

# CALIFORNIA BOARD OF ACCOUNTANCY

---

*Executive Officer: Dominic Franzella ♦ Phone: (916) 263–3680 ♦ [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)*

*Protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.*

— Business and Professions Code § 5000.1

The California Board of Accountancy (CBA) licenses, regulates, and disciplines certified public accountants (CPAs) and public accounting firms and corporations. The Board also regulates existing members of an additional classification of licensees called public accountants (PAs). The 1945 Accountancy Act granted the PA license only during a short period after World War II, with the last PA license issued in 1968.

CBA currently regulates over 114,000 individuals, corporations, and partnerships. It establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its power to license. CBA’s enabling act, the Accountancy Act, is found in the Business and Professions Code section 5000 et seq.; its regulations appear in Division 1, Title 16 of the California Code of Regulations (CCR).

CBA is a consumer protection agency located within the Department of Consumer Affairs (DCA). The Board consists of 15 members: seven CBA licensees and eight public members. Each Board member serves a four-year term.

The Board’s staff administers and processes the nationally standardized Uniform CPA Examination, currently a four-part computerized exam encompassing the subjects of auditing and attestation; business law and professional responsibilities; regulation (including taxation, managerial accounting, and accounting for governmental and not-for-profit organizations); and

financial accounting and reporting (business enterprises). In order to be licensed, an applicant must complete 150 hours of college-level education, including substantial units in accounting, business-related subjects and ethics; complete twelve months of general accounting experience; and successfully pass all parts of the Uniform CPA Exam.

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

- The Qualifications Committee (QC), authorized in Business and Professions Code section 5023, consists of non-Board member CPAs who review applicants' experience to determine whether the applicants' experience complies with the requirements in Business and Professions Code section 5093 and section 12, Title 16 of the CCR.

- The Enforcement Advisory Committee (EAC), authorized in Business and Professions Code section 5020, consists of up to 13 non-Board member CPAs who provide technical assistance to the Board's enforcement program by conducting investigations or hearings against licensees, and making recommendations to the enforcement program and the Executive Officer.

- The Peer Review Oversight Committee (PROC), created in Business and Professions Code section 5076.1, consists of up to seven CPAs appointed by the Board and oversees the Board's peer review requirement that is mandatory for licensees who perform attest engagements. The PROC is responsible for ensuring that peer review providers administer peer reviews in accordance with the standards outlined in section 48, Title 16 of the CCR.

On January 23, 2024, Governor Newsom [re-appointed](#) Patricia Batchelor, CPA, to the Board of Accountancy as a licensed member. Governor Newsom originally appointed Ms.

Batchelor to the Board in October 2023. She has been the owner of her CPA business since 2004. 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. Ms. Bachelor's term is set to expire on January 1, 2028.

On February 29, 2024, Governor Newsom [appointed](#) Doug Aguilera, CPA, who previously served as Chair of CBA's Enforcement Advisory Committee from 2020 to 2023. He was a Director at KPMG from 2002 to 2003 and a Senior Manager at Ernst & Young LLP from 2003 to 2008. Since 2008, Mr. Aguilera has run a sole proprietor forensic accounting practice in Palo Alto. Additionally, he was the Director of Ethics and Compliance Investigations for Stanford University from 2017 to 2022. Mr. Aguilera will serve until November 26, 2027.

In addition, on February 29, 2024, the Governor appointed Nancy Duong, a public member, Duong is Co-Founder of Tocqueville Investment and a Partner at Santa Clarita In Home Tutoring since 2021. Previously, Ms. Duong 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. She is Vice Chair of the Community Services Commission for the City of San Gabriel. Ms. Duong's term will end on November 26, 2024.

As of this writing, CBA has two vacancies for public seats to be appointed by the Governor and the Senate Rules Committee.

## **HIGHLIGHTS**

### **Board Rulemaking on New CPA Exam Enacted**

On November 30, 2023, the Office of Administrative Law (OAL) [approved](#) new regulations by CBA to implement a new version of the CPA Exam and add requirements for early

entry admission to sit for the CPA Exam under Title 16 of the CCR. The action adopted sections 7.3 and 9.3, amended sections 6, 7.1, 8.2, and 9.2, and repealed section 13 of Title 16 of the CCR.

The new version of the CPA Exam, as described in the Board’s [Order of Adoption](#), requires candidates to pass three core test sections: Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR), and Taxation and Regulation (REG), as well as one of the three discipline sections: Business Analysis and Reporting, Information Systems and Controls, or Tax Compliance and Planning. According to the Board’s [website](#) on CPA Evolution, the purpose of transforming the CPA Exam is to “recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future.” The Board’s transition policy allows candidates who passed any of the former AUD, FAR, or REG core sections to receive credit for the corresponding core sections on the new CPA Exam. Furthermore, candidates with credit for passing the Business Environment and Concepts (BEC) section on the former exam will not need to take any of the three discipline sections. A candidate who lost credit for any of the core sections before December 31, 2023, must take the corresponding section on the new CPA Exam; likewise, a candidate who lost credit for the BEC section on the former exam before December 31, 2023, is now required to pass one of the three new discipline sections.

Additionally, the newly enacted rulemaking affects candidates applying for early entry to sit for the CPA Exam before completing their educational requirements. The new regulation requires the early entry applicants to provide documents needed for early entry, including whether they are enrolled in a qualifying higher learning institution within 180 days of completing the necessary educational requirements to be granted a degree.

Further information on the new CPA Exam can be found in the Board’s [sunset report](#), which was submitted to California State Assembly in anticipation of the Board’s sunset review hearing.

## **Board Undergoes Sunset Review**

In December 2023, the Board published its [2024 Sunset Review Report](#) in preparation for its [Sunset Review Oversight Hearing](#) before the Assembly Business and Professions Committee and the Senate Business, Professions and Economic Development Committee. The Board’s enabling act, section 5000, et seq. of the Business and Professions Code, is scheduled to “sunset” or be repealed on January 1, 2025, if it is not extended during sunset review.

CBA’s report details the Board’s activities over the past four years, describes the Board’s actions and responses to prior issues brought during its previous sunset review, and raises six new issues for the legislature to consider during the next review period. The Board seeks to amend Business and Professions Code section 5096.21(c) to eliminate the Mobility Stakeholder Group. The group aims to determine whether California’s practice privilege (commonly known as “mobility”) provisions meet CBA’s duty to protect the public. The stakeholder group, which held its final meeting in November 2019, conducted meetings and prepared annual reports documenting its activities. The Board purports that any additional work required relative to the state’s mobility provisions can be undertaken by CBA, by one of its committees, or by a task force, as needed.

Also, the Board seeks to amend Business and Professions Code section 5070.1 to allow an individual with a permanent restricted practice order to be approved for and granted a retired status license. Additionally, CBA’s Sunset Review Report delves into the Board’s plans for workforce development encompassing diversity, equity and inclusion (DEI) job creation and outreach, and recruitment and retention of board members and investigative positions.

Prior to CBA’s Sunset Review Oversight Hearing, joint committee staff prepared a [background paper](#) for senate and assembly members of the respective Business and Professions committees. The paper provides general background information on CBA’s structure and role, updates the joint committee on actions taken by CBA regarding issues from the previous sunset review, and identifies 13 new issues for the legislature to raise with the Board during the sunset review process. Among the new issues raised is the requested removal of the statute requiring the Board to establish a Mobility Stakeholder Group. Joint committee staff recommends that, because 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 outside of California are at least as stringent as those in the state. The Background Paper also discusses the matter of retired-status licenses and recommends that the Board explain the significance of having a retired-status license and identify how many licensees would benefit from such a change. Additionally, joint committee staff raise ongoing issues of staff vacancies and workforce development and recommend that the Board notify the legislature of proposed statutory changes, as needed, to help address these problems.

At the Joint Sunset Review Oversight hearing on March 11, 2024, the Board’s former president and current board member Katrina L. Salazaar, CPA, filled in for president Joseph Rosenbaum, CPA, who was not available to appear. Ms. Salazaar was joined by the Board’s executive officer, Dominic Franzella. Ms. Salazaar opened the hearing with highlights from CBA’s Sunset Review Report. She remarked on the success of the Board’s technological transition initiatives, noting that consumers can now submit online complaints against licensed or unlicensed accountants or accounting firms, licensees can now submit online renewal applications, update information, and make payments through CBA Connect, and new candidates can now submit

applications online. CBA reported that this new option has streamlined the process for consumers, current and prospective licensees, and the Board. Ms. Salazaar also noted that CBA continues to meet its goal of reviewing examination and licensure applications within 30 days and processes more than 700 applications every month.

CBA also responded to questions from senate and assembly members of the joint committee at the Sunset Review Oversight Hearing. Assemblymember Marc Berman described recent instances during which the Board was unable to establish quorum due to vacancies. He asked about the cause of such vacancies and questioned what the Board can do to attract volunteer licensees to sit on CBA committees to prevent future vacancies that might hinder CBA's ability to carry out its consumer protection missions. Mr. Franzella stated that the Board has made a concerted effort to encourage extensive outreach and recruit new members via new recruitment videos, utilize an active social media campaign, and circulate recruitment packets to current CPAs to share with members of their firms and communities.

Mr. Franzella also reported that the mobility program is working efficiently, and the Board has not encountered any barriers or issues with enforcement involving licensed professionals from other states. The Board has taken enforcement actions against out-of-state licensees on several occasions who are either practicing in the state with a principal place of business outside of the scope of CPA's mobility and advertising in the state inappropriately or who have actually performed subpar work. According to CBA, the mobility program "appears to be an excellent model."

Senator Lola Smallwood-Cuevas noted that, in the Board's report, CBA had a decline in candidates pursuing licensure, which led to longer hours for those who are currently licensed and can lead to accounting errors. The Senator asked the Board what it was doing to attract new pools

of candidates—particularly minority women—and inquired as to whether the Board utilized targeted investments to recruit those underrepresented in that sector. Mr. Salazaar discussed the Board’s pipeline issues relating to a decrease in CPA candidates at length. According to Ms. Salazaar and Mr. Franzella, CBA’s prior strategic plan supports and encourages a variety of perspectives, backgrounds, and experiences that benefit its operation to meet its consumer protection mandate. The Board is working with stakeholders and has taken wide-ranging action to ensure that it is encouraging pipeline issues as well as promoting diversity. Such actions include a messaging priority in 2024, which is growing audience diversity and the creation of a new video on diversity, equity, and inclusion. However, CBA does not track the demographics of its licensees. Senator Smallwood-Cuevas noted the difficulty with which an institution can improve an issue that is not measured and recommended that CBA begin collecting internal metrics for quantifying the point of departure from the Board’s DEI goals.

Jason Fox of the California Society of Certified Public Accountants—the professional organization representing CPAs across the state—was the only member of the public to comment at CBA’s Sunset Review Oversight Hearing. He stated that his organization tracks DEI metrics and urged continuing the Board’s sunset date.

[AB 3251 \(Committee on Business and Professions\)](#), as introduced on February 16, 2024, would amend section 5050 of the Business and Professions Code to extend the Board’s sunset date to 2029. At this writing, the bill has not yet been amended to include more substantive matters addressed by the committees at the Sunset Hearing.

## **MAJOR PUBLICATIONS**

The following reports have been published by or about CBA during this reporting period:

- [\*CBA Sunset Review Report\*](#), CBA, December 2023 (details the CBA’s activities over the past four years and raises new issues for the legislature to consider during the next sunset review period (see Highlights)).
- [\*2022–2023 Annual Report\*](#), CBA, April 2024 (provides an update on CBA’s composition, budget, communications and outreach activities, enforcement actions, licensing activities, assistance to military and refugees/asylees/special immigrant visa holders, legislation and regulations, and information technology for FY 2022–2023).
- [\*Fall 2023 Update Newsletter Issue 100\*](#), CBA, November 2023 (provides an overview of CBA’ history, new appointments and reappointments, CBA and Committee meetings, Sunset Review Report progress, CPA Evolution, the SURE CPA Project, video production and outreach, and CBA Connect).
- [\*Spring 2024 Update Newsletter Issue 101\*](#), CBA, April 2024 (provides an update on CPA Exam credit extensions and upcoming CBA fee restructuring; includes a Q&A with CBA President Joseph Rosenbaum, CPA, and a description of the life cycle of a consumer complaint).

## **RULEMAKING**

The following is a status update on recent rulemaking proceedings CBA has taken:

- **Peer Review Terminology and Outdated Fee Provisions:** On April 9, 2024, OAL [approved](#) CBA’s proposed regulatory language, amending sections 39, 48.3, and 70 of Title 16 of the CCR. According to the Board’s [explanatory statement](#), the new amendments update peer review terminology from “substandard” to “fail,” consistent with changes contained in [SB 887 \(Committee on Business, Professions and Economic Development\) \(Chapter 510, Statutes of 2023\)](#) and Business and Professions Code section 5076 and other technical changes. Additionally,

the amendments update the CPA fee schedule to correct obsolete fees and reflect accurate fees pursuant to [SB 816 \(Committee on Business, Professions and Economic Development\) \(Chapter 723, Statutes of 2023\)](#) and Business and Professions Code section 5134 and added operative and inoperative renewal fee dates.

- **Sale, Transfer, or Discontinuance of Licensee’s Practice:** On December 4, 2023, OAL [approved](#) this regulatory action to adopt sections 54.3 and 54.4 to Title 16 of the CCR. These changes went into effect on April 1, 2024. This rulemaking was initially [noticed](#) on September 22, 2024. [[29:1 CRLR 119](#)] The regulatory action adopts a requirement to notify clients regarding client records when a licensee’s practice is sold, transferred, or discontinued.

- **CPA Examination Revisions and Early Entry:** On November 30, 2023, OAL [approved](#) regulatory language to adopt sections 7.3 and 9.3, amending sections 6, 7.1, 8.2, and 9.2, and repealing section 12, Title 16 of CCR. This action adds requirements for early entry admission to sit for the CPA Exam, implements the new version of the CPA Exam based on the CPA Evolution licensure model, and makes grammatical changes and replaces gender specific pronouns (see HIGHLIGHTS).

- **Professional Ethics Exam and Continuing Education:** On December 11, 2023, CBA filed a [notice](#) of proposed regulatory action concerning amendments to sections 10, 10.1, and 87.1 of Title 16 of the CCR. According to CBA’s [Initial Statement of Reasons](#), the proposed rulemaking would eliminate the Professional Ethics Examination (“PETH Exam”) as a pre-licensure requirement for CPAs, based on findings that the exam lacks validity and overlaps significantly with the CPA Exam. Instead, newly licensed CPAs would need to complete a Regulatory Review continuing education (“CE”) course covering California-specific laws and regulations within the first two years of licensure. CBA asserts that this change would “eliminate[]

a barrier to licensure that is not supported by evidence, and reduce[] applicant licensure costs.” The PETH Exam content will be temporarily accepted as CE credit to accommodate those who have already purchased it. OAL approved the amendments and provided [noticed](#) in the California Regulatory Notice Register on January 19, 2024.

## LEGISLATION

- [AB 3251 \(Committee on Business and Professions\)](#), as introduced on February 16, 2024, would amend 5050 of the Business and Professions Code. This bill would remove obsolete regulations related to out-of-state practice and stakeholder consultations. CBA expressed its support for AB 3251 in a [letter](#) sent to the Assembly Committee on Business and Professions on April 4, 2024, and mentioned future amendments to extend CBA’s sunset date and enhance CBA’s consumer protection mission. *[A. B&P]*