

CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
Board of Director Meeting
Minutes

Friday, February 6, 2004

Loews Coronado Bay Resort
Coronado, CA

Members Present

Steve Wimmers, Chair
Paul Regan
Bob Jones
Teresa Mason
Jerry Nightingale
Chris Yahng
Nancy Wheeler-Chandler
Loretta Doon
Ted Mitchell
Pam Kelty
Michelle Walters
Michael Eisenberg
Kendall Wheeler
John Costello

Staff Present

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

Guests

John Dunleavy
Don Gursej

Action Items

- The board approved the consent agenda.
- The board approved the decisions of the Bylaws Committee that the bylaw amendments at the annual meeting be voted item by item and that only proxies be used for members not at the annual meeting.

Chair Report

Steve Wimmers spoke on the success of the financial literacy program and thanked staff and volunteers for their contributions. CalCPA/Junior Achievement Day on Jan. 23 was a success with volunteers teaching at four elementary schools and reaching almost 800 students. The Dollars & Sense program was launched in Irvine Jan. 24 with Assemblyman/CPA John Campbell. Almost 100 people attended this town hall meeting. Bruce Allen noted that Campbell was very pleased with the event. Rather than pursuing having October declared Financial Literacy for Californians Month, CalCPA is joining forces with other financial literacy proponents and supporting an Assembly resolution that will declare April Financial Literacy for Californians Month. Wimmers thanked the Education Foundation for a \$25,000 contribution to CalCPA's financial literacy efforts.

The Amicus Committee has agreed to file a request that the California Supreme Court review or decertify a Court of Appeal case to protect the Bily decision. This is being coordinated with the larger firms

California CPAs who work in industry in California can choose to not take CPE and have an inactive license. Wimmers reported that discussion is underway to evaluate whether or not CalCPA should support a requirement that industry CPAs must take CPE to maintain their CPA license.

Letters have been sent to state committee chairs asking them to thank members who have contributed to CPA-PAC and to encourage other committee members to contribute. All members on CalCPA's Board of Directors have contributed to CPA-PAC and more than 70 percent of council members have contributed. The government relations team is working on a more aggressive promotion plan for CPA-PAC participation.

Wimmers has appointed Paul Regan to the AICPA Council.

Wimmers announced that he has appointed a Pension Audit Task Force that will be chaired by Bill Holder. The Task Force is charged with evaluating the Department of Labor's forthcoming report on audits of employee benefit plans, developing responses to regulatory and legislative agencies, and developing remedial actions that CalCPA can recommend to its members.

First Vice Chair Report

Paul Regan reported that letters have been sent regarding next year's appointments to state committees. He reported that the Litigation Business Valuation Section has been working extensively with the AICPA Business Valuation Section on their proposed standards for business valuations. CalCPA's BVSection has been effective with getting almost all its suggestions accepted. Regan noted that these rules will apply to CPAs in many practice areas.

CEO Report

Susan Waters reported that as part of her appointment to the AICPA National Accreditation Commission, she has been assigned to the business valuation credential subcommittee. Waters noted that at the board's request, she has established a listserv for the board and only five board members and five staff have joined. The listserv has had no activity, but the board, after some discussion, decided to keep the listserv for possible future use.

The Future of the Profession Committee met in early February and decided to not issue its draft report. Instead they are overhauling the report and plan to meet again April 13. Waters acknowledged committee chair John Lacey's efforts on behalf of the committee.

When the AICPA membership voted for peer review in the 1980s, the AICPA established a covenant with members that peer review results would be kept confidential. The AICPA Board of Directors is considering proposing to AICPA Council a bylaw amendment that if a state requires peer review as part of licensure and requires the CPAs to turn in information regarding their peer review, then the state societies administering the program could provide this information directly to the state boards of accountancy. Still under discussion is whether this should apply to all peer reviews or only modified or adverse peer review reports. The National Association of State Boards of Accountancy will be releasing its own proposal that adverse and second time modified peer review reports should be sent directly to the state boards of accountancy by the state societies administering the peer reviews. The AICPA surveyed members and found that 90 percent approved sending the peer review information directly to the state and 55 percent approved public access.

The Public Company Accounting Oversight Board, the General Accounting Office and the Auditing Standards Board have agreed to meet quarterly to make certain that their standards do not conflict and are consistent. PwC is organizing a task force to review the 150-hour education requirement of the Uniform Accountancy Act. In *Accounting Today*, Lou Grumet of the New

York State Society of CPAs has written several articles proposing that an interstate compact for CPAs be created. Examples of some existing compacts are that 45 out of 50 states have agreed to recognize drivers licenses from other states and 15 states have agreed to recognize nursing licenses from other states. The advantage to a compact as opposed to the UAA is that a state is either in or out and cannot modify the terms. The AICPA and some of the Big Four firms oppose the compact idea.

Communication Report

Clar Rosso played CalCPA's new image advertising radio ad and updated the group on image advertising activity. She noted that the ads have been very well received and have led to increased traffic on CalCPA Online. Rosso reported on disaster recovery activities, she noted that the two Education Foundation disaster recovery workshops were well received and have generated interest in CalCPA's pro bono services. She noted that CalCPA's disaster relief efforts have generated national interest. Rosso reported that CalCPA's web initiative is moving forward. Detailed technical specifications and legal review of the proposal and letter of agreement is complete. The MSP task force will be reviewing the proposal shortly.

Financial Literacy

Michael Eisenberg reported that financial literacy volunteers are delighted with the program and proud to be CalCPA members. He noted that the financial literacy program is providing a good source for identifying future leaders. Eisenberg added that several legislators are interested in scheduling Dollars & Sense events and that the committee is working with Junior Achievement to identify opportunities at the middle school and high school levels. In May, the AICPA will provide financial literacy presentation skills training to the committee. This same type of training will be available to chapters by the fall.

Government Relations

The Attorney General is drafting legislation for charitable nonprofits with more than \$500,000 in revenue concerning audit firm rotation and restrictions on non-audit services for auditors. California's provisions regarding client privilege for CPAs and enrolled agents will sunset in 2005. Allen reported that they are actively looking for authors of legislation that would eliminate or extend the sunset. The California Board of Accountancy and state Attorney General have agreed on how the Uniform Accountancy Act would need to be incorporated into state law to allow CPAs to cross state lines and retain active licenses, but they currently are reluctant to bring this issue to the Legislature. Currently the CBA is recommending that there not be any trickle down of SOX to private companies. The suspension has been lifted for pending California accountancy regulations and these are now final, including those regulations necessary for candidates to sit for the computerized exam. A legislative action group is going to be set up regarding outsourcing, as CalCPA has been asked by the Legislature to testify on the subject. The requirement to e-file state tax returns will not be repealed, but CalCPA is working on a bill that would give CPAs amnesty for this year from fines or citations for noncompliance.

Education Foundation

Loretta Doon elaborated on the many ways that the Education Foundation is working to generate membership for CalCPA, including a free course, sharing of information between entities, and a bigger price differential for members and nonmembers.

The Foundation's December financial statement shows an excess of revenue over expenses of \$1.1 million, but this will be gone by the end of the fiscal year since very little additional revenue will be coming in and expenses will continue to be incurred. The Trustees have approved a \$5,000 contribution to the Annual meeting in July and a \$25,000 contribution to CalCPA's financial literacy initiative. The Education Foundation has reinstated the accounting scholarship program for doctoral students. There will not be any increases in course prices in the 2004-05 year. Full-time students who are CalCPA members can get free Foundation courses and a similar free course offer is also available for full-time accounting educators.

Treasurer's Report

Nancy Wheeler-Chandler reported that CalCPA is projected to have \$500,000 net income by the end of the year. The change in investment advisers has had a positive effect. The budgets for the 2004-05 year have all been turned in. The new chair for the dues task force is Marc Parkinson. CalCPA received three bids for the survey of membership fee structure and have accepted McKinley Marketing to do the study that should be complete before the July Council meeting.

Nomination & Leadership Report

The Nomination and Leadership Development Committee will be separating into a nomination committee and a leadership development committee. The new Leadership Development Committee will look to past chapter chairs, past state committee chairs, and Education Foundation conference chairs for members. The Education Foundation is working on putting together another leadership program that the new committee will want to consider. The four Bay Area chapters are hosting a half day leadership class this spring.

Review of Employee Pension Plan

Don Gurse reported that the actuary is a year behind in his calculations, but based on these outdated figures it would cost \$7.8 million to liquidate the plan. The actuary will have more current numbers ready for the May board of directors meeting.

Pension and Government Audits

A pension audit task force has been established to evaluate the Department of Labor report on its oversight of pension plan audits, to identify areas of substandard conduct, and to respond to challenges from the Legislature and the California Board of Accountancy. Bill Holder has agreed to chair this task force and the first teleconference will be held Feb. 19.

The Inspectors General of HUD, Health and Education, and Labor are planning a similar statistically random oversight on the audits of entities subject to single audit. The report will not come out until 2005.

Board Liaison Reports

The Management Consulting Service Committee is planning a three-day training for committee members and will be developing courses to take to chapters. The Management of an Accounting

Practice Committee continues to work on the MAP Survey. The board discussed concerns that some state committees are not actively working with their chapter counterparts and are not doing meaningful work. Bob Jones and Teresa Mason agreed to head a task force to review all state committees, specifically they will look at each committee's continuing value, composition, work product and member benefit.

Membership Report

John Angelo commended Clar Rosso, Donna Lekosky, and Terry McVeigh for working together to produce consistent and excellent marketing materials. McVeigh is working with CAMICO, the Education Foundation and Group Insurance Trust and is getting positive results. McVeigh has been following up with individuals who contact Jeannie Tindel concerning CBA licensure, and 8 percent are being converted to members. Two percent of AICPA new members who are solicited via a letter are joining CalCPA. The dues invoice will have a new and improved format in 2004 and an initial reminder to renew is being sent electronically. Sign ups for chapter committee positions are being conducted online via each chapter website this year.

Ethics and Reviewed Financial Statements Standards

Linda McCrone reported on a major change in Interpretation 101-3 under Rules of Conduct 101. CPAs who perform compilations, reviews, audits and other attest services need to be familiar with the revisions to make sure they have not performed non-attest services that could impair their independence. The Interpretation is effective Dec. 31, 2003. It's also important to note that the Interpretation's documentation requirement will be delayed until Dec. 31, 2004. CalCPA is informing members of this important change through *BUZZ* and *California CPA*.

The AICPA has proposed a revision to the standards for reviewed financial statements that would require more extensive fraud inquiry. The AP&AS Committee will discuss this issue next week and issue a comment letter.

Bylaws Report

Ted Mitchell reported on a Bylaws Committee teleconference during which the committee concluded that at the Annual Members Business Meeting, the bylaws will be voted on item by item, the proposed revisions to the bylaws will be communicated in the May *California CPA* without any pro or con comments, and there will not be any voting by video conference or teleconference at the annual July meeting due to expense and prior experience of hardly any use. Proxies are allowed under the bylaws and will be available May 1, in *California CPA California CPA* and on the website. The board unanimously approved a motion to agree to the Bylaws Committee recommendations.

Meeting adjourned at 4 p.m.