

**CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**  
**Board of Director Meeting**  
**Minutes**

**Friday, Feb. 21, 2003**

**Green Valley Ranch**  
**Henderson, NV**

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**Members Present:**

Nancy Wheeler-Chandler, Chair  
John Costello  
Loretta Doon  
David George  
Paul Herrerias  
Pam Kelty  
John Levy  
Teresa Mason  
Jerry Nightingale  
Dan O'Hare  
Michelle Walters  
Steve Wimmers  
Gregg Wind  
Chris Yahng  
Don Gurse

**Staff Present**

Bruce Allen  
John Angelo  
John Dunleavy  
Donna Lekosky  
Linda McCrone  
Clar Rosso  
Sarah St. Charles  
Susan Waters

**Guests**

Jim O'Malley  
Alex Brucker  
Loretta Doon

**Absent**

Mark Parkinson  
Jessie Powell

**Action Items**

- The board approved the consent agenda.
- The board unanimously approved a motion to freeze CalCPA's defined benefit plan effective April 30, 2003 and enhance the benefits of the 401 (k) plan with a contribution of 3 percent of salary, a dollar for dollar match for the first two percent of employee contributions and a 50 cents on the dollar match for the next 4 percent of employee contributions.
- The board approved a motion to allocate \$50,000 from contingency fund to pay for administrative costs associated with freezing the defined benefit plan and changing the benefits of the 401(k) plan.
- The board unanimously approved a motion to adopt a 15-month budget process
- The board unanimously approved a motion to allocate \$1,500 from the contingency fund for mission, vision and value cards that would be mailed out with dues statements in March.
- The board approved a motion to allocate \$5,000 from the contingency fund to review CalCPA's pension plan investments.
- Board unanimously approved allocation of \$3,000 for attorney costs associated with filing an amicus letter in the case of *In Re Marriage of Rosen*.
- The board approved a motion to amend CalCPA's Sec. 457 plan so it will conform with EGTRRA.
- The board approved a motion to readopt CalCPA's Sec. 125 plan to recognize an increase in the annual employee contribution limit from \$2,000 to \$3,000.
- The board passed a motion that to vote at a Council meeting, members must be present.

**Chair Report**

Nancy Wheeler-Chandler announced that a discussion on the practice continuation project would be deferred until May. She noted that 86 members responded to a recent survey on this issue. Wheeler-Chandler introduced the guests at the meeting. She announced that a joint meeting

between CalCPA and the Education Foundation Board of Trustees officers will be held April 23 to discuss possible consolidation of resources. This meeting is in response to a suggestion made by Don Gurseley at the January Council meeting.

### **AICPA Report**

Jim O'Malley, AICPA vice president of public affairs, reported on preliminary results of the AICPA's image survey. He noted that the full report would be available soon. Discussion followed.

Steve Wimmers asked O'Malley to report on the status of the PFS, CITP and ABV credentials. O'Malley responded that a sunset review was written into the initial business plan for each AICPA specialty credential and the PFS, CITP and ABV credentials are going through their sunset review process. O'Malley noted that all specialty credential holders equal less than one percent of the AICPA membership. Susan Waters requested that the Member Relations staff work with state committee chairs to consider the credentials, develop their thoughts and communicate those thoughts back to AICPA California Council members before the regional meeting in Phoenix as a way to pass on grassroots feedback to Council.

O'Malley briefly updated the group on the AICPA efforts related to the H&R Block ads. He said that H&R Block has agreed to pull one of the ads.

### **Education Foundation Report**

Loretta Doon reviewed the timeline for the Education Foundation nomination process and pointed out where a list of committee members could be found in the board packet.

Doon reviewed the Education Foundation's December financials. She noted that they were a little behind budget because of investment performance and timing of revenue. She said that the January financials are much closer to budget.

Doon reviewed a fee comparison with other state societies. She said that as a result of the comparison, the trustees voted to increase course fees slightly. This is the first increase in five years.

Doon reported that online courses have been developed in-house and the Foundation will continue to build this area. Teresa Mason asked if the free course for the chapters will continue, noting that it has been a great revenue generator for chapter scholarship funds. Doon and John Dunleavy responded that yes, the Foundation would continue to offer the course to chapters.

### **Legislative Update**

Bruce Allen delivered a legislative update. He noted that Sacramento is a different scene due to term limits; it lacks institutional depth. He added that the budget is all consuming and that the recall of the governor has momentum. Allen explained how a recall process would work.

Allen reminded the group that the California Board of Accountancy is adopting regulations related to legislation passed in 2002. He noted that CalCPA will testify about the proposals when the board holds its public hearing in March. Allen added that the CBA is looking at peer review, and noted Linda McCrone's excellent presentation to the CBA in January. He added that the CBA is considering extending the CE requirement to include 8 hours of fraud on top of the 24 A&A hours. In other CBA news, Allen reported that budget woes are impacting the CBA's enforcement

abilities and that the two new appointments were made to the CBA, Renata Sos and Clifton Johnson.

Allen reported that mandatory e-filing is in budget again; anyone who files returns for 100 or more client would have to e-file. A problem is that not all forms are available this way.

Allen discussed labor issues related to exempt and nonexempt employees. All Big Four accounting firms have received notice of lawsuits re payment of overtime to nonexempt employees. CalCPA will mail letters on this issue to managing partners/partners and industry members by early or mid-March. Allen noted that licensees are exempt from overtime rules, so the issue mainly relates to how candidates and other staff are compensated.

Nancy Wheeler-Chandler has been asked to sit on task force with her local Assembly member to provide input on the California budget.

In response to an inquiry from Chris Yahng, Allen noted that four appointments to the CBA remain open in the governor's office.

Allen introduced a proposal that arose at the Government Relations Committee meeting Feb. 5 for CalCPA to provide a resource to Legislature on tax and fiscal issues. This would require a paid attorney, CPA and administrative person on staff at an approximate cost of \$500,000 per year. Discussion ensued. It was noted that the Committee on Taxation does comment on tax-related issues. The group's consensus was that such a position was too costly. John Levy suggested that CalCPA respond to John Campbell that CalCPA members will want to volunteer to comment on the state's fiscal policies on an individual basis.

Allen reported that Lou Correa was introducing new legislation. One of the bills requires the CPA auditor of any company/entity—public or private--to report to audit committee. He noted that the bill only addresses CPAs, not CEOs, CFOs, attorneys etc as compared to Sarbanes-Oxley. The legislation also impacts a much broader base of companies. The other bill introduced by Correa would subject private companies to similar reporting requirements as those now in place for public companies.

### **Bylaw Petition Process**

Susan Waters reviewed process for the proposed bylaw change. Members can vote two ways, online or with a paper ballot. The voting period runs March 1 through May 1. Don Gursej noted that he is on a task force to review roles and responsibility of AICPA council.

### **Pension Plan Report**

Don Gursej, who served as the Pension Plan Task Force chair, discussed the process the task force went through before making its recommendation. The task force was charged with evaluating the existing plan and how changes would impact CalCPA, its employees and the funding requirements. The task force recommendation is to freeze the defined benefit pension plan effective April 30 and to enhance 401(k) plan benefits to employees. It was noted that this shifts market risk away from the membership to CalCPA employees.

Gursej noted that immediate termination would have cost \$2.5-3 million.

Discussion followed. There was a recommendation to report semi-annually or annually to the board on the status of the frozen plan. A contribution to the pension plan will be required in

January 2004; future contributions to the plan are dependent upon plan investment performance. It was noted that the annual commitment to 401 (k) plan is estimated at \$250,000 to \$300,000. Employer contributions to the 401(k) plan would be effective for first payroll starting in May.

The board unanimously approved the motion to allocate \$50,000 from contingency fund to pay for administrative costs associated with freezing the defined benefit plan and changing the benefits of the 401(k) plan.

### **Nomination and Leadership Development Committee Report**

Don Gurse gave the report of the Nomination and Leadership Development Committee, noting the slate of officers. The committee will meet again April 22 to discuss whether or not the committee's charge to nominate and develop leaders presents a conflict of interest.

### **AICPA Committee Membership**

Susan Waters reported on the AICPA Committee roster that was presented at the Council meeting in January. That roster was prepared by the AICPA. A new roster in the board packet reflects who also is CalCPA member. Sixty-six percent of California-based AICPA Committee members are also CalCPA members. Nancy Wheeler-Chandler and Steve Wimmers will ask AICPA Council members to contact non-CalCPA members who serve on AICPA committees about joining CalCPA.

### **Treasurer's Report**

Donna Lekosky presented the treasurer's report for Jessie Powell. Lekosky reported on the December financials. She noted that the investment portfolio is at \$5.7 million, a significant increase over the prior year end. This increase is due to a change in CalCPA's investment portfolio, including less money in money markets than before. She reported that membership renewals are slightly below budget, less than one percent for the year. She also noted that member applications are 11 percent under budget year to date and estimated to be 18% below budget for the year. Personnel costs are significantly below budget primarily due to two open positions. Lekosky also reported that the January statements show a positive bottom line of \$600,000.

John Levy asked about the fund balance target and its growth compared to the organization's growth. He asked that this be better explained at the next council meeting. Lekosky confirmed that it would be discussed.

Lekosky provided an overview of the fiscal year-end change contemplation. Currently, the fiscal year-end does not coincide with the officer year and timely budget approval is problematic. She outlined the pros and cons for various alternatives that the Finance Committee reviewed and presented a recommendation to maintain an April 30 fiscal year-end. She added that the Finance Committee recommends adopting a 15-month budget process. The Board unanimously approved a motion to adopt a 15-month budget process

The Board unanimously approved a motion to allocate \$1,500 from the contingency fund for mission, vision and value cards that would be mailed out with dues statements in March.

The Board approved a motion to allocate \$5,000 from the contingency fund to review CalCPA's pension plan investments.

Susan Waters requested approval of \$3,000 from the contingency fund to pay attorney fees for a filing on behalf of the Amicus Committee *In Re Marriage of Rosen*. The published decision in

this case had been overly broad and the Amicus Committee met and approved filing a letter asking to rehear or depublish case so it could not set precedent. As a result of the filing, the opinion was modified.

Board unanimously approved allocation of \$3,000 for attorney costs associated with filing an amicus letter in the case of *In Re Marriage of Rosen*.

The Board approved a motion to amend CalCPA's Sec. 457 plan so it will conform with EGTRRA.

The Board approved a motion to readopt CalCPA's Sec. 125 plan to recognize an increase in the annual employee contribution limit from \$2,000 to \$3,000.

### **Disposition of Bylaws Implementation Task Force and Referred Matter**

Nancy Wheeler-Chandler reminded the group of the request at the January Council meeting to disband the Bylaws Implementation Task Force. The group has been disbanded.

The Board passed a motion that to vote at a Council meeting, members must be present.

### **Peer Review Results**

Linda McCrone reported that she and Hal Schultz had made a presentation to a California Board of Accountancy task force on peer review. McCrone reported on some peer review statistics. She also noted that the AICPA Peer Review Board is in the process of revising its peer review standards and an exposure draft is imminent. In addition, the AICPA Peer Review Board is proposing that a vote of the membership of the AICPA be taken to have the results of system reviews be in a public file. Susan Waters added that this is a positive step away from the perceived "cloak of secrecy." The board agreed that it supports full disclosure.

### **Image Advertising**

Clar Rosso reported on CalCPA's image advertising efforts. She noted that excess funds from publications savings will be used for the short-term purpose of running a print advertising campaign. The campaign will run in business journals around the state in late March through mid-May.

### **Composition of Council**

John Levy noted that there are non-CPA members on the AICPA Board of Directors. He posed the question about whether or not this would have positive appeal for CalCPA, giving the organization better insight and the appearance of openness. Discussion followed.

An open forum followed.

Adjourned around 3 p.m.