



ANNUAL REPORT

FISCAL YEAR 2018-19

CALIFORNIA BOARD OF ACCOUNTANCY

Consumer Protection through Licensure, Enforcement, and Regulation



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TABLE OF CONTENTS

| | |
|--|-----------|
| MESSAGE FROM THE EXECUTIVE OFFICER | 5 |
| MISSION, VISION, AND ORGANIZATION | 7 |
| CALIFORNIA BOARD OF ACCOUNTANCY COMPOSITION | 9 |
| BUDGET | 11 |
| OVERVIEW | 11 |
| FISCAL YEAR HIGHLIGHTS | 11 |
| STATISTICS | 11 |
| RESERVE LEVEL | 13 |
| ON THE HORIZON | 14 |
| ADDITIONAL RESOURCES | 14 |
| OUTREACH, COMMUNICATION, EDUCATION | 15 |
| OVERVIEW | 15 |
| FISCAL YEAR HIGHLIGHTS | 15 |
| ACHIEVEMENTS | 16 |
| ON THE HORIZON | 19 |
| ADDITIONAL RESOURCES | 19 |
| ENFORCEMENT ACTIVITIES | 21 |
| OVERVIEW | 21 |
| FISCAL YEAR HIGHLIGHTS | 21 |
| STATISTICS | 22 |
| ON THE HORIZON | 26 |
| ADDITIONAL RESOURCES | 26 |
| LICENSING ACTIVITIES | 27 |
| OVERVIEW | 27 |
| FISCAL YEAR HIGHLIGHTS | 27 |
| STATISTICS | 28 |
| ON THE HORIZON | 30 |
| ADDITIONAL RESOURCES | 30 |
| LEGISLATION AND REGULATIONS | 31 |
| OVERVIEW | 31 |
| SUNSET REVIEW | 31 |
| FISCAL YEAR HIGHLIGHTS | 32 |
| LEGISLATION | 33 |
| PENDING REGULATORY CHANGES | 34 |
| ON THE HORIZON | 35 |
| ADDITIONAL RESOURCES | 35 |
| TECHNOLOGY | 37 |
| OVERVIEW | 37 |
| FISCAL YEAR HIGHLIGHTS | 37 |
| ON THE HORIZON | 38 |



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MESSAGE FROM THE EXECUTIVE OFFICER

As the California Board of Accountancy's (CBA) Executive Officer, it is my pleasure to present our annual report for fiscal year 2018-19. This report provides the opportunity to review our successes during the prior year as we strive to meet our consumer protection mission and offer excellent service to our stakeholders, including consumers, applicants, and licensees.

Every action undertaken at the CBA supports our mandate to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. The following are some organization-wide highlights from the fiscal year ending June 30, 2019.



Patti Bowers
Executive Officer

SUNSET REVIEW

Every four years, the CBA undergoes a "sunset review." This involves the publication of a report detailing the CBA's activities since the prior sunset review and participating in multiple hearings before the California State Legislature.

During fiscal year 2018-19, the CBA invested countless hours into producing our report and working with legislators and their staff to answer questions and maintain ongoing support for the CBA's mission and operations.

ENFORCEMENT

The Enforcement Division closed its highest volume of investigations over the past three fiscal years, even with a higher number of complaints received. Additionally, the Enforcement Division increased its efforts to investigate unlicensed activity.

OUTREACH AND EDUCATION

The Public Information Unit continued to coordinate outreach events on behalf of the CBA, capitalizing on many opportunities to reach consumers, licensees, aspiring licensees, and other stakeholders.

LICENSING

The Licensing Division has sustained its focus on maintaining a 30-day timeframe to process CPA Examination and licensing applications. Further, CBA staff invested resources toward process improvements. In particular, staff were instrumental in the development and successful launch of the CBA's online credit card payment system for license renewals. This is the first of many upcoming technology improvements that will enhance the user experience for applicants and licensees, while streamlining internal processes.

I expect you will agree that this past fiscal year was a productive one for the CBA. We look forward to more innovations and successes in the next fiscal year as we strive to meet our consumer protection mandate while providing the highest levels of customer service.

Patti Bowers
Executive Officer



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MISSION STATEMENT

To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards



VISION STATEMENT

All consumers are well informed and receive quality accounting services from licensees they can trust



ORGANIZATION

For more than 100 years, the California Legislature has entrusted the CBA with protecting the public related to the practice of public accountancy in California. The CBA's mission to protect consumers is one that the CBA practices every day.

The breadth of the CBA's influence in the regulatory environment stretches beyond California's borders.

The CBA regulates more than 106,000 licensees, including individuals (certified public accountants and public accountants) and accounting firms (partnerships, corporations, and out-of-state registered firms). Many of the accounting firms that the CBA regulates have national and international footprints, reaching clients worldwide. CPAs work in a variety of areas, including accounting firms, private industry, government, and academia. CPAs provide services to clients of all sizes and needs.

The CBA recognizes the scope of its regulatory influence. The protection of the public shapes the policies, regulations, and enforcement decisions reached by the CBA. Collectively, the three divisions of the CBA – Enforcement, Licensing, and Administration – work to ensure that consumers are protected and stakeholders receive high-quality customer service.



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CALIFORNIA BOARD OF ACCOUNTANCY COMPOSITION

The CBA is composed of 15 members, seven of whom are licensees of the CBA, and eight of whom are public members, not licensed 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.

CURRENT CALIFORNIA BOARD OF ACCOUNTANCY MEMBERS



George Famalett, CPA
President
Governor Appointee



Mark J. Silverman, Esq.
Vice-President
Governor Appointee



Nancy J. Corrigan, CPA
Secretary/Treasurer
Governor Appointee



Alicia Berhow
Speaker of the
Assembly Appointee



Jose A. Campos, CPA
Governor Appointee



Karriann Farrell Hinds, Esq.
Governor Appointee



Mary M. Geong, CPA
Governor Appointee



Dan Jacobson, Esq.
Speaker of the
Assembly Appointee



Xochitl A. León
Senate Rules
Committee Appointee



Luz Molina Lopez
Governor Appointee



Carola A. Nicholson, CPA
Governor Appointee



Deidre Robinson
Governor Appointee



Katrina L. Salazar, CPA
Governor Appointee



Michael M. Savoy, CPA
Governor Appointee

The CBA has one vacancy.



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BUDGET

OVERVIEW

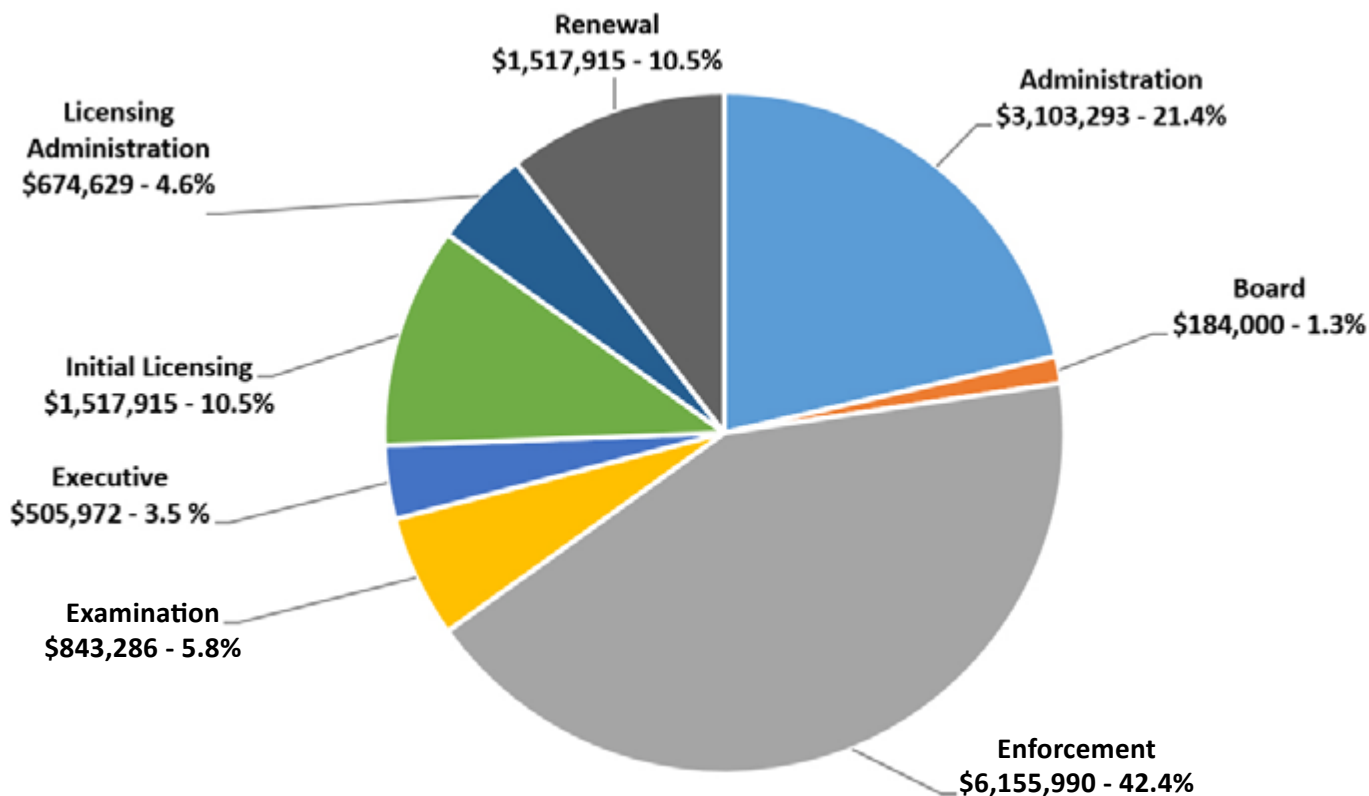
The CBA's statutory mandate and highest priority is to protect the public. To achieve its mission, the CBA operates in a fiscally responsible manner to ensure funds are spent exclusively to support this mandate.

FISCAL YEAR HIGHLIGHTS

The CBA closely monitored spending and developed new internal tracking processes, as state-issued budget reports were delayed due to a statewide transition to a new budget and accounting software.

STATISTICS

Fiscal Year 2018-19 Allocations Total Budget: \$14,503,000





| EXPENDITURES | |
|---|---------------------|
| Personnel Services | \$8,974,610 |
| General Expense | \$228,861 |
| Fingerprint Reports | \$18,401 |
| Minor Equipment | \$79,314 |
| Printing | \$349,132 |
| Communication | \$54,282 |
| Postage | \$217,778 |
| Travel In-State | \$120,000 |
| Travel Out-of-State | \$12,485 |
| Training | \$30,607 |
| Facilities Operations | \$602,442 |
| Consulting and Professional Services | \$98,049 |
| Interagency Services | \$212,056 |
| Department of Consumer Affairs Pro Rata | \$1,900,000 |
| CPA Exam (NASBA Contract) | \$147,199 |
| Enforcement Costs | \$1,224,620 |
| Major Equipment | \$69,560 |
| Scheduled Reimbursements | (\$296,000) |
| Total | \$14,043,396 |

NOTE: The expenditures for fiscal year 2018-19 are based on projections due to delayed budget reports. The total expenditure amount is consistent with the expenditures reflected on the Fund Condition Statement (on the following page); however, due to formatting purposes, that number has been rounded to \$14,043,000.



RESERVE LEVEL

The CBA's reserve level at the end of fiscal year 2018-19 is projected to be \$22,224,000, which is an approximate 15.7 months in reserve.

The CBA operates within its legislatively established budget and ensures that spending does not exceed its authorized amount. At the end of each fiscal year the CBA will revert any unspent monies to its reserve.

| FUND CONDITION STATEMENT (Dollars in Thousands) | | | |
|---|------------------------|------------------------|------------------------|
| | Fiscal Year 2017-18 | Fiscal Year 2018-19 | Fiscal Year 2019-20 |
| Beginning Balance | \$31,789 | \$27,486 | \$22,224 |
| Prior Year Adjustments | N/A | N/A | N/A |
| Adjusted Beginning Balance | \$31,789 | \$27,486 | \$22,224 |
| Revenues | \$10,394 | \$9,955 | \$10,259 |
| Interest Income Revenue | \$84 | \$67 | \$53 |
| Accrued Interest, Loans to General Fund | N/A | N/A | N/A |
| Loans Repaid from General Fund | N/A | N/A | N/A |
| Total Revenue and Transfers | \$10,478 | \$10,022 | \$10,312 |
| Budget Authority (Budget Authority with scheduled reimbursements) ¹ | \$13,793 (\$14,089) | \$14,207 (\$14,503) | \$15,802 (\$16,098) |
| Actual Expenditures ² | \$13,764 | \$14,043 | \$15,802 |
| Disbursements to Other State Agencies ³ | \$988 | \$1,077 | \$1,138 |
| Fund Balance ⁴ | \$27,486 | \$22,224 | \$15,596 |
| Months in Reserve | 21.6 | 15.7 | 10.8 |

1. Budget Authority with scheduled reimbursements of \$296,000.

2. Fiscal year 2017-18 through 2019-20 are projections.

3. FISCAL and Statewide Pro Rata disbursements.

4. Actual Expenditures were used for fiscal year 2016-17. Budget Authority without reimbursements used for fiscal year 2017-18 through 2019-20.



ON THE HORIZON

The CBA is pursuing an increase to its license renewal and initial licensure fees through Assembly Bill (AB) 1521, legislation that will extend the CBA's sunset date and enact related provisions. If signed into law, effective January 1, 2020, AB 1521 sets the minimum amount of those fees at \$250 and grants the CBA authority to increase them to \$280. During its July 25, 2019 meeting, the CBA approved an emergency rulemaking to set those fees at the \$280 amount.

These higher fee amounts would more closely align revenues and expenditures but may not be sufficient to address all future projected expenditures. The CBA is contracting with a vendor to perform an analysis of its fees that will provide recommended fee amounts to adequately fund CBA's operations. The fee analysis is expected to be completed in early 2020.

ADDITIONAL RESOURCES

To keep CBA members and stakeholders apprised of the CBA's fiscal standing, budget reports are presented approximately five times per year during CBA meetings. The information includes expenditures, year-end projections, staffing allocations, and the Accountancy Fund status. The budget information for CBA meetings is posted on the website. The presentation on the CBA's budget can be viewed during the meeting webcast and is posted on the CBA website.

For additional transparency, a report on the CBA's budget is provided annually in the [UPDATE](#) publication. This report contains budget allocation information, expenditures, and upcoming budgetary changes. Additional information can be found in prior [annual reports](#).



OUTREACH, COMMUNICATION, EDUCATION

OVERVIEW

The Public Information Unit coordinates the CBA's outreach and communications activities. The CBA uses multiple methods to communicate with consumers about the role of the CBA, educate applicants about the requirements for CPA Examination and licensure, and inform licensees about the requirements to maintain their license.

Staff uses various channels to reach stakeholders, including the public website, E-News (the CBA's electronic mailing list), traditional and social media, [UPDATE newsletter](#) (the CBA's tri-annual publication), and outreach events.

FISCAL YEAR HIGHLIGHTS

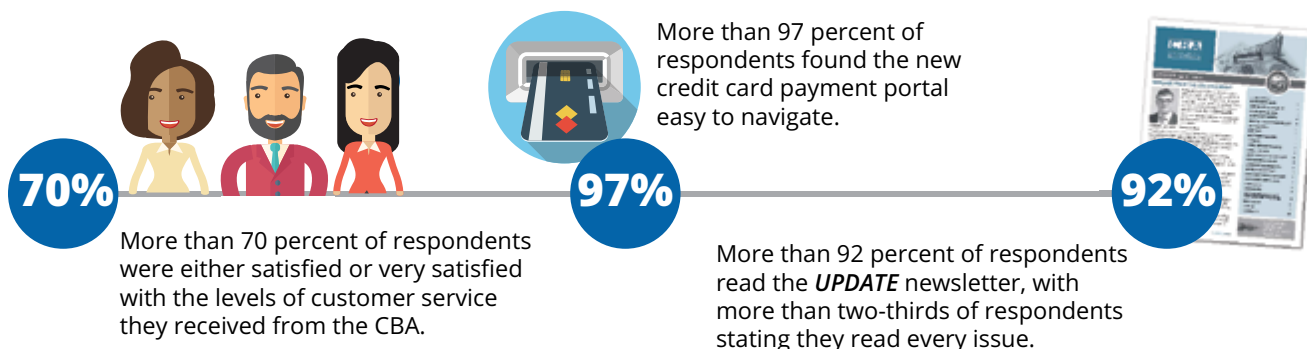
The CBA is collaborating with the National Association of State Boards of Accountancy (NASBA) and the Department of Consumer Affairs to update the CBA's outreach and communications materials. In addition to increased awareness of consumer protection goals, the materials will serve to educate the public about applying for CPA Examination and licensure and the resources available to them when selecting a CPA.

The CBA's *UPDATE* newsletter will be moving to a primarily electronic distribution method. Beginning in early 2020, printed copies will be provided only upon request. Readers will enjoy a quicker distribution, and printing and mailing costs will be reduced significantly.

Staff coordinated multiple outreach events, including speaking engagements for CBA Members, informational events at college campuses, attendance at consumer resource fairs, and more, in support of our consumer protection mission. During college campus events, staff met with students to review transcripts and answer questions, offering one-on-one assistance for future licensees.

Staff created outreach resources as part of a campaign to reach licensees about the new online payment option for license renewal. In addition to posts on social media, E-News, and an *UPDATE* article, staff created website pages to highlight and aggregate all fee and payment options available, including a link to online payment options. Licensees and applicants now have a streamlined process for obtaining pertinent information and paying renewal fees.

The CBA continued to create and monitor stakeholder surveys to help ensure the quality of services provided to stakeholders. This year's surveys solicited feedback from stakeholders regarding the CBA's customer service, online license renewal payment option, and *UPDATE* newsletter. Responses from the three surveys indicated:



ACHIEVEMENTS SPEAKING ENGAGEMENTS

September 2018

National Council of Philippine American Canadian Accountants

On September 2, 2018, CBA Member Katrina L. Salazar, CPA, gave the keynote address at the National Council of Philippine American Canadian Accountants' 32nd Annual Professional Convention. Ms. Salazar spoke to an estimated 500 convention attendees and provided updates on recent accomplishments and future plans of the CBA and NASBA.

September 2018

Chartered Accountants Australia and New Zealand and NASBA

On September 5, 2018, the CBA's then-President Michael M. Savoy, CPA, and CBA Member Jose A. Campos, CPA, met with representatives of Chartered Accountants Australia and New Zealand (CAANZ) to discuss the accounting profession from a global perspective and matters of mutual interest between accounting professionals licensed in the United States and in Australia and New Zealand.

November 2018

Golden Gate University

On November 27, 2018, CBA Member Michael M. Savoy, CPA, spoke at Golden Gate University's Braden School of Taxation and School of Accounting's 7th Annual Braden Leadership Speaker Series. He discussed his perspectives on leadership and engaged in an interactive question-and-answer session with the audience. Staff distributed outreach materials that explained the requirements to obtain CPA licensure.



Chartered Accountants Australia and New Zealand and NASBA

L to R – CAANZ Rep. Richard Munro, CBA Immediate Past President Michael M. Savoy, CAANZ CEO Rick Ellis, NASBA CEO Ken Bishop and CBA Member Jose Campos.

COLLEGE AND UNIVERSITY OUTREACH

October 2018

"So, You Want to Be a CPA?" Webinar

On October 15, 2018, the CBA participated in the California Society of CPAs' (CalCPA) webinar, "So, You Want to Be a CPA?" Then-Vice President George Famalett, CPA, gave opening remarks and shared his tips for choosing an accounting firm that will meet a candidate's career goals. CBA staff discussed improvements to the CBA's application processing procedures and the examination, education, and experience requirements for licensure. More than 250 individuals registered for this event, which is available for viewing on the CBA's website.

November 2018

CalCPA Student Luncheon

On November 16, 2018, staff attended an outreach event sponsored by the Sacramento Chapter of CalCPA. This annual event provides an opportunity for students interested in accounting to hear career-oriented advice and comments from a panel of CPAs who work in a variety of settings. Approximately 50 students attended, including representatives from various accounting firms. Licensing staff answered questions from attendees regarding CPA Examination and licensure requirements.



CBA Licensing staff Ashley Delle and Delia Tomas

Pasadena City College

On November 30, 2018, CBA Secretary/Treasurer Nancy J. Corrigan, CPA, was a featured speaker at a CalCPA outreach event on the campus of Pasadena City College titled, "From Community College to CPA."

More than 300 students attended this popular event. Ms. Corrigan gave opening remarks and discussed the requirements and process to sit for the CPA Examination and obtain CPA licensure. Ms. Corrigan also participated in a panel discussion of CPAs who shared their path to the profession. Staff were on hand to answer questions and distribute materials explaining the CPA Examination, education, and experience requirements for licensure.



CBA Secretary/Treasurer Nancy Corrigan

April 2019

"Pathway to CPA Licensure" – California State University, San Bernardino

The CBA co-hosted an event at California State University, San Bernardino on April 11, 2019. The event, "Pathway to CPA Licensure," was a follow-up to last year's successful event at California State University, San Bernardino. The event was attended by 190 students and featured CBA Member Michael M. Savoy, CPA, as the keynote speaker.

May 2019

Saddleback College

Similar to the November 2018 event at Pasadena City College, CalCPA hosted another "From Community College to CPA" event at Saddleback College in Mission Viejo, which drew approximately 260 students. CBA Member Jose A. Campos, CPA, provided an overview of the requirements to sit for the CPA Examination and participated in a panel discussion with other CPAs. Staff distributed the CBA's outreach materials and answered attendee questions.

CONSUMER EVENTS

California Financial Literacy Resource Fair

The CBA participated in the California Financial Literacy Resource Fair on April 26, 2019, at the State Capitol. Hosted by the Department of Business Oversight in recognition of Financial Literacy Month in April, the fair provides resources from various state agencies and other organizations to consumers that increase their understanding of saving, investing, and credit choices. Staff distributed the CBA's Consumer Assistance Booklet, demonstrated the License Lookup function on the CBA website, and provided information to attendees regarding the requirements for CPA licensure.



**CBA Exam Analyst
Jennifer Jackson providing
consumer protection
information to attendees**

UPDATE NEWSLETTER

The *UPDATE* newsletter offers unique content about the licensing and regulation of the accountancy profession in the state of California. *UPDATE* articles this fiscal year included such topics as: tips for ensuring a smooth license renewal, online payment options, reminders for CPAs retiring from the profession, continuing education violations, where licensees' fees are going, and more.

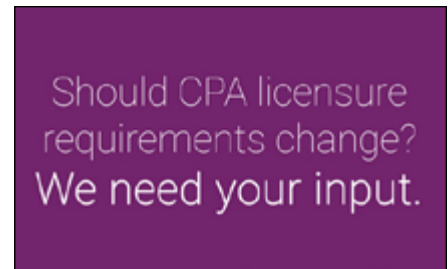
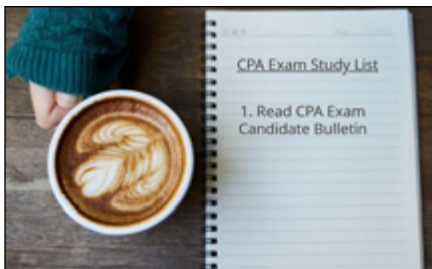
TRADITIONAL AND SOCIAL MEDIA

The CBA leverages traditional and social media to increase consumer awareness of the CBA and its mission.

Staff continue to find creative ways to use social media to reach licensees, applicants, and other stakeholders. Social media engagement has enjoyed a steady increase during this fiscal year.

The CBA also uses social media to respond to questions and comments about program requirements and processes. The response process for inquiries received via social media has been improved this fiscal year, which allows for a quicker response time for stakeholders.

Staff send news releases to traditional media outlets regarding CBA member appointments and annual member elections. Following the approval of disciplinary cases at CBA meetings and the posting of the related orders to the CBA website, staff inform reporters and editors throughout California.



Samples of social media posts created and shared by the CBA.



E-NEWS

E-News, the CBA's email subscription list, continues to be a regular and effective method of communicating important news regarding the CBA's activities. Subscribers can elect to receive emails regarding various topics, including upcoming meetings, CPA Examination and licensing updates, statutory and regulatory changes, and notifications regarding the *UPDATE* newsletter.

WEBSITE ACTIVITY

Public Information Unit staff are collaborating with the Licensing Division to develop new website content and optimize current pages for clarity. In addition, CBA staff worked diligently to ensure all website visitors receive the same level of accessible information (see more in the Technology section).

Further, the CBA launched a [webpage](#) to provide resources to stakeholders regarding cannabis and the practice of public accountancy.

ON THE HORIZON

AB 1521, the CBA's sunset bill, includes a requirement for all applicants and licensees to provide the CBA a valid email address, allowing the CBA to communicate more quickly with examination and licensee populations. (See Legislation and Regulations for more information on AB 1521.)

Future website improvements will continue to highlight and clarify CBA requirements and processes relating to consumers, licensees, applicants, and stakeholders. Public Information Unit staff is working with Information Technology staff to create and enhance web pages related to examination, initial licensing, outreach events and materials, reporting unlicensed activity, and more.

Staff intends to more effectively leverage video and other technology-based tools to increase the reach of the CBA's outreach program to consumers, licensees, applicants, and students.

ADDITIONAL RESOURCES

The CBA's website contains various resources for [consumers](#), [applicants](#), and [licensees](#). Additional information can also be found on the [Communications and Outreach](#) page. The CBA's [Facebook](#), [Twitter](#), and [LinkedIn](#) social media sites also contain valuable updates for all stakeholders.



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ENFORCEMENT ACTIVITIES

OVERVIEW

The Enforcement Program'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 for violations that do not rise to the level of discipline
- Filing accusations and imposing discipline
- Assigning and monitoring referrals to the Office of the Attorney General
- Monitoring licensees on probation
- Monitoring compliance with the mandatory peer review program

FISCAL YEAR HIGHLIGHTS

The Enforcement Program continued to realize significant improvements in case management because of prior year best practice implementation, as illustrated below:

- The Enforcement Program closed 3,688 investigations – its highest volume over the prior three fiscal years. More than 81 percent of the investigations were closed within the first six months, and 92 percent were closed within one year.
- The number of complaints received this fiscal year increased 26 percent, from 2,435 complaints last fiscal year to 3,060. The overall inventory of pending complaints at the end of this fiscal year was 550.
- The program experienced a significant decrease in complaints pending over 24 months. Overall, the Enforcement Program reduced this inventory from 47 cases at the close of fiscal year 2017-18 to 13 cases at the close of fiscal year 2018-19, a 72 percent decrease.

The Enforcement Program increased its efforts in addressing unlicensed activities. The CBA actively investigates unlicensed matters from both external/consumer complaints and internally identified matters on CPAs or accountancy firms operating with an expired license, individuals without a CPA license, and unregistered accounting firms. The Enforcement Activity Report now incorporates unlicensed activity which includes cases referred to the Department of Consumer Affairs' Division of Investigation and the outcome of the unlicensed matters – citation, compliance, or referral to the District Attorney or local law enforcement.

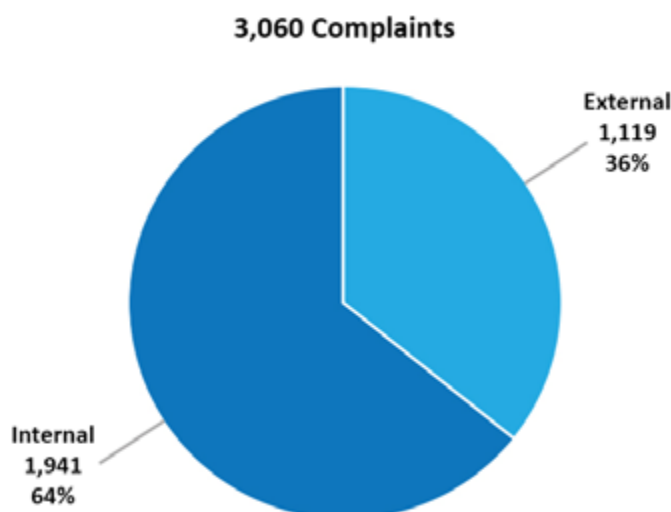


Assisting the CBA's Peer Review Oversight Committee, the Enforcement Program reviewed and enhanced the oversight procedures of out-of-state administering entities under the American Institute of CPAs to ensure other states have functioning peer review programs. Maintaining oversight of the administering entities supports the effectiveness of the peer review program and helps ensure consumer protection.

STATISTICS COMPLAINTS

The Enforcement Program receives complaints from consumers, licensees, professional societies, law enforcement, other government agencies, and internal referrals. Also, staff regularly monitors other outlets, including the news media and social media, for information that may suggest licensees' violations of the California Accountancy Act and CBA Regulations.

The internal complaints from the CBA Licensing Program include various licensing renewal-related deficiencies related to continuing education, unlicensed activity, potential discrepancies in peer review reporting, and conviction and subsequent arrest notifications



INVESTIGATIONS

The Enforcement Program closed a higher volume of cases, compared to the prior fiscal year. For fiscal year 2017-18, the CBA closed 2,356 cases, while for fiscal year 2018-19, the CBA closed 3,688 cases – a 57 percent increase. Additionally, the Enforcement Program's average days to close an investigation significantly decreased from 201 days in fiscal year 2017-18 to 119 days in fiscal year 2018-19.

| INVESTIGATIONS | FISCAL YEAR 2018-19 |
|----------------------------|------------------------|
| Assigned for Investigation | 3,060 |
| Investigations Closed | 3,688 |
| Average Days to Close | 119 |

WORKING WITH THE ATTORNEY GENERAL'S OFFICE

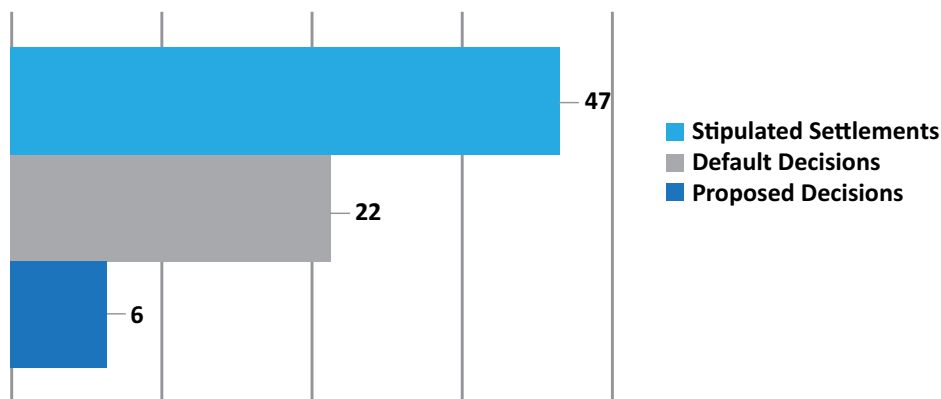
The number of referrals to the Attorney General's Office decreased slightly in fiscal year 2018-19. The number of cases pending at the Attorney General's Office remains the same, which is primarily attributed to the Enforcement Program's effectiveness in working to obtain settlement shortly after a pleading is filed.

| ATTORNEY GENERAL'S OFFICE | |
|---------------------------|----|
| Referrals | 79 |
| Cases Pending | 69 |

DISCIPLINARY ACTIONS

The CBA took action on 75 matters, the majority of which were through stipulated settlements.

75 Disciplinary Actions



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. In fiscal year 2018-19, the CBA issued 517 citations. The top three violations included:

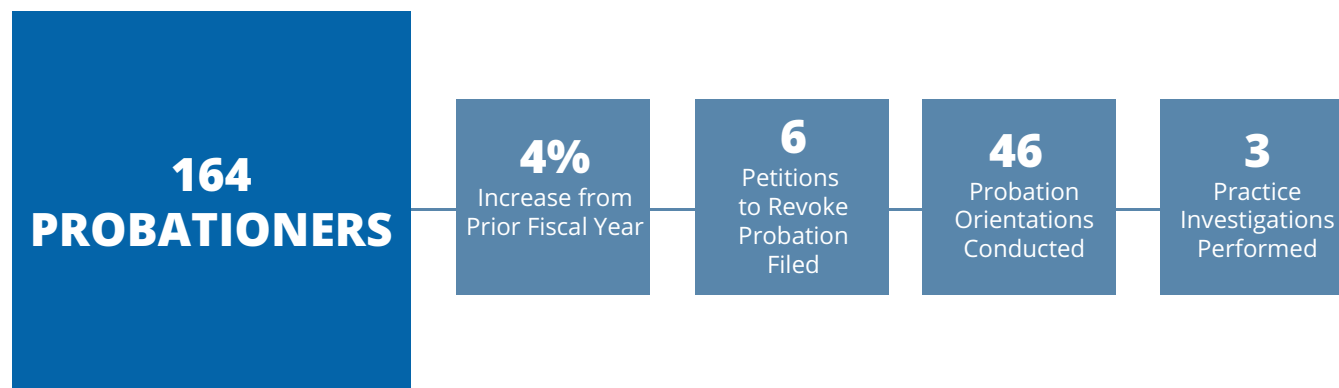
- CBA Regulations section 87 (Continuing Education Rules¹)
- CBA Regulations section 52 (Response to CBA Inquiry)
- CBA Regulations section 45 (Reporting to the CBA)

¹Most of the citations issued for continuing education related to licensees renewing in an active status and failing to complete a minimum of 20 hours of continuing education in each year of their two-year license renewal period (with a minimum of 12 hours in technical subject matter). This regulation is more commonly referred to as the "20/12 requirement."



PROBATION MONITORING

Probation monitoring is a vital and important program and an essential aspect of the CBA's consumer protection mission and helps ensure only qualified licensees practice public accountancy in accordance with established professional standards.



PRACTICE PRIVILEGE REPORTING

The following table depicts the enforcement aspects of the CBA's mobility program in these identified areas:

| PRACTICE PRIVILEGE REPORTING FISCAL YEAR 2018-19 | TOTAL |
|---|-------|
| Pre-Notification Forms Received | 0 |
| Securities and Exchange Commission Discipline Identified | 6 |
| Public Company Accounting Oversight Board Discipline Identified | 6 |
| Out-of-State Accounting Firms that Reported Other Discipline | 10 |
| External Complaints Against Practice Privilege Holders | 4 |



PERFORMANCE MEASURES

| ENFORCEMENT PERFORMANCE MEASURES | TARGET | RESULT |
|--|----------|----------|
| Number of Complaints and Convictions Received | N/A | 3,060 |
| Number of Complaints Closed or Assigned to an Investigator | N/A | 3,060 |
| Average Number of Days from Complaint Receipt, to the Date the Complaint Was Closed or Assigned to an Investigator | 10 days | 2 days |
| Number of Investigations Closed (Not Including Cases Transmitted to the Attorney General) | N/A | 3,688 |
| Average Number of Days to Complete the Entire Enforcement Process for Cases Not Transmitted to the Attorney General (Includes Intake and Investigation) | 180 days | 119 days |
| Cases Closed After Transmission to the Attorney General for Formal Disciplinary Action (Including Formal Discipline and Closures without Formal Discipline, e.g., withdrawals, dismissals, etc.) | N/A | 81 |
| Average Number of Days to Complete the Entire Enforcement Process for Cases Transmitted to the Attorney General (Includes Intake, Investigation, and Case Outcome) | 540 days | 866 days |
| Number of New Probation Cases | N/A | 45 |
| Average Number of Days from Monitor Assignment to the Date the Monitor Makes First Contact with the Probationer | 10 days | 1 day |
| Number of Probation Violation Cases | N/A | 47 |
| Average Number of Days from the Date a Violation of Probation is Reported to the Date the Assigned Monitor Initiates Appropriate Action | 15 days | 1 day |

The CBA's Investigation Cycle Time was 119 days, reflecting a significant decrease as compared to the last fiscal year's cycle of 193 days. The improvement in the average number of days to complete investigations is a result of process changes made within the Enforcement Program's Intake Unit.

The CBA's average number of days for the Formal Discipline Performance Measure was 866 days for fiscal year 2018-19, a one day increase compared to 865 for the prior fiscal year. The performance measure associated with formal discipline calculates the average number of days to complete the entire enforcement process from the date the complaint was received until the effective date of the final discipline for decisions that took effect during that quarter. As the Enforcement Program works to address its aging case inventory and the CBA acts on these matters, there will be a direct impact on this performance measure.



ON THE HORIZON

Consistent with the CBA's mission of consumer protection, the CBA will be working collaboratively with other state boards, agencies, and regulators in investigating unlicensed activity to ensure consumers are receiving services from appropriately licensed professionals.

The Enforcement Program will continue to work with the Peer Review Oversight Committee to complete a framework for evaluating the peer reviewer population.

ADDITIONAL RESOURCES

The CBA offers an [online complaint form](#) and information to assist consumers who may have concerns or a complaint against a licensee.

Additionally, there are helpful resources on the [CBA website](#) to assist licensees and applicants in understanding the enforcement process, including:

- [The Enforcement Handbook for Licensees](#)
- [The Enforcement Handbook for CPA Licensure Applicants](#)



LICENSING ACTIVITIES

OVERVIEW

The Licensing Division's primary charge in meeting the CBA's consumer protection mission is to regulate entry and continuing practice in the profession by ensuring that only those who are qualified are licensed to practice public accountancy. Its three units – Examination, Initial Licensing, and Renewal and Continuing Competency – act as gatekeepers for the profession by ensuring:

- Applicants meet education requirements prior to taking the CPA Examination
- Applicants for licensure who passed the CPA Examination 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 continuing education hours to renew their license and demonstrate minimum competency
- Out-of-state registered accounting firms that intend to perform specified accounting services for entities headquartered in California meet the minimum registration requirements

FISCAL YEAR HIGHLIGHTS

The CBA maintains a 30-day processing target for its applications. This target timeframe is reported to the Governor's Office and Legislature as part of performance-based budgeting requirements and is included in the CBA's 2016-18 Strategic Plan. While the CBA exceeded this target in the first few months of fiscal year 2018-19, since the end of October 2018, the CBA has been processing applications at or below 30 days.

On December 10, 2018, the CBA launched its credit card payment system. The online portal allows licensees to use a credit card to pay all renewal fees. In mid-2020, the CBA hopes to extend this payment method to examination and licensure applicants.

The CBA has partnered with the National Association of State Boards of Accountancy to update various CBA licensing communications materials. The first materials the National Association of State Boards of Accountancy developed were "infographic" flyers provided to applicants about the application process and requirements for the CPA Examination and CPA licensure. The flyers were also posted to the CBA website and are included as handouts during outreach events.

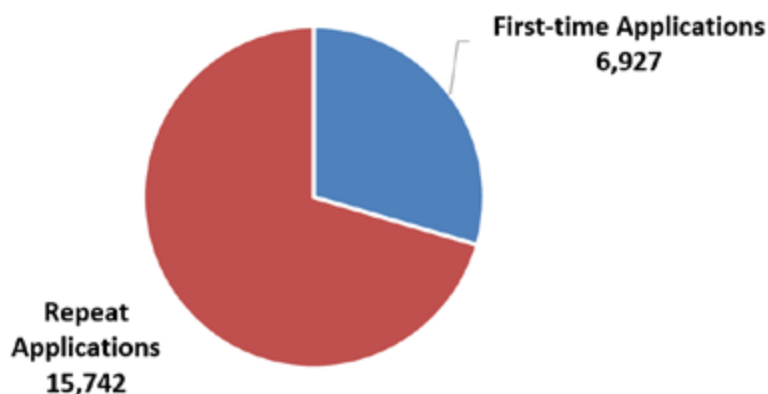
The CBA is now accepting educational documents included with applications for examination and licensure, rather than requiring all such documents be sent directly from educational institutions. This change has streamlined and reduced processing time for application review.



STATISTICS EXAMINATION

Prior to an individual taking the CPA Examination, applicants must first apply to, and be approved by, the CBA to ensure minimum educational qualifications are met.

22,669 Applications Approved for the CPA Examination



APPLICATION AND LICENSURE STATISTICS

Provided below is an overview of the application and licensure volume for both individual and accounting firm licenses:

| APPLICATION TYPE | FISCAL YEAR 2018-19 |
|-----------------------|------------------------|
| CPA Examination | |
| Received | 22,337 |
| Approved | 22,669 |
| Initial CPA Licensure | |
| Received | 3,628 |
| Approved | 4,400 |
| CPA Accountancy Firm | |
| Received | 714 |
| Approved | 511 |



OUT-OF-STATE ACCOUNTING FIRMS

Out-of-state accounting firms that hold a valid and current license, certificate, or permit to practice public accountancy from another state are required to register with the CBA prior to performing specified services.

| OUT-OF-STATE ACCOUNTING FIRM REGISTRATION | FISCAL YEAR 2018-19 |
|--|------------------------|
| Initial Registration Received | 65 |
| Initial Registration Approved | 82 |
| Renewed | 136 |
| Enforcement Referrals | 6 |

LICENSE RENEWAL

CPA and Public Accountant (PA) licensees are required to renew their licenses biennially, in conjunction with their birth month. Accountancy corporations, partnerships, and out-of-state accounting firms are also required to renew biennially, corresponding with their registration date with the CBA. Additionally, a Fictitious Name Permit holder must renew every five years from the date of issuance unless renewed prior to expiration.





| CONTINUING EDUCATION VERIFICATION | |
|--|---------------|
| Continuing Education Worksheet Review | |
| CE Reporting Worksheets Reviewed | 29,579 |
| CE Deficiencies | 2,491 |
| Deficiency Percentage Rate | 8% |
| CE Verification Program | |
| Licensees Selected for CE Verification | 900 |
| CE Deficiencies* | 20 |
| Deficiency Percentage Rate | 2% |

*This reflects individuals who were referred to the Enforcement Program for failing to respond to, or rectify, any identified deficiencies/discrepancies.

ON THE HORIZON

The primary focus in the Licensing Division remains the processing of applications within 30 days. The CBA will continue exploring methods that streamline processes, create efficiencies, and leverage resources to more quickly process applications and assist applicants on their pathway to licensure.

While the Business Modernization Project is in its early stages, the CBA is moving forward with an interim plan to allow individuals to apply for CPA licensure online. The CBA presently offers applicants for the CPA Examination the ability to create an online account, which is used to create a remittance application, receive application approvals, and notification of examination grades. The present database is being enhanced to allow individuals to also apply for CPA licensure, following completion of the CPA Examination. It is anticipated that this will be available in early 2020.

ADDITIONAL RESOURCES

The CBA website contains significant resources for applicants and licensees, including:

- Handbooks for [CPA Examination](#), [CPA licensure](#), and [licensees](#)
- [Frequently asked questions](#)
- Webinars on CPA Examination and licensing requirements
- Links to helpful information

LEGISLATION AND REGULATIONS

OVERVIEW

The CBA's legislative and regulatory programs help ensure California law support the CBA's consumer protection mission. This is accomplished by using the following best practices:

- Tracking and monitoring the status of bills that may impact the CBA's mission or its operations
- Developing and maintaining relationships with the Legislature to help ensure the CBA has the resources and policies in place to protect consumers
- Communicating with the authors of bills of interest to the CBA, inviting those authors to attend CBA meetings, providing CBA's legislative analyses, and expressing willingness to meet and discuss pending legislation
- Identifying activities that help the CBA in effectively engaging with the Legislature and appropriately advocating for its position on bills and emerging issues
- Engaging with stakeholders, including the Department of Consumer Affairs, other boards and bureaus, representatives of California Society of CPAs, national accounting firms, and consumer advocates
- Initiating changes to statutes or regulatory requirements consistent with CBA-approved policy direction

SUNSET REVIEW

This year, CBA was reviewed by the California State Legislature in a process known as "Sunset Review." During this process, which occurs once every four years, the Legislature does an in-depth review of the work of each occupational licensing board or bureau within the Department of Consumer Affairs. If the Legislature wishes to extend the operations of a board or bureau, legislation will be introduced, accordingly. Assembly Bill 1521 is the CBA's "sunset bill" legislation, and it has received unanimous support throughout the legislative process.

The process began with the development and release of the [CBA's 2018 Sunset Review Report](#) in November 2018, which details the key activities and performance metrics covering the prior four-year period.

Following the submission of that report, the CBA engaged in frequent and sustained dialogue with staff of the Senate Business, Professions, and Economic Development Committee and the Assembly Business and Professions Committee (Committees) regarding the CBA's 2019 Sunset Review. The CBA's report contained the following requests:

- Increase the amounts the CBA may charge for its license renewal and initial license fees
- Require all applicants and licensees to provide the CBA a valid email address, if they possess one
- Allow the CBA to electronically distribute the *UPDATE* newsletter
- Address CBA concerns regarding certain provisions of AB 2138 (Chapter 995 of 2018 Statutes)

To help ensure support for these requests, in late January and early February 2019, staff contacted the office of every legislator who is a member of the Committees to discuss the CBA's sunset report and respond to questions.

On February 26, 2019, CBA President George Famalett, CPA; Vice-President Mark Silverman, Esq.; and Executive Officer Patti Bowers testified at the CBA's sunset review hearing, discussing the CBA's requests and responding to questions posed by members of the Committees and staff. Following that hearing, AB 1521 was amended to include language related to the CBA's requests.

FISCAL YEAR HIGHLIGHTS

During fiscal year 2018-19, staff engaged with the Legislature, the Department of Consumer Affairs, and other stakeholders to advocate for the CBA's position on the following key bills:

AB 1521 (LOW) – CBA POSITION: SUPPORT

Summary: Extends the CBA's authority to operate and continue its licensing and enforcement functions until January 1, 2024. Further, the bill increases the CBA's renewal and initial licensure fees from \$120 to \$250, requires CBA applicants and licensees to submit a valid email address, allows the CBA to electronically distribute its newsletter, and updates the CBA's authority to deny an applicant for licensure who engaged in unprofessional or criminal conduct.

AB 613 (LOW) – CBA POSITION: SUPPORT

Summary: Authorizes a Department of Consumer Affairs board to increase its fees once every four years by an amount up to the increase in the California Consumer Price Index over the prior four year period. Boards would be authorized to approve those fee increases apart from the regulatory process.

AB 1076 (TING) – CBA POSITION: OPPOSE, UNLESS AMENDED

Summary: Requires the Department of Justice, beginning January 1, 2021, to review its criminal justice databases on a weekly basis and grant arrest or criminal conviction record relief to eligible persons without requiring any action from the defendant.

The bill prohibits the Department of Justice from disclosing information concerning an arrest or conviction that has been granted relief to boards and bureaus within Department of Consumer Affairs. This provision of the bill would prevent the CBA from obtaining conviction records related to CBA licensees whose CPA license has been in a non-active status since the CBA's fingerprinting requirements began taking effect in 1998. The CBA requested the author allow the CBA ongoing access to conviction records for this population of licensees.

AB 1181 (LIMÓN) – CBA POSITION: OPPOSE

Summary: Requires financial records of certain solicitations for charitable purposes to be maintained according to a specific new accounting standard (apart from generally accepted accounting principles) instituted by the bill. Further, it prohibits a charitable organization from reporting its noncash contributions in a way that is misleading or likely to cause confusion.



SENATE BILL (SB) 53 (WILK) – CBA POSITION: OPPOSE

Summary: Subjects two-member advisory bodies to the provisions of the Bagley-Keene Open Meeting Act (the Act). The CBA uses these advisory bodies to consult with staff and conduct research or analysis. This bill would constrain the CBA's use of these advisory bodies and impose additional costs and workload to comply with the Act.

SB 601 (MORRELL) – CBA POSITION: SUPPORT

Summary: Authorizes any state agency that issues a business license to establish a process for a person or business that has been displaced or is experiencing an economic hardship due to an emergency to submit an application for a reduction or waiver of certain fees.

LEGISLATION

The following chart reflects all legislation tracked and monitored by CBA in 2018-19:

| BILL# | AUTHOR | TOPIC | VERSION | BOARD POSITION |
|--------------|---------------|---|----------------|-----------------------|
| AB 63 | Fong | State Government | 4/03/19 | Watch |
| AB 193 | Patterson | Professions and Vocations | 3/20/19 | Watch |
| AB 312 | Cooley | State Government: Administrative Regulations: Review | 1/29/19 | Watch |
| AB 476 | Rubio, Blanca | Department of Consumer Affairs: Task Force: Foreign-Trained Professionals | 2/12/19 | Watch |
| AB 535 | Brough | Personal Income Taxes: Credit: Professional License Fees | 4/08/19 | Watch |
| AB 544 | Brough | Professions and Vocations: Inactive License Fees and Accrued and Unpaid Renewal Fees | 3/21/19 | Oppose |
| AB 613 | Low | Professions and Vocations: Regulatory Fees | 2/14/19 | Support |
| AB 802 | Stone, Mark | Reports to the Legislature: Statewide Open Data Portal | 6/04/19 | Watch |
| AB 1076 | Ting | Criminal Records: Automatic Relief | 7/11/19 | Oppose unless Amended |
| AB 1140 | Stone, Mark | Tax Preparers: Disclosures | 4/22/19 | Support |
| AB 1181 | Limón | Charitable Organizations | 6/28/19 | Oppose |
| AB 1271 | Diep | Licensing Examinations: Report | 2/21/19 | Watch |
| AB 1343 | Eggman | Private Postsecondary Education: California Private Postsecondary Education Act of 2009 | 6/11/19 | Watch |



| BILL# | AUTHOR | TOPIC | VERSION | BOARD POSITION |
|---------|--------------|--|---------|----------------|
| AB 1521 | Low | Accountancy: California Board of Accountancy | 7/11/19 | Support |
| AB 1525 | Jones-Sawyer | Cannabis: Financial Institutions | 2/22/19 | Watch |
| AB 1545 | Obernolte | Civil Penalty Reduction Policy | 4/08/19 | Watch |
| SB 51 | Hertzberg | Financial Institutions: Cannabis | 6/13/19 | Support |
| SB 53 | Wilk | Open Meetings | 3/05/19 | Oppose |
| SB 601 | Morrell | State Agencies: Licenses: Fee Waiver | 6/27/19 | Support |

For updates on legislation tracked and monitored by the CBA, please visit the [“Laws and Rules”](#) pages of the CBA’s website.

PENDING REGULATORY CHANGES

Throughout fiscal year 2018-19, the CBA advanced its pending rulemaking packages. The following chart indicates each pending regulatory change:

| TITLE 16, CALIFORNIA CODE OF REGULATIONS, SECTION | SUBJECT |
|---|--|
| 7.1(c), 8, 70, 75.5, 87.6, 89.1 | Obsolete and Outdated Regulations |
| 45, Form PR-1 | Peer Review Reporting (Firms) |
| 98, 99, 99.1, 99.2 | AB 2138 - Disciplinary Guidelines; Substantial Relationship Criteria; Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, and Reduction of Penalty; and Directly and Adversely Financial Crime Criteria |
| 54.3, 54.4 | Sale, Transfer, or Discontinuance of Licensee’s Practice: Record Retention |
| 87, 88, 88.1, 88.2, 89, 90 | Continuing Education Requirements |
| 12.5 | Update Attest Experience Forms |
| 70 | License Renewal and Initial Licensure Fee Increase (Emergency and Regular Rulemaking) |
| 7.1 | Continuous Testing |



ON THE HORIZON

In 2020, following the completion of the CBA's fee analysis (see discussion under the Budget section of this report), the CBA will continue to discuss its revenue and reserve needs with the Legislature.

During its September 26-27, 2019 meeting, the CBA will conduct a public hearing on a pending rulemaking that would modify its regulations regarding peer review reporting requirements.

ADDITIONAL RESOURCES

The following legislative and regulatory information is posted on the CBA website:

- [California Accountancy Act](#)
- Current and pending [CBA Regulations](#)
- [Pending legislation](#) upon which the CBA has taken a position



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TECHNOLOGY

OVERVIEW

CBA's Information Technology staff focus on system administration, database management, information security, website development and maintenance, procurement, and information technology support.

FISCAL YEAR HIGHLIGHTS

In addition to the day-to-day information technology needs of the CBA, staff has dedicated resources this fiscal year to developing the CBA's Business Modernization Project. In collaboration with the Department of Consumer Affairs, the CBA began preliminary activities for the Business Modernization Project last fiscal year to prepare for the project launch on July 1, 2019.

The goal of the Business Modernization Project is to develop and deploy a new information technology system that will reduce processing times and streamline licensee and applicant experiences by automating key Examination, licensing, and enforcement activities. This will be achieved by creating and transitioning to a system that provides internal automation and online capabilities for all stakeholders. The first phase of the Business Modernization Project, which includes documenting all current processes, is expected to be completed by early 2020, and it is anticipated that full implementation of the Business Modernization Project will occur in 2022.

The most visible and highly anticipated development related to the Business Modernization Project was the implementation of an online credit card payment portal for license renewals. CBA Information Technology staff worked with the Department of Consumer Affairs and an outside vendor to create a secure online payment solution. This new payment option has been very well received by licensees, and provides a simpler license renewal experience.

Information Technology staff developed a content management system that allows certain CBA staff who manage web content to update the website directly. This system has streamlined the content posting process, allowing CBA staff to more quickly get important information to the public.

The CBA is committed to ensure content on the CBA website meets accessibility standards in compliance with the Americans with Disabilities Act (ADA) and Assembly Bill (AB) 434 (Chapter 780 of 2017 Statutes). To meet ADA compliance goals for AB 434, CBA staff have attended training for creating ADA-compliant documents and remediating older content to ensure accessibility. The CBA website has been modified to be 99.9 percent ADA Level AA compliant, and staff is working to ensure all future content meets accessibility standards.



The CBA upgraded its server hardware and software environment in 2019 in order to maintain a reliable and secure information technology infrastructure and provide additional capacity to meet the growing needs of staff and provide improved services to our stakeholders.

ON THE HORIZON

As part of the Business Modernization Project's early projects, the CBA is working diligently to bring initial CPA license applications online. This will allow California candidates who have passed the CPA Examination the opportunity to submit an initial CPA license application online, streamlining the application process and providing enhanced services to applicants. The user interface of this service is currently in the testing stage.

After its implementation, staff will add a payment feature so applicants may submit an online payment via credit or debit card.