

CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

COUNCIL MEETING MINUTES

**Friday-Saturday
April 26-27, 2002**

**San Jose Fairmont
San Jose, California**

Council Members Present:

David George, Chair

Chris Aasness
Sally Arnold
John Benson
Helene Blumner
Annise Brokstein
Joe Bunker
Rea Campbell
Ellyn Carlson
Janice Carr
John Costello
Mark Dauberman
David Duner
Mitra Ehsanipour
Terry Emerick
Jim Fastovsky
Gary Finkel
Mitch Freedman
Chuck Gumbiner
Linda Heineman
Paul Herrerias
Cameron Hess
Vanessa Hill
Ted Humphreville
Nai Hwang
Bob Jones
Ed Jordon
John Kennerson, Jr.
Geoff King
Michael Klarin
Steve Kramer
John Levy
Bill Lewis
Steve Lozano
Michael Lynch
Dave Marion

Teresa Mason
Tony Mastro
Ted Mitchell, Jr.
Dan Morris
Ben Mozzetti, Jr.
Don Nelson
Dan O'Hare
Mark Poindexter
Jeanne Potter
Jessie Powell
Robert Powers
Paul Regan
Stu Robken
Pat Rogan
Barbara Rosenbaum
J. Russell Roy
Larry Russell
Florence Rust
Terry Seiberlich
Marty Seiden
Roger Shlonsky
Pamela Thompson
Steve Throop
Mike Ueltzen
Michelle Walters
Kendall Wheeler
Nancy Wheeler
Linda Williams
Ann Wilson
Steve Wimmers
Gregg Wind
Diana Wondolowski
Christopher Yhang
Dennis Young

Past Presidents Present-Voting

Dennis Brach
Gale Case
S. Tom Cleveland
Donald Gursej
Paul Kuperstein

Don Nelson
Diana Sanderson
Hal Schultz
Mike Ueltzen

Past President Present-Non-Voting:

Robert Ford

AICPA California Delegation Present:

Janice Carr
Gale Case
John Costello
David George
Don Gursey

Paul Kuperstein
Mike Pimentel
Mike Soza
Nancy Wheeler
Steve Wimmers

Parliamentarian:

Bob Peck

Staff Present:

Susan Waters
John Angelo
Vince Chin
John Dunleavy
Pat Kilner
Susan Klein
Donna Lekosky
Deanna McCrary

Linda McCrone
Lisa McTaggart
Maria Nazario
Curt Olsen
John Phillips
Clar Rosso
Sarah St. Charles
Jeannie Tindel

Guests Present:

J Allen
Jim Castellano
Sandy Collins
Andrea Cope
Bob Cote
Perry Forschino
Howard Loomis
Jerry Nightingale
Laura Ross
Paul Taylor

ACTION ITEMS: (COPIES OF PRESENTATIONS ARE ON FILE AT CalCPA OFFICES IN REDWOOD CITY)

The Council approved the November 2001 Board meeting minutes.

The Council approved the January 2002 Council meeting minutes.

The Council approved the CalCPA 2002/2003 budget.

The Council approved the proposed appointees to the Peer Review. Committee.

The Council approved the new Chapter Bylaws.

The Council elected Andrew Mintzer and Larry Russell as the 2 At-Large Positions to the Nomination & Leadership Development Committee for a two-year term (2002-2004)

CONSENT AGENDA

David George opened the meeting at 11:00 AM and approved the Consent Agenda. The Council approved the November Council Meeting minutes with the following changes:

- Attendance of Martin Seiden should be reflected as an attendee.
- Relocation Task Force report should be amended to reflect that the charge is to buy a building in California not "Bay Area".

The Council approved the January, 2002 Board Meeting Minutes with no changes.

Mr. George also gave an overview of the items to be discussed at the Council Meeting.

CHAIR ELECT REPORT

Nancy Wheeler reviewed the CalCPA 2002/2003 Meeting information and encouraged attendance by all at the upcoming Board Orientation in June. Ms. Wheeler also gave an overview of the items that will be discussed.

TREASURERS REPORT

Jessie Powell, treasurer, reported that CalCPA expects to end the year with an increase in net assets of approximately \$500K, which would put the fund balance at 84% of our target.

The proposed 2002-03 operating budget meets all of the budget guidelines previously approved by the Council. Overall the budget shows a decrease in total revenues, increase in total expenses and an increase in management fee income. Jessie also reviewed the number of employees in 2002-03 and the 2002-03 capital budget. The 2002-03 capital budget includes \$175K for a telephone switch. This acquisition is subject to the approval of the finance committee and a full analysis will be presented for their review and approval.

Jessie explained that even though the 2002-03 budget assumes a \$10 dues increase, total membership renewal revenue is down due to the changing demographics of our membership. Mark Dauberman stated that he has received negative feedback regarding the dues increase and asked that this matter be considered at a future meeting.

There was concern that the schools of accounting liaison position had been added at the expense of a government relations position. Susan Waters explained that the government relations position, approved in the 2001-02 budget, does not appear necessary and there is no relationship between the two positions.

Question was raised regarding the significant drop in net publications revenue. Advertising revenues have been affected by the economic downturn and the 2002-03 budget includes a conservative estimate for advertising revenues.

The motion from the finance committee to adopt the 2002-03 budget was presented. A vote was taken and the motion passed.

STRATEGIC PLANNING

The Council spent an initial 75 minutes on Strategic Planning that would continue on Saturday.

NOMINATION & LEADERSHIP DEVELOPMENT COMMITTEE REPORT

Diana Sanderson presented the process, which the Nominations Committee followed. Ms. Sanderson announced that Past President, Paul Kuperstein will chair the committee next year and congratulated the candidates who were nominated for the 2 At-Large positions on the committee: Joe Bunker, San Francisco, Mitra Ehsanipour, Peninsula Silicon Valley Chapter, Andy Mintzer, Los Angeles, Ted Mitchell, San Francisco, Larry Russell, Los Angeles and Florence Rust, Peninsula Silicon Valley. Ms. Sanderson then explained the voting procedures.

Diana Sanderson explained the process the Committee used for the Election. The Council members nominated and elected: Andrew Mintzer and Larry Russell to the Nomination & Leadership Development Committee for a 2-year term (2002-2004)

AICPA COUNCIL NOMINATIONS

David George reviewed the process by which CalCPA makes recommendations to the AICPA Nominations Committee for positions on its Council, and the process by which AICPA members may petition for inclusion on the AICPA ballot. He stated that future Chairs of CalCPA would announce openings to the membership in the fall.

He reported that he had recommended Loretta Doon, David George, Hal Schultz, and Tony Teng to the AICPA Nominating Committee. He further reported that he had named Gregg Wind as the CalCPA designee for a one-year term. He also endorsed the candidacy of John Dodsworth for an At-Large Council seat. (Mr. Dodsworth was not nominated).

GOVERNMENT RELATIONS REPORT

Mike Ueltzen reported on Government Relations Activities since January. He reported that the Board authorized formation of a Legislative Action Group to manage issues related to legislative and regulatory proposals emanating from the Enron bankruptcy.

Activities:

- Development of CalCPA position: CalCPA is committed to restoration of faith in our financial markets and the CPA profession and is supporting efforts at the national level that will accomplish these objectives. Reform needs to be focused on public companies and not private company audits.
- The LAG was appointed and has met several times via conference call. Serving on the LAG are David George, Nancy Wheeler, Steve Wimmers, Paul Regan, Ron Klein, Hal Schultz, Marcia Hein, Andy Mintzer, Susan Waters, Mike Ueltzen, John Angelo, Jeannie Tindel, Curt Olsen, and Bruce Allen.
- Written testimony was presented to an Assembly Business and Professions Committee hearing on the Accountancy Profession held February 19. Participating in that hearing were individual trial attorneys, Consumer Union, Center for Public Interest Law, Society of California Accountants, expert witness CPA Charles Drott who is now a member of the California Board of Accountancy and Art Kroeger representing the Society of California Accountants.

- Participation by Hal Schultz in the California Board of Accountancy's Task Force on Auditing Practices which held four meetings during February and March and prepared proposals related to:
 - A two year cooling off period for auditors going to work for audit clients
 - Developing a list of prohibited services for public company audit clients
 - Work paper documentation and retention standards
 - Recommendations for changing the national reporting standards related to aggressive activities and assurances related to fraud
 - Increasing CBA oversight of peer review and expanding peer review mandates to include small firms.
- Testimony presented by Mike Ueltzen, Andy Mintzer, and Marcia Hein at the CBA's public hearing on the accounting profession held in Los Angeles and attended by David George, Nancy Wheeler, Steve Wimmers, Susan Waters, Bruce Allen, Jeannie Tindel, Curt Olsen, and Linda McCrone.
- Participating in press interviews regarding the Assembly Business and Professions Hearing on February 19th and a press conference held by Assembly Members Correa, Frommer, Wayne, and Senator Figueroa on April 15.
- Testimony presented in opposition to AB 1995 and AB 2873 on April 23, which resulted in AB 2873 being amended to remove mandatory audit firm rotation language.
- Identification of additional legislation SB 2023 (Figueroa) that will probably be amended to deal with increased enforcement activities and discipline of CPAs by the CBA and peer review oversight and implementation issues. SB 1527 which restricts the scope of services for public company audit firms and AB 2970 (Wayne)
- Organizing a delegation of Sacramento Chapter CPAs to attend the Assembly Business and Professions Committee hearing on AB 1995 and AB 2873 on April 23.
- Sending Legislative alerts to CalCPA members that resulted in over 17,000 letters and e-mails going to the Capitol. One Assembly Member brought 700 letters to the hearing that he had received from CPAs opposing the legislation. He had received 10 in support.

Hal Schultz gave the Council some background information related to the CBA's Task Force on Audit Practices and his participation in that effort.

Additional issues being dealt with in the Legislature include pension tax conformity that went to the Governor this week; Proposals for mandatory audit firm rotation for school district audits; potential legislation to require collection of sales tax for professional services.

The council watched a video of part of the Legislative hearing on AB 1995.

PEER REVIEW REPORT AND ELECTION TO ADMINISTRATIVE CMTE.

Geoffrey King, Peer Review Committee reviewed the impact that the Enron/Arthur Anderson situation and the undue scrutiny that has been placed on the Accounting Profession and the Peer Review Process. Mr. King also announced the proposed appointments to the Peer Review Administrative Committee for the 2002-2004 term and they are John Lechleiter and Michele Cook. A motion to appoint the Nominees was passed.

CEO REPORT

Susan Waters reported on the 2001 Nonmember Survey, noting that nonmembers share the same major concerns as members: staffing, managing their businesses better and pressure to offer an expanded range of services and products. Nonmembers are less concerned about the challenges

facing the profession than members, and are more likely to receive CPE from commercial vendors than the members, an issue that the Education Foundation will further research. She noted that the research was conducted after September 11 but before the Enron bankruptcy and indictment of Andersen. Copies of the report are available from Pat Kilner at CalCPA headquarters.

She also reported that the final dispute with Concept Five has been resolved more favorably than anticipated and CalCPA's BSN project is now finally concluded.

REVISED CHAPTER BYLAWS

Steve Wimmers presented the revised Chapter Bylaws. A motion was passed to approve the bylaws. If you would like to review the bylaws on CalCPA's website go to:

<https://secure.cnchost.com/calcpa.org/password/members/chapters/bylaws/index.html>

STUDENT OUTREACH

Communications Advisory Chair Pamela Thompson updated the Council on results of CalCPA's student outreach program, which is nearing the end of its first school year. She noted that the program is gaining in popularity and has signed up 120 members as volunteers and has interest from 128 high schools and community colleges, which are kept in a databank at CalCPA. Demand for Quest, the student publication produced by CalCPA in conjunction with the program, has prompted the organization to reprint an additional 15,000 copies for this fall. More than 40 requests for visits to high schools have been received since November and most have been fulfilled by member volunteers. The staff is working to stimulate more interest in campus visits by schools and members for the coming year. The program will add teacher workshops in the fall, one in Los Angeles and another in San Francisco. One of the outcomes of the workshops will be to heighten awareness among high school teachers of the benefits of a CPA career. Our workshops hope to attract a total of between 150-200 teachers for the two programs.

REPORT ON THE PROFESSION BY JIM CASTELLANO

Jim Castellano, AICPA Chair gave a dynamic presentation on the CPA Profession. Mr. Castellano's spoke about: Commitment to reform, Context for the Accounting Profession and Modernizing the Financial Reporting Model. If you would like a copy of the report contact via e-mail lisa.mctaggart@calcpa.org

NATIONAL ISSUES/OPEN FORUM

David George gave a brief narrative on the National issues the CPA Profession is facing. Mr. George also announced that Susan Water's was chosen for the prestigious NCASE Lifetime Achievement award for her 28 years and her contributions and achievements in her tireless service to the non-profit profession. The Council gave Ms. Waters a standing ovation. The meeting recessed for the day at 5:10 PM.

TAX COMMITTEE

On behalf of the Tax Committee, Bruce Allen presented a letter to The Honorable Max Baucus in which the AICPA cited the CalCPA positing on a tax matter to congress.

FOUNDATION REPORT

Paul Regan reported on the financial results for the Foundation through Feb 28. The Foundation expects to complete the year with a slight overall increase in revenue over expenses. The largest downturn in revenue is occurring in the conference area due to the lack of full pay/non vp or coupon registrations. This response is due largely due to a shortfall in registrations from the industry segment of conference attendees. The dot com related industry conferences have suffered the most in attendance.

Mr. Regan also presented several major accomplishments achieved this year by the Foundation team. Some of those accomplishments are:

Maintained an overall rating for programs at 4.1

Generated more revenue this year than in the past 5 years without a price increase

Initiated a CPE tracking schedule through the Foundation website

Sold products in over 45 different states mainly with the purchase of the Western School Self Study product lines

Increased the sale of coupon and vp memberships to California members over the prior year

Sold over 650 products via the online order system of the Foundation web site

Mr. Regan also announced that the nominating committee results would be voted upon at the Foundation Annual Meeting in July in San Francisco.

The new officers are: Marc Parkinson, President
Loretta Doon, 1st Vice President
Tony Teng Vice President
Elliott Kajan Treasurer

New trustees are: Beverly Brautigham, Lou Savett, Melissa Fortune, M. Zafar Iqbal, Laura Kauls, Thad Scott

MEMBER RELATIONS UPDATE

Following the Membership report, Member Relations Division Director, John Angelo gave a short update on MRD activities. He reported on the outcome of the joint effort between the Ed Foundation and chapters in providing an 8-hour CPE course in every chapter to raise money for their respective scholarship funds, announcing that it raised statewide a total amount of \$75,479. Scholarship funds were also increased by last year's dues statement check-off for scholarship donations, which raised a total of \$47,637 for chapters collectively, and \$15,879 for the state-level fund.

The responsibility of Affinity programs and the Members Insurance Benefits Committee has moved from the Group Insurance Trust (GIT) to the member relations division (MRD).

In the area of accounting careers MRD compliments the Communications Division's High School Outreach program by focusing on both the college and primary school level. The college and university level is addressed by the efforts of the Accounting Education Committee and relations with educators. The primary schools are targeted with a chapter-based program that LA Chapter is becoming involved with called KiddAccounts.

Brief examples of activities in chapters and state committees over the past five months were shared with the council. It was acknowledged that May and June are very busy months for member activities as we end one year and begin another and members were thanked for their good work.

STRATEGIC PLANNING

The rest of the meeting was spent on Strategic Planning. The report will be available on the CalCPA website.

The Meeting was adjourned at 11:50 AM.

Respectfully Submitted,

Sarah St. Charles
Director of Human Resources



Motion Form

Date: April 26/27, 2002
I (we) move (amend).

Motion:

Action Requested:

Appointment of John Lechleiter and Michele Cook to the Peer Review Administrative Committee for a term of 2002-2004.

Issues Summary:

Refer to Tab 4 of the packet for more information on the individuals chosen for the proposed appointments to the Peer Review Administrative Committee.

Motion Passed

Maker: Peer Review Committee

Second: N/A



Motion Form

Date: April 26/27, 2002
I (we) move (amend).

Motion:

That CalCPA Council approve the proposed revisions to chapter bylaws for CalCPA's 14 chapters as revised and

**2001 NOMINATION AND LEADERSHIP
DEVELOPMENT COMMITTEE CANDIDATES FOR AT-
LARGE POSITIONS**

Election Results

Elected for a 2 year term: 2002-2004

**➔ Andy Mintzer, Los Angeles
Chapter**

➔ Larry Russell, Los Angeles Chapter



California
Society
Certified
Public
Accountants