

The Common Sense Initiative

Business Impact AnalysisAgency Name: Accountancy Board of OhioRegulation/Package Title: 4701-15Rule Number(s): 4701-15-01, -02, -03, -04, -05, -06, -07, -09, -10, -11, -12, and -13Date: February 19, 2019 (Revised March 20, 2019)**Rule Type:**☐ New☒ 5-Year Review☒ Amended☐ Rescinded

The Common Sense Initiative was established by Executive Order 2011-01K and placed within the Office of the Lieutenant Governor. Under the CSI Initiative, agencies should balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, consistency, predictability, and flexibility in regulatory activities. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Regulatory Intent**1. Please briefly describe the draft regulation in plain language.**

Please include the key provisions of the regulation as well as any proposed amendments.

Rule 4701-15-01 pertains to the responsibility of certified public accountants and public accountants to demonstrate participation in learning activities, to maintain and improve professional competence.

Rule 4701-15-02 pertains to continuing education requirements and sets the overall requirement as well as annual minimum requirements, and penalties if the annual minimum is not met.

Rule 4701-15-03 pertains to CPAs and PAs maintaining and reporting continuing education.

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CSIOhio@governor.ohio.gov

Rule 4701-15-04 pertains to the measurement of continuing education credit and the types of programs which qualify for credit.

Rule 4701-15-06 pertains to the Board's ability to reduce the continuing education requirement for CPAs or PAs who present appropriate documentation to justify the reduction.

Rule 4701-15-07 pertains to penalties for failing to complete continuing education in a timely manner, and sets compliance guidelines for reporting continuing education following disciplinary action.

Rule 4701-15-09 pertains to the continuing education requirement for CPAs and PAs who wish to obtain an Ohio permit. The proposed amendments establish new subject matter requirements and a method for requesting an adjustment to the requirements.

Rule 4701-15-10 pertains to the registration of continuing education sponsors and the documentation they must maintain and provide to the Board.

Rule 4701-15-11 pertains to required continuing education programs for those who hold a CPA or PA permit and perform certain types of public accounting work.

Rule 4701-15-12 pertains to the provision of continuing education verification based on an annual selection of renewing licensees, the requirement to maintain records of continuing education completed, and penalties for completing continuing education outside of the reporting period. The proposed amendment would make failure to comply with the provisions of this rule a violation of the rules of professional conduct per RC 4701.16 (A)(4).

2. Please list the Ohio statute authorizing the Agency to adopt this regulation.

ORC 4701.11 is the statutory authority for this particular rule.

3. Does the regulation implement a federal requirement? Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?

If yes, please briefly explain the source and substance of the federal requirement.

This rule does not implement a federal requirement.

4. If the regulation includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.

Not applicable to this rule.

5. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?

This rule governs CPAs and PAs who hold an Ohio permit; and outlines continuing education requirements for the performance of public accounting. For CPAs and PAs who

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have not held an Ohio permit in the immediate past, the proposed changes establish a baseline curriculum to return to the practice public accounting, and protects public trust in the profession. Continuing education providers who register as sponsors with the Board are able to promote themselves as compliant with Board rules.

6. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?

Success will be measured by having clear and up to date rules, resulting in ease of compliance for licensees, as well as establishing guidelines to obtain competency for applicants who wish to return to the practice of public accounting.

Development of the Regulation

7. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation.

If applicable, please include the date and medium by which the stakeholders were initially contacted.

Copies of the proposed rule change were provided (via electronic mail) to the Ohio Society of Certified Public Accountants (OSPCA) on October 23, 2018, who provided input on November 26, 2018.

8. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?

The OSCPA provided input on rule 4701-15-11 regarding the amount of accounting/auditing continuing education required, calling for additional credits in accounting/auditing for those CPAs and PAs who perform those engagement, but agreed overall with the proposed amendments, as they improved clarity and made the rule language more consistent with other rule terminology.

9. What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?

Scientific data was not used to develop this rule, as this rule is driven by generally accepted continuing education requirements in other states/jurisdictions.

10. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives?

The Board considered requirements for additional continuing education for CPAs and PAs who perform accounting/audit functions, but ultimately did not see necessarily a strong correlation between continuing education completion and audit quality. The Board's

recommendation was to place the responsibility for completing continuing education to the licensee as outlined in Board rule 4701-15-01.

- 11. Did the Agency specifically consider a performance-based regulation? Please explain.**
Performance-based regulations define the required outcome, but don't dictate the process the regulated stakeholders must use to achieve compliance.

This rule is based on continuing education standards set forth and accepted by other jurisdictions and various regulatory bodies associated with public accounting – American Institute of Certified Public Accountants, National Association of State Boards of Accounting, and American Accounting Association. The proposed changes to this rule establish subject matter requirements for those applicants whose status is expired, suspended, or revoked; or those holders of a CPA certificate or PA registration who wish to obtain an Ohio permit. Establishing subject matter requirements for those who wish to obtain an Ohio permit will assist applicants in obtaining professional competency upon their return to the practice of public accounting.

- 12. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?**

There is no other agency that regulates the practice of public accounting in Ohio.

- 13. Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.**

The Board will continue to use its web site and email communication to educate and update licensees on its rules. The various regulatory bodies as well as the Ohio Society of CPAs ensure that new rules and rule changes are provided to their members through communications and continuing education opportunities.

Adverse Impact to Business

- 14. Provide a summary of the estimated cost of compliance with the rule. Specifically, please do the following:**

- a. Identify the scope of the impacted business community;**
The business community will have assurance that all Ohio permit holders complete continuing education to document professional competency.
- b. Identify the nature of the adverse impact (e.g., license fees, fines, employer time for compliance); and**
- c. Quantify the expected adverse impact from the regulation.**
The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a

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“representative business.” Please include the source for your information/estimated impact.

The adverse impact may result in an investment of time, resources and effort for a regulated individual to return to hold an Ohio permit per rule 4701-15-09

15. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?

Requiring licensees to maintain continuing education standards protects the public and the profession. It insures the ability of Ohio CPAs and PAs to gain/regain professional competence, and to practice in other states, because Ohio credentials indicate compliance with recognized professional standards. Requiring providers of professional standards and responsibilities courses to register with the Board and submit their course materials ensures all Ohio CPA permit holders or those seeking certification as an Ohio CPA complete appropriate professional ethics education. For those looking to return to practice, the time, money and resources invested in completing continuing education requirements ensure they will be prepared to obtain employment commensurate with their CPA credentials.

Regulatory Flexibility

16. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.

There are no specific exemptions or alternative means of compliance outlined in the rules for small businesses.

17. How will the agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?

Paperwork violations are not applicable to this rules package.

18. What resources are available to assist small businesses with compliance of the regulation?

The Board’s website provides information regarding the rules. The website also provides contact information for all staff members of the board. Board staff personally answers each phone call, email, and correspondence sent to the Board.