



STATE & CONSUMER SERVICES AGENCY (Department of Consumer Affairs)

BOARD OF ACCOUNTANCY

Executive Officer: Carol Sigmann
(916) 920-7121

The Board of Accountancy (BOA) licenses, regulates, and disciplines certified public accountants (CPAs). The Board also regulates and disciplines existing members of an additional classification of licensees, public accountants (PAs); the PA license was granted only during a short period after World War II. BOA currently regulates over 55,000 licensees. The Board establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its power to license. The Board's enabling act is found at section 5000 *et seq.* of the Business and Professions Code; the Board's regulations appear in Title 16, Division 1 of the California Code of Regulations (CCR).

The Board consists of twelve members: eight BOA licensees (six CPAs and two PAs), and four public members. Each Board member serves a four-year term and receives no compensation other than expenses incurred for Board activities.

The operations of the Board are conducted through various standing committees and, for specific projects, task forces which are sunsetted at project completion. The Board's major committees include the following:

-The Qualifications Committee, among other things, reviews all applications for licensure, reviews workpapers to determine qualifications if it is unable to do so based on a file review, and considers all policy and/or procedural issues related to licensure.

-The Legislative Committee reviews legislation and recommends a position to the Board; reviews and/or edits proposed statutory language and regulatory language developed by other committees before it is presented to the Board; and serves as an arena for the various trade associations to express their concerns on issues.

-The Committee on Professional Conduct considers all issues related to the professional and ethical conduct of CPAs

and PAs.

-The Administrative Committee is responsible for handling disciplinary matters concerning licensees.

The Board's staff administers and processes the nationally standardized CPA examination, a four-part exam encompassing the categories of Audit, Law, Theory, and combined sections Practice I and II. Applicants must successfully complete all four parts of the exam and 500 hours of qualifying auditing work experience in order to be licensed. Approximately 20,000 examination applications are processed each year. Under certain circumstances, an applicant may repeat only the failed sections of the exam rather than the entire exam. BOA receives approximately 4,000 applications for licensure per year.

The current Board officers are President Ira Landis, Vice President Janice Wilson, and Secretary/Treasurer Jeffery Martin.

MAJOR PROJECTS:

Board Undertakes Structural Review. At its May 14-16 meeting in Costa Mesa, BOA continued an internal review of its committee structure with the dual goals of increasing BOA's efficiency and discharging its statutorily-imposed functions in a cost-effective manner. In part, the intensification of this effort was prodded by a legislative proposal to reduce the travel budgets of all state agencies by 50%; this would result in a reduction of \$130,000 for BOA. The "travel" line item is of particular importance to BOA's budget, as the Board operates largely through a committee structure, and each committee meets in a variety of venues around the state. During fiscal year 1990-91, BOA and its committees held 65 meetings and expended \$289,000, including \$152,000 for travel, \$26,000 for meeting sites, and \$111,000 for per diem payments.

BOA's ongoing discussion regarding the rationalization of the committee structure and function has produced a variety of suggestions. For example, BOA's Continuing Competency Unit was established in July 1989 and consists of the Continu-

ing Education Committee, the Positive Enforcement Program Committee, and the Reporting Standards Committee; membership on these three committees totals forty, including numerous non-Board members. BOA may consider the dissolution of all three committees and delegation of their functions to a new expanded Continuing Competence Committee. Also, BOA may reduce the membership of its Qualifications Committee from 26 to 20.

As noted, the Board's analysis and dialogue on this important subject is expected to be continued at future meetings. However, at BOA's May meeting, the Board established certain principles for each committee to follow to facilitate BOA's budget reductions. Those guidelines include adjusting the number of committee meetings to anticipated workload; setting meeting sites so as to minimize travel; adjusting meeting times so a day trip could complete the committees' business, *e.g.*, starting meetings at 10:00 a.m. to permit members to fly in on the day of the meeting; extending meeting hours so as to minimize hotel expenses; and selecting meeting sites close to airports to reduce rental car usage.

Adopted Board Priorities. In an attempt to improve its overall efficiency, BOA has prioritized the various tasks of its five major staff units: administration, continuing competency, enforcement, examination, and licensing. Tasks designated as "Priority A" were scheduled to be assigned or resolved by July; "Priority B" tasks were to be assigned to a committee by July and should be submitted for action by July 1993; and "Priority C" tasks are to be implemented or dropped within three years.

The Board considers "Priority A" items to include managing its major case program and disciplinary program; providing for the orderly transition of Board members by establishing a training program for new members; improving communications between BOA and its committees; developing disciplinary guidelines for matters involving perjury; making any appropriate examination changes; and providing information to employers on Form E matters. [12:1 CRLR 40]

LEGISLATION:

SB 2044 (Boatwright), as amended April 2, would declare legislative findings regarding unlicensed activity and authorize all DCA boards, bureaus, and commissions, including BOA, to establish, by regulation, a system for the issuance of an administrative citation to an unlicensed person who is acting in the



capacity of a licensee or registrant under the jurisdiction of that board, bureau, or commission. [A. CPGE&ED]

AB 2743 (Lancaster), as amended April 9, would revise revocation, suspension, or refusal to renew requirements with respect to the licensure of accountants. Specifically, existing law provides that a candidate who qualifies for admission to BOA's CPA examination under Business and Professions Code section 5081.1(d) and who passes the examination in one or more subjects shall have the right to be reexamined in the remaining subject(s) only at subsequent examinations held by the Board; if he/she passes the remaining subject(s) within a period of five years, he/she shall be considered to have passed the examination. This bill would require such candidates to pass the examination in two or more subjects in order to be eligible to be reexamined only in the remaining subject(s).

This bill would also amend Business and Professions Code section 5100 to provide that a violation of Business and Professions Code sections 478, 498, or 499 dealing with false statements or omissions in the application for a license, in obtaining a CPA certificate, registration under BOA's enabling act, or a permit to practice public accountancy under BOA's enabling act shall constitute grounds for discipline by the Board. [A. Floor]

SB 869 (Boatwright) is a controversial bill which would revise existing educational prerequisites for admission to the examination for a CPA certificate by, among other things, revising Business and Professions Code section 5081.1(a) to require 45 hours of instruction in a four-year institution in accounting, commercial law, economics, finance, and related business administration subjects and, effective January 1, 1997, 55 semester units in those subjects; providing for qualification by examination by BOA rather than by an agency approved by the U.S. Department of Education; and, as of January 1, 1997, requiring applicants for admission to the CPA exam to have completed at least 150 semester hours of education in a four-year institution and a baccalaureate or higher degree, or be a public accountant. [A. CPGE&ED]

AB 1142 (Chacon) would provide that licensees engaged in the practice of public accountancy shall display their Board license designation and other specified information in a manner determined by BOA to be appropriate. [S. B&P]

LITIGATION:

BOA is a party in two pending commercial speech cases. In *Moore v. State*

Board of Accountancy, oral argument was heard on April 8 before the California Supreme Court. Plaintiff Bonnie Moore challenges the validity of section 2, Title 16 of the CCR, which prohibits non-CPA accountants from using the words "accounting" or "accountant" to describe themselves or their services; Moore contends that section 2 violates her constitutionally-protected commercial speech rights. [12:1 CRLR 42]

In *Ross A. Johnson v. Board of Accountancy, et al.*, No. CV-S-91-1250 LKK-JFM (U.S. District Court, Eastern District of California), Johnson, a CPA, seeks a declaration that Business and Professions Code section 5061 and sections 56 and 57, Title 16 of the CCR, constitute an unconstitutional restraint of his commercial speech rights. Among other things, Johnson seeks a preliminary and permanent injunction prohibiting BOA from taking any disciplinary action against him for alleged violation of section 5061 or CCR sections 56 and 57. [12:1 CRLR 42] On February 21, the court heard argument on Johnson's preliminary injunction motion, as well as BOA's motion to dismiss; however, the judge requested additional briefing and scheduled further argument for June 22.

RECENT MEETINGS:

At BOA's January 31 meeting in Millbrae, the Board adopted a policy statement on committee appointments, which states that committee members are appointed at the pleasure of the Board; the term of office is one year; committee members may be removed at any time for neglect of duties, incompetence, unprofessional or dishonorable conduct, or for other good cause; and any reappointment to a subsequent term shall be solely at the pleasure of the Board. [12:1 CRLR 42-43]

Also at its January meeting, the Board adopted the Positive Enforcement Program Committee's (PEPC) recommendation that upon the occurrence of a second substandard report after a licensee's completion of mandatory continuing education, PEPC will refer the licensee to the Administrative Committee.

At its March 21 meeting in Los Angeles, the Board welcomed James Phipps, BOA's new Assistant Executive Officer.

At a specially scheduled April 20 meeting in Los Angeles, BOA President Ira Landis introduced two new CPA members, Victor Calderon and Robert J. Shackleton. Also introduced was Barbara Hadley, BOA's new Executive Analyst.

At its May 14-16 meeting, BOA was addressed by Jim Conran, Director of the

Department of Consumer Affairs (DCA); Conran discussed DCA's philosophy and its agenda for the boards it oversees. Conran noted that he and BOA may well have philosophical differences on a variety of issues, such as SB 869 (Boatwright), which would, as of January 1, 1997, require applicants for admission to the CPA exam to have completed at least 150 semester hours of education in a four-year institution and a baccalaureate or higher degree, or be a public accountant. DCA considers the bill to be an unnecessary barrier to entry into the profession; BOA considers it an upgrading of the qualifications of candidates for licensure.

Conran also announced the establishment of a direct liaison between BOA and his office by appointing one of his ranking assistants to attend each BOA meeting; members were pleased to have this direct link in place.

FUTURE MEETINGS:

September 18-19 in San Diego.

November 13-14 in San Francisco.

BOARD OF ARCHITECTURAL EXAMINERS

Executive Officer: Stephen P. Sands
(916) 445-3393

The Board of Architectural Examiners (BAE) was established by the legislature in 1901. BAE establishes minimum professional qualifications and performance standards for admission to and practice of the profession of architecture through its administration of the Architects Practice Act, Business and Professions Code section 5500 *et seq.* The Board's regulations are found in Division 2, Title 16 of the California Code of Regulations (CCR). Duties of the Board include administration of the Architect Registration Examination (ARE) of the National Council of Architectural Registration Boards (NCARB), and enforcement of the Board's statutes and regulations. To become licensed as an architect, a candidate must successfully complete a written and oral examination, and provide evidence of at least eight years of relevant education and experience. BAE is a ten-member body evenly divided between architects and public members. Three public members and the five architects are appointed by the Governor. The Senate Rules Committee and the Speaker of the Assembly each appoint a public member.

MAJOR PROJECTS:

'Association Issues Discussed. The Board's Enforcement Committee has