

# **BACKGROUND PAPER FOR THE The California Board of Accountancy**

**Joint Sunset Review Oversight Hearing, March 11, 2024  
Assembly Committee on Business and Professions and the  
Senate Committee on Business, Professions, and Economic Development**

## **BACKGROUND, IDENTIFIED ISSUES, AND RECOMMENDATIONS**

### **BRIEF OVERVIEW OF THE CALIFORNIA BOARD OF ACCOUNTANCY**

#### **History and Function of the Board**

The California Board of Accountancy (Board or CBA) has regulated the profession of public accounting in California for over 120 years. Its mission is “to protect consumers by ensuring only qualified licensees practice public accounting in accordance with applicable professional standards.”<sup>1</sup> The Board achieves this mission primarily through its ability to issue licenses. There are collectively more than 115,000 certified public accountants (CPAs), public accountants (PAs)<sup>2</sup>, and accounting firms (partnerships, corporations, and out-of-state registered firms) licensed or registered in California.

Pursuant to the California Accountancy Act, the Board is responsible for the following:

- Qualifying California candidates for the Uniform CPA Examination
- Certifying, licensing, and renewing the licenses of individual CPAs.
- Licensing in-state accounting firms, registering out-of-state accounting firm, and issuing fictitious name permits.<sup>3</sup>
- Receiving and investing complaints about licensees and registrants.
- Enforcing California laws and regulations by taking enforcement action against licensees and registrants for a violation.
- Ensuring compliance with continuing education (CE) requirements.
- Monitoring the work product of CPAs, PAs, and accounting firms to ensure adherence to professional standards.

The Board’s consumer protection mission extends to numerous 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.

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<sup>1</sup> [California Board of Accountancy](#)

<sup>2</sup> The Board oversees a handful of Public Accountants, a license category that was eliminated in 1965. PAs who have maintained their license since that time are effectively grandfathered in so long as those licensees continue to adhere to the license renewal requirements.

<sup>3</sup> A sole proprietor who wishes to practice under a fictitious name must register with, and be approved by, the Board.

- 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, Department of Insurance, Department of Labor, the Government Accountability Office, federal and state banking regulators, and local, state, and federal taxing authorities.
- Retirement systems, pension plans, capital markets and stock exchanges.
- Other state boards of accountancy.

In its 2022-2024 Strategic Plan, the Board identified the following goals:

- **Enforcement:** Maintain an active, effective, and efficient program to maximize consumer protection.
- **Licensing:** Regulate entry and continuing practice in the profession by ensuring that only those who are qualified are licensed to practice public accountancy.
- **Customer Service:** Deliver the highest level of customer service.
- **Outreach:** Provide outreach to reach a wide audience, grow audience diversity, and increase consumer protection.
- **Laws and Regulations:** Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.
- **Emerging Technologies:** Improve efficiency and information security through the use of existing and emerging technologies.
- **Organizational Effectiveness:** Maintain an efficient and effective team of leaders and professionals.

## **Board Membership and Committees**

The California Accountancy Act provides that the Board consist of 15 members, seven of whom must be licensees and eight of whom are required to be members of the public. The Governor appoints the seven licensee members and four of the public members of the Board. The Senate Committee on Rules and the Speaker of the Assembly each appoint two public members.

Board members may serve no more than two, four-year terms consecutively, and are allowed to hold office until the appointment of their successor or until one year has passed since the expiration of their term, whichever occurs sooner. The Governor may remove any licensee board member whose permit to practice accountancy becomes void, revoked, or suspended. Additionally, the Governor may, after a hearing, remove any member of the Board (licensee or public) for neglect of duty or other just cause. The Board currently has three vacancies (two public members and one professional member). Vacancies are required to be filled by appointment.

Board members receive customary per diem (\$100)<sup>4</sup>. At its November meeting, the Board elects a President, Vice President, and Secretary/Treasurer to serve for 12 months. This leadership team convenes board meetings, attends legislative meetings, testifies before the Legislature, and conducts outreach at various events. They also work closely with the Board's Executive Officer, Assistant Executive Officer, Enforcement Chief, and Licensing Chief.

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<sup>4</sup> Bus. and Prof. Code § 103

The current composition of the Board is as follows:

Board Composition Name and Bio	Original Appointment	Date Reappointed	Expiration of Current Term	Appointing Authority
<p style="text-align: center;"><b>Joseph Rosenbaum, CPA</b> <i>(President)</i> Professional Member</p> <p>Mr. Rosenbaum was appointed to the Board by Governor Gavin Newsom in May 2022. He has been President at Rosenbaum &amp; Co. since 2011. Mr. Rosenbaum was a Partner at Ernst &amp; Young LLP from 1999 to 2010, and was previously a Partner at both PricewaterhouseCoopers LLP (1996 to 1999) and Arthur Andersen &amp; Co. (1983 to 1999), enjoying office assignments in San Francisco, Los Angeles, Zurich, and The Hague. He was a member and Chair of the Enforcement Advisory Committee at the California Board of Accountancy from 2012 to 2020. Mr. Rosenbaum is a member of the California Society of Certified Public Accountants. He earned a BS in Accounting, an MBA and a JD from Ohio State University.</p>	05/05/22	02/22/23	01/01/27	Governor
<p style="text-align: center;"><b>Yen C. Tu</b> <i>(Vice President)</i> Public Member</p> <p>Ms. Tu was appointed to the Board by the Senate Rules Committee in February 2020. Ms. Tu has been principal consultant and owner at Yen C. Tu Consulting for 20 years, a firm focused on providing community outreach services to ethnic/underrepresented communities as well as corporations, government, and non-profit organizations throughout San Diego. Ms. Tu is a Board Member for the San Diego Diplomacy Council and the Asian Business Association. She also serves as a Member of San Diego Mayor Faulconer’s Asian Advisory Council, San Diego Association of Governments’ 2020 Census Count Workgroup, and the San Diego Community College District’s Oversight Committee. She served on the staff of two City of San Diego Councilmembers and one San Diego County Supervisor. Ms. Tu served as President and CEO for the Asian Business Association (1999-2004, 2011, and 2019), served on the Boards for the San Diego County Water Authority (2002-2017), University of California San Diego Chancellor’s Community Advisory Board (2013-2019), Metropolitan Water District of Southern CA (2014-2016), San Diego Gas and Electric’s Community Advisory Council (2010-2017), Japan Society of San Diego &amp; Tijuana (2007-2012), and the Union of Pan-Asian Communities (2008-2013). Ms. Tu received her undergraduate degree in Chinese Studies at the University of California at San Diego in 1990.</p>	02/19/20	12/11/23	01/01/28	Senate

<p style="text-align: center;"><b>Kristian Latta, CPA</b> <i>(Secretary/Treasurer)</i> Professional Member</p> <p>Ms. Latta founded The Chic CPA in 2020, where she currently is the Sole Practitioner and supports women in the beauty and fashion industries by providing them with quality accounting services and business education. Concurrently, in 2021, she was an Audit Supervisor at Raimondo Pettit Group and now continues to partner with them on various audit and training projects. Ms. Latta transitioned to private accounting in 2018 and held several positions at Guess Inc. from 2018 to 2020, including SEC Senior Financial Reporting Analyst and Merchandise Planning Analyst, where she diversified her background to include global public company accounting and retail operations finance experience. She earned her bachelor's degree in Accounting from the University of Louisville, Kentucky. Ms. Latta is a member of Accountants of Color, California Society of Certified Public Accountants, and the American Institute of Certified Public Accountants.</p>	05/05/22	N/A	11/26/25	Governor
<p style="text-align: center;"><b>Patricia Batchelor, CPA</b> Professional Member</p> <p>Ms. Batchelor was appointed to the Board by Governor Gavin Newsom in October 2023. She has been the owner of her business, Patricia Batchelor, Certified Public Accountant, since 2004. Ms. Batchelor earned a Master of Science degree in Taxation from Golden Gate University and a Bachelor of Science degree in Business Administration from the University of Redlands. She is a member of the California Society of Certified Public Accountants, American Institute of Certified Public Accountants, and the Alliance of Black Women Accountants.</p>	10/12/2	1/19/24	1/1/28	Governor

<p style="text-align: center;"><b>Nancy J. Corrigan, CPA</b> Professional Member</p> <p>Ms. Corrigan was appointed to the Board by Governor Edmund G. Brown Jr. in August 2018, and reappointed in May 2022 by Governor Gavin Newsom. Prior to Ms. Corrigan’s appointment, she served on the CBA’s advisory committees for over 15 years, including the Enforcement Advisory Committee, Peer Review Oversight Committee, and Qualifications Committee. She was elected CBA President twice, for consecutive terms beginning in November 2019, and has also served as Secretary/Treasurer. Ms. Corrigan has been a partner and co-owner in two regional and local CPA firms since 1985 and recently transitioned into consulting. She is the current Pacific Regional Director for the National Association of State Boards of Accountancy, and is a member of California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.</p> <p>Ms. Corrigan is also a member of the Cal Poly Pomona Accounting Department Advisory Board and is an advisor to the Audit Committee of Teen Challenge of Southern California. She earned a Bachelor of Science Degree from California State Polytechnic University, Pomona.</p>	08/17/18	05/05/22	11/26/25	Governor
<p style="text-align: center;"><b>Karriann Farrell Hinds, Esq.</b> Public Member</p> <p>Ms. Hinds was appointed by Governor Edmund G. Brown Jr. in January 2016. Ms. Hinds, of Los Angeles, has been a consultant to the Public Policy Institute of Santa Monica College since 2015. She was consultant to the Academic Support Department at Abraham Lincoln University School of Law from 2006 to 2007; a solo practitioner at the Law Office of Karriann Farrell Hinds from 2002 to 2005; an associate at Sedgwick, Detert, Moran and Arnold from 2003 to 2004; and director of development and attorney at the Harriett Bahai Center for Family Law from 2001 to 2002. She was an associate at Robie and Matthai from 1999 to 2001, where she was a law clerk from 1998 to 1999. She earned a Juris Doctor degree from Loyola Law School, Los Angeles.</p>	01/27/16	02/22/23	1/1/2027	Governor

<p style="text-align: center;"><b>Dan Jacobson, Esq.</b> Public Member</p> <p>Dan Jacobson, Esq., was originally appointed to the Board by the Assembly Speaker Anthony Rendon in September 2017, and was reappointed in December 2021. Mr. Jacobson has practiced civil litigation law in California since 1988. He has served on the Board of Governors of the California Insurance Guarantee Association and as a Temporary Judge for the Orange County Superior Court. Mr. Jacobson is an Adjunct Professor of Law at Pacific West College of Law, the author of numerous scholarly articles, an expert witness-consultant in the field of property/casualty insurance, and Chair of the Democratic Foundation of Orange County. Mr. Jacobson earned a Juris Doctor Degree from Thomas Jefferson School of Law in 1987. He received his Bachelor of Science in Laws Degree from the same institution in 1986.</p>	09/01/17	11/29/21	01/01/25	Assembly
<p style="text-align: center;"><b>Tong “Tony” Lin</b> Public Member</p> <p>Mr. Lin is a first generation Chinese-American immigrant, Californian, and entrepreneur dedicated to serving his community. He served as a member of the Elk Grove Planning Commission, and is currently CEO for the Asian Pacific Islander American Public Affairs Association, a national nonprofit organization dedicated to advancing the AAPI communities through leadership and civic engagement with 43 chapters across the country.</p> <p>After attending the University of Massachusetts, College of Management, Mr. Lin developed an extensive import/export business on an international level. Since 2011, he has served as President of Talus Design Corporation, successfully developing and managing numerous restaurant and business operations. Pursuing his strong interest to give back to the community, Mr. Lin has also mentored and supported hundreds of student interns and young business professionals.</p>	02/22/23	1/11/23	11/26/26	Governor
<p style="text-align: center;"><b>Theresa N. Thompson, CPA</b> Professional Member</p> <p>Ms. Thompson has been a Partner at PwC since 2019 and held several positions there from 2008 to 2019, including State &amp; Local Tax Director, State &amp; Local Tax Manager, Senior Tax Associate and Tax Associate. Ms. Thompson earned a Bachelor of Science degree in Accounting from Santa Clara University. She is a member of the American Institute of Certified Public Accountants and of the California Society of Certified Public Accountants.</p>	10/12/23	N/A	11/26/26	Governor

<p style="text-align: center;"><b>Evangeline Ward</b> Public Member</p> <p>Ms. Ward has been a Registered Dental Hygienist since 2007 in the San Francisco Bay Area. She earned a Bachelor's degree in Health Science from Fresno State University and a Master's of Science degree in Nutrition and Human Performance from Logan University. Ms. Ward has been a Registered Dental Hygienist at Richard Tabor DDS since 2014, Pinole Family Dental from 2019 to 2022, and at Compassionate Care Dental from 2011 to 2017. Additionally, she was employed as a Dental Hygiene Instructor at Diablo Valley College in 2015. Ms. Ward served on the Dental Hygiene Board of California from 2012 to 2022. She is a member of the California Dental Hygienists' Association and the National Dental Hygiene Association. Ms. Ward has participated in various activities supporting equity and diversity for minority students and giving back to the community by volunteering her service to the population in need.</p>	05/05/22	N/A	01/01/26	Governor
<p style="text-align: center;"><b>Katrina L. Salazar, CPA</b> Professional Member</p> <p>Ms. Salazar was appointed to the CBA in December 2012 by Governor Edmund G. Brown Jr. and served as President from 2015-2016, Vice president from 2014-2015, and Secretary/Treasurer from 2013-2014. In January 2018, she was elected Pacific Regional Director of the National Association of State Boards of Accountancy. Ms. Salazar currently serves as the Chief Financial Officer for the California Correctional Peace Officers Association. She has also served as the Executive Director of the Rotary Club of Sacramento, Chief Financial Officer at the Academic Senate for California Community Colleges and the American Red Cross Sacramento Sierra Chapter. Ms. Salazar previously held several positions in public accounting, including senior audit manager for Reznick Group, and has been an adjunct accounting professor for the Los Rios Community College District. Ms. Salazar is a member of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.</p>	12/14/12	11/22/20	11/26/23	Governor

<p style="text-align: center;"><b>Doug Aguilera, CPA</b> Professional Member</p> <p>Aguilera has been a Forensic Accountant at Aguilera &amp; Associates since 2008. He was Director of Ethics and Compliance Investigations for Stanford University from 2017 to 2022. He was Senior Manager at Ernst &amp; Young LLP from 2003 to 2008. He was a Director at KPMG from 2002 to 2003. Aguilera is a member of the California Society of CPAs and the American Institute of Certified Public Accountants. He earned a Bachelor of Science degree in Administration with a Concentration in Accounting from California State University, San Jose.</p>	2/29/2024	N/A	11/26/2027	Governor
<p style="text-align: center;"><b>Nancy Duong</b> Public Member</p> <p>Duong has been Co-Founder of Tocqueville Investment since 2019 and a Partner at Santa Clarita In Home Tutoring since 2021. She was a Senior Investment Associate for Prudential Private Capital from 2015 to 2019 and a Markets and Policy Associate for the Federal Reserve Bank of New York from 2010 to 2016. Duong is Vice Chair of the Community Services Commission for the City of San Gabriel. She earned a Master of Public Affairs degree in Economics from Princeton University and a Bachelor of Arts degree in International Relations from the University of California, Berkeley.</p>	2/29/2024	N/A	11/26/2024	Governor

## Committees

The Board currently has four legislatively established committees, including the following:

- The **Enforcement Advisory Committee** is comprised of 13 licensees who volunteer to sit on the committee. This committee provides technical assistance to the Enforcement Program during open investigations, reviews closed investigations to assess the sufficiency of the investigation, and participates in investigative hearings with staff and attorneys from the Office of the Attorney General.
- The **Qualifications Committee** is comprised of 13 licensees who have a background in performing audit-related services and volunteer to sit on the committee. The committee is responsible for interviewing applicants and employers and conducts work paper<sup>5</sup> reviews to ensure that applicants meet the minimum experience for licensure. The committee also reviews *approved* CPA applications.
- The **Peer Review Oversight Committee** is comprised of seven licensees who have a background in attestation services<sup>6</sup> and volunteer to be a committee member. This committee is responsible

<sup>5</sup> Work papers are a CPA's documentation of the services they are engaged to perform. They can include the licensee's records of the procedures applied, the tests performed, the information obtained, and the pertinent conclusions reached in an engagement. For audit engagements, work papers might include, but are not limited to, spreadsheets, schedules, memoranda, abstracts of company documents, and schedules or commentaries obtained by the licensee. For tax engagements, work papers might include W-2s, 1099s, and receipts.

<sup>6</sup> Attestation services refer to the process CPAs perform to provide an independent opinion on the reliability of the financial statements and/or other information of a business, public agency, or other organization. The CPA delivers an attestation report with conclusions about the reliability of the data. An example of an attestation engagement is an audit of the financial statements of General Motors or a review of the financial statements of a Homeowners' Association.



for ensuring the American Institute of CPAs (AICPA) Peer Review Program meets regulatory requirements established by the Board.

- The **Mobility Stakeholder Group (MSG)**, whose membership is prescribed in statute, was established to evaluate whether the state's practice privilege/mobility<sup>7</sup> provisions meet the Board's duty to protect the public and other objectives of stakeholders in the accounting profession. The MSG determined that they did and held its final meeting in November 2019. The Board reports that the committee has not been staffed for some time and has no present appointees.

In addition to the four legislatively mandated committees described above, the Board has voluntarily established the following committees, all of which are comprised of seven members whom are appointed by the Board president.

- The **Committee on Professional Conduct** develops recommendations to address issues that affect consumers and licensees within the practice of public accountancy.
- The **Enforcement Program Oversight Committee** provides technical assistance for the Board's enforcement program, including reviewing and proposing changes to the Board's disciplinary guidelines and model orders.<sup>8</sup>
- The **Legislative Committee** reviews, recommends, and pursues legislation relevant to the Board and the profession of accountancy.

## Staff

Statute authorizes the Board to appoint a person to serve as the Executive Officer (EO). Dominic Franzella has served as the Board's EO since August 2023. Franzella began working for the Board in 2005 and has since held numerous roles, including Office Technician, Analyst, License Renewal and Continuing Competency Unit Manager, Examination Unit Manager, Chief of Licensing, and Chief of Enforcement.

Deanne Pearce is the Assistant Executive Officer of the California Board of Accountancy. Pearce started with the CBA in 2008 and prior to being appointed as the Assistant Executive Officer in 2012, Pearce served as Licensing Division Chief and as Manager over the License Renewal and Examination Units. As Assistant Executive Officer she oversees the CBA's budget, legislation and regulatory program, outreach and public information, and information technology. Deanne has worked at the Department of Consumer Affairs for nearly 28 years, supporting programs with a focus on achieving consumer protection.

The Board employs approximately 100 staff. Since its 2019 sunset review, the Board has had three budget change proposals approved to hire staff. In Fiscal Year (FY) 2019-20, two Associate Governmental Program Analysts were hired for one year to free up two more senior staff who were needed to support with business modernization efforts. The Board was also approved for 10 permanent positions to replace temporary staff and secured permanent funding for its Uniform CPA Examination contract for services related to Americans with Disabilities Act accommodation costs. In FY 2023-24, the Board was granted its request for one full time Associate Governmental Program Analyst position to serve as its Regulatory Analyst to process rulemakings.

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<sup>7</sup> If a licensee's principal place of business is located outside California and they hold a valid and current license, certificate, or permit to practice public accountancy from another state, they may qualify to practice public accountancy in California under a practice privilege, without giving notice to the Board or paying a fee, if certain conditions are met.

<sup>8</sup> A model order refers to guidance on language to include in a disciplinary order adopted by the Board. Model orders are generally used by Administrative Law Judges when drafting Proposed Decisions for Board consideration or drafting decisions following board direction at hearing.

The Board reports that management meets with staff annually to determine learning objectives and goals for advancement and identify training opportunities that may help staff in their current role as well as upward mobility. According to the Board, interested employees may participate in the Upward Mobility Program at the Department of Consumer Affairs (DCA), which assists individuals in low-paying positions (e.g. office assistants and program technicians) work towards technical, professional positions (e.g. information technology (IT)). The Board offers formal classroom and webinar-based training on various topics ranging from customer service and program management to contracts, personnel, and rulemaking. The Board reports that it encourages staff to participate in trainings offered by the Board as well as external sources such as the California Department of Human Resources. Additionally, the Board reports that it maintains an internal website called “Grow Your Career” where employees can learn about job opportunities, training resources, resume writing, interview techniques and questions, exam study guides, and practice writing sample prompts. In 2022, all staff completed customer service training offered by the DCA.

Additionally, the Board pays for specialized training, as required to fulfill the job duties of a particular role. For example, the Board’s Investigative CPAs are required to complete CE on a biennial basis to maintain their CPA license. Additional types of training include information technology training and budget/financial management training.

Since 2018, the Board has spent an average of \$6,817.60 per FY on professional training for staff, which includes self-paced tutorials, webinars, in-person classes, and participatory virtual sessions.

### Fiscal and Fund Analysis

The Board is self-funded by fees collected from licensees. More than two-thirds of the Board’s revenue is generated by renewal fees. Total revenue from renewal fees generally increased since FY 2019-20.

FEE SCHEDULE AND REVENUE								
Fee	Current Fee Amount (pre SB 816) <sup>9</sup>	Statutory Limit (pre SB 816)	FY 2019–20 Revenue	FY 2020–21 Revenue	FY 2021–22 Revenue	FY 2022–23 Revenue	4-Year Total	% of Total Revenue (Four-Year Total)
<b>Renewal Fees</b>	\$280	\$280	\$7,690	\$11,299	\$11,203	\$12,130	\$42,322	67%
<b>Delinquent Renewal Fees</b>	\$140	\$140	\$157	\$255	\$292	\$345	\$1,049	2%
<b>Name Changes, Certifications, Duplicate Certificates, and Fines</b>			\$540	\$1,788	\$174	\$126	\$2,628	4%
<b>Exam and Initial Permit Fees</b>			\$3,848	\$4,455	\$4,354	\$4,086	\$16,742	26%
<b>Income from Surplus Money Investments</b>			\$431	\$84	\$52	\$286	\$853	1%

<sup>9</sup> SB 816 (Roth, Chapter 723, Statutes of 2023) included a two-step license renewal fee increase, established a \$250 application review fee for new accountancy firms, and increased the statutory cap for the CPA application review fee to \$700 and the accountancy firm application fee to \$2,000. SB 816 also authorized the Board to lower license renewal fees if the Accountancy Fund exceeds 24 months in reserve.

<b>Escheat of Unclaimed Warrants and Checks</b>			\$10	\$10	\$7	\$1	\$28	0%
<b>Cancelled Warrants and other Miscellaneous Revenues</b>			\$4	\$2	\$2	\$17	\$25	0%
<b>Settlements and Judgments— Other</b>			\$0	\$12	\$0	\$0	\$12	0%
		<b>Total:</b>	<b>\$12,680</b>	<b>\$17,905</b>	<b>\$16,084</b>	<b>\$16,991</b>	<b>\$63,659</b>	<b>100%</b>

The Legislature determines the Board’s annual budget, and the Board’s expenses cannot exceed its authorized expenditures. Any unspent funds are allocated to the Board’s reserve fund, which at the end of FY 2022-23 was \$12,481,000, equivalent to 6.2 months in reserve—down from 15.8 months at the end of FY 2019-20. Although there is not statutory minimum reserve level, existing law prohibits the Board from accumulating more than 24 months in reserve.<sup>10</sup>

<b>FUND CONDITION (DOLLARS IN THOUSANDS)</b>						
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>	<b>FY 2023–24 (projected)</b>	<b>FY 2024–25 (projected)</b>
<b>Beginning Balance</b>	\$24,201	\$20,816	\$12,880	\$10,750	\$10,481	\$18,792
<b>Prior Year Adjustments</b>	\$-218	\$17	\$403	N/A	N/A	N/A
<b>Adjusted Beginning Balance</b>	\$23,983	\$20,833	\$13,283	\$10,750	\$10,481	\$18,792
<b>Revenues and Transfers</b>	\$12,680	\$17,821	\$16,032	\$16,705	\$18,360	\$18,360
<b>Interest Income Revenue</b>	\$0	\$84	\$52	\$286	\$125	\$246
<b>Total Revenue</b>	\$12,680	\$17,905	\$16,084	\$16,991	\$18,485	\$18,606
<b>Budget Authority</b>	\$17,022	\$16,323	\$18,084	\$18,558	\$20,174	\$20,737
<b>Actual Expenditures</b>	\$14,707	\$14,754	\$16,320	\$15,145	\$18,763	\$19,326
<b>Disbursements to Other State Agencies</b>	\$1,142	\$1,104	\$1,533	\$2,115	\$1,411	\$1,411
<b>Loans to General Fund</b>	\$0	\$10,000	\$0	\$0	\$0	\$0
<b>Accrued Interest, Loans to General Fund</b>	\$0	\$0	N/A	N/A	N/A	N/A
<b>Loans Repaid from General Fund</b>	\$0	\$0	\$0	\$0	\$10,000	\$0
<b>Fund Balance</b>	\$20,816	\$12,880	\$10,750	\$10,481	\$18,792	\$16,661
<b>Months in Reserve</b>	15.8	8.7	7.5	6.2	10.9	9.6

Prior to 2024, the Board’s authorized expenditures regularly outpaced its revenues and a 2022 DCA fee analysis concluded that the Board faced a projected deficit by FY 2029-30 if fees were not increased. In response Senate Bill (SB) 816 (Roth, Chapter 723, Statutes of 2023) included a two-step license renewal fee increase, established a \$250 application review fee for new accountancy firms, and increased the statutory cap for the CPA application review fee to \$700 and the accountancy firm application fee to \$2,000. SB 816 also authorized the Board to lower license renewal fees if the Accountancy Fund exceeds 24 months in reserve.

<sup>10</sup> Bus. and Prof. Code § 128.5(a)

<b>SB 816 FEE INCREASES</b>			
<b>FEE TYPE</b>	<b>CURRENT FEE</b>	<b>FEE INCREASE 7/1/2024</b>	<b>FEE INCREASE 7/1/2026</b>
<b>Initial License Fee—CPA</b>	\$140-\$280 (dependent on expiration date of initial license)	\$170-\$340 (dependent on expiration date of initial license)	\$200-\$400 (dependent on expiration date of initial license)
<b>Renewal License—CPA</b>	\$280	\$340	\$400
<b>Renewal License—Corporation/Partnership</b>	\$280	\$400	\$520
<b>Corporation/Partnership Application Review</b>	\$150	\$250 (minimum) \$2,000 (maximum)	N/A
<b>CPA Application Fee Cap</b>	\$250	\$700 (Effective 1/1/2024)	

The Board has made seven loans to the General Fund totaling more than \$41 million since FY 2002-03. Each of the loans has been repaid with interest except for the most recent which is due to be repaid by the end of FY 2023-24; In 2020, Governor Newsom approved a \$10 million loan from the Accountancy Fund to the General Fund in response financial uncertainty caused by to COVID-19. The Board estimated that it was earn \$204,000 in interest.

<b>GENERAL FUND LOANS</b>				
<b>FISCAL YEAR</b>	<b>LOAN AMOUNT</b>	<b>INTEREST</b>	<b>INTEREST ACCRUED</b>	<b>FISCAL YEAR REPAID</b>
2002–03	\$6,000,000	2.640%	\$2,077,449	2015–16
2003–04	\$270,000	1.640%	\$49,451	2015–16
2008–09	\$4,000,000	2.780%	\$825,033	2015–16
2008–09	\$10,000,000	2.780%	\$2,325,414	2016–17
2010–11	\$10,000,000	0.515%	\$319,825	2016–17
2011–12	\$1,000,000	0.389%	\$21,828	2016–17
2020–21	\$10,000,000	2.04% (estimate)	\$204,000 (estimate)	Scheduled for 2023–24
<b>TOTAL</b>	<b>\$41,270,000</b>		<b>\$5,721,000</b>	

The Board is comprised of the Executive office and three programs: Administration; Licensing; and Enforcement. The Board’s Enforcement Program incurs the greatest costs. Notably, expenses related to the Board’s staff and all three of its programs have increased compared to FY 2019-20. The Board’s DCA Pro Rata costs (what it pays DCA for administrative and investigative services) have also increased but as a percentage of the Board’s total budget is relatively the same as FY 2019-20. According to the Board, its DCA Pro Rata expenditures (as a percentage of its budget) are below average (21 percent) compared to other licensing entities.

<b>EXPENDITURES BY PROGRAM (DOLLARS IN THOUSANDS)</b>								
	<b>FY 2019–20</b>		<b>FY 2020–21</b>		<b>FY 2021–22</b>		<b>FY 2022–23</b>	
	<b>Personnel Services</b>	<b>OE&amp;E</b>	<b>Personnel Services</b>	<b>OE&amp;E</b>	<b>Personnel Services</b>	<b>OE&amp;E</b>	<b>Personnel Services</b>	<b>OE&amp;E</b>
Enforcement	\$2,243	\$117	\$4,129	\$379	\$4,632	\$450	\$4,791	\$-572
Licensing	\$2,365	\$583	\$3,053	\$438	\$3,548	\$405	\$3,604	\$432
Executive	\$474	\$2,635	\$486	\$2,586	\$488	\$2,882	\$549	\$2,866
Administration	\$2,263	\$1,048	\$2,284	\$884	\$2,485	\$1,110	\$2,514	\$1,168
DCA Pro Rata	N/A	\$2,442	N/A	\$2,453	N/A	\$2,718	N/A	\$2,903
<b>TOTALS</b>	<b>\$7,345</b>	<b>\$6,825</b>	<b>\$9,952</b>	<b>\$6,740</b>	<b>\$11,153</b>	<b>\$7,565</b>	<b>\$11,458</b>	<b>\$6,797</b>

<b>PRO RATA PAID TO THE CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
<b>Budget Amount</b>	\$17,022,000	\$16,323,000	\$18,084,000	\$18,558,000
<b>Client Services</b>	\$2,086,462	\$2,126,358	\$2,599,165	\$2,616,662
<b>Division of Investigation</b>	\$355,314	\$326,470	\$118,977	\$52,090
<b>Percentage of Budget</b>	14.3%	15.0%	15.0%	14.4%

## Licensing

With more than 65,000 active licensees, CPAs continue to make up the majority of the Board’s licensee population. The Board reports that the increase in active license is attributable to more accurate data reporting rather than an actual increase in the number of active licensees. While the number of in-state accountancy firms (partnerships and corporations) and fictitious name registrations have stayed roughly the same since FY 2019-2020, the number of out-of-state firms registered with the Board has consistently increased over the last four fiscal years.

### Types of CPA Licensure Applicants:

- **Type A:** An applicant who passed the Uniform CPA Exam in California, has not been issued a valid license to practice public accounting in any state and is applying for licensure as a CPA in California for the first time.
- **Type B:** An applicant who passed the Uniform CPA Exam in a state other than California and has not been issued a valid license to practice public accounting in any state and is applying for licensure as a CPA in California for the first time.
- **Type C:** An applicant who was issued a valid license to practice public accounting in a state other than California.
- **Type D:** An applicant who previously was licensed as a CPA in California and the certificate was cancelled after five years for nonpayment of license renewal fees.
- **Type E:** An applicant who passed the Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination (CAQEX) of the AICPA or the International Uniform Certified Public Accountant Qualification Examination (IQEX) of the AICPA and the NASBA.
- **Type F:** A California licensee originally issued a license to perform general accounting services who has now completed attest experience.

<b>LICENSEE POPULATION</b>					
		<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
<b>Certified Public Accountant</b>	Active	57,162	58,529	65,968	65,123
	Out of State	--	--	--	7,864
	Out of Country	--	--	--	804
	Delinquent/Expired	10,973	11,613	13,015	14,213
	Retired Status	3,112	3,774	3,853	4,406
	Inactive	30,658	30,617	22,540	22,048
	Other	--	--	--	--
<b>Accountancy Partnership</b>	Active	1,349	1,357	1,326	1,311
	Out of State	--	--	--	47
	Out of Country	--	--	--	0
	Delinquent/Expired	--	--	--	174
	Retired Status (Not Applicable)	N/A <sup>4</sup>	N/A	N/A	N/A
	Inactive	N/A	N/A	N/A	N/A
	Other	--	--	--	56

<b>Accountancy Corporation</b>	Active	4,242	4,357	4,385	4,329
	Out of State	--	--	--	92
	Out of Country	--	--	--	0
	Delinquent/Expired	--	--	--	584
	Retired Status (Not Applicable)	N/A <sup>4</sup>	N/A	N/A	N/A
	Inactive	N/A	N/A	N/A	N/A
	Other	--	--	--	57
<b>Fictitious Name Registration</b>	Active	2,491	2,577	2,633	2,680
	Out of State	--	--	--	58
	Out of Country	--	--	--	1
	Delinquent/Expired (Not Applicable)	N/A	N/A	N/A	N/A
	Retired Status (Not Applicable)	N/A	N/A	N/A	N/A
	Inactive (Not Applicable)	N/A	N/A	N/A	N/A
	Other (Not Applicable)	--	--	--	27
<b>Out-of-State Firm Registration</b>	Active	721	790	859	875
	Out of State	721	790	859	874
	Out of Country	--	--	--	1
	Delinquent/Expired	--	--	--	1
	Retired Status (Not Applicable)	N/A	N/A	N/A	N/A
	Inactive (Not Applicable)	N/A	N/A	N/A	N/A
	Other	N/A	N/A	N/A	2

There are numerous requirements for a CPA license, including the following:

- ✓ Complete Qualifying Education, only a portion of which needs to be completed prior to taking the national Uniform CPA Exam.
- ✓ Pass the national Uniform CPA Exam (Board approval to take the exam)
- ✓ Obtain Professional Experience
- ✓ Pass the California Professional Ethics Exam
- ✓ Pass a Background Check

Many of the steps can be completed concurrently. For example, applicants may be obtain professional experience while completing outstanding educational requirements. Once licensed, CPAs are required to complete continuing education.

Out-of-state and out-of-country *CPA applicants* are subject to the same requirements, with one limited exception. Out-of-state CPAs applying for a California license may be deemed to have met California's examination, education, and experience requirements if they hold a valid and unrevoked CPA license in another state provided certain requirements are met. If an applicant is licensed to engage in the practice of public accountancy under the laws of any country with a Board-recognized mutual recognition agreement,<sup>11</sup> the applicant will be deemed by the Board to have satisfied the Uniform CPA Examination requirement.

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<sup>11</sup> A mutual recognition agreement provides an abbreviated qualification pathway for eligible accounting professionals in the United States and other countries deemed to have similar licensure requirements. The CBA recognizes members from the following chartered accountancy licensing bodies: Chartered Professional Accountants of Canada, Instituto Mexicano de Contadores Públicos, Chartered Accountants Ireland, Chartered Accountants Australia and New Zealand, CPA Australia, Institute of Chartered Accountants of Scotland, South African Institute of Chartered Accountants, Institute of Certified Public Accountants in Ireland.

The Board offers current military personnel, veterans, and their spouses/domestic partners application assistance via expedited processing, direct contact with a dedicated Board liaison, and evaluation of college transcripts to help verify acceptable educational credit. Applicable military education and experience may also count towards the minimum education and training standards for licensure.<sup>12</sup> Over the past four fiscal years, the Board has received 48 active military applications and approved 36. Additionally, the Board has received 34 applications from veterans and approved 26.

Existing law also requires the Board to expedite the licensure process and waive related fees for applicants who are both the spouse/domestic partner of active duty personnel stationed in California *and* licensed to practice accountancy in another state.<sup>13</sup> The Board has, since FY 2019-20 received five and approved four applications for expedited licensure for spouses/domestic partners of active duty personnel.

Moreover, existing law requires the Board to waive renewal fees, CE requirements, and other renewal requirements as determined by the Board, for a licensee or registrant called to active duty of the United States Armed Forces or the California Guard when specific conditions are met.<sup>14</sup> Since FY 2019-20, the Board reports that it has waived fees and renewal requirements for seven licensees.

Out-of-state accounting firms that intend to perform the following functions for a California-headquartered entity must *register* with the Board:

- An audit or review of a financial statement.
- A compilation of a financial statement when it is expected, or reasonably might be expected, that a third party will use the financial statement.
- An examination of prospective financial information.

The Board’s goal is to process complete applications within 30 days, per its 2022-24 strategic plan. Although the Board’s average processing time surpassed 30 days during the COVID-19 pandemic, the Board successfully processed all applications within 30 days in both FY 2021-22 and FY 2022-23.

<b>PROCESSING CYCLE TIME (COMPLETE APPLICATION)</b>				
<b>APPLICATION TYPE</b>	<b>2019–20</b>	<b>2020–21</b>	<b>2021–22</b>	<b>2022–23</b>
<b>First-Time Exam</b>	30	43	17	23
<b>Initial CPA License</b>	36	64	12	18
<b>Accountancy Corporation</b>	80	105	20	22
<b>Accountancy Partnership</b>	60	65	16	19
<b>Fictitious Name Registration</b>	21	48	10	9
<b>Out-of-State Firm Registration</b>	24	31	12	1

Applicants for licensure are required to pay specified application, initial license or registration, and renewal fees as specified in the table below. A small number of applicants submitting fingerprints outside of California are required to pay a fingerprint processing fee. The vast majority of applicants complete the fingerprint process via Live Scan and do not pay a fee to the Board for processing.

<sup>12</sup> Military education must conform to the requirements prescribed in California Code of Regulations, Title 16, Sections 9.2, 11, and 11.1, and must be documented on an official transcript from a degree-granting college, university, or other institution of learning recognized by an accrediting agency. Military experience must conform to the requirements prescribed in California Code of Regulations, Title 16, Section 12 or 12.5 and be completed under the supervision of a person holding a valid license or comparable authority to practice public accounting.

<sup>13</sup> Bus. and Prof. Code § 115.5

<sup>14</sup> Bus. and Prof. Code § 114.3

<b>LICENSING FEES</b>	
<b>Fee Type</b>	<b>Amount</b>
<b>Initial Application for Uniform CPA Exam</b>	\$100
<b>Reapplication for Uniform CPA Exam</b>	\$50
<b>CPA Initial Application Fee</b>	\$250 (statutory max; cap will increase to \$700 on 7/1/24)
<b>CPA Initial License Fee</b>	\$140-\$280 (dependent on expiration date of initial license; will increase to \$170-\$340 on 7/1/2024 and \$200-\$400 on 7/1/2026)
<b>CPA Hard Copy Fingerprint Processing Fee</b>	\$49
<b>Accountancy Firm (Corporations &amp; Partnerships) Initial Application Fee</b>	\$150 (will increase to \$250 on 7/1/2024)
<b>Accountancy Firm (Corporations &amp; Partnerships) Initial License Fee</b>	\$280 (will increase to \$400 on 7/1/2024 and \$520 on 7/1/2026)
<b>Fictitious Name Registration</b>	No Fee
<b>Out-of-State Firm Registration</b>	No Fee
<b>Renewal License—CPA</b>	\$280 (will increase to \$340 on 7/1/2024 and \$400 on 7/1/2026)
<b>Renewal License—Corporation/Partnership</b>	\$280 (will increase to \$400 on 7/1/2024 and \$520 on 7/1/2026)

Applicants are also required to submit fingerprints for state and federal criminal history check. The Board also reviews out-of-state applicants' disciplinary history through the NASBA's Accountancy Licensee Database, other state boards' license lookup features, and/or direct communication with an out-of-state licensing board as needed. Active licensees are required to report to the Board any disciplinary action taken by another licensing body within 30 days and at the time of renewal must indicate on the renewal application whether the licensee has been subject to disciplinary action by another licensing entity. Moreover, the Board is notified by NASBA's Accountancy Licensee Database when disciplinary action in another state has been taken against a holder of a California CPA license.

Following the enactment of Assembly Bill (AB) 2138 (Chiu/Low, Chapter 995, Statutes of 2018), the Board's process for denying applications based on criminal history was substantively modified. The Board may no longer deny an applicant for a nonviolent, nonsexual, or nonserious conviction that occurred more than seven years preceding the application. The bill also prohibited the Board from issuing a denial based on offenses that have been dismissed or expunged. Since the Board's last sunset review, it has only denied one application due to criminal history that was substantially related to the profession of accounting.

### **Educational Requirements**

Individuals who have completed the requirements for a bachelor's degree must demonstrate completion of a specified number of units in a variety of accounting and business related subjects before they can take the national Uniform CPA Exam. Individuals who are within 180 days of completing the requirement for a bachelor's degree may also take the Uniform CPA Exam, but are not required to demonstrate completion of specified coursework at that time. CPA license applicants are required to obtain a bachelor's degree with specified coursework from an accredited college or university.

In total, applicants for CPA licensure are required to complete a total of 150 semester units, as follows:

- 24 semester units of accounting subjects (i.e. accounting, auditing, taxation, financial reporting, financial statement analysis, and external & internal reporting)



- 24 semester units of business-related subjects (i.e. business administration, finance, marketing, economics)
- 20 semester units of accounting study (i.e. accounting and business related subjects and other academic work such as skills-based courses, foreign languages, and cultural and ethnic studies; and industry based courses; and internships/independent study).<sup>15</sup>
- 10 semester units of ethics study.<sup>16</sup>

Applicants can submit official transcripts three ways:

- Request official, paper transcripts to be sent directly from the applicant’s school to the Board.
- Obtain official, sealed transcripts and submit them with the Uniform CPA Exam Application or CPA Licensing Application.
- Order an electronic transcript to be sent to the Board by an approved provider.

Coursework completed outside of the United States is evaluated for equivalency. Applicants with foreign education must have their documents (e.g. transcripts) reviewed by a Board-approved credentials evaluations service, of which there are currently 14 approved services. The Board approves foreign credentials evaluation services for five-year terms.

## Examinations

Like all other state boards of accountancy, the Board requires applicants for CPA licensure to pass the Uniform CPA Examination. The Uniform CPA Examination is developed by the AICPA and offered in English at Prometric Testing Centers. Prior to January 10, 2024, the Uniform CPA Examination included four test sections on auditing and attestation; business environment and concepts; regulation; and financial accounting and reporting. Each section cost \$254.90 (paid directly to NASBA), and could be taken individually and in any order. Candidates were required to score at least a 75 on each section and pass all remaining sections within 18 months of passing the first section. Scores were transmitted to the Board directly, and since FY 2019-20, the Board reports that exam passage rates have hovered between 51 and 57 percent for first-time candidates and between 48 and 54 percent for repeat takers.

NATIONAL UNIFORM CPA EXAMINATION DATA							
FISCAL YEAR	QUARTERS	# OF 1 <sup>ST</sup> TIME CANDIDATES	TOTAL # OF SECTIONS	PASS % <sup>17</sup>	# OF REPEAT CANDIDATES	TOTAL # OF SECTIONS	PASS %
FY 2019–20	Quarter 1	1,396	2,405	55%	4,429	5,080	50%
	Quarter 2	1,259	2,254	52%	4,453	4,491	49%
	Quarter 3	1,042	1,716	49%	3,830	4,098	49%
	Quarter 4	436	793	71%	2,019	1,930	65%
FY 2020–21	Quarter 1	1,097	1,852	64%	3,787	4,538	57%
	Quarter 2	1,345	2,521	55%	4,338	4,948	48%
	Quarter 3	933	1,512	58%	3,064	3,311	51%
	Quarter 4	1,069	1,888	56%	3,776	4,615	49%

<sup>15</sup> The Master of Accounting degree will satisfy the 20 semester units of accounting study, while the units completed in the fulfillment of the master's degree can be counted toward the other three educational areas: 24 semester units of accounting subject, 24 semester units of business-related subjects, and 10 semester units of ethics study.

<sup>16</sup> [CBA - Initial Licensing FAQs \(ca.gov\)](https://www.cba.ca.gov)

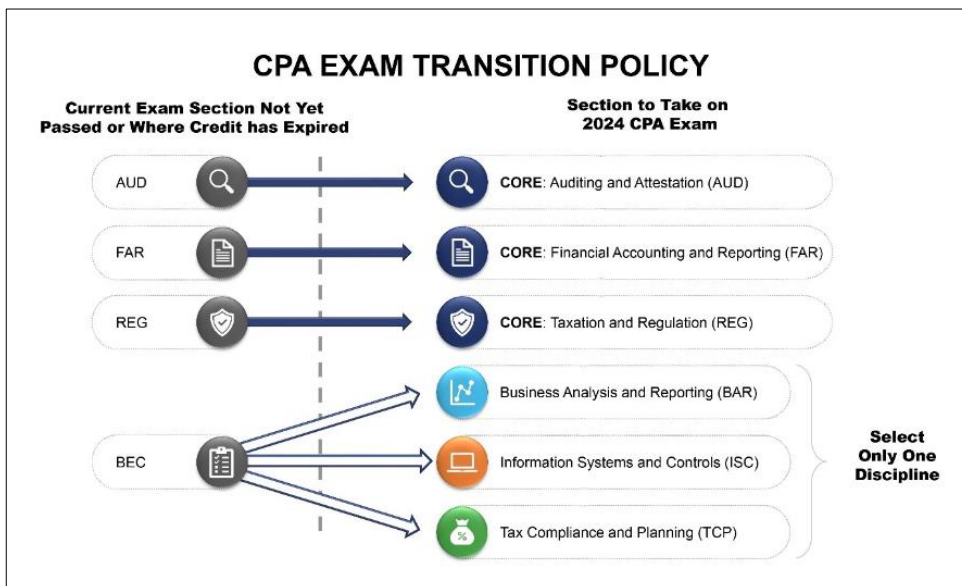
<sup>17</sup> The data provided represents the percent of examination sections that were passed and the total number of sections administered. Because the examination consists of four sections, the percent of individuals that passed the exam is not available.

<b>FY 2021–22</b>	Quarter 1	1,186	2,048	55%	3,342	3,715	51%
	Quarter 2	919	1,581	54%	3,483	4,030	51%
	Quarter 3	711	1,120	51%	2,798	3,100	48%
	Quarter 4	828	1,372	54%	2,984	3,320	51%
<b>FY 2022–23</b>	Quarter 1	1,057	1,586	54%	3,063	3,645	50%
	Quarter 2	983	1,464	52%	3,232	3,934	49%
	Quarter 3	811	1,174	47%	2,679	3,067	46%
	Quarter 4	1,039	1,538	51%	3,183	3,874	50%
<b>Date of Last Occupational Analysis</b>				2023 (National)			
<b>Name of Occupational Analysis Developer</b>				American Institute of CPAs Board of Examiners			
<b>Target Occupational Analysis Date</b>				As Needed			

The AICPA routinely evaluates the Uniform CPA Exam to ensure that it adequately tests applicants' competency for licensure. The most recent practice analysis, conducted in 2021-2022, determined changes were necessary to align the examination with a national initiative called the CPA Evolution. After reviewing feedback from more than 3,000 stakeholders in the accounting profession and studying licensure models of other professions, NASBA and AICPA concluded that a new model was necessary to account for the growing body of knowledge required of new CPAs entering the profession; procedures being automated, offshored, or performed by paraprofessionals; and other procedures that were once performed by experienced CPAs now being performed by entry-level CPAs.

In order to ensure consumer protection, the new examination requirements are comprised of three Core sections pertaining to accounting, auditing, and taxation, and three Discipline sections related to tax compliance and planning, business analysis and reporting, and information systems and controls, from which candidates must choose and pass one Discipline section. Once the Board approves an application to take the CPA exam, the applicant has one year to select which sections of the exam they plan to take.

The last day to take any section of the old exam was December 15, 2023. Candidates who passed and received credit for any section of the old exam between January 30, 2020, and December 31, 2023, will continue to receive credit for sections passed until June 30, 2025. All new exam credits starting January 2020 will be valid for 30 months.<sup>18</sup>



Source: National Association of State Boards of Accountancy

<sup>18</sup> [California Board of Accountancy](#)

In addition to the Uniform CPA Examination, applicants are required by regulation to pass a professional ethics exam prior to licensure.<sup>19</sup> The Professional Ethics Examination for CPAs (PETH) is offered by the California Society of CPAs Education Foundation and required to be completed within one year of purchase and not more than two years prior to applying for CPA licensure. As such, the Board recommends that applicants take the PETH exam after they have passed the Uniform CPA exam. The PETH exam is offered in English both online or by hard copy. Both options are open-book, self-paced, and available upon completion of a self-study course. The test asks 50 multiple choice questions on various topics related to professionalism and California-specific laws and regulations, including the following:

- Basic concepts and philosophy of professional conduct.
- Independence, integrity, and objectivity.
- Interpretation of Securities and Exchange Commission rules.
- Commissions and contingency fees.
- Advertising and solicitation.
- Sanctions.
- Tax services.

Applicants must score 90% or higher to pass. The number of first-time and repeat candidates who have passed the PETH has declined year over year since FY 2019-20. Whereas 93.5 and 98.3 percent of first-time and repeat candidates, respectively, passed the exam in FY 2019-20, only 74.2 and 89.7 percent of first-time and repeat candidates, respectively, passed in FY 2022-23.

<b>CALIFORNIA PROFESSIONAL ETHICS EXAMINATION DATA</b>				
<b>Fiscal Year</b>	<b># OF 1<sup>ST</sup> TIME CANDIDATES</b>	<b>PASS %</b>	<b># OF REPEAT CANDIDATES</b>	<b>PASS %</b>
<b>2019–20</b>	1,652	93.5	2,098	98.3
<b>2020–21</b>	1,557	88.6	1,957	92.6
<b>2021–22</b>	1,162	82.4	2,580	87.2
<b>2022–23</b>	833	74.2	2,414	89.7
<b>Date of Last Occupational Analysis</b>			2022 (national)	
<b>Name of Occupational Analysis Developer</b>			American Institute of CPAs Board of Examiners	
<b>Target Occupational Analysis Date</b>			To Be Determined	

The Board requested that DCA’s Office of Professional Examination Services (OPES) review the PETH exam to help determine whether it is still an appropriate prerequisite to licensure. In June 2023, OPES formally recommended that the Board discontinue the PETH exam, and the Board has since initiated a rulemaking to waive the requirement. Board executive staff report that many of the questions on the PETH exam are duplicative of those on the Uniform CPA Exam and will, as a temporary replacement, require licensees to complete a Regulatory Review Course within their first license cycle (two years) to ensure licensees are knowledgeable about California’s laws and regulations pertaining to the practice of public accountancy. Historically, licensees have completed the required Regulatory Review Course in their third license cycle and every six years thereafter.

Applicants for CPA licensure are required to complete 12 months of professional experience though employment in public or non-public accounting.<sup>20</sup> Professional experience must be obtained under the supervision of an active CPA license holder, or foreign equivalent, and in accordance with professional standards. Experience in academia can qualify as professional experience in limited circumstances.

<sup>19</sup> California Code of Regulations, Title 16, Section 10.

<sup>20</sup> [California Board of Accountancy CPA License Quick Tips](#)

The Board's Qualifications committee has the authority to perform a "quality control check" by meeting with supervisors to assess their competence. Applicants pursuing a license with the ability to sign reports on attest engagements must also complete, at minimum, 500 hours of attest experience.

## **Continuing Education**

To ensure licensed CPAs have continued competency as technology, tax laws, and professional standards evolve, CPAs are required to complete 80 hours of CE every two years as follows:

- A minimum of 40 hours in technical subject areas (e.g., accounting, auditing).
- A maximum of 40 hours in nontechnical subject areas (e.g., communication skills, office management).
- A minimum of 20 hours must be completed in each year of the two-year license renewal period, with a minimum of 12 hours in technical subject matter.
- Four hours of ethics education.
- A two-hour CBA-approved Regulatory Review course every six years.

Licensees who perform accounting and auditing or governmental auditing are required to complete 24 hours of specified CE. Similarly, CPAs that perform preparation engagements (if that is their highest level of service) must complete eight hours of specified CE. Any licensee who is required to complete practice-specific CE requirements must also complete four hours of CE related to the prevention, detection, and/or reporting of fraud affecting financial statements.

The Board offers great latitude to licensees in selecting CE courses and providers, which include higher education institutions, accounting organizations, private institutions, and professional development provided by a licensee's accounting firm. With the exception of the required Regulatory Review Course, CE courses and providers do not require Board approval. Providers wishing to offer a Regulatory Review Course must apply and demonstrate to the Board that their course meets specified requirements, including a review of applicable California regulations and historical disciplinary actions.<sup>21</sup>

The provider must biennially review the course to ensure that the course reflects changes affecting the Board and profession. There are currently 39 approved providers offering 47 Regulatory Review courses. Since FY 2019-20, the Board has received 16 course applications and approved 13. At the Board's discretion, it may audit a CE provider and require the provider to provide the requested materials within 15 days of receiving written notification from the Board. Failure to do so may result in the Board cancelling its approval of the provider's Regulatory Review course.

The Board allows CE to be completed in a variety of ways, including the following:

- Live presentation
- Online
- Self-study
- Teaching/instructing courses
- Development of CE course materials (up to 40 hours)
- Writing published works (up to 40 hours)
- Developing questions for the Uniform CPA Examination (up to 40 hours)

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<sup>21</sup> CCR § 887.9

Most recently, the Board implemented regulations to allow three new methods of obtaining CE credit:

- Nano learning: Licensees complete 10-20 minute learning modules online during which time they learn about a topic and take a test.
- Blended learning programs: Licensees participate in courses that have both asynchronous and synchronous learning elements.
- Adaptive self-study: Licensees participate in courses that use a computer algorithm or other predictive analytics tools to deliver customized learning activities to assist the learner in meeting the course’s stated learning objectives.

The Board requires licensees to self-report CE when they renew their license. The Board reports that it reviews 100% of CE worksheets (with the exception of the during the COVID-19 pandemic, which impacted Board operations). One percent of CE worksheets are further audited. Those licensees are required to provide documentation verifying the completion of any CE the licensee reported. However, the Board does not require primary source verification. When the Board identifies that licensees are out of compliance, they notify licenses and provide the individual 30 days, with a potential 30 day extension, to come into compliance. Those who do not, or who provide fraudulent documents, are investigated by the Board’s Enforcement Program.

The Board may cite and fine licensees or seek formal discipline, including revocation of one’s license. Since FY 2019-20, four to five percent of worksheets revealed deficiencies. FY 2020-21 appears to be an outlier with 15 percent of worksheets revealing insufficient CE. Furthermore, on average, 12.5 percent of worksheets audited by the Board’s CE Verification program indicated deficiencies over the past four fiscal years. Deficiencies may result from poor record keeping (if licensees cannot provide documentation verifying completion, they may be required to retake CE); courses may not meet CE criteria; or CE may be fraudulently reported.

<b>CONTINUING EDUCATION</b>			
<b>TYPE</b>	<b>FREQUENCY OF RENEWAL</b>	<b>NUMBER OF CE HOURS REQUIRED EACH CYCLE</b>	<b>PERCENTAGE OF LICENSEES AUDITED</b>
<b>Certified Public Accountant</b>	2 years	80	1%
<b>Public Accountant</b>	2 years	80	0%
<b>Accountancy Corporation</b>	2 years	0	0%
<b>Accountancy Partnership</b>	2 years	0	0%
<b>Fictitious Name Registration</b>	5 years	0	0%
<b>Out-of-State Firm Registration</b>	2 years	0	0%

<b>CONTINUING EDUCATION REVIEW</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
<b>CONTINUING EDUCATION WORKSHEET REVIEW</b>				
CE Reporting Worksheets Reviewed	53,090	21,991	38,947	59,562
CE Deficiencies	2,457	3,238	1,439	2,706
Percentage Rate	5%	15%	4%	5%
<b>CE VERIFICATION PROGRAM</b>				
Licensees Selected for CE Verification	406	762	877	903
CE Deficiencies	69	101	79	99
Percentage Rate	17%	13%	9%	11%

Accounting firms (including sole proprietorships) providing accounting and audit services are required to undergo peer review once every three years and report completion of the peer review to the Board at the time of license renewal. Peer review is a systematic review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by accounting firms and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers. The California Society of CPAs administers the only peer review program approved by the Board.

## **Enforcement**

The Board's Enforcement Program is integral to its consumer protection mission and is responsible for all of the following:

- Ensuring that licensees comply with the provisions of the Accountancy Act and California Code of Regulations.
- Conducting investigations of unlicensed practice.
- Referring matters to the AG or local jurisdictions for prosecution.
- Imposing discipline consistent with the disciplinary guidelines.
- Imposing other enforcement actions, such as citations, fines, administrative suspensions, etc., when warranted.
- Monitoring probationers to ensure compliance with probationary terms.

Complaints received by the Board are reviewed by staff. If the Board does not have jurisdiction over the alleged violation, the complaint is closed. All other complaints are assigned for investigation. Following an investigation, the Board may close the case, refer the case to the AG, or issue a citation.

The Board prioritizes complaints and cases as follows to ensure that the most egregious violations are addressed promptly and with sufficient resources:

- High—These are cases/complaints in which the Board believes ongoing consumer harm is present and the promptness of the investigation is paramount. In these cases, the Board considers whether to pursue an Interim Suspension Order or recommend the courts take legal action.
- Standard—These are cases/complaints such as matters referred from outside sources and that do not pose an immediate threat of harm to consumers such as unlicensed activity not posing an immediate threat of harm to consumers, fraud, and making false/misleading statements.
- Actionable—These are cases/complaints with only minimal investigation necessary and generally result in the issuance of citations and fines.

The Board reports that the number of complaints that it has received over the past four fiscal years has drastically increased, primarily due to concerns raised about unlicensed activity. In FY 2020-21 the Board received 475 complaints, far fewer than the 2,308 and 2,173 complaints it received in the following two fiscal years, respectively. In FY 2021-22 and FY 2022-23, the Board found that 47% of complaints were related to individuals who do not have an active, California-issued CPA license but identify as a CPA on social media. When the Board becomes aware of suspected unlicensed activity, it notifies those individuals and instructs them how to come into compliance with the California Accountancy Act and relevant regulations.

The Board reports that it is often successful in gaining compliance, but that when it is unable to do so, it escalates the enforcement action that it takes against those individuals. However, the Board reports that a majority of these complaints stem from a single individual who reports any individual who identifies as a licensed CPA on social media but cannot be found using the Board’s online license search tool. Upon investigation, however, the Board has found that many of these individuals are licensed in other states or Canada and are not holding themselves out to be a licensed CPA in California.

<b>UNLICENSED ACTIVITY</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
Internal	66	58	32	28
External	76	417	2,276	2,145
Total	142	475	2,308	2,173

The increase in the number of complaints has correspondingly resulted in a nearly double the number of cases *assigned* between FY 2019-20 and FY 2022-23. Over the past four fiscal years, however, the Board has, on average, closed 81 percent of investigations within six months and 98 percent of investigations within one year. Nonetheless, the increase in complaints related to unlicensed activity has similarly increased the number of pending investigations. The Board reports that it had 146 percent more open investigations at the end of FY 2022-23 compared to FY 2019-20.

<b>INVESTIGATIONS ASSIGNED AND CLOSED</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
Investigations Assigned	2,295	2,729	4,414	4,584
Investigations Closed	2,199	2,692	3,126	5,043

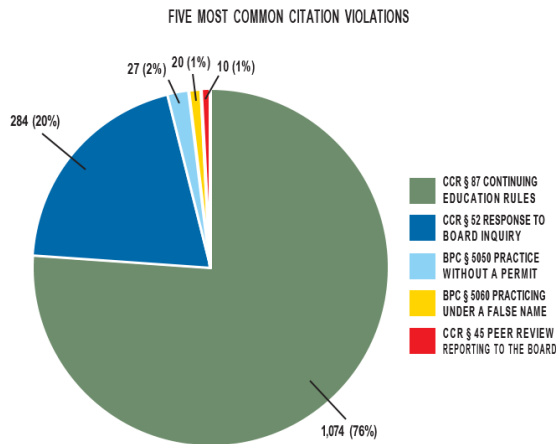
<b>INVESTIGATIONS CLOSED</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
Closed Within 0–6 Months	1,963	2,076	2,519	3,801
Closed Within 6–12 Months	182	470	542	1,183
Closed Within 12–18 Months	34	100	25	43
Closed Within 18–21 Months	3	12	7	3
Closed Within 21–24 Months	7	10	2	1
Closed Within >24 Months	10	24	31	12
Total Closed	2,199	2,692	3,126	5,043

<b>PENDING INVESTIGATIONS</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
<b>Total Pending</b>	684	779	2,114	1,693
0–6 Months	446	686	2,060	1,382
6–12 Months	189	56	32	218
12–18 Months	32	12	14	80
18–21 Months	5	13	2	8
21–24 Months	10	8	5	3
>24 Months	2	4	1	2

The Board is empowered with a range of disciplinary tools to escalate punishment as needed to ensure compliance and consumer protection. The Board may issue a citation and fine up to \$5,000. Citations are used when a violation does not rise to the level of unprofessional conduct, such as failure to meet established CE requirements, operating an unregistered accounting firm, or practicing without a license of fictitious name registration.

Citations are issued when the Board’s Enforcement Division determines by a preponderance of evidence, that a licensee has violated the California Accountancy Act or Board regulations.<sup>22</sup> Citations are not considered formal discipline and are issued by the Board’s Executive Officer. Since 2019, the Board has issued 1,471 citations, all accompanied by an administrative fine. Nineteen of those cases were escalated and referred to the AG for an appeal hearing. According to the Board, the average fine, both pre- and post-appeal, has been \$180.50 since 2019. Since 2015, the Board has relied on the Franchise Tax Board’s (FTB) Intercept Program to collect debts from licensees and unlicensed individuals. Over the past four fiscal years, the Board has referred 1,227 citations to the FTB to collect outstanding fines totaling more than \$393,425. The FTB has, at the time of this writing, collected just \$92,907.

**Figure 3: Five Most Common Citation Violations**



Source: California Board of Accountancy

Prior to the Board’s 2019 sunset review, it implemented new streamlined practices to improve processing times and case management. Consequently, the Board was able to work through a backlog of pending cases, yielding a higher number of formal disciplinary actions in FY 2019-20 and FY 2020-21. Since then, the number of disciplinary actions taken by the Board has decreased and is anticipated to remain consistently lower. Since 2019, the Board has taken disciplinary action in 188 cases, of which 76% were settled.

When the Board’s Enforcement Division finds, by clear and convincing evidence, that a licensee committed a more egregious violation of the California Accountancy Act, Board regulations, or both, the Board pursues Formal Discipline. If a violation is egregious enough, the Board may refer the case to the AG for review and possible preparation of an accusation against the licensee or a statement of issues relating to an applicant. A formal accusation of wrongdoing is prepared by the AG, subject to adjudication and final review by the Board. Once signed by the Board’s Executive Officer, it is served on the licensee. However, the Board may, at its discretion, convene a “presettlement conference” at which the respondent (the licensee subject to disciplinary action) and their legal counsel have the opportunity to review the accusation before it is filed.

Once an accusation is served, the licensee has 15 days to return the accompanying Notice of Defense indicating a request for an administrative hearing, interest in settling the case, or agreement to surrender their license. If the licensee does not return the Notice of Defense within 15 days, or fails to appear at an administrative hearing, a default decision is adopted. A licensee may appeal a default decision.

<sup>22</sup> California Board of Accountancy Enforcement Handbook for Licensees (Revised 4/10/2017)



A licensee who returns a Notice of Defense and whose case is not settled, will have an administrative hearing, after which an Administrative Law Judge will make a proposed decision, which the Board may adopt or modify. Once finalized, a licensee may request reconsideration.

The Board may require as a condition in a settlement the payment of an administrative penalty.

<b>ADMINISTRATIVE PENALTY</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
<b>Amount Ordered</b>	\$339,500	\$1,646,000	\$18,500	\$1,818,500 (resulted from a large settlement from a single case)
<b>Amount Collected</b>	\$318,967	\$1,635,874	\$26,288	\$1,821,546

When a license holder is placed on probation, their license is revoked, but the revocation is stayed by the Board. The Board will imposed terms of probation, which can include a period of suspension from practicing accountancy. When the suspension is over, the licensee must continue to abide by any other terms of their probation. The Board reports that revoking the individual’s license, then staying that revocation, is crucial for the Board to revoke the individual’s license if they do not comply with the terms of their probation. In determining whether to place a licensee on probation, the Board considers the seriousness of the violation, any mitigating and aggravating factors, and efforts to rehabilitate. The Board considers restitution a mitigating factor in decisions regarding disciplinary action. Post license revocation, the Board monitors those individuals’ online activity to ensure that they are not engaging in unlicensed activity. If the Board finds that those individuals are engaged in unlicensed activity, the Board will attempt to bring them into compliance. Failure to comply results it referral to the DCA’s Division of Investigation.

The Board seeks cost recovery whenever a case is elevated to the AG to cover the costs associated with investigating and prosecuting a case. It may be ordered as part of stipulated statement or ordered by an Administrative Law Judge and is often a condition of probation. Since 2019, the Board has ordered cost recovery in 116 cases totaling \$1,245,451. Because concerns about ability to pay may postpone resolution in a case, the Board maintains flexibility and discretion to order—or not—cost recovery, with exception.<sup>23</sup> According to the Board, a quick resolution benefits consumers by getting licensees to modify their practice and the Board by reducing AG costs and enabling staff to spend more time on other cases.

Additionally, the Board pursues cost recovery when a license is revoked or surrendered. However, when a license is surrendered, cost recovery is deferred until that individual petitions the Board for reinstatement. The Board reports that deferment is used to incentivize licensees to surrender their license, which is more expedient that the formal discipline process. Since 2019, the Board has collected \$5,271.01 in cost recovery ordered in a granted petition for reinstatement. The Board, which relied on the FTB for collection, reports that \$24,643 in ordered costs remain outstanding from individuals’ whose licenses have been revoked or surrendered. The Board suggests that individuals’ reduced earning potential may impact their ability to pay.

<b>COST RECOVERY</b>				
	<b>FY 2019–20</b>	<b>FY 2020–21</b>	<b>FY 2021–22</b>	<b>FY 2022–23</b>
<b>Total Enforcement Expenditures</b>	\$1,443,921	\$555,228	\$542,022	\$461,889
<b>Potential Cases for Recovery</b>	64	44	31	32

<sup>23</sup> The Administrative Procedure Act prohibits the Board from seeking cost recovery for cases involving an applicant for licensure.<sup>23</sup>

<b>Cases Recovery Ordered</b>	42	29	24	21
<b>Amount of Cost Recovery Ordered</b>	\$630,538	\$196,516	\$257,751	\$160,646
<b>Amount Collected</b>	\$627,756	\$211,502	\$203,816	\$185,671

The Board uses DCA’s Consumer Protection Enforcement Initiative performance measures, and has over the past four fiscal years met or beat every performance measure except one. Performance Measure (PM) 4 reflects the average number of days to complete the entire formal discipline process, which entails transmitting cases to the AG. Although the Board has referred fewer cases (30-50 annually) to the AG compared to prior to the Board’s last sunset review, it continues to far surpass the target number of days it takes to close those cases. PM4 is 540 days, yet in fiscal years 2019-20, 2020-21, and 2021-22, the average number of days between complaint intake and disciplinary action being taken exceeded 900 days. Notably, however, the average number of days in FY 2022-23 was 742, a significant improvement from the prior three fiscal years. The Board reports that this is the quickest the Board has closed Formal Discipline cases since FY 2010-11.

The Board attributes its performance improvements to streamlined processes for administrative violations and a new online complaint submission system, which allows complainants to upload supporting documents and has a back-office intake que to manage online complaints as they are received.

<b>ENFORCEMENT DIVISION—PERFORMANCE MEASURES (IN DAYS)</b>						
<b>PERFORMANCE MEASURE</b>	<b>DESCRIPTION</b>	<b>TARGET</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
PM2   Intake Cycle Time	Average Number of Days from Complaint Receipt to the Date the Complaint was Closed or Assigned to an Investigator	10	1	1	1	1
PM3   Investigation Cycle Time	Average Number of Days to Complete the Entire Enforcement Process for Cases Not Transmitted to the Attorney General (Includes Intake and Investigation)	180	82	113	97	122
PM4   Formal Discipline Cycle Time	Average Number of Days to Complete the Entire Enforcement Process for Cases Transmitted to the Attorney General (Includes Intake, Investigation, and Case Outcome)	540	904	915	978	742
PM7   Probation Intake Cycle Time	Average Number of Days from Monitor Assignment to the Date the Monitor Makes First Contact with the Probationer	5	1	1	5	5
PM8   Probation Violation Response Cycle Time	Average Number of Days from the Date a Violation of Probation is Reported to the Date the Assigned Monitor Initiates Appropriate Action	15	1	1	1	1

### **Public Information Policies**

The Board provides information to and communicates with the public via its website, email, and social media. The Board’s website was redesigned in October 2022 and offers consumers the ability to do all of the following:

- Verify a license.
- File a complaint against a licensee or report unlicensed activity.
- Review updates to the California Accountancy Act and relevant regulations.
- Watch Board meetings and access meeting materials.
- View the Board’s meeting calendar.

- Subscribe to the Board’s Listserv to receive news and updates.
- Listen to the Board’s “Accounting for California” podcast.
- Access the Board’s social media accounts (Facebook, X, LinkedIn, and YouTube).

Meeting materials, including agendas and draft minutes, are posted on the Board’s website at least 10 days in advance of meetings and are available in perpetuity. Final meeting minutes are posted on the Board’s website within 10 days following the meeting and are never removed. Similarly, the Board archives webcasts of its meetings with closed captioning on its website indefinitely.

The Board provides the following information about licensees on its website:

- Status of a license (e.g., clear, delinquent, revoked) for California CPAs and accountancy firms.
- Pending and final enforcement actions taken by the Board, including a detailed account of the Board’s investigation, its findings, and the discipline imposed (e.g., probation, practice restriction).<sup>24</sup>
- Date of initial licensure and current expiration date.
- Whether a licensee is authorized to sign reports on attest engagements.
- Address of record.
- Access to CPAverify, a national database of licensed CPAs and CPA firms.

The Board also conducts consumer outreach and education via the following:

- Videos
- Surveys
- Handbooks
- In-person and virtual events
- Partnerships with other state agencies and professional associations; and an
- Executive Officer’s Report.

These resources are informed by the Board’s Communications and Outreach Plan, which is updated annually, and its Strategic Plan, which is updated every 3 years.

During the COVID-19 pandemic, the Board conducted its meetings online via Webex, but has, since January 2022, returned to convening in person. The Board continues to use Webex to allow for public engagement without the need for travel. On a case by case basis, the Board allows members to participate remotely.

### **Workplace Development and Job Creation**

The Board periodically collects workforce development and outlook data from the Bureau of Labor Statistics and the California Employment Development Department, and as of September 2023, report the following:

- The percent of projected job growth for accountants and auditors between 2022 and 2032 is 4%.
- The number of new accounting and auditing jobs that will need to be filled annually is 67,400.

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<sup>24</sup> The Board maintains of the confidentiality of complaints and investigations, as allowed by the Public Records Act.

- The national median accountant and auditors' salary is \$78,000, annually.
- The California mean CPA salary is \$95,607 annually.

The Board reports that the population of candidates pursuing licensure is declining and is taking the following steps to support the profession:

- Since FY 2021-22, the Board has met its goal of processing complete applications within 30 days to ensure that the applicants can enter the profession swiftly.
- The Board conducts outreach events to educate potential applicants about the requirements for licensure as well as current licensees about the requirements for renewal (e.g. CE) so that they maintain their practice rights.
- The Board meets one on one with students to review their transcripts and answer questions.

The Board has begun a multiyear endeavor to clarify the CPA licensure education requirements for students. The Students Understanding the Requirements to be a CPA, or SURE CPA Project, began in 2023 with information gathering at outreach events held at the California State University, San Bernardino; California State Polytechnic Institute, Pomona; and California State University, Sacramento. The Board also developed a survey, the findings from which will help inform new initiatives intended to clarify the education requirements to become a CPA in this state.

### **COVID-19 Pandemic Response**

In response to the COVID-19 pandemic, Governor Gavin Newsom declared a State of Emergency on March 4, 2020. He also issued numerous executive orders, including Executive Order (EO) N-40-20, which authorized the Board to extend, until January 31, 2022, the CE completion deadline for licensees.<sup>25</sup> Initially the Board granted the extension to licensees who were required to renew their licenses in March or April 2020, but later the DCA Director broadened the leniency to benefit all individuals whose licenses were due for renewal between March 2020 and September 2021 to receive an extension until January 31, 2022. Moreover, the Board, on a case-by-case basis, approved CE extensions beyond the dates included in the EO.<sup>26</sup> In total, the Board approved 1,098 requests for an extension.

By necessity, the Board transitioned to teleconferencing using its authority under various EOs as well as AB 361 (Rivas), Chapter 165, Statutes of 2021<sup>27</sup> and SB 189 (Committee on Budget and Fiscal Review), Chapter 48, Statutes of 2022<sup>28</sup>. The Board resumed having meetings in-person in January 2022, but continues to allow remote participation, having found that teleconferencing increased stakeholder and public engagement.

The Board reports that some applicants were unable to take the Uniform CPA Examination or obtain their transcripts due to testing centers and college and university registrar offices being closed. At that time candidates were required to complete all sections of the exam within 18 months of passing the first section. However, in response to testing delays, the Board and NASBA extended the deadline to test to December 31, 2020, for those individuals who were required to complete the exam on a date between April 1, 2020, and December 30, 2020. The Board also accelerated a new process for electronic transcript submittal.

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<sup>25</sup> Executive Order N-40-20

<sup>26</sup> California Code of Regulations, Title 16, Section 90

<sup>27</sup> AB 361 (Rivas), Chapter 165, Statutes of 2021, exempted, until January 1, 2024, state agencies from specified teleconferencing requirements under the Bagley-Keene Open Meeting Act, including requirements each teleconference location be accessible to the public.

<sup>28</sup> SB 189 (Committee on Budget and Fiscal Review), Chapter 48, Statutes of 2022, authorized state entities to hold public meetings, subject to specified notice and accessibility requirements, through teleconferencing and making public meetings accessible telephonically or otherwise electronically to the public, until July 1, 2023.

## **PRIOR SUNSET REVIEW: CHANGES AND IMPROVEMENTS**

The Board last underwent a sunset review by the Legislature in 2019. In 2022, SB 1443 (Roth), Chapter 625, Statutes of 2022, extended the sunset review date of the Board from January 1, 2023, to January 2, 2024. During the prior sunset review, committee staff raised a number of issues and provided recommendations. Below is a summary of actions which have been taken over the last five years to address these issues. Previous issues that were not completely addressed or may otherwise still be of concern they are further discussed under “Current Sunset Review Issues.”

### **Prior Issue #1: Initial License and License Renewal Fee Level**

During the Board’s 2015 sunset review, the Legislature encouraged the Board to maintain a reserve equal to 24 months operating expenses to ensure that it could investigate and prosecute a case against a large accounting firm, if needed. At the time, the Board’s initial license and renewal fees were at their statutory maximum of \$250. The Board attempted to increase the fees via the rulemaking process, but needed to demonstrate the necessity of doing so in accordance with the Administrative Procedure Act. The Board was also limited by the fact that existing law required the Board to lower its fees if its spending reserve exceeded its operating budget for the next two fiscal years. In response, AB 1521 (Low, Chapter 359, Statutes of 2019), which extended the sunset date for the Board, set the license renewal fee at \$250 and authorized the Board to increase that fee to \$280, as needed. The Board reports that while its revenue increased following that change, the Board’s expenditures continue to outpace revenue. In October 2022, the Board increased via the regulatory process both the initial license and license renewal fees via rulemaking to their \$280 statutory maximum. In 2023, a DCA fee study projected that the Board would face a deficit by FY 2029-30 if fees were not increased again. SB 816 (Roth, Chapter 723, Statutes of 2023) included a two-step license renewal fee increase, established a \$250 application review fee for new accountancy firms, and increased the statutory cap for the CPA application review fee to \$700 and the accountancy firm application fee to \$2,000. SB 816 also authorized the Board to lower license renewal fees if the Accountancy Fund exceeds 24 months in reserve.

### **Prior Issue #2: Denial of an Application for CPA Licensure**

During the Board’s prior sunset review in 2019, it sought two statutory changes following the enactment of AB 2138 (Chiu, Chapter 995, Statutes of 2018). That bill prohibited a board or bureau under DCA from denying, revoking, or suspending one’s license based on their criminal history, *unless* they were convicted of a substantially related crime (or serious felony or crimes requiring registration as a Tier 1 or Tier 2 sex offender) or subject to formal discipline by a licensing board within the previous seven years from the date of application. Additionally that bill allowed the Board (and others) to specify via the rulemaking process additional financial crimes related to CPAs’ “fiduciary” responsibilities that would bar an individual from licensure. At the Board’s request, AB 1521 (Low, Chapter 359, Statutes of 2019), which extended the sunset date for the Board, among other changes, authorized the Board to deny an application if the applicant was convicted of *any* felony financial crime (not fiduciary specific) that is directly and adversely related to the qualifications, functions, or duties of a CPA—regardless of the number of years that have passed. Additionally, AB 1521 authorized the Board to deny an application, if within the preceding seven years, the applicant was subject to disciplinary action by a federal agency, the Public Company Accounting Oversight Board<sup>29</sup>, or another country for violations substantially related to the role of being a CPA.

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<sup>29</sup> A nonprofit, the Public Company Accounting Oversight Board was established by Congress to oversee the audits of public companies as well as the audits of brokers and dealers registered with the Securities and Exchange Commission.

### **Prior Issue #3: Lack of Automation and Online Services**

At the time of the previous sunset review, the Board's licensing and enforcement activities were conducted manually, with few exceptions, thereby resulting in lengthy processing times and reducing the Board's customer service capabilities. However, the Board was, at that time, engaged in a Business Modernization Project in collaboration with DCA to develop a database system to automate many licensing and enforcement activities. Although the Business Modernization Project is ongoing, the Board has since done all of the following:

- Launched an online application for CPA licensure, which enables applicants to submit applications, upload documents, and pay their application and initial license fees on the Board's website.
- Implemented an online application dashboard that allows applicants to monitor the status of their application.
- Instituted CBA Connect, the Board's wholly online license renewal system, including the ability for licensees to report and track CE completion and pay renewal fees.
- Launched a new online complaint submission system which allows complainants to upload supporting documents and receive an electronic copy as well as a back-office intake cue for Board staff.

The Board reports that these developments have allowed it to achieve its goal of processing Uniform CPA Examination and CPA licensure applications with 30 days.

### **Prior Issue #4: Automate Delivery of Update Newsletter**

In FY 2017-18, the Board spent roughly \$280,000 to print and distribute its UPDATE newsletter via the United States Postal Service, a 44% increase in costs compared to FY 2013-14. To lower costs and the environmental impact of mailing a physical copy of the Board's UPDATE newsletter twice a year, the Board sought statutory authority during its previous sunset review to distribute the newsletter electronically. In the spring of 2020, the Board transitioned to electronic distribution of its newsletter, but continues to provide a hard copy, upon request. The Board reports that it mails approximately 250 copies per edition, compared to nearly 80,000 previously, yielding roughly \$250,000 in savings each FY.

### **Prior Issue #5: Require Licensees to Provide Email Address**

In 2014, SB 1467 (Committee on Business, Professions and Economic Development), Chapter 400, Statutes of 2014, authorized the Board to *request* email addresses from licensees, but because doing so was voluntary, not all licensees provided an email address. Consequently, the Board continued to provide communications such as its UPDATE newsletter via the United States Postal Service. However, with the passage of AB 1521 (Low), Chapter 359, Statutes of 2019, the Board is currently authorized to compel licensees to provide an email address if they have one. The Board has collected approximately 86,000 email addresses and uses email as its primary means of communication with licensees. The Board anticipates collecting an email address for nearly every licensee with the implementation of its online license renewal system, CBA Connect, which requires licensees to provide an email address. The Board reports that it has not received any complaints from CBA Connect users regarding to requirement to provide an email address and would provide a paper copy upon request.

### **Prior Issue #6: Obtain Additional Permanent Staff**

In 2019, the Board reported that its number of full time employees was the same as in FY 2011-12, despite the licensing population having grown by more than 20%. At the time, the Board employed 18 temporary staff. Significant turnover (44% in FY 2016-17 and 53% in FY 2017-18) resulted in increased costs and workload due to the need to frequently recruit and train new temporary employees. Via a Budget Change Proposal, the Board was awarded ten full time positions in FY 2019-20, which the Board attributes its success reducing processing times under 30 days for both examination and licensure applications.

### **Prior Issue #7: Potential Implications for Licensees Working in Accountancy as Independent Contractors**

During the Board's 2019 sunset review, the Committees questioned whether the Dynamex decision would impact the practice of public accountancy.<sup>30</sup> The Board reports that it is not aware of any issues or concerns regarding they Dynamex decision.

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<sup>30</sup> In its 2018 *Dynamex Operations West Inc. v. Superior Court* decision, the California Supreme Court established specific criteria for determining whether an individual is an employee or an independent contractor.

# CURRENT SUNSET REVIEW ISSUES FOR THE BOARD OF ACCOUNTANCY

## ADMINISTRATIVE ISSUES

**ISSUE #1:** *Legislatively Established Committees. Should the Legislature remove from statute the requirement of the Board to establish a Mobility Stakeholder Group?*

**Background:** Prior to July 1, 2013, licensed CPAs from other states were required to notify the Board and pay a fee before providing public accounting services in California. Senate Bill 1405 (Chapter 411, Statutes of 2012) established California’s “mobility law,” allowing any CPA whose principal place of business is located outside California and who holds a valid and current license, certificate, or permit to practice public accountancy from another state, to practice public accountancy in California under a practice privilege (commonly referred to as mobility), without giving notice or paying a fee, provided one of the following conditions is met:

- They have continually practiced public accountancy as a CPA under a valid license issued by any state for at least four of the last 10 years.
- They hold a valid license, certificate, or permit to practice public accountancy from a state determined by the Board to be substantially equivalent to the licensure qualifications in California under BPC § 5093.
- They possess education, examination, and experience qualifications which have been determined by the Board to be substantially equivalent to the licensure qualifications in California.<sup>31</sup>

That bill also required the Board to convene a stakeholder group to determine whether licensees’ practice privilege adequately protects the public. In its 2017 Mobility Stakeholder Group (MSG) Annual Report, the MSG expressed support for and confidence in the state’s practice privilege provisions, having determined that NASBA’s Guiding Principles of Enforcement, which are the foundation for other state board’s enforcement programs, are equivalent to those in California. Additionally, the MSG ensured that the licensing entities in other states had to make each of their licensee’s disciplinary history publicly available online. The MSG held its final meeting on November 2019 and the Board now proposes to eliminate the MSG entirely. The Board has indicated that any further evaluation of the state’s mobility requirements can be performed by the Board or one of its committees (e.g. Committee on Professional Conduct).

**Staff Recommendation:** *Considering that this state has no control over laws and regulations passed in other states and countries, the Board should identify how it currently verifies, and will continue to verify, that the requirements for CPA licensure in other states and countries are at least as stringent as those in this state.*

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<sup>31</sup> California Board of Accountancy Mobility Stakeholder Group Annual Report 2017



**ISSUE #2: *Transition to Digital Communications and Documentation Acceptance. Should the Legislature allow the Board to notify licensees of proposed regulatory changes via email rather than by mail? Moreover should the Legislature allow the Board to receive official transcripts from a college or university electronically?***

**Background:** Existing law requires the Board to mail any proposed regulatory changes pertaining to professional conduct to every licensee at least 30 days before conducting a public hearing on the proposed changes.<sup>32</sup> The Board is seeking authorization to email the proposed regulatory changes, in lieu of mailing them.

Additionally, existing law requires any CPA license applicant who is completing a dual-degree program and is seeking to take the Uniform CPA Exam after completing the requirements for a bachelor's degree to have their school *mail* a copy of the student's transcript to the Board accompanied by a letter from the school registrar with specific information.<sup>33</sup> However, students who are not enrolled in a dual degree program have the following options to submit their academic transcripts:

- Request official, paper transcripts to be sent directly from the applicant's school to the Board.
- Obtain official, sealed transcripts and submit them with the Uniform CPA Exam Application or CPA Licensing Application.
- Order an electronic transcript to be sent to the Board by an approved provider.<sup>34</sup>

The Board is seeking less specificity in how educational evidence (i.e. official transcripts or its equivalent and a letter from an institution's registrar) for students enrolled in dual-degree programs are submitted to the Board.

**Staff Recommendation:** *The Board should consider whether it may be necessary to continue to mail proposed regulatory changes to licensees, upon request. The Board should identify its preferred method of receiving educational evidence for students enrolled in dual-degree programs.*

**ISSUE #3: *Committee Vacancies. How can the Board prevent future committee vacancies to avoid quorum issues?***

**Background:** Vacancies on the Board's legislatively established committees have made establishing a quorum for difficult. Over the past four years, meetings of the Qualifications Committee have been cancelled three times. In response, the Board states that it advertises and recruits for the open positions. There are currently two vacancies on the Enforcement Advisory Committee, two vacancies on the Peer Review Oversight Committee, and four vacancies on the Qualifications Committee.

**Staff Recommendation:** *The Board should identify the root cause of lengthy vacancies (e.g. Recruitment, responsibilities, delays by appointing authorities, unplanned turnover).*

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<sup>32</sup> Bus. and Prof. Code § 5018

<sup>33</sup> Bus. and Prof. Code § 5093(b)(1)(A)

<sup>34</sup> Bus. and Prof. Code § 5093 and CCR, Title 16, Section 2.8

**ISSUE #4: Staff Vacancies. How can the Board entice licensed CPAs to apply for its open Investigative CPA and Supervising Investigative CPA positions?**

**Background:** The Board relies on Investigative CPAs and Supervising Investigative CPAs to perform its most difficult investigations, but vacancies hinder the Board’s ability to complete investigations in an efficient and effective manner. The Board has, since 2007 when the Board first reported the issue, had difficulty recruiting and retaining Investigative CPA positions.<sup>35</sup> At that time, the Board reported that it worked with the Department of Personnel Administration to make the total Investigative CPA compensation package more competitive by creating a “recruitment and retention” pay differential. Pay Differential 347, the “Certified Public Accountant Retention Bonus” for Investigative CPAs was intended to be stop-gap measure, though it still exists today. In 2014, the Board credited Pay Differential 347 with improving salary parity for Investigative CPAs and improving the recruitment for those positions.<sup>36</sup> However, in recent conversations the Board’s executive staff suggested that the increase in the volume of applications received during that time was likely due to the downturn of the economy causing many people to seek more stable employment.

Nonetheless, the Board reports that the last time all 12 Investigative CPA positions were full was in September 2017. Three Investigative CPAs retired and one resigned resulting in four vacancies by the end of 2018. In January 2022, the Board successfully filled one position, but another resigned soon after. The Board attributes of the lack of interest in these positions to noncompetitive compensation. Board executive staff report that there are numerous problems with the current bonus structure. First, the bonus is not included when determining retirement pension amounts. Moreover, the salary is so low that even with the bonus, Investigative CPAs may still be underpaid compared to market value.

The Board has also had an opening (one of two positions) for a *Supervising* Investigative CPA since December 2020. The Board reports that it has been difficult to fill this position due to an existing requirement that an individual who accepts a Supervising Investigative CPA promotion would be required to forfeit a prior retention bonus<sup>37</sup>, which has, in turn, stopped internal qualified applicants from applying. Moreover, the Board reports that the opening has delayed pursuit of enforcement action.

The Board reports that it has taken numerous steps to recruit qualified applicants to fill the Investigative CPA vacancies, including sharing the openings in the Board’s UPDATE newsletter and on social media. In January 2021, the Board also sent a mass email to 40,000 certified CPAs recruiting applicants to apply for the Investigative CPA positions. That effort yielded three applicants, one of whom was hired, but resigned within three months. To maximize the number of applicants, the Board allows applications to be filed continuously; there is no final filing date by which candidates must apply.

Although a salary study for the Investigative CPA classification was included in the latest bargaining contract (a carryover from the previous contract), Board executive staff are not aware of any tangible steps that have been taken to proceed. The Board reports that it continues to advocate to DCA’s Office of Human Resources and the California Department of Human Resources to allow an Investigative CPA to keep their retention bonus if promoted to Supervising Investigative CPA.

<sup>35</sup> California Board of Accountancy 2010 Sunset Review Report

<sup>36</sup> California Board of Accountancy 2014 Sunset Review Report

<sup>37</sup> Employees in the Investigative Certified Public Accountant classification who have been at the maximum of the salary rate for 12 consecutive qualifying pay periods are eligible for an annual payment of 15% of their current annual base salary payable 30 days following the completion of every 12 consecutive qualifying pay periods up to 24 consecutive qualifying pay periods. Employees remaining in the Investigative Certified Public Accountant classification longer than 24 consecutive qualifying pay periods will be eligible for an annual payment of 20% of their current annual base salary payable 30 days following the completion of every 12 consecutive qualifying pay periods.

**Staff Recommendation:** *The Board should update the Committees next steps for amending Pay Differential 347 and a salary study for the Investigative CPA classification.*

**ISSUE #5: Stakeholder Satisfaction.** *What is the Board doing to improve stakeholder satisfaction?*

**Background:** Results from the Board’s Stakeholder Satisfaction Survey demonstrate stakeholders’ continued dissatisfaction with the service they receive from the Board. In FY 2019-20, 33 percent of respondents (36 individuals) reported that they were “Not Satisfied.” Similarly, in FY 2020-21 and 2021-22, 38 percent of respondents (29 and 17 individuals, respectively) reported they were “Not Satisfied.” The Board attributes stakeholders’ dissatisfaction to the COVID-19 pandemic, which temporarily impacted the Board’s operations. However, in FY 2022-23, arguably on the tail end of the pandemic, 42 percent of respondents (122 individuals) reported that they were “Not Satisfied” with the service they received from the Board.

**Staff Recommendation:** *The Board should share with the Committees any changes it has made to facilitate improved customer service for stakeholders and any strategies it plans to implement moving forward.*

**LICENSING ISSUES**

**ISSUE #6: Retired-Status Licenses.** *Should the Legislature authorize the Board to grant a retired status license to a licensee whose practice has been permanently restricted by the Board?*

**Background:** Typically when a licensee successfully completes probation, their license is fully restored. However, in limited cases, the Board may permanently restrict the licensee’s practice (e.g. no longer allow the licensee to perform audits), thus making them ineligible for a retired status license. When individuals have placed their license in retired status they are prohibited from practicing public accountancy. If a licensee wishes to practice public accountancy again, they must restore their license to active status. The Board is seeking authorization to approve a licensee with a permanent restricted practice order’s request for a retired status license.

**Staff Recommendation:** *The Board should identify how many licensees would benefit from this change and explain to the Committees the significance of a having a retired status license (in lieu of the letting the license lapse).*

**ISSUE #7: Accounting Firm Peer Review.** *Should the Legislature authorize the Board to require its accounting firm licensees to share data from peer reviews so that the Board can monitor more closely the peer review program?*

**Background:** State law requires accounting firms to be peer reviewed every three years as a condition of license renewal.<sup>38</sup> The AICPA Peer Review Program is the only peer review program provider recognized by the Board. However, the Board reports that it does not have access to peer review documentation collected by AICPA for which the Board already has the authority to request. Accounting firms may elect to share this information with a state board of accountancy such as the Board via the AICPA’s web tool, but doing so is not required in California.

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<sup>38</sup> Bus. and Prof. Code § 5076

Without permission from the accounting firm, the Board can only access a firm’s peer review report ratings on the AICPA web tool. The Board wishes for statutory authorization to compel accounting firms to opt in to the sharing of their data on the AICPA web tool so that it can better monitor the peer review program. The Board reports that California firms’ participation would increase CBA access to objective peer review information but would not provide access to the entire catalog of peer review documents. The CBA could view certain documents (e.g., enrollment letters, peer review reports, letters of acceptance, letters of response, completion letters) and data (e.g., scheduling information, extension information, peer review acceptance dates, peer review report ratings). Moreover, the data could be used by the CBA to independently verify if a firm has completed mandated peer review or if a specific firm has received an extension of their peer review. Also, the Board asserts that the information could be used to create summary reports over time that look at the number of accepted peer reviews as a means of identifying peer review trends.

***Staff Recommendation:*** *The Board should determine whether it has capacity to review peer review documentation and data collected by AICPA or explain what it otherwise intends to do with those materials and information.*

### **EDUCATION AND EXAMINATION ISSUES**

***ISSUE #8: Educational Requirements. What is the status of the Board’s efforts to clarify the education requirements for CPA licensure?***

***Background:*** The Board reports that in 2023 it began a multiyear endeavor, the Students Understanding the Requirements to be a CPA (SURE CPA) Project, to “clarify” the educational requirements for licensure. Applicants for a CPA license are required to have a bachelor’s degree, having taken 150 semester units in various subjects, as specified.<sup>39</sup>

The Board has conducted outreach events at three universities across the state and surveyed students who are considering becoming accountants, recent college graduates pursuing a CPA license, and licensed CPAs.

***Staff Recommendation:*** *The Board should share the findings from its recent survey and identify next steps to clarify the education requirements for licensure.*

***ISSUE #9: National Exam. Have students been negatively impacted by the transition to a new Uniform CPA Exam?***

***Background:*** In January 2024, the national Uniform CPA Exam was significantly altered. Whereas the exam previously consisted of four mandatory sections on a range of subjects pertaining to the profession, the new exam has been restructured to account for greater specialization happening within the industry. The current iteration of the exam requires applicants to pass three Core Sections and one Discipline section.

The last day to take any section of the old exam was December 15, 2023. To help ease the transition to the new exam, the Board extending exam credits, as follows:

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<sup>39</sup> [California Board of Accountancy](#)

- All exam credits that expired between January 30, 2020, and December 31, 2023, are once again valid and being extended until June 30, 2025.
- All exam credits valid on December 31, 2023, are being extended until June 30, 2025.
- All new exam credits earned beginning in January 2024 will be valid for 30 months, replacing the previous timeframe of 18 months.

**Staff Recommendation:** *The Board should identify any hardships this transition has created for Uniform CPA Exam applicants and steps to mitigate those effects.*

## **PRACTICE ISSUES**

**ISSUE #10:** *Accounting Firm Owners. Should the Legislature require the ownership of an accounting firm to have the same responsibility as licensees who are authorized to sign reports on attest engagements?*

**Background:** In addition to the minimum requirements for licensure, applicants seeking a license with the ability to sign reports on attest engagements must also demonstrate completion of a minimum of 500 hours in attest experience. In some instances, the owner(s) of an accounting firm may not have the ability to sign attest engagement reports and instead hire a licensed CPA with that ability. However, the Board reports that even if the owner of an accounting firm is involved in the provision of attest engagements, they cannot be held liable in the same manner as the licensee who signed the report. In the event that none of the owners of an accounting firm are authorized to sign reports on attest engagements, the Board is seeking to hold accounting firms accountable in the same manner as any licensee whom they perform attest engagements. Furthermore, should the licensee no longer be employed by the accounting firm, the Board seeks to require the firm to make all working papers available to the licensee who signed the attest engagement report for purposes of conducting an investigation at the request of the Board. Because work papers contain confidential and sometime proprietary information, Board executive staff foresee a situation in which an accounting firm could become a barrier to an investigation by withholding the work papers of a licensee who used to work for their firm.

**Staff Recommendation:** *The Board should explain why the status quo is undesirable from an enforcement perspective and identify how many accounting firms these changes would impact.*

**ISSUE #11:** *Workforce Development. What can be done to shore up the CPA pipeline?*

**Background:** The Board reports that there has been a steady decline in the number of individuals entering the CPA profession, and concerns are rising about whether there will be a sufficient number of licensed CPAs to meet consumer demand. The Board anticipates that failure to meet consumer demand could result in higher costs for consumers and fees for licensees. Additionally, the Board warns that there could be an increase in unlicensed activity.

In July 2023, AICPA formed a National Pipeline Advisory Group comprised of 22 individuals representing various stakeholders to facilitate conversations nationally about the future of the profession. The Advisory Group plans to publish a national survey in 2024 and report findings at AICPA's 2024 May Council Meeting. The National Pipeline Advisory Group expects the findings to help identify root causes of pipeline attrition and ultimately inform potential remedies.

**Staff Recommendation:** *The Board should notify the Committees of proposed statutory changes, as needed, to help sustain the accounting profession.*

### **TECHNICAL CLEANUP**

#### **ISSUE #12: Technical Cleanup. Is there a need for technical cleanup?**

**Background:** To determine whether an applicant has met the educational requirements for licensure, the Board relies on a list of institutions with accreditation recognized by the United States Department of Education. The Board reports that statutory cleanup is necessary to delete references to accreditation “by a regional or national accrediting agency,” since federal regulations no longer distinguish between the two.<sup>40</sup>

**Staff Recommendation:** *The Board should continue to advise the committees of necessary code cleanup.*

### **CONTINUED REGULATION OF PUBLIC ACCOUNTANTS AND ACCOUNTING FIRMS**

#### **ISSUE #13: Continued Regulation. Should the licensing of certified public accountants and the registration of accounting firms be continued and regulated by the Board?**

**Background:** The Board’s oversight of public accountants in California is integral to the financial security of millions of California. As stated on the Board’s website, the Board’s responsibility is “to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards” and ensure that “all consumers are well-informed and receive quality accounting services from licensees they can trust.”<sup>41</sup>

**Staff Recommendation:** *The Board’s oversight of the accounting profession should be continued, with potential reforms, to be reviewed again on a future date to be determined to ensure that the issues and recommendations in this Background Paper have been addressed.*

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<sup>40</sup> 34 CFR 602

<sup>41</sup> [California Board of Accountancy](#)