CalCPA Member Leads the CBA for Unprecedented Third Term

back for thirds

plus
Excel’s New Functions  Your Tech Tune-up  2022 CalCPA Nominations Report

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7 Excel Rules! 14 New Functions
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Planning for the Future

“If you fail to plan, you are planning to fail.”

I think the majority of our members who recently came out of tax season can attest to Ben Franklin’s famous statement. Congratulations to you and thank you for your leadership during this time of unknowns and seemingly constant flux when it comes to the IRS and tax changes.

Planning—whether it’s financial, career or, yes, making it through tax season—sets a course. If you don’t know where you’re going, how do you know when you get there?

A strategic plan also sets priorities for activities, defines accountability, identifies outcomes needed to thrive and provides the framework for ongoing decision making.

But simply having a plan doesn’t guarantee a win. Key to a strategic plan’s success is aligning your team on a vision or endpoint through conversations with those involved—from board members to the executive team to your organization’s team members—about outcomes, goals, trends, expectations, action items and everything in between.

This is the approach CalCPA is in the early stages of applying as we develop a course for the coming years.

In late March, CalCPA had a productive all-staff retreat to discuss our current realities, where we are as an organization, where we want to go and where to focus our efforts. We looked at drivers of change—from the perspective of both the association and CPA profession—and how we can best reinvent, optimize, evolve and transform as we provide value to our members, customers and strategic partners.

Each of us has a unique point of view and role to play in contributing to our success and it was wonderful to hear innovative ideas from CalCPA team members.

From here we’ll engage with and gain insights from board members, trustees and Council over the coming months to help refine our desired future state, values, outcomes and goals for the next three to five years.

And just as important as setting goals and priorities is deciding what not to pursue—or stop pursuing. As “Good to Great” author Jim Collins says, “If you have more than three priorities, then you don’t have any.”

Since we all know what happens to best laid plans, too, this isn’t a one-and-done process. We’ll be monitoring and tracking our plan annually to consider new developments or emerging trends, being nimble enough to move, if need.

It’s an exciting time at CalCPA as we look to the future and chart our path forward. Stay tuned for updates as we build a stronger and more resilient organization to elevate our service to you and grow the profession.
Companies Looking to hire

Senior managers are taking various approaches to attract talent:

- 55% increasing starting salaries
- 50% offering remote options and evaluating candidates outside of their office’s geography
- 44% providing signing bonuses
- 41% giving more paid time off
- 31% loosening education, skills or experience requirements

"Whether checking the status of a tax return, meeting with a revenue agent for an audit or receiving a tax credit to their bank account, improving service delivery and customer experience are fundamental priorities for us."

—Chief Taxpayer Experience Officer
Ken Corbin

The number of people who feel more confident about their financial outlook than at the end of 2020.
—WalletHub

$5.8B
The amount of money consumers lost to fraud last year, a jump of more than 70% from 2020.
—FTC

66%
The number of organizations planning to analyze compensation from an equity perspective this year.
—Payscale

10K
The number of workers—from entry-level clerks to tax attorneys and technology specialists—the IRS plans to hire over the next two years.
—IRS

92%
The number of workers who prefer a four-day workweek, citing improved mental health and increased productivity as benefits.
—Qualtrics

The change comes as we transition to more digital-focused content. Along with playing into one of our current initiatives of redesigning our website, we will be enhancing our magazine’s online presence with a new platform that will make California CPA more interactive, easily shareable and compatible with any device so you can read each issue where you want, how you want. Keep an eye out for more details.
—Robert Half

EDITOR’S NOTE: THE FINE PRINT
Beginning with this issue, we will only be printing and mailing five of our regular 10 issues we produce each fiscal year: May, August, September, December and March/April 2023. For the remaining months when we are only providing a digital issue, look for an email from us where we’ll summarize the issue and provide a link to the magazine: californiacpa.calcpa.org.

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Women to Watch Awards

Congratulations to all our Women to Watch nominees and winners!

WINNERS
Emerging Leader: Cynthia Spensieri, HCVT
Experienced Leader: Anu Joshi: Senior Manager, Tax and Advisory; Abbott, Stringham & Lynch
Trailblazer: Brenda Kahler: Abbott, Stringham & Lynch; Armanino LLP

EMERGING LEADER NOMINEES
Brenda Bock: Director; Baker Tilly US, LLP
Ana Cubaleska: Supervisor, Audit Services; RSM US LLP
Tracy Wong: RSM US LLP
Luz Solorio: Manager, Audit Services; RSM US LLP
Su Rim: Senior Manager, Assurance; BPM LLP
Tanya Bauman: Tax Manager, Baker Tilly
Madison Yee: Assurance Manager, RSM US LLP

EXPERIENCED LEADER NOMINEES
Julie West: Partner, Tax Practice Group Leader; BPM LLP
Melissa Mendolera: Director of Finance, Social and Environmental Entrepreneurs
Rebecca Stidham: Partner, Withum
Leslie Stackpole: Director of Finance, RSM US LLP
Britany Wells: Tax Principal, Withum
Angela Honzik: Senior Manager, RSM US LLP
Jennifer Hang: RSM US LLP
Amy Omand: CFO, NewSchools Venture Fund
Nelly Montoya: Management Consulting Director; RSM US, LLP
Suzanne M. Holl: Senior Vice President of Loss Prevention Services, CAMICO
Darcy Wilson-Jones: Partner, RSM US LLP
Maryellen Sebold: Partner, Financial Advisory Services; RSM US LLP

TRAIBLAZER NOMINEES
Cheryl Calhoun: Managing Director, CBIZ & MHM
Zunie Nguyen: Founder & CEO, Yogi CPA
Rosario Bobadilla Farias: Audit Partner, HCVT
Vandana Mehtrota: Manager, Audit Services; RSM US LLP
Dana Borys: CPA, DanaBorys.com
Yudit Freda: Senior Manager, RSM US LLP
Louise F. Cochran: L.F. Cochran and Associates
Stacie Droge: RSM US LLP
Danielle Monroe: RSM US LLP
Sherry Sedighi: Audit Director; Baker Tilly US, LLP
Elizabeth Vu: Senior Manager, Armanino LLP
Shannon Winter: Partner, Assurance and Co-Leader, Nonprofit Industry Group; BPM LLP

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ACCOMPLISHMENTS
The CBA named Mike Savoy, Katrina Salazar, Nancy Corrigan, Rich Simitian, David Senteney and Kathy A. Johnson to its Considerations of the CPA Experience Taskforce … Wing, a part of Alphabet Inc., named Shannon Nash CFO … Lindquist, von Husen & Joyce LLP named Crisanto Francisco, CPA and Joe Huie, CPA partners, and Sherman Leong, CPA principal. Huie also assumes leadership of the firm’s tax department … McGowan Guntermann has hired Leah Dunbar and announced Julia Walther has earned her CPA credential.

MEMBERS IN THE NEWS
Mary Kay Foss and Christina Figueroa contributed to a March article in The Tax Adviser on current developments in taxation of individuals … Financial Advisor quoted Rob Seltzer and Dwight Nakata in a March article on adjusting tax strategies amid war tensions … MarketWatch quoted Rob Seltzer in a March 9 article on tax bills and retirement … AccountingToday quoted John Sensiba in a March 9 article on the Great Resignation … AccountingToday quoted Jim Wallace in a March 10 article on staff recruiting … The Tax Adviser published a March 17 article co-authored by Blake Christian on the opportunity zone program … The Journal of Accountancy quoted Charles Rettig in a March 17 article on the IRS backlog of unprocessed work … Yahoo Money quoted Janet Lee Krochman and Dwight Nakata in a March 10 article on this year’s tax season … CPA Practice Advisor quoted Charles Rettig in a March 20 article on the IRS auditing big companies … The New York Times quoted John Schultz in two articles March 25 dealing with taxes associated with selling a home … NASBA interviewed Katrina Salazar in an April 4 article on the challenges and opportunities for women in the accounting profession … NBC Los Angeles quoted Rob Seltzer in an April 6 article on tax refunds being lower than expected … AccountingToday quoted Brian Stoner in an April 7 article on the headaches of tax season.

Turning Diversity Dialogue into Action
As a follow-up to a study on diversity, equity and inclusion in the U.S. accounting profession released in Feb. 2021, CalCPA, the Institute of Management Accountants and the International Federation of Accountants joined forces to deliver “Diversifying Global Accounting Talent: Actionable Solutions for Progress.”

This report presents aggregated results of four DE&I studies of the accounting profession, offers more than 70 practices that can be implemented for DE&I progress and features more than 60 professional accountancy organizations across the globe that are joining us for collective action to enact widespread change.

Access the full report at myima.org/DEIsolutions and be on the lookout for highlights of research findings in next month’s California CPA magazine.

NOTICE OF MEETING
CalCPA’s July 2022 Annual Members’ Business and Council Meetings are scheduled for Thursday, July 28 and Friday, July 29, to be held in-person at the Resort at Squaw Creek in Lake Tahoe. The Annual Members’ Business Meeting will include a membership vote on the election of officers and directors should there be a contested seat. If there is a contested seat, an electronic notice with a list of candidates and voting information will be provided to members. Registration information and draft agendas will be sent out on June 1. Travel arrangements:

- Resort at Squaw Creek (400 Squaw Creek Road; Olympic Valley, CA 96146)
- Phone: (800) 404-5544 (please reference CalCPA 2022 Annual Members Business & Council Meeting to receive the group rate)
- Rate: $269/night + tax + $40/night resort fee
- Cut-off Date: June 20
- Note: Neither rooms nor the room rate can be guaranteed after the cut-off date.

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Microsoft recently introduced 14 new functions for Excel—they are sure to help you save some time. To start, see the sidebar for a short description of each and then let’s jump into some demonstrations.

These functions are being rolled out over time, so depending on your version of Excel and when you’re reading this, your Excel may or may not have them. The fastest way to determine if your version of Excel supports them is to navigate to an empty cell and type =VS. If the VSTACK function appears in the auto-complete, you have them all! But, even if you don’t have access to these functions right now, you will definitely want to read about them so you are ready when your Excel gets them!

Note: As of the time of this writing, the new functions are available to Microsoft 365 subscribers on the Beta update channel for Windows (version 2203, Build 15104.20004 or later) and Excel for Mac (Version 16.60, Build 22030400 or later). Typically, new enhancements and functions like this do not retroactively get added back to perpetual license versions (the versions that you buy once and run forever, ie, that are not sold as a subscription).

Demonstrations
You’ll notice that many of these functions have a relative that does the opposite. For example, TOROW is the opposite of WRAPROWS. TAKE is the opposite of DROP. And TEXTSPLIT is the opposite of TEXTJOIN (which we’ve had in Excel for a while now).

Some functions perform the operation on rows and their counterpart operates on columns, such as TOROW and TOCOL.

Some functions also have a buddy they will often work with (in the same formula) to achieve the desired result. For example, when two tables have a different column order, you can write a formula that uses CHOOSECOLS to get them lined up and VSTACK to combine them.

Now, let’s walk through the functions. I’ll keep this discussion at a summary level but note that these functions have additional, optional arguments that extend the capability beyond what’s presented below.

TEXTSPLIT
TEXTSPLIT splits text into as many columns as needed based on the delimiters. For example, let’s say we have a column with the full name as seen in Figure 1. We can easily split it into separate last- and first-name columns by writing the following formula into B2:

=TEXTSPLIT(A2, "," )

We fill it down and we get what you see in Figure 2.

Note: Historically, we could accomplish this task with the text-to-columns feature.

14 New Kids on the Excel Block
TEXTSPLIT: splits text into columns and/or rows based on one or more delimiters.
TEXTBEFORE: returns the text before the specified delimiter.
TEXTAFTER: returns the text after the specified delimiter.
VSTACK: combines multiple tables into one table by stacking them vertically.
HSTACK: combines multiple tables into one table by stacking them horizontally.
TOROW: converts a table into a single row.
TOCOL: converts a table into a single column.
WRAPROWS: converts a single column (or row) into a table, going across then down.
WRAPCOLS: converts a single column (or row) into a table, going down then across.
TAKE: returns only the specified number of rows (or columns) from a table (beginning or end).
DROP: returns all but the specified number of rows (or columns) from a table (beginning or end).
CHOOSEROWS: returns the selected row or rows from a table (in any order).
CHOOSECOLS: returns the selected column or columns from a table (in any order).
EXPAND: expands a table to a specified number of rows and columns.
TEXTBEFORE
TEXTBEFORE is similar to TEXTSPLIT, except that it only returns the text before the delimiter. In the example above, it would return the last name.

Note: historically, we could accomplish this task by nesting LEFT and FIND.

TEXTAFTER
TEXTAFTER is similar to TEXTSPLIT, except that it only returns the text found after the delimiter. In the example above, it would return the first name.

Note: historically, we could accomplish this by nesting RIGHT, LEN and FIND.

VSTACK
VSTACK combines multiple tables by stacking them vertically. For example, we have two separate tables of data. One for January and another for February. If the tables are named “Jan” and “Feb,” we can combine them by writing the following formula into E1:

=VSTACK(Jan[#All], Feb)

We hit Enter and you get what’s seen in Figure 3. This works on both tables and ordinary ranges.

Note: historically, we could accomplish this with a manual copy/paste or Power Query.

HSTACK
HSTACK is similar to VSTACK, except that it combines the tables side-by-side, horizontally.

TOROW
TOROW converts a table of values into a single row. For example, in Figure 4 is a simple table of four values. We can use the TOROW function to convert these values into a single row, like in Figure 5. If the table had duplicate values, you could include the UNIQUE function in your formula to remove duplicates. If you wanted the resulting values to be ordered, you could include the SORT function as well.

TOCOL
TOCOL is similar to TOROW but it converts the table into a single column.

WRAPROWS
This function converts a single row (or column) of values into a table of a specified number of columns. This is essentially the opposite of TOROW.

WRAPROWS builds the table across, and then down. For example, it can help us convert the single list of values we saw in Figure 5 into a table like Figure 6 (fills it left to right, then down).
WRAPCOLS
This function is similar to WRAPROWS, except that it builds the table down and then across (fills it top to bottom, then to the right). It can convert the same single list of values from Figure 5 into a table like seen in Figure 7.

TAKE
This function retrieves the first or last number of rows (or columns) from a table. This is useful if we just want the header rows, or perhaps the total row.

If the table contained a bunch of transactions, and we wanted to retrieve the most recent, we could use TAKE to retrieve the last row.

Or, if we kept adding new months as new columns, we could use TAKE to return the most current month (ie, the last column).

DROP
This function is essentially the opposite of TAKE. Whereas TAKE retrieves the first or last rows/columns, DROP retrieves everything but the first or last rows/columns. For example, if we wanted to retrieve only the data rows, we could use DROP to remove the header row and the total row.

CHOOSECOLS
This function allows you to pick and choose which table columns you want to return and in which order. In practice, this function can help align columns in multiple tables that you want to combine with VSTACK.

For example, let's say our January table has columns in this order: “ID,” “Period,” “Amount.” But the February table columns are in a different order: “ID,” “Amount,” “Period.” We could write the following formula in E1:

=VSTACK(Jan[#All], CHOOSECOLS(Feb, 1, 3, 2))

And, bam, Figure 8. Pretty cool!

CHOOSEROWS
This function is the counterpart to CHOOSECOLS and does the same thing for rows.

EXPAND
This function enables you to increase the size of a table by adding additional rows or columns. In practice, this is likely to be used as an intermediate helper function.

Conclusion
This new set of functions helps us manipulate text and reshape data with formulas. Any solutions we create with them are dynamic and will automatically update as dependent values change. Nice! They have more arguments and options than what I’ve discussed, so you’ll definitely want to explore them further.

These functions add to the arsenal of Excel tools that can help us get our work done faster. And remember, Excel rules!

Jeff Lenning is the president of Excel University. You can reach him at jeff@excelu.com.

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There are numerous bodies of research surrounding workplace evolution (see McKinsey & Company’s “Future of Work” and PwC’s “Workforce Transformation”). Most would advocate the use of automation, which shifts human resources to focus on creative deliverables and exception resolution processes. Researchers then describe a metric-based organization where job descriptions no longer define employee responsibilities. Instead, employees participate in cross-functional projects based on their skills to tackle problems yet to be solved by machines.

The pandemic accelerated the adoption of robotic process automation. Software robot developers catapulted to stardom over the last few years. Gone are the days when finance professionals spend hours ticking off checklists, pushing through red tapes and processing repetitive transactions. Robots are taking over … these mundane tasks with higher speed and accuracy. Now that the automation activities have gained momentum and matured, talent executives are excited to upskill employees and redeploy resources to collaborate on creative activities. New training platforms sprout and employees are encouraged to re-invest in learning to embrace the future of work.

Less mundane work means more time to train new skills, produce innovative analytics and partner with business stakeholders, right? Hold that thought. While finance executives are eager to report hours saved by each automation project, how does the newly gained capacity translate to productivity? Unfortunately, comparing transactional activities to creative deliverables is like comparing apples to oranges. Have you ever felt the sense of accomplishment and closure after an 8-hour day of processing transactions yet, after just two hours of a productive meeting, you felt exhausted and needed a break? To quote Albert Einstein, “Thinking is hard work.” The reality of measuring creative output now seems a lot more complicated when layering in the internal struggles of self-debate that comes with collaborating with others.

The amount of energy spent on routine activities that rely on muscle memory is less than challenging the brain to develop new ideas, especially when there may be no spark after hours of debate. Mental fatigue can more easily lead to burnout, job dissatisfaction and employee turnover. So, what should managers do? More money? More headcount? Navigating creative productivity is new to finance executives that measure productivity by transactional outputs. The following five steps should help with the transition:

One: The Importance of Mental Health
Just like muscles need time to recover after a grilling workout, the brain also needs a good break after an intense creative session. The recent sprawling of adult coloring books and high-end headphones is no surprise. More and more, employees crave the mundane and peace to increase their job satisfaction. Allowing employees time to space out and encouraging regular time-off prevents burnout and enables the creative mind to stay motivated.

Support
Job roles are increasingly irrelevant as employees are deployed on various projects to resolve cross-functional problems and capture new opportunities. In a metric environment, employees juggle multiple assignments while individual project managers have limited visibility of other projects. Adding to the intricacy of a blurred reporting line, employees often do not feel comfortable raising concerns about their workload. Direct managers should understand the variety of projects on an employee’s plate and take a more active role in helping the employee negotiate a reasonable delivery timeline. Also, consider the consequences of work-life integration. The pandemic has proven that finance professionals can work effectively remotely. As a result, the line between working from home and living at work is blurred. More than ever, employees need support from managers to juggle work deliverables and home commitments.

Three: Patience
Creativity is not linear and often sparks at unexpected times and
Assuming Productivity

places. As finance organizations transform from transaction-based activities, healthy debates and tolerance of failure are critical to the success of creative deliverables. Transformational leaders should build stamina and mental fortitude for their teams to sustain thorough discussions. Furthermore, leaders should allocate ample time to foster a safe environment that facilitates exploration and recognition of incremental accomplishments.

Four: Attentiveness
Communication continues to be one of the most sought-after skills by employers (see MBA.com’s “Business Skills Employers Will Want in a Post-COVID World”), but ways to communicate have changed. For example, according to Global Market Insight (www.gminsights.com/industry-analysis/video-conferencing-market), the video conferencing market has grown by more than 40 percent since the pandemic and will continue to accelerate during the next five years. Keep in mind video meetings are difficult to maintain eye contact and identify non-verbal cues, not to mention the temptation to multi-task on the extended monitors. While innovators continue to improve the technology to simulate an in-person environment, the ability to observe body language is still limited. Finance managers should be patient with the time needed for alignment with stakeholders, lead by example in following updated meeting protocols (www.entrepreneur.com/article/238902) and ensure key messages are clearly articulated.

Maximizing Creative Productivity
As companies are keen to realize the return from investments in automation efforts, the increase in resource capacity does not equate to employee intellectual abilities improvements. Taking these steps to recognize the mental well-being of employees, support their work-life integration and maintain their engagement in a post-pandemic workplace will help companies realize the full benefits of automation.

The opinions expressed in this article are the opinions of the author and do not represent the opinion of Applied Materials.

George Chiu, CPA, MBA, CISA is the Director of IT Audit at Applied Materials and an adjunct professor at Golden Gate University. You can reach him at george_chiu@amat.com.

Four: Rules
A healthy employee equals higher productivity and output quality—this is a well-received notion. However, employment is a two-way street. Much has been discussed here about employee welfare, and these precautions are expected to yield positive results. While setting clear expectations and timely check-ins are no surprise to effective managers, implementation of these practices have changed with technology advancements and increased physical distance between employees. Managers must find ways to maintain employee engagement and increase touchpoints to ensure goals are aligned, tasks are on-track, and workload is balanced amongst employees.

Mental fatigue can more easily lead to burnout, job dissatisfaction and employee turnover. So, what should managers do?
More money? More headcount?

Five: Rules
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CalCPA Member Michael Savoy is taking the helm at the California Board of Accountancy (CBA) for an unprecedented third time. California CPA checked in with him to see what can be expected this time around.

CONGRATULATIONS ON BEING RE-ELECTED AS PRESIDENT OF THE CBA FOR A RECORD-SETTING THREE TIMES. WHAT KEEPS YOU COMING BACK?

First of all, no one has ever done it before, so I found that to be quite unique. But mostly, I just love leading this great institution and lending my experience and expertise to accomplish the goals of the CBA, while always keeping in mind that consumer protection is at the forefront of all the work we do at the CBA.

WHAT CAN LICENSEES EXPECT TO SEE NEXT TIME THEY RENEW?

All of us at the CBA are very excited about the launch of CBA Connect, which is the licensees’ new portal to handle all renewal-related activities. In addition to being able to submit continuing education documentation and make their renewal payments online, licensees are also able to track the progress of their renewals and receive timely reminders as their renewal date approaches.

WHAT IS YOUR MESSAGE TO CALIFORNIA CPAS?

Keep up the good work and be flexible. If the last two years has taught us anything, it’s that the old way of doing things isn’t always the best way, and being willing to think outside the box and grow with the changing times will not only make your relationships with your clients better, but also make our entire profession stronger. Continue the great reputation that comes along with having a CPA license. The CBA recognizes the value its 114,000 licensees provide consumers in the State of California and aims to find new ways to connect to those licensees this year.

CPA EVOLUTION AND LARGE CHANGES TO THE CPA EXAM ARE COMING UP FAST. WHAT IS THE CBA DOING TO HELP PREPARE?

The CBA is spreading the word about the changes coming with CPA Evolution in a variety of ways. We speak about it to students during outreach events and continue to update our presentations as new information becomes available. The CBA reached out to some of our university faculty partners too, to make sure they were aware of the CPA Evolution Model Curriculum created by the National Association of State Boards of Accountancy (NASBA) and the AICPA. Links to the CPA Evolution website were placed on the CBA website, and we have also posted about it on social media. We will continue to update those that will be affected by these changes throughout the year as we receive new information.

LIKE CALCPA, THE CBA RELIES ON DEDICATED PROFESSIONALS TO ASSIST IN EXECUTING ITS MISSION. WHAT ARE SOME OF THE OPPORTUNITIES, AND WHERE IS THE BIGGEST NEED?

Our biggest need at the moment is to find professionals who desire to serve as an advisory committee member. I can’t express how important it is for good people to fill these roles. And as someone who has served on many committees, trust me when I say how rewarding and personally fulfilling taking on this responsibility can be. While the CBA will continue recruitment efforts to find such people, we hope CalCPA and other organizations interacting with licensees can help us identify more opportunities to reach future committee members.

WHAT ARE SOME OF THE TRENDS AND AREAS OF FOCUS THAT THE CBA IS SEEING RELATED TO CONSUMER PROTECTION?

One of the cornerstones of the CBA’s work revolves around taking action, when necessary and appropriate, against licensees who have engaged in unprofessional conduct. As with prior years, we continue to see issues related to negligence and licensees failing to comply with professional standards in the attest areas. We also continue to take action against licensees that have been sanctioned by the SEC and Public Company Accounting Oversight Board.

On the non-disciplinary side of enforcement, the CBA continues to see most of the citation and fines being issued to licensees a result of licensees failing to adhere to the minimum yearly continuing education (CE) requirement. This requirement mandates that CPAs complete a minimum of 20 hours of CE, with 12 hours in technical subjects, during each year of their two-year licensure period.

THE CBA IS CONSTITUTING A TASK FORCE TO REEXAMINE THE CURRENT “ATTEST” AND “GENERAL” EXPERIENCE REQUIREMENTS FOR LICENSURE. WHAT’S THE LATEST?

While CPAs perform a wide range of services for their clients, the highest level of service they perform revolves around attest services.
This has Become Law, Where Can CPA Candidates Go to Take Advantage of Their New Options?

The new law permits students to apply for and actually begin sitting for the CPA Exam before they have completed specified education requirements, as long as it is within 180 days of completing those requirements. In the past, they had to complete their education requirements first, including 24 semester units in accounting and 24 semester units in business-related subjects, and even wait for the university to confer their degree on the transcript, which often took another couple of months. Now, students can begin the application process much sooner in their timeline, ultimately leading to obtaining their CPA licenses and hopefully beginning their careers sooner. This influx of new professionals into the industry will be a benefit to everyone.

What Advice Would You Give Young Professionals Breaking Into Public Accounting at a Time of So Much Change?

There is a shortage of good accountants in our profession, and you’re making a great career choice. Be confident and work hard, because the ability to earn more and move quickly within a company is totally dictated by your own ability and work ethic. If you’re good at what you do, and work hard, you’ll be provided with longevity in your career and an abundance of opportunities to find work within.

Last Year the CBA Sponsored a Piece of Legislation (AB 298) That Provided Applicants for CPA Licensure More Flexibility in Sitting for the CPA Examination. Now That

Helping Our Members Have a Smooth Journey

Exclusive health and benefit plans for CalCPA member firms
CalCPAHealth.com/Together
877.636.4213
Elevate Your Client Advisory Services

The role of a trusted advisor has become critical in helping businesses who are seeking greater strategic insight from their accounting partner by delivering high-value client advisory services (CAS).

Paychex has partnered with a cloud-based financial planning and reporting solution, Jirav. Both Paychex and Jirav are preferred solutions of CPA.com. Firms can manage financial planning and analysis (FP&A) for all clients on one platform and provide the right information to elevate their business with confidence and speed.

Learn more payx.me/ca-jirav | CalCPA@paychex.com
Report From CalCPA’s 2021-22 Nominations Committee:

**CalCPA officers for one year (2022-23), elected by membership, with term beginning July 29 and concluding July 27:**

- **Chair:** Tayiika M. Dennis, Los Angeles Chapter
- **First Vice Chair:** Meredith A. Johnson, San Francisco Chapter
- **Secretary/Treasurer:** Matthew Martin, Los Angeles Chapter

**Immediate Past Chair of CalCPA serving a one-year term, 2022-23:**

- Christie Simons, San Francisco Chapter

**CalCPA Vice Chairs, a two-year term, 2022-24:**

- **Vice Chair:** David J. Neighbors, Silicon Valley San Jose Chapter
- **Vice Chair:** Miklos Ringbauer, Los Angeles Chapter

**CalCPA Vice Chair, a two-year term, 2021-23:**

- **Vice Chair:** Jillian N. Phan, Los Angeles Chapter
- **Vice Chair:** Mike A. Ray, San Francisco Chapter

**Appointed member of the Board of Directors for 2022-24:**

- TBA, Appointment by Chair

**Appointed member of the Board of Directors for 2021-23:**

- John P. Schultz, Inland Empire Chapter

**Members of the Board of Directors elected from and by the CalCPA Council for 2022-24:**

- TBA, Elected at July 2022 Meeting
- TBA, Elected at July 2022 Meeting

**Members of the Board of Directors elected from and by the CalCPA Council for 2021-23:**

- Richard Giedlin, Los Angeles Chapter
- John M. Misuraca, Orange County Long Beach Chapter

**Council Members at Large, a two-year term for 2022-24:**

- Nadeesha Hapuarachchi, Los Angeles Chapter
- Katie Vander Veen, Inland Empire Chapter
- Grace S. Clark, Inland Empire Chapter

**Council Members at Large, a two-year term for 2021-23:**

- Danielle Fontaine, Peninsula Silicon Valley Chapter
- Shannon K. Nash, Peninsula Silicon Valley Chapter
- George Famalett, East Bay Chapter

**AICPA Council nominees submitted to the AICPA for consideration to serve a three-year term.**

**Their term will begin May 2023 and expire May 2026:**

- Peter W. Brown, Los Angeles Chapter
- Jeremy L. Dillard, Los Angeles Chapter
- Erin E. Roche, San Francisco Chapter

**AICPA Council member designee, a one-year term for 2022-23: The designee of Immediate Past Chair Christie Simons.**

**The designee’s term will begin May 2022 and expire May 2023:**

- Panteha “Pani” Dixon, Silicon Valley San Jose Chapter

**AICPA Council member designee, a one-year term for 2023-24: The designee of Incoming Chair Tayiika M. Dennis.**

**The designee’s term will begin May 2023 and expire May 2024:**

- TBA, Appointment by Chair

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The following CalCPA members have been elected by their chapters as representatives to CalCPA Council. Chapter representatives on CalCPA Council may serve either a one- or two-year term. Terms are effective from, and end upon, CalCPA's Annual Meeting. The numbers in brackets after each chapter names indicate the total number of chapter representatives to CalCPA Council, based on chapter membership. State committee chairs are appointed by the CalCPA chair, and section chairs are elected by the section.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Representative(s)</th>
<th>Term</th>
<th>Committee Chair</th>
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<tbody>
<tr>
<td></td>
<td>Charlie J. McCarthy 2022-23</td>
<td>1st year of 1-year term</td>
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<td>Camille N. Slattery 2022-23</td>
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<td>Channel Counties Chapter [2]</td>
<td>Devin Witt 2021-23</td>
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<td>Rick Heldwein 2021-24</td>
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<td>Brandon Carpenter 2022-23</td>
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<td>Antonio D. Ramirez 2021-23</td>
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<td>Margaret E. Schopp 2021-23</td>
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<td>Fresno Chapter [2]</td>
<td>Cathleen D. Wiens 2021-23</td>
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<td>Sonia Vical 2022-24</td>
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<td>Brad A. Welchir 2024</td>
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<td>Mara C. Garcia* 2021-23</td>
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<td>Robert S. Selzer 2021-23</td>
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<td>Mike C. Chen 2022-24</td>
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<td>Mingyan Chen 2021-24</td>
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<td>Keith Hamaski 2022-24</td>
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<td>Ernest F. Howard 2022-24</td>
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<td>Raffi Karkjian 2022-24</td>
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<td>Mathew Sprague 2022-24</td>
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<td>Orange County Long Beach CH. [5]</td>
<td>April A. Shanebeck 2022-23</td>
<td>2nd year of 2-year term</td>
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<td>Stephen E. Tierney** 2021-23</td>
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<td>Frelshta Ali 2022-24</td>
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<td>Eyad Alnaslah 2022-24</td>
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<td>Tracy Pohon 2022-24</td>
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<td>Peninsular Silicon Valley Chapter [3]</td>
<td>Nathan Edelman 2021-23</td>
<td>1st year of 1-year term</td>
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<td>Gopal S. Ghising 2022-23</td>
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<td>Christina Yee 2022-23</td>
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<td>Joseph N. Valentine 2022-23</td>
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<td>Brandon Holland 2022-24</td>
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<td>Andy Nguyen 2022-23</td>
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<td>Sarah Gastineau 2022-24</td>
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<td>Rebecca M. Tilghman 2022-24</td>
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<td>Rene M. Bravo 2022-23</td>
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<td>Erin E. Roche 2022-24</td>
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<td>Yvonne Yang 2022-24</td>
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<td>Andrew Le 2022-23</td>
<td>1st year of 1-year term</td>
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<td>Silicon Valley San Jose Chapter [4]</td>
<td>Perry J. Forschino 2022-23</td>
<td>1st year of 1-year term</td>
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<td>Michael A. Fujii 2022-23</td>
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<td>Royaun Loughry 2022-23</td>
<td>1st year of 2-year term</td>
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<td>Erika L. Shuper 2022-23</td>
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<tr>
<td>Voting member of Council for 2022-23, a two-year term, by virtue of serving as a state committee chair:</td>
<td>Accounting Principles &amp; Assurance Services</td>
<td>Nancy A. Rix (voting)</td>
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<td>Paul J. Peterson (non-voting)</td>
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<td>Amicus Curiae</td>
<td>Charles A. Burak</td>
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<td>Distinguished Service Award</td>
<td>Teresa C. Mason</td>
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<td>Financial Literacy</td>
<td>Lawrence K. Y. Pon</td>
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<td>Peer Review</td>
<td>Lawrence R. Mitchell</td>
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<tr>
<td>Respectfully Submitted:</td>
<td>Voting members of Council for 2022-23, a one-year term, by virtue of serving as a state committee chair:</td>
<td>Audit</td>
<td>Daniel S. Figuero</td>
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<td>CEO Goals &amp; Performance</td>
<td>Tayioka M. Dennis (as chair)</td>
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<td>Finance</td>
<td>Matthew Martin (as secretary/treasurer)</td>
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<td>Nominations</td>
<td>Robert A. Reynolds</td>
</tr>
</tbody>
</table>

*Indicates that Mara C. Garcia is serving as chapter rep to Council in place of Richard Galaffin who was elected as Council rep to the Board for 2021-23.

**Indicates that Stephen E. Tierney is serving as chapter rep to Council in place of John Misuraca who was elected as Council rep to the Board for 2021-23.

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Chair
Tayiika M. Dennis
Principal
CLA (CliftonLarsonAllen LLP)
Los Angeles Chapter

Current: CalCPA Board of Directors: First Vice Chair; CalCPA Council.

Past: CalCPA Board of Directors: Secretary/Treasurer, Appointed Member; CalCPA Finance Committee Chair; CalCPA Investment Committee Chair; CalCPA Council: Member; Appointed Member; CalCPA Los Angeles Chapter Board of Directors: President, Vice President, Treasurer, Member; CalCPA Los Angeles Chapter Nonprofit Committee: Chair, Co-Chair, Member; CalCPA Los Angeles Chapter: Young & Emerging CPAs, Chapter Scholarship Committee, Nominations Committee; CalCPA Not-for-Profit Organizations Conference Planning Committee; CalCPA Leadership Institute; CalCPA Women to Watch Award Recipient.

Secretary/Treasurer
Matthew Martin
Director
Citrin Cooperman
Los Angeles Chapter

Current: Government Relations State Committee; Diversity, Equity & Inclusion Commission; Committee on Taxation; Government Relations State Committee; Cannabis Business Symposium Planning Committee.

Past: CalCPA Board of Directors: Vice Chair; CalCPA Council: Member; Vice Chair; Los Angeles Chapter: President, Vice President, Treasurer, Past President, Director, Business & Industry, Young & Emerging CPAs, Westside Discussion Group; Communications Advisory Committee: Chair, Member-at-large; Professional Conduct State Committee; Management of an Accounting Practice State Committee.

First Vice Chair
Meredith A. Johnson
Partner, Tax
BPM, LLP
San Francisco Chapter

Current: CalCPA Board of Directors: Secretary/Treasurer; CalCPA Council: Secretary/Treasurer; Public Service Award Committee: Member-at-large; Joint Investment Committee: Board of Director Liaison; Finance State Committee: Chair.

Past: CalCPA Board of Directors: Vice Chair, Council Representative to the Board; CalCPA Council: Vice Chair, Member-at-large; San Francisco Chapter: Chair, Director, President, Past President, Second Vice President, Treasurer; Women’s Leadership Conference Planning; Members Insurance & Benefits State Committee; San Francisco Chapter ABC Mixer Co-chair.

Vice Chair
David J. Neighbors
Partner
BDO USA, LLP
Silicon Valley San Jose Chapter

Current: CalCPA Board of Directors Vice Chair; CalCPA Council: Finance State Committee Member-at-large; Diversity, Equity & Inclusion Commission Board of Director Liaison.

Past: CalCPA Council: Member-at-large, Member; Silicon Valley San Jose Chapter: President, Past President, Vice President, Treasurer, Secretary, Director; CPA Candidate & New Members, ABC San Jose, Membership Co-chair; Nominations Chair; Taxation Chair; Membership State Committee Chapter Chair; Taxation State Committee Chapter Chair.

Vice Chair
Miklos Ringbauer
Founder & Principal
MiklosCPA Inc.
Los Angeles Chapter

Current: CalCPA Council Member; CalCPA Board of Directors Vice Chair; Taxation State Committee Member-at-large.

Past: Los Angeles Chapter: President, Past President, Vice President, Director; Chapter Scholarship Committee, Nominations Committee; CalCPA Leadership Institute.
Tech Tune-up

Reclaim the Performance You Need with What You Already Have

Technology is great, until it isn’t. When your technology doesn’t perform well, your productivity and security suffer. Further, technology glitches impair your ability to serve customers and clients—both internal and external. Fortunately, when your technology doesn’t perform well, you’re not necessarily looking at a “rip-and-replace” situation. Much like tuning up a car, you may find that a technology tune-up is all that’s needed to reclaim the performance you need.

Remove Unnecessary Programs
These may include demonstration software or trial versions of software you chose not to work with on an ongoing basis. Keeping unnecessary programs installed can hinder your computer’s performance, clutter your hard disk and even potentially compromise security. A great way to identify unused and unnecessary software is to download the Belarc Advisor tool (belarc.com/products/belarc-advisor) and use it to scan your computer. Among other things, this tool, which is free for personal use, will scan your computer and let you know all the software titles installed and the last time you used them. With this information, you can quickly determine which ones you should uninstall.

Get a Grip on Your Passwords
Passwords remain a necessary evil for most business professionals and their technology. Yet, many of these same professionals do not follow best practices for creating and using passwords and often reuse the same password across multiple accounts. This practice generates significant security risks and can be corrected easily by using a password management tool. Tools such as Zoho Vault (zoho.com/vault), LastPass (lastpass.com), RoboForm (roboform.com), and others all offer inexpensive options to assist you in creating, managing and using your passwords. If you’re not using a password management tool, now is the time to start.

Address Your Monitors
Many business professionals use multiple monitors to improve their efficiency by seeing and working with more data at any point in time. Unfortunately, sometimes a multiple monitor arrangement consists of monitors of different sizes, which can hamper productivity. If you’re using multiple monitors, ensure they are all the same size to realize the efficiency of multiple monitor environments. Further, you may even consider replacing multiple monitors with a single large monitor for even greater productivity, with fewer issues associated with arranging windows.

Pay Attention to Ergonomics
Ergonomics matter, and work environments that ignore this can hamper productivity and even lead to health issues. Consider your workspace ergonomics, including the type of chair you use, whether a sit/stand desk would be best, curved keyboards and an ergonomic mouse. For example, the ergonomically-designed mouse lineup available from Evoluent (evoluent.com) receives outstanding reviews for reducing pain associated with carpal tunnel issues.

Update Drivers for Peripherals
Your peripheral devices—printers, scanners, etc.—use “drivers” to facilitate connections to your computer. Over time, the manufacturers of these devices often update these drivers. Unfortunately, many users have adopted a “set it and forget it” approach and fail to recognize that the drivers they are using might be outdated and create a drag on performance. You can follow Microsoft’s guidance on this topic at support.microsoft.com/en-us/windows/update-drivers-in-windows-ec62f46cf14-c91d-ecad-d7126dc17b6.

Verify Your Backup Strategy Is Appropriate
In the event of your computer crashing, could you recover all your data quickly? Are you sure? Now is the time to carefully consider your backup strategy. Are all your critical data files backed up? Have you tested to determine that you can recover them? Once you make a backup, do you disconnect the backup medium to create an “air gap” between your computer or server and the backup medium? Remember, in the event of a computer or server failure, your backup...
is your path to recovery and a failure here could be crippling to your business. To illustrate, the U.S. government has reported that more than 90 percent of companies that suffer a catastrophic loss of data will file for bankruptcy within one year. Given that, how comfortable are you that your backup strategy is appropriate?

Cancel Unnecessary Subscriptions and Services

In a world of subscription services, it’s all too easy to sign up for a service, use it for a few months and then begin drifting away from using it. Unfortunately, as that happens, the service provider is still billing your credit card even though you no longer actively use the service. Therefore, both at a personal and a corporate level, it’s a great time to take an inventory of all your software subscriptions and services and verify that you (and your team) still use them and need them. Ensure that you cancel the subscriptions to reduce your expenses for those that are no longer used or needed.

Delete or Archive Older Data

In an era of huge capacities on our hard disks and very inexpensive cloud-based storage options, it can be tempting to fall into the trap of holding on to old and unnecessary data. Unfortunately, this practice has several adverse side effects. For example, retaining old data beyond your records retention policy’s requirements can increase legal risk and exposure. And from a technology perspective, all this old data can clutter your hard disk, make it harder to find the newer data you need to get your job done and complicate your backup strategies. Therefore, ensure that you comply with your records retention policy and purge or archive data based on the specifics of your policy. And, if you don’t have a records retention policy in place, now’s a great time to address that issue.

Run Tune-up Software

Over time, our computer’s performance can decline and become sluggish for various reasons. Fortunately, you can use automated tools to address the root causes of these issues and restore performance to acceptable levels. For example, the aforementioned Belarc Advisor tool is great for helping to identify all the applications installed on a computer, the various peripherals attached to it and similar information. But it doesn’t tune-up your device. For that, you can use a tool such as CCleaner Professional (ccleaner.com). With this type of tool, you can optimize the performance of your computer automatically, resulting in faster startup time, more available space on your hard disk and improved overall performance.

Conclusion

As mentioned, technology is great until it isn’t. Over time, the performance of our technology can degrade. Sometimes this happens because of our actions (and inactions) and sometimes because of factors beyond our control. No matter, we can optimize our technology’s performance and improve data security along the way with periodic technology tuneups. If you follow the guidelines outlined above, you will find that your technology performs better and more securely, and you may even be able to defer expenditures for replacements. Best of luck with your efforts!

Thomas G. Stephens Jr., CPA, CITP, CGMA
is one of the shareholders of K2 Enterprises and a CalCPA Education Foundation Faculty member. You can reach him at tommy@K2e.com.

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Been with us for years?
Never heard of us?

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The CBA has formed the Consideration of the CPA Experience Requirements Task Force (CERT) to study and advise the CBA on whether the attest experience requirement for CPA licensure is necessary and sufficient to support the CBA's consumer protection mandate by ensuring only qualified licensees practice public accountability in accordance with professional standards.

The task force is made up of members of the CBA, split evenly between CPAs and public members, and external groups representing various stakeholders, including representative from academia, NASBA, consumer users of CPA services, the CPA profession (CalCPA) and a licensee with general experience.

Currently, all CPAs must complete a minimum of one year of experience involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. The experience can be gained through employment in public accounting, private industry, government or academia.

Upon issuance of a license with general accounting experience, this CPA with a general or “G” license can perform a wide range of accounting services, including participating in attest engagements; however, the CPA may not sign reports on attest engagements.

Those who want the authority to sign reports on attest engagements, in addition to completing the general experience requirement, must also document a minimum 500 hours of experience with attest services like the planning and execution of an audit, application of auditing procedures and standards, and preparation of work papers and other documentation. A CPA with this type of experience receives an attest or “A” license.

California is unique in offering the two experience tracks that lead to two license types. Most states require a broadly defined minimum of one year of experience that leads to a CPA license with the full scope of authority afforded by the license.

In essence the CBA will be looking to the task force to assist the CBA in determining if California should continue to offer two experience tracks that lead to two different types of CPA licenses, or adjust toward one experience requirement that leads to one CPA license. And if so, what does that new track look like.

If this sounds a bit familiar, it is because the CBA formed a similar taskforce in 2013 that helped examine a similar question about the experience requirement for the CPA license. After lengthy discussions, analysis, and a comprehensive survey, the CBA ultimately ended up maintaining the status quo of the dual experience and licensure.

However, since the last CBA analysis, the number of G licensees has continued to outpace the number of A licenses that have been issued, which has led to less CPAs able to perform attest functions in the marketplace. Additionally, a number of policy considerations have emerged that, in part, stem from the unique dual license type that California has.

For example, increased instances of accounting firms providing attest services when the firms’ ownership is comprised solely of CPAs who are not authorized to sign reports on attest engagements, owners of CPA firms seeking to gain the attest experience necessary to transfer their license from a G to an A, and complications for out of state CPAs seeking a reciprocal California license.

Over the next few months the CERT will be working with CPA staff to research and begin evaluating these issues and how different recommendations may impact the CBA and its stakeholders. This work will include balancing the consumer protection considerations without creating a barrier to entry into the profession. The work of this task force and its recommendations to the CBA will have significant implications for the CPA license framework of the future. CalCPA is actively engaged and working with the CBA and other stakeholders through this process.

**AB 298 Implementation**

Assembly Bill 298, which took effect on Jan. 1, made adjustments to the existing CPA licensure process to provide increased flexibility and efficiency for applicants as they work toward their license and entry into the profession. As a result, the CBA has an updated FAQ ([www.dca.ca.gov/cba/applicants/exam-faqs.shtml](http://www.dca.ca.gov/cba/applicants/exam-faqs.shtml)) that outlines the "early entry" option that is contingent upon the applicant providing evidence of the necessary education.

Specifically, this option allows an applicant that is enrolled in a college/university and is within 100 days of completing their education to apply to sit for the Uniform CPA Examination as long as they provide satisfactory evidence of completion of the education requirements within 240 days of the submission of their Exam application.

It is important to note that failure to submit evidence of the education within the timeframe may result in the loss of any credit received for passage of any section of the CPA Exam before the requirements were met.

This expedited process is a product of CalCPA coordination with the CBA and proactive work with the Legislature to quickly move legislation through the process in 2021.

**Jason Fox** is CalCPA’s vice president of government relations. You can reach him at jason.fox@calcpa.org.
Life insurance made simple

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The Employment Development Department (EDD) has been working to modernize their systems. They began their Business Process Re-engineering (BPR) phase of their Benefit Systems Modernization (BSM) project in October with the objective to assess, analyze and redesign the business processes that impact the customer services, complete technical capabilities analysis and devise a system implementation approach. The revision of EDD’s IT systems will include revamping Unemployment Insurance (UI), Disability Insurance (DI) and Paid Family Leave with the purpose of developing a system that is customer-centric and responsive.

ACES Upgrades
At the same time, the Tax Branch started a 10-month effort to upgrade their Accounting and Compliance Enterprise System (ACES) and expect it to go live Nov. 14. The enhancements for both external and internal users include a redesign of e-services for business, an increase in customer service, streamlined back-end processes and improved overall system performance.

During the initial pandemic period when EDD was working to process the large volume of UI benefit claims, a large portion of employees in the Tax Branch assisted the UI Branch to process these claims. These employees are all back to their normal duties in the Tax Branch.

Picking Up the Slack
In July, the EDD partnered with a vendor to begin onboarding additional support representatives to assist with backlogged workloads. This additional support represents an expansion of the EDD’s existing civil service staff and the contract for these agents will last until September. The EDD is working through the Self-Employment/Employment Substantiation workload. The Federal Continued Assistance Act requires Pandemic Unemployment Assistance (PUA) claimants who received benefits on or after Dec. 27, 2020, to submit documentation to prove they were (or planned to be) self-employed or employed when they applied for benefits.

The EDD paid out roughly $180 billion in benefits, of which $20 billion is estimated to be for fraudulent claims. The EDD is not establishing overpayments on the federal PUA as it is waiting on further federal guidelines, but overpayments on regular UI benefits are being established.

Audit & Compliance in the Field
The Field Audit and Compliance Division (FACD) will not be doing in-person audits of employers located outside of California until July. Otherwise, the FACD is back to doing all of their usual audit functions. Auditors report that they have seen slow responses from some employers still dealing with the effects of COVID-19.

The FACD offers several options to employers for providing books and records to auditors, such as delivering records electronically using a secured application to upload documents, dropping off their records at statewide Area Audit Offices or requesting auditors to pick up records from the employer’s location. If an employer representative or employer would like to provide files electronically, they need to make a request of the auditor to get access to the new system that allows files to be sent in both directions.

As a reminder, the reasons for the EDD to initiate an audit include an obstructed claim, Form 1099 leads, public informants, referrals from other government agencies, continuation audit and random audits. An obstructed claim is when a worker files for UI or DI benefits and the EDD has no record of wages from the business where the worker stated they had been working. Within the 2020-21 fiscal year, the FACD received 52,949 obstructed claims and conducted 2,337 audits. During the 2018-19 fiscal year, the first complete year prior to the COVID-19 pandemic, the FACD received 5,654 obstructed claims and conducted 6,316 audits.

The FACD includes the Compliance Development Operations (CDO)—also known as the underground economy program—and have continued to work with its partner agencies to increase on-site business inspections. The CDO section includes the Joint Enforcement Strike Force with the EDD and Labor Enforcement Task Force at the helm and led by the Department of Industrial Relations. Some recent numbers from criminal tax prosecution results: In 2018 there were 33 cases with $46,851,681 in tax liability, in 2019 there were 21 cases with $6,978,400 in tax liability and in 2020 there were 13 cases with $8,550,022 in tax liability.

Collections Back to Normal
The Collection Division also has their employees back performing their normal duties such as field visits. A new feature is employers can request a virtual appointment.

Some employers that owe taxes to EDD may not have been aware of the Treasury offset program. Employers in arrears are mailed a notice of intent to offset their federal income tax refund. Employers must pay their past due amount in full or, if they are unable, they need to establish a payment plan through e-Services for business or by phone. If an employer establishes a payment plan, this will not stop the offset process; however, it will prevent further collections actions if the employer remains current on their payment plan.
**FUTA Looms**
A potential future problem for California employers is the increase in the Federal Unemployment Tax Act (FUTA) tax assessed on employers. Currently employers pay a FUTA tax on wages up to $7,000 per employee per year. The rate is 6 percent but, if the employer pays their state unemployment tax on time, they get a 5.4 percent credit causing the tax rate to be 0.6 percent.

When a state borrows funds from the Federal Department of Labor (DOL) to pay state workers their UI benefits that loan must be paid back to the DOL. If not paid by the required date, the 5.4 percent credit is reduced.

There are three formulas that cause this credit reduction. Beginning the second year a state has a loan on Jan. 1 and that is not paid back by Nov. 10 of the second year, the FUTA 5.4 percent credit is reduced by 0.3 percent each year until the loan is repaid. This extra FUTA tax of 0.3 percent is due in January after that second year.

For California, the loan began in 2020. For 2021 and 2022 California had a loan on Jan. 1, and it appears the loan will not be paid back by Nov. 10 of the second year. In Jan. 2023 employers filing their Form 940 for 2022 will have to pay the extra 0.3 percent FUTA tax.

Beginning in the third and fourth year of the loan another formula kicks in on top of that first formula that causes the 5.4 percent credit to potentially be further reduced. This is called the “2.7 Add on Formula.”

Beginning in the fifth year and each year afterwards, the loan is recomputed until it’s paid off. This formula can cause the 5.4 percent credit to potentially have large reductions in the FUTA credit.

Using current, actual numbers for years prior to 2021 as well as forecasted numbers by the EDD for future years, the total FUTA credit reduction could be about 37.2 percent for 2025 and paid on the Form 940 in Jan. 2026.

It’s not known if this high FUTA rate would actually occur as the state could repay the loan from general funds or the state could meet a FUTA option to avoid this occurring by requesting a waiver and meeting certain conditions.

Businesses need to be aware of this potential high FUTA rate so they may plan accordingly and determine how to minimize the effect in 2025 on their business.

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