

California Board of Accountancy



The mission of the California Board of Accountancy is to protect the public welfare, particularly consumers, by ensuring that only qualified persons and firms are licensed to practice public accountancy and that appropriate standards of competency and practice, including ethics, objectivity and independence are established and enforced.

California Board of Accountancy
2000 Evergreen Street, Suite 250 - Sacramento, California 95815
(916) 263-3680 - Facsimile (916) 263-3675
www.dca.ca.gov/cba



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Since 1901, the California Board of Accountancy has been charged with regulating the practice of accountancy, with a special emphasis on consumer protection. The Board licenses Certified Public Accountants (CPA), Public Accountants (PA), and accounting firms and corporations. The Board also investigates consumer complaints.

This publication is designed to help you select a CPA or a PA, and it explains the process for filing complaints with the California Board of Accountancy.

WHAT IS A CPA OR A PA?

Only a person who is licensed by the California Board of Accountancy can legally use the title CPA or PA. CPAs and PAs provide accounting, tax, auditing, financial planning, and management consulting services. You should always check to make sure your CPA or PA is licensed with the California Board of Accountancy by telephoning (916) 263-3680 or looking on the Internet at www.dca.ca.gov/cba. Checking the status of the license also will let you know whether any enforcement action has been taken against the CPA or the PA by the Board.



WHAT DOES THE CALIFORNIA BOARD OF ACCOUNTANCY DO?

The Board currently regulates more than 72,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations. The California Board of Accountancy is unique in its authority to license and discipline not only individuals but also firms. By authority of the California Accountancy Act, the Board:

- Qualifies California candidates for the National Uniform CPA Examination.
- Certifies, licenses, and renews licenses of individual CPAs and PAs.
- Registers CPA partnerships, PA partnerships, and corporations.
- Receives and investigates complaints.
- Takes enforcement action against licensees for violation of Board statutes and regulations.
- Monitors licensees' compliance with continuing education requirements.
- Reviews the work products of CPAs, PAs, and CPA firms to ensure adherence to professional standards.

SELECTING A CERTIFIED PUBLIC ACCOUNTANT OR A PUBLIC ACCOUNTANT

A Certified Public Accountant (CPA) is a person who has met the requirements of California state law and has been issued a license to practice public accounting by the California Board of Accountancy.

A Public Accountant (PA) is a person who has met the requirements of California state law and has been issued a certificate of public accounting from the California Board of Accountancy. Only persons who are licensed by the Board may call themselves a Certified Public Accountant or Public Accountant.

CPAs and PAs are required to complete appropriate continuing education in order to be eligible to practice public accounting. A licensee who completes the required continuing education is renewed as "active." A licensee who does not complete the required continuing education is renewed as "inactive" and may not practice public accounting.

Word-of-mouth referrals from individuals who have used the services of a particular CPA are probably the best way to select a CPA.



When selecting a CPA, you should consider doing the following:

- Check the license status from our Web License Lookup at www.dca.ca.gov/cba or call the California Board of Accountancy at (916) 263-3680. Specifically, make sure the license is current and active (renewed with continuing education).
- Check whether there have been any enforcement actions against the licensee and how long he or she has been licensed.
- Interview the prospective CPA either by telephone or in person. A common inquiry is “what type of accounting work do you typically perform?” Compare the CPA’s experience to your service needs.
- Ask about office hours of the CPA, determine whether the office is open year-round, inquire if the CPA is available to take telephone inquiries. Ask what type of continuing education the licensee has taken recently.
- If the services you require include either reviewed or audited financial statements, ask the CPA if he or she participates in a peer review or quality review program? If yes, ask the year and month - and the result - of the most recent review.
- Effective January 1, 2002, some CPAs are authorized to perform a full range of accounting services including signing reports on attest engagements. Attest engagements include an audit, a review of financial statements, or an examination of prospective financial information. Others will be authorized to perform a full range of accounting services, including accounting, compilation preparation, management advisory, financial advisory, tax and consulting services, but will not be authorized to sign reports on attest engagements.
- Licensees are required to comply with Section 54.1 of the California Board of Accountancy Regulations. This regulation provides that no confidential information obtained by a licensee shall be disclosed without the client’s permission. Therefore, you should ask whether the CPA discloses any of your confidential information to persons or entities outside the United States in connection with outsourcing any services provided by the licensee on your behalf. While other persons or entities may provide you with financial services, including tax preparation, it is important to be aware that Section 54.1 of the Accountancy Regulations pertains only to licensees of the California Board of Accountancy.
- Before any work is done by the CPA, it is important to make certain that you receive an engagement letter detailing the work to be performed for you, who will specifically be performing the work, including whether the work is outsourced, confirming that all private and personal information is secure, and specifying the cost of the services.

DEFINITIONS FOR THE CONSUMER

Attest Engagement: One in which the practitioner is engaged to issue, or does issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party. Attest services include an audit, a review of financial statements, or an examination of prospective financial information; however, attest services do not include the issuance of compiled financial statements.

Audit: Examination of a client's accounting records by an independent CPA or PA to formulate an opinion on financial statements and/or financial information. The auditor must follow Generally Accepted Auditing Standards (GAAS).

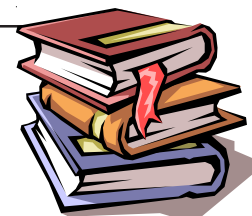
Compilation Preparation: Presentation of data in financial statement format without the accountant's assurance. All compilations prepared by CPAs, PAs, and licensed firms must be prepared in accordance with the Statements on Standards for Accounting and Review Services (SSARS).

Continuing Education: Acceptable continuing education (CE) is a formal program of learning that contributes directly to the professional competence of a licensee in public practice.

Financial Statement: Contains financial information about an organization. The required financial statements are balance sheet, income statement, and statement of cash flows. They may be combined with supplementary information to depict the financial status or performance of the organization.

Peer Review: The study, appraisal, or review conducted in accordance with professional standards of the professional work of a licensee or registered firm by another licensee unaffiliated with the licensee or registered firm being reviewed.

Review of Financial Statement: To perform an inquiry and analytical procedures that permit a CPA or PA to determine if there is a reasonable basis for expressing limited assurance that there are no material modifications that should be made for the financial statement to conform with generally accepted accounting principles or other comprehensive bases of accounting.



SELECTING A CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT ON THE INTERNET

It's now possible to purchase public accounting services on the Internet. While this appears to be a convenient way to access a broad range of services, it is important to "do your homework" before selecting a practitioner. Keep in mind that because Internet practice involves no face-to-face client contact, it may be easier for unqualified persons to masquerade as licensees. Also, remember a practitioner offering services on the Internet may be physically located anywhere in the world. To provide CPA services to consumers in California, a practitioner should be licensed as a CPA or PA by the California Board of Accountancy, (or must be practicing temporarily in California under Section 5050 or Section 5088 of the Accountancy Act).



The following information should not be construed as an endorsement or recommendation to purchase public accounting services on the Internet. Rather, these tips are offered simply as consumer protection suggestions in advance of contemplating the selection of such an Internet practitioner.

- **Keep in mind that if you encounter a problem with an accountant who is not licensed by the California Board of Accountancy, the Board probably will not be able to assist you.**
- Check the status of the license by using our Web License Lookup at www.dca.ca.gov/cba or call the California Board of Accountancy at (916) 263-3680. Make sure the practitioner holds a current California license. Also inquire whether there have been any enforcement actions against the practitioner.
- Interview the practitioner either by e-mail or by telephone to ensure that he or she can provide the services you need. Inquire about procedures for providing and receiving information. Is the practitioner concerned about timeliness, accuracy, and confidentiality? If you are interested in income tax preparation services, ask if the practitioner can be reached later in the year if you need help with an audit.
- Verify that the information about the firm on its Web site is accurate. Does the firm provide the same information when you make contact by telephone? Does the address on the Web site match the address you received from the California Board of Accountancy?
- It is of primary importance to make certain that before any work is done by the CPA or PA, you receive an engagement letter or other written documentation detailing the work to be performed for you, who specifically will be performing the work, and the cost of services.
- If you are using the Internet to obtain a directory of Certified Public Accountants or Public Accountants, keep in mind that a directory listing does not ensure that the practitioner is well qualified or licensed. You still need to ask the appropriate questions and check the status of the practitioner's license with the California Board of Accountancy.

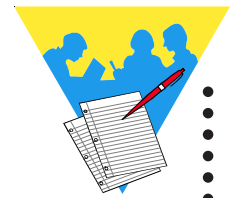
FILING A COMPLAINT WITH THE CALIFORNIA BOARD OF ACCOUNTANCY

Consistent with the Board's highest priority — protection of the consumer — the Enforcement Division's purpose is to oversee all aspects of the investigative and enforcement processes. It initiates complaints as well as investigates those filed by consumers. The subjects of such complaints and investigations include both licensees and those practicing public accounting without a license. As part of these processes, the Enforcement Division establishes if the Board has jurisdiction under California law, and it determines whether enforcement sanctions should be imposed when Board statutes and regulations are violated.

The Board's professional Investigative CPAs investigate complaints based upon substantial and tangible facts relating to specific violations of the Board's laws and regulations. The Board has no authority under California law to regulate the fees charged by its licensees. Fee disputes are civil matters that are appropriately adjudicated by the courts or settled through arbitration. The Board has statutory

authority to discipline its registrants and licensees for violations of the Accountancy Act which may include:

- Negligence or incompetence.
- Fraud, deceit and misrepresentation in the professional practice.
- Fraud or deceit in obtaining a license.
- Aiding and abetting unlicensed practice or any other violation of the Board's laws and regulations.
- Conviction of a crime substantially related to the duties and functions of Certified Public Accountants.



HOW TO FILE A COMPLAINT

The Board has developed a standard complaint form to assist consumers in providing the minimum information required before the investigative process can begin. This form is printed in this publication.

If you prefer to use the Internet, you can fill out and submit the form in the interactive version, fill out and print the complaint form on your own printer, or call the Board office in Sacramento at (916) 561-1729 to obtain a complaint form.

At a minimum, the Board requires the name, address and phone numbers of both the complaining party and of the licensee, copies of an engagement letter (if applicable), a synopsis of the facts and circumstances leading to the complaint, and copies of any evidentiary documents to support the complaint.

If you choose not to use the Board's standard form, you may simply provide this same information in the form of a letter. The complaint form or the letter may be delivered in person, by fax to (916) 263-3673, or mailed to the Board at:

California Board of Accountancy
Attention: Enforcement Division
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

WHAT HAPPENS ONCE A COMPLAINT IS FILED?

In every instance, the Enforcement Division immediately notifies the person who files the complaint by mail that the Board has received the complaint. Then the complaint is subjected to an initial screening process. Those matters beyond the legal jurisdiction of this Board, such as complaints concerning fee disputes, employer/employee relations, or practitioners or firms that are not licensees of this Board are closed, as are complaints involving unsubstantiated allegations from anonymous sources.

When a complaint is closed, the consumer is notified by mail of the action and the reason for the closure. Keep in mind complaints filed are not public information unless the matter proceeds to enforcement action.

Cases concerning verifiable administrative violations (such as unlicensed practice, unregistered partnerships or accountancy corporations, use of unapproved fictitious names, or failure to notify the Board of the licensee's address change) will be examined for the possible issuance of a citation and fine. The Board asks that consumers be aware that investigations of complaints and enforcement proceedings can be complex and involve a substantial amount of time. However, the Board is committed to keeping consumers informed during all phases of the process.

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