to all committee members as well as posting on the CBA website that details the committees, the members' responsibilities, the appointment and reappointment process, member required training, and resource information regarding member travel and reimbursement. Internally, staff developed a comprehensive procedure manual detailing all steps involved in the committee appointment process. These two items will improve the process for all involved.

To acclimate new committee members as well as committee leadership to their new roles, staff implemented two orientation programs.

- For new committee members, staff conduct an orientation that covers an overview of the CBA organization, the purpose of the committee, committee meetings, member responsibilities, CBA liaisons to the committees, and required member forms and training.
- For new committee leadership, staff conduct an orientation that covers the role and expectations of committee leaders and guidance on how to conduct meetings in accordance with the Bagley-Keene Open Meeting Act, which included the importance of roll call and establishing a quorum, facilitating discussion on agenda items, and the requirements for conducting closed session meetings.

### *Mobility Stakeholder Group*

Also new this year is the establishment of the Mobility Stakeholder Group (MSG). The MSG is a legislatively established committee and is comprised of two representatives of the accounting profession, two consumer representatives, two CBA members and one CBA staff member.

The MSG will advise the CBA on several important issues related to the recently enacted mobility provisions, including whether the practice privilege law is consistent with the CBA's duty to protect the public and satisfies the objectives of stakeholders in this state, including consumers.

The inaugural meeting of the MSG was held on March 19, 2014, where it established preliminary policies regarding meeting frequency, reporting requirements, and identified future agenda items. The MSG will continue to meet three times each year.

# ADMINISTRATION DIVISION

The Administration Division is responsible for all CBA day-to-day administrative operations. Many of the activities and functions that are identified in this report involve some component of Administration, whether it be ordering office supplies, preparing contracts for expert services, payment of invoices, or answering consumer calls at the CBA office. Below is an overview of services performed in the Administrative Division:

## ***Monitoring of the CBA budget and cashiering all monies***

The CBA's budget for FY 2013-14 was \$11.5 million. The budget is monitored internally by staff and reports are provided to management consistently throughout the month and to members throughout the year. Additionally, the CBA processes approximately \$6 million internally at the CBA office.

## ***Contracts, purchasing, and travel***

The CBA utilizes the services of many vendors, including paper recycling, building security, and office equipment servicing, to name a few. In most cases, vendors can only be utilized after a contract is established. This often entails research, cost justification and overseeing contract execution. Further, many of the CBA's purchases are done after a contract has been established. When contracts aren't used, strict guidelines are followed to seek out vendors and to make purchases only when necessary and at the lowest cost possible.

## ***Facilities***

All facility-related issues are handled within the Administration Division. This includes planning for the CBA's upcoming relocation project.

## ***Personnel, including facilitating requests for staffing augmentations***

Administrative Division staff serve in a customer service role for both CBA staff as well as board and committee members in assisting with all personnel and travel related issues. Understanding the various nuances of state personnel policies and travel guidelines is key and staff stand ready to assist whenever needed.

## ***Information Technology***

With a growing need for automation and access to relevant information via the Internet, the CBA IT staff work tirelessly on ways to make information readily available to all stakeholders. It is their experience and skills that assists staff in using technology to streamline and improve functionality. Further, IT staff have proposed and made significant enhancements to the CBA meeting webcasts, which were previously detailed.

## ***Public affairs and outreach***

Providing key messages and relaying the CBA's mission of consumer protection is the focus of the public affairs and outreach staff. This is done by using various tools, including the website and social media to connect with those that need assistance from the CBA.

## ***Legislation and Regulations***

Statutory and regulatory changes work to improve and enhance consumer protection by ensuring that laws remain relevant in an ever-changing financial world.



# ENFORCEMENT DIVISION

The Enforcement Division's primary responsibility is to oversee the enforcement of California laws and rules governing the practice of public accountancy. It does this by:

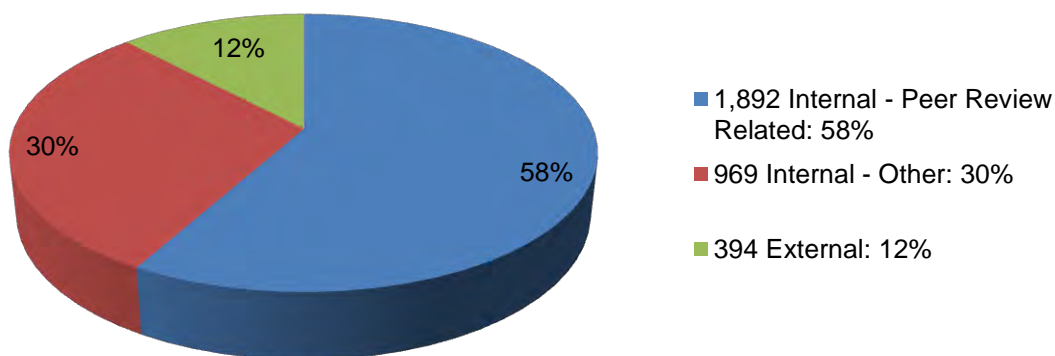
- Conducting complex investigations regarding practice issues that require the expertise of a licensed CPA
- Conducting investigations for administrative violations and unlicensed activity
- Issuing citations and fines, filing accusations and imposing discipline
- Assigning and monitoring referrals to the AG's Office
- Monitoring licensees on probation
- Monitoring compliance with the mandatory peer review program

## Complaints

Staff receive complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies and internal referrals. Enforcement staff also regularly monitor social media outlets for information that may suggest licensees' violations of the Accountancy Act and CBA Regulations. While historically consumers have been the main origin of complaints, the Enforcement Division has experienced an increase in the number of complaints being opened as a result of internal referrals from within the CBA. This increase is largely due to reporting requirements enacted in the past years to provide additional consumer protection, such as mandatory peer review, retroactive fingerprinting, and continuing education enhancements.

In FY 2013-14, the CBA received 3,255 complaints.

## Fiscal Year 2013-14 Complaints: 3,255



Internal referrals originating from peer review typically include the failure to respond to CBA inquiry, failure to file a Peer Review Reporting Form, receipt of a substandard peer review report, failure to comply with peer review citations, submission of an incorrect Peer Review Reporting Form, or renewal of a license without undergoing a peer review when a peer review is required.

## Investigations

Approximately 91 percent, or 2,969, of the 3,255 complaints received were assigned for investigation during FY 2013-14. This rate was consistent with the rate of 90 percent for the previous fiscal year.

<b>Investigations</b>	
<b>Assigned for Investigation</b>	2,969
<b>Investigations Closed</b>	2,595
<b>Average Days to Close</b>	62

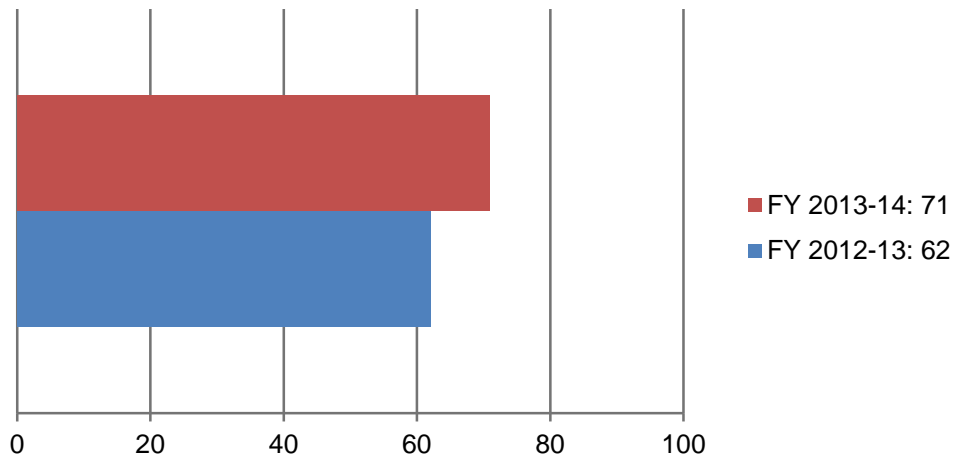
Consistent with the prior fiscal year, management is reviewing pending investigations and preparing aggressive action plans for technical cases that are over one year old and for all other cases that are over 100 days old. Increased investigative staff, one-on-one training, proactive management support, electronic cases management tools and regularly scheduled Unit compliance discussions will aid in mitigating adverse impacts on the current and future investigative workload.

## Disciplinary Actions

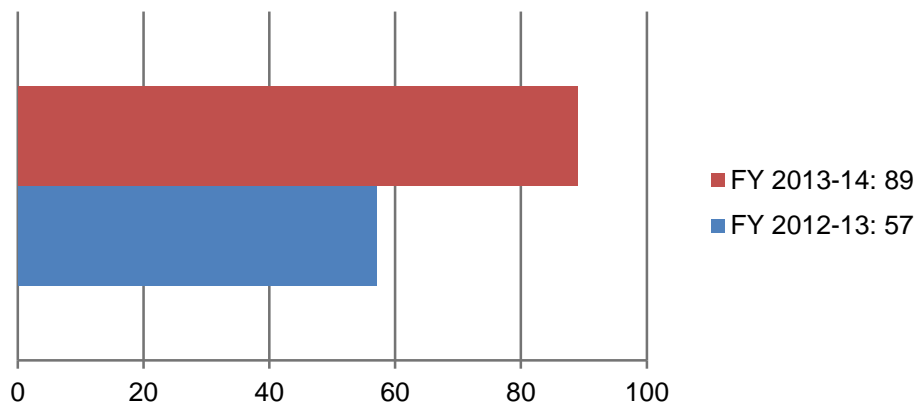
The CBA works to fulfill its consumer protection mandate by referrals of matters to the AG's Office, imposition of discipline, and issuance of citations.

During FY 2013-14, the number of AG Referrals increased slightly to 71, which represents the highest number of referrals over the past three fiscal years. The number of cases pending at the AG's Office increased from 57 in the prior fiscal year to 89.

### Referrals to the Attorney General

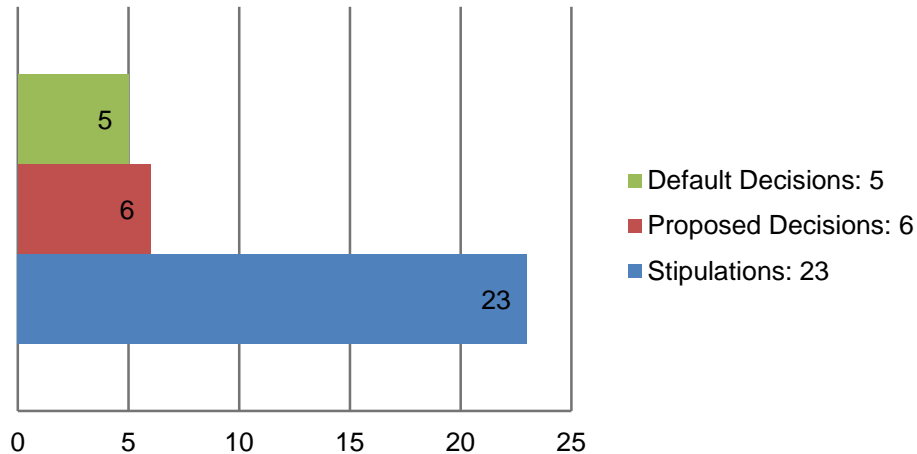


### Cases Pending at the Attorney General



Disciplinary Orders decreased from 58 to 34, a decrease of 24 orders or 41 percent from the prior fiscal year. Given the increase in the number of cases pending at the AG’s Office, the decrease of Disciplinary Orders may be due to external factors beyond the control of the CBA, such as increased workload the AG’s Office or scheduling delays at the Office of Administrative Hearings (OAH).

## Disciplinary Orders



Cases with the potential for ongoing consumer harm receive the highest priority and urgent attention. The options of Interim Suspension Orders (ISO) or Penal Code section 23 (PC 23) suspensions are used whenever appropriate to restrict or suspend licensee practice rights to diminish potential consumer losses. During FY 2013-14, the CBA successfully obtained three PC 23 suspensions.

### Citations

The CBA uses its citation and fine authority for violations that do not rise to the level of discipline and as a mechanism to gain compliance from licensees. The majority of the citations issued were related to licensees failing to respond to CBA letters requesting the filing of the Peer Review Reporting Form. Licensees that failed to respond to the CBA were issued a citation and fine of \$250. In subsequent years, the number of citations should decrease with the mandatory reporting at the time of license renewal.

In 2013, the CBA requested that the Legislature add citation authority to the practice privilege provisions, which was accomplished via SB 822. The CBA now has the authority to issue a citation and fine to those licensees who are practicing in California under a practice privilege.

The CBA issued 1,522 citations for FY 2013-14. The top three citations issued include:

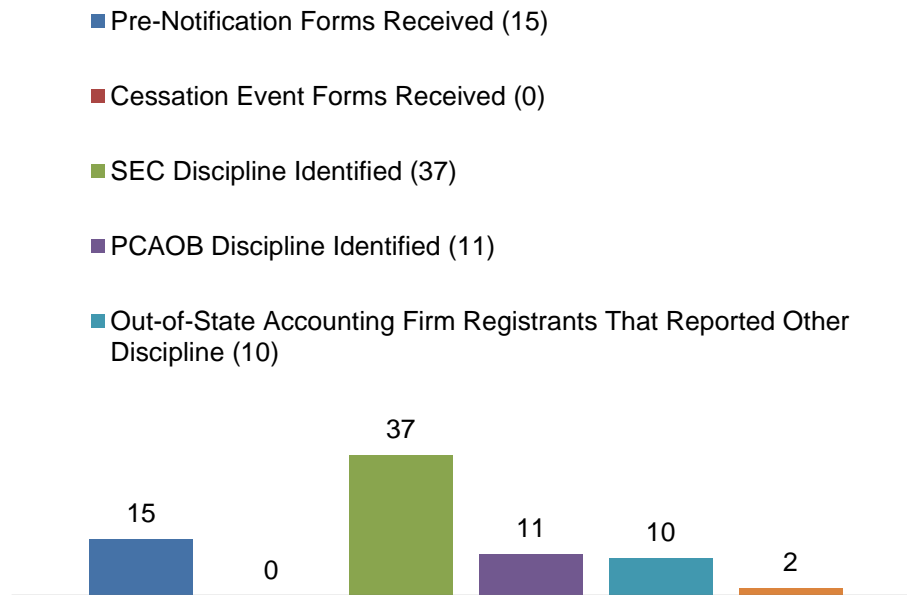
1. Response to CBA inquiry (CBA Regulations section 52)
2. Continuing Education Rules (CBA Regulations section 87)
3. Name of Firm (BPC section 5060)



## Practice Privilege Reporting

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. The table below depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

### Practice Privilege



## Probation

When a licensee is disciplined and the CPA license is placed on probation for a designated period of time, staff monitors the licensee to ensure s/he adheres to all conditions or probation contained in their disciplinary order. Should the licensee deviate from the probationary terms in the disciplinary order, staff refers the matter to the AG's Office for preparation of a petition to revoke probation carrying out the disciplinary order that was stayed. If the licensee complies with all terms of probation, his/her license is fully restored at the end of the probationary period.

Probation monitoring is vital to a robust enforcement program. It allows the CBA to discipline a licensee without full revocation or suspension of a license. While the licensee is on probation, staff has the ability to monitor their compliance with all probationary terms, and rehabilitation. Probation monitoring is essential to assist the CBA in achieving the mission of protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Presently, there are 70 licensees on probation. During fiscal year 2013-14, two Petitions to Revoke Probation were filed.

## Enforcement Committees

### ***Enforcement Program Oversight Committee (EPOC)***

The EPOC assists the CBA members in the consideration of issues relating to the Enforcement Program. During FY 2013-14, the EPOC met four times and discussed various issues, including: revision and adoption of the 9<sup>th</sup> edition of the CBA Disciplinary Guidelines and Model Orders, notification of pending criminal charges by those persons exercising a practice privilege in California, how the CBA monitors out of state licensees while serving probation, and the code sections listed in the Disciplinary Guidelines that require a mandatory suspension.

### ***Enforcement Advisory Committee (EAC)***

The EAC assists the CBA Enforcement Division in an advisory capacity by providing technical expertise and assistance with investigations.

During FY 2013-14 the EAC met five times and assisted with 29 Investigative Hearings and reviewed 103 closed investigations. Of the 29 Investigative Hearings held, the EAC recommended 20 referrals to the AG's Office for the filing of an Accusation, recommended two investigations be closed with the issuance of a citation and fine, recommended further investigations on three, and recommended four closed without findings.

### ***Peer Review Oversight Committee (PROC)***

The PROC provides recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

During FY 2013-14, the PROC met four times. In March 2014, the PROC provided its Third Annual Report to the CBA on the results of its oversight. The PROC also discussed highlights and issues during the year, including the end of the three-year phase-in reporting periods, the new requirement to report peer review information at the time of license renewal, the AICPA Peer Review Matching Program with annual audits of the Employee Retirement Income Security Act (ERISA), and preparation of the Peer Review Report to the Legislature due in January 2015.

## Performance Measures

Beginning July 2010, as part of the Consumer Protection Enforcement Initiative, DCA began posting on its website Performance Measures for each board and bureau. Performance Measures work to ensure that boards are meeting its enforcement goals and targets.

The following represents the CBA's performance measures for FY 2013-14:

Performance Measure	Target	Result
<b>Number complaints and convictions received</b>	NA	3,255
<b>Average number of days to complete complaint intake</b>	10 days	4 days
<b>Average number of days to complete investigation for cases resulting in formal discipline</b>	180 days	62 days
<b>Average number of days to complete the enforcement process for complaints resulting in formal discipline</b>	540 days	813 days
<b>Average number of days from the date a probation monitor is assigned, to the date the monitor makes contact</b>	5 days	4 days
<b>Average number of days from the time a violation is reported to the time the probation monitor responds</b>	15 days	2 days

While the CBA does not currently meet the 540-day performance measure associated with *Formal Discipline*, it has seen improvements in the timeframes associated with this measure. The discipline performance measure metric has steadily decreased over the past four fiscal years from an annual average of 924 days in FY 2010-11 to 888 days in FY 2011-12, 835 days in FY 2012-13, and 813 days in FY 2013-14. This is a decrease of 12 percent while at the same time increasing the volume of referrals to and filings by the AG's Office.

The CBA works to close all cases as expeditiously as possible. Upon conclusion of the investigation, the matter is referred to the AG's Office for preparation and filing of a pleading which takes, on average, 160 to 190 days. After the filing of a pleading, it takes an average of 170 to 204 days to resolve a matter via a stipulated settlement or 325 to 379 days to resolve a matter via a formal OAH hearing. When a matter is set for hearing, the wait to secure a hearing date from OAH can exceed one year and can consume approximately two-thirds of the performance measure time. These indirect, but unavoidable, timeframes with the AG and OAH impact the timeframe in which formal disciplinary cases are resolved.

The CBA will continue to work internally and externally to reduce investigative timeframes and work cooperatively with outside agencies to identify and reduce inefficiencies. With the addition of new ICPA positions, it is expected that the Enforcement Division will further decrease its investigative time and be closer to DCA's *Formal Discipline* performance measure.

### Program Enhancements

Over the past couple years, the CBA has worked diligently to implement changes internally within the Enforcement Division to streamline workflow and increase and strengthen communications with external entities for the purpose of improving overall processing timeframes.

Initially, the CBA worked internally to streamline workflow by:

- Reorganizing duties to use enforcement analysts to perform more investigation-related work. The expanded use of analytical staff has proven effective and allows the ICPAs to concentrate on those cases that require the expertise and knowledge of a licensed CPA.
- Providing enhanced training to all enforcement staff. Enforcement staff now attend a nationally recognized training program, Council on Licensure, Enforcement, and Regulation National Certified Investigator Training as well as an Enforcement Academy conducted by the DCA which focuses on internal performance targets and measures.
- Revised the investigation intake process to streamline the intake and triage of complaints.

Concurrently, the CBA identified key steps and target dates for case processing by:

- Establishing internal benchmarks for each step of the enforcement process, beginning with issuance of the initial acknowledgement letter to completion of the investigative report.
- Instituting target dates for completing technical and non-technical investigations.

The CBA has also begun work to streamline the process of referring cases to the AG by:

- Changed the CBA process for referring investigations to the AG's Office, including modification of the CBA Investigative Report templates for a streamlined review by the assigned DAG and faster preparation of pleading documents.
- Established a sole point of contact at the CBA for all disciplinary matters and created a stand-alone email account to streamline the communication between the assigned DAG and the CBA.
- Provided an electronic copy of investigative reports and related documents to the AG's Office as opposed to a paper copy, which allows the assigned DAG to more quickly incorporate facts and exhibits into their OAH files.

Additionally, the AG's Office and the CBA have agreed on strategies for streamlining the process, which include:

- Providing the DAG with settlement terms upon service of an accusation/statement of issues
- Working with the DAG to have the matter placed on the OAH's calendar for hearing when settlement does not appear a viable option
- Preparing default decisions in an expeditious manner when a licensee fails to file a Notice of Defense

These efforts are in accordance with the *2013-2015 Strategic Plan, Objective 1.4*, to reduce internal CBA investigative timeframes and work collaboratively with the AG's Office to both reduce timeframes and improve the overall process.

Realizing that internal streamlining and other internal changes would not solely address the increase in workload realized by the CBA in recent years, two Budget Change Proposals (BCPs) were submitted and approved for the Enforcement Division, authorizing new positions effective July 1, 2014. The increase in investigative staff will assist in a more expedient processing of outstanding investigations and increased fieldwork.

## Other Enforcement Activities

### *Administrative Penalties*

Pursuant to BPC section 5116, the CBA uses criteria to assess administrative penalties, including, but not limited to, actual and potential consumer harm, nature and severity of the violation, the role of the person in the violation, the person's ability to pay the administrative penalty and the level of administrative penalty necessary to deter future violations. The CBA issued Administrative penalties in FY 2013-14 totaling \$2,500.

### *Restitution*

The CBA considers restitution in all situations where a consumer is harmed and the amount of the ascertainable. In FY 2013-14, the CBA ordered restitution in the amount of \$10,000.

### *Interim Suspension Orders*

During FY 2013-14, the Enforcement Division was successful in issuing three PC 23 suspension orders. These proactive enforcement measures provide immediate consumer protection by restricting a licensee from continuing to practice public accountancy.

## Awareness of Enforcement Issues

In an effort to increase licensees' awareness of enforcement related issues, the division prepared several articles for the *UPDATE* publication. Articles included:

- "Why Citations Are Issued"
- "Your Peer Review Matters"
- "Electronic Records Provided to Clients"
- "Enforcement Process"
- "Standard Conditions of Probation"
- "Top Three Causes of Discipline"



# LICENSING DIVISION

The Licensing Division’s primary charge is to regulate entry into the profession by ensuring that only those who are qualified are issued a license to practice public accountancy. It acts as a gatekeeper for the profession by ensuring:

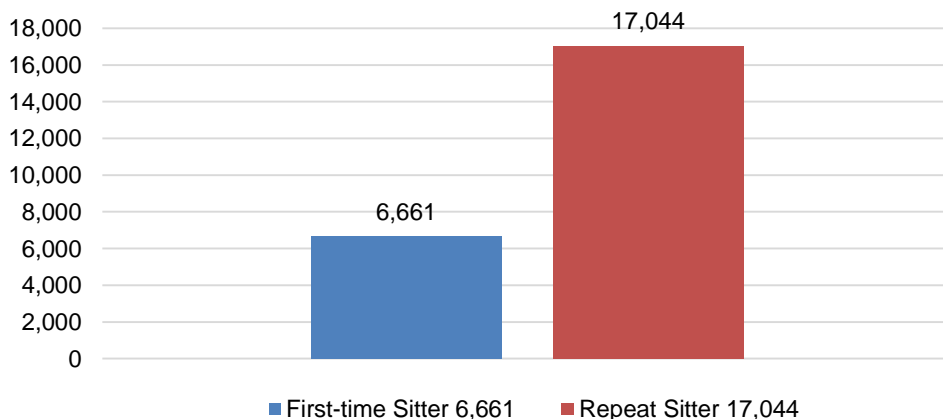
- applicants meet education requirements prior to taking the CPA Exam;
- applicants for licensure who have passed the CPA Exam meet the education and experience requirements necessary for licensure;
- accountancy partnerships and corporations are registered so they can offer services in California;
- licensees have paid the required fees and have completed the required CE hours to renew their license and demonstrate minimum competency
- out-of-state licensed accounting firms that intend to perform specified accounting services for entities headquartered in California meet the minimum registration requirements.

Although the main focus of the Licensing Division is to regulate entry into the profession, Licensing Division staff maintains an integral part of the enforcement process as well. A large number of enforcement complaints originate from within the office, based upon information provided by the current or potential licensee. For instance, the Renewal and Continuing Competency Unit routinely refers complaints to the Enforcement Division related to licensees practicing with CE deficiencies and practicing with expired licenses.

## Examination

The Examination Unit processes applications to sit for the CPA Exam, including the review of official transcripts and foreign credential evaluations to ensure that examination candidates meet the educational qualifications pursuant to BPC sections 5092 and 5093. The Examination Unit strives to process CPA Exam applications for first-time applicants within 30 days and repeat applicants within 10 days from the date the application is received in the CBA mailroom. The Examination Unit continues to meet these targets.

### 23,705 Examination Applications Received



Special accommodations are processed in accordance with the Americans with Disabilities Act and refer to any request for reasonable accommodation to take the CPA Exam due to a medical need, disability, or both. Staff received 188 requests for special accommodations and processed the requests in an average of 11 days.

## Initial Licensing

Upon passing the CPA Exam, completion of any additional required education, and obtaining the requisite experience, a candidate may apply for CPA licensure. Staff review each application thoroughly to ensure applicants have met the required education, examination, and experience for licensure. Additionally, the Initial Licensing Unit (ILU) processes applications for partnership and corporation licensure, and Fictitious Name Permits.<sup>1</sup> For FY 2013-14, the ILU received 4,600 applications for licensure and received 484 accountancy partnership, corporation, and fictitious name permit applications.

Applications Received	
CPA	4,600
Corporations	210
Partnerships	91
Fictitious Name Permits	183
<b>Total Applications</b>	<b>5,084</b>
CPA Licenses Issued	
Pathway 1	1,346
Pathway 2	3,488
New Requirements*	72
<b>Total Licensed</b>	<b>4,906</b>
Firm Registrations Issued	
Corporations	200
Partnerships	92
Fictitious Name Permits	139
<b>Total Registered</b>	<b>431</b>
CPA Licenses	24 Days
Firm Registrations	22 Days

\* Effective January 1, 2014. Applicants that passed the Uniform CPA Examination on or before December 31, 2013 have the option to apply under Pathway 1 and 2 until December 31, 2015.

<sup>1</sup> A sole proprietor choosing to practice using a name other than the name under which the person holds a valid permit to practice issued by the CBA may only do so under a Fictitious Name Permit.

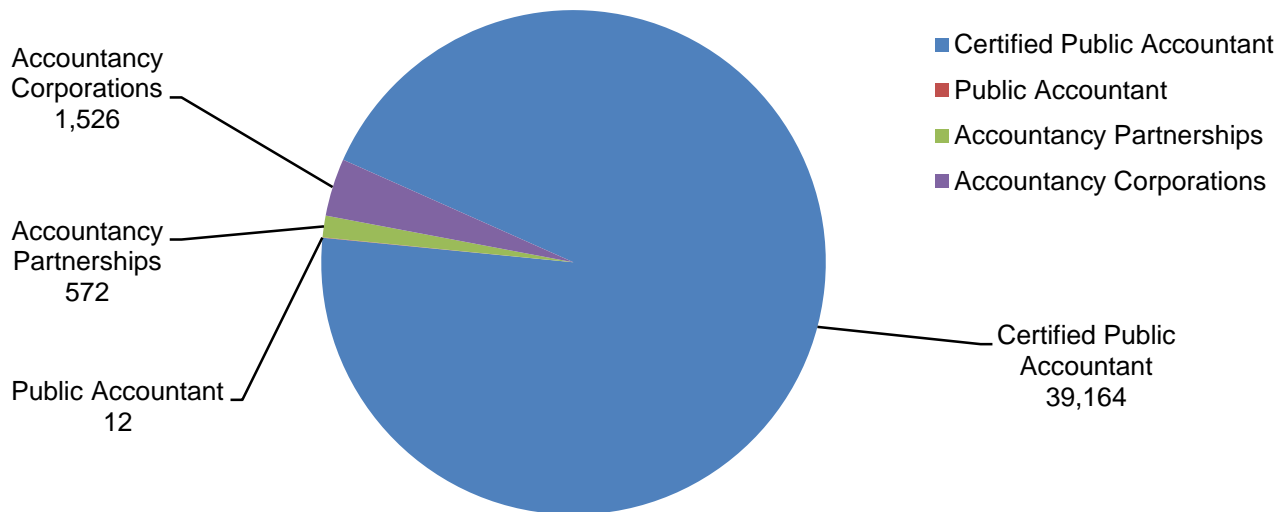


One of the other primary responsibilities for the ILU is processing requests for certification of CBA records. Although the majority of these requests are from California licensees or CPA exam candidates who are applying for licensure out-of-state, the CBA also receives requests from other interested parties. In FY 2013-14, ILU staff received 1,039 certification requests.

### License Renewal and Continuing Competency

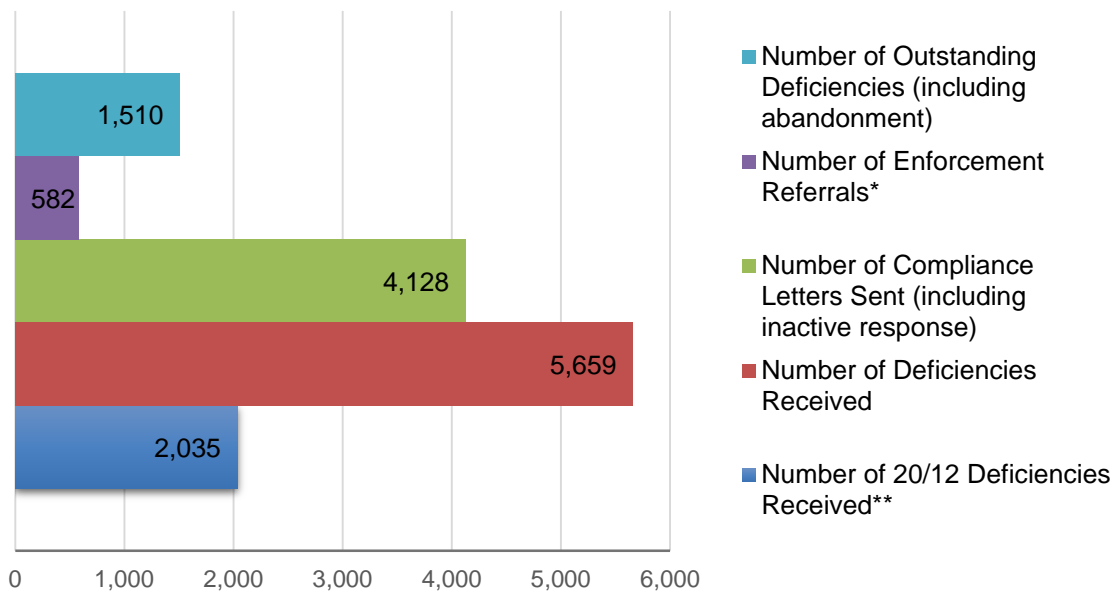
The License Renewal and Continuing Competency (RCC) Unit is responsible for processing license renewal applications for CPAs, PAs, and accountancy partnerships and corporations. CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birth month. For those licensees electing to renew their license in an active status, the RCC Unit ensures that licensees complete the required CE. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Accounting firms must submit information pertaining to their shareholders or partners.

## 41,274 License Renewal Applications Processed



The majority of the work completed by RCC staff involves the review of CE Reporting Worksheets, which are submitted by licensees at the time of license renewal. When deficiencies occur, RCC staff sends a letter to the licensee informing them of the deficiency and advising them how to gain compliance. The CE worksheet review statistics, provided on page 32, include the number of deficiencies that were referred to the Enforcement Division for further review. As the statistics indicate, during FY 2013-14 RCC successfully worked with 4,128 licensees to bring them into compliance with the CBA’s CE requirements necessary for license renewal.

## 39,605 CPA/PA Worksheets Reviewed



\*In addition to CE deficiencies, enforcement referrals reported for 2013-14 also consist of peer review, fingerprint, CE audit, and second 20/12 deficiencies.

\*\*The number of 20/12 deficiencies reported reference stand-alone 20/12 deficiencies. There were 492 additional 20/12 deficiencies identified with a CE deficiency. This count is included in the CE deficiencies identified.

### ***Regulatory Review Courses***

On January 1, 2010, the CBA instituted a two-hour Board-approved Regulatory Review course requirement for California-licensed CPAs. All licensees renewing a license in an active status must complete a two-hour Board-approved Regulatory Review course every six years. The course must cover the provisions of the California Accountancy Act and the CBA Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations. The course must include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. Prior to offering a Regulatory Review course, providers must apply for and receive CBA approval.

The total number of approved Regulatory Review courses is at 21. Below outlines the number of Regulatory Review courses received, reviewed, and approved/renewed during FY 2013-14:

### **Regulatory Review Courses**

Number of Courses Received (first time submission)	3
Number of Courses Returned for Corrections	5
Number of Revised Courses Received (initial submission returned for corrections)	1
Number of Courses Approved	1
Number of Courses Renewed	9

### **California Practice Privilege**

The Practice Privilege Unit is primarily responsible for processing out-of-state accounting firm registrations and maintaining the accuracy of related informational material on the CBA website. An out-of-state accounting firm is required to register with the CBA prior to performing certain accounting services for an entity headquartered in California including an audit or review of a financial statement, a compilation of a financial statement when that person expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence, or an examination of prospective financial information.

To qualify for a registration the out-of-state accounting firm cannot have an office located in California, the CPAs providing services in California must qualify for a practice privilege, and the firm must satisfy all other requirements to register in California, other than its form of legal organization. The out-of-state accounting firm registration must be renewed every two years in order for the out-of-state accounting firm to maintain practice rights in California. The following table represents the workload associated with processing out-of-state accounting firm registrations.

<b>Out-of-State Accounting Firm Registrations</b>	
Total Approved	209
Total Pending Review	0
Total Deficiencies Identified	5
Total Enforcement Referrals	10

### **Licensing Committes**

#### ***Qualifications Committee (QC)***

The QC acts as an advisory committee and assists the CBA in its licensure activities by conducting work paper reviews of experience of applicants appearing before the Committee, interviewing employers that appear before the committee under the provision of CBA Regulation section 69,

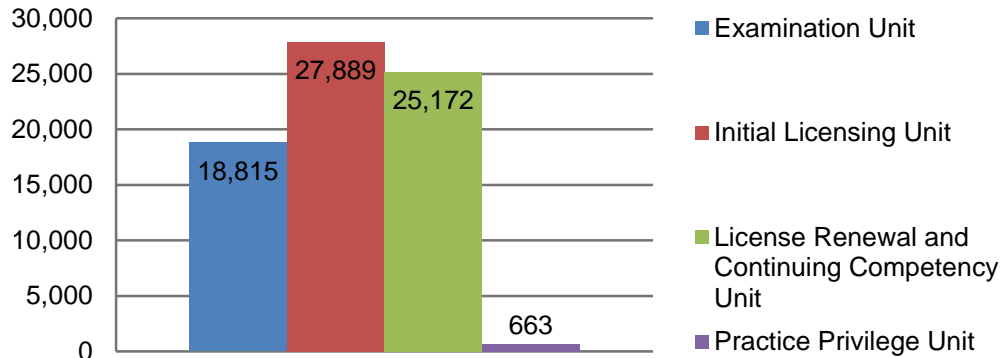
and making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

For FY 2013-14, the QC met four times, conducting 39 appearances. As a result of these appearances, the QC recommended 28 applicants be approved for licensure and 11 applicants be deferred for additional experience.

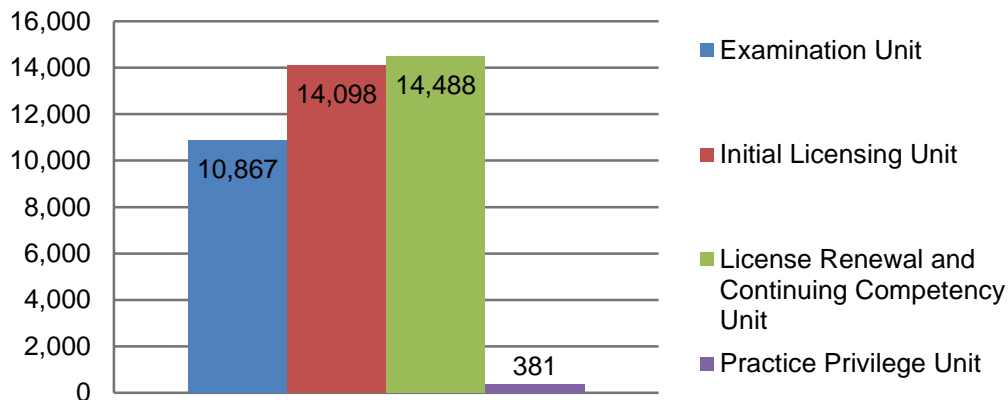
### Service to CBA Stakeholders

Consistent with the customer service goal of the *2013-2015 Strategic Plans* to deliver the highest level of customer service, the Licensing Division staff strives to provide excellent service to all stakeholders including consumers, applicants, licensees, interested parties, and the CBA members themselves. The Licensing Division receives a high volume of telephone calls and emails regarding all four program areas.

### Telephone Calls = 72,539



### Emails = 39,834



Staff made every effort to answer all telephone calls as they are received and respond to voicemail and email messages within 24 hours of receipt. The CBA routinely receives comments via the online customer service survey regarding the high level of customer service and professionalism exhibited by Licensing Division staff.

# CBA MANAGEMENT

**Patti Bowers**  
Executive Officer

**Deanne Pearce**  
Assistant Executive Officer

**Rafael Ixta**  
Enforcement Chief

**Dominic Franzella**  
Licensing Chief

**Veronica Daniel**  
Initial Licensing Unit Manager

**Paul Fisher, CPA**  
Supervising Investigative CPA

**Cynthia Fuller**  
Renewal/Continuing Competency Unit Manager

**Lauren Hersh**  
Public Information Officer

**Vincent Johnston**  
Criminal Offender Record Information Unit Manager

**Sara Narvaez**  
Non-Technical Enforcement Unit Manager

**Nicholas Ng**  
Administration Manager

**Jenny Sheldon**  
Discipline and Probation Monitoring Unit Manager

**Matthew Stanley**  
Examination and Practice Privilege Units Manager