OKLAHOMA ACCOUNTANCY BOARD

RULE IMPACT STATEMENT

TITLE 10. OKLAHOMA ADMINISTRATIVE CODE

CHAPTER 15. LICENSURE AND REGULATION OF ACCOUNTANCY

1. A brief description of the purpose of the proposed rules.

The purpose of the amendments to Subchapter 1 is to delete definitions that are either not used anywhere in the Oklahoma Accountancy Act (Act) or the Oklahoma Administrative Code or are already defined in the Act.

Amendments to Subchapter 3 clarify the permit requirements for individuals who provide expert witness testimony in Oklahoma.

The amendment to Subchapter 21 removes the archaic requirement that a certificate of good standing submitted by an applicant for reciprocity must have been issued not more than sixty days prior to filing the application for reciprocity.

A new part in Subchapter 22 provides that a non-resident sole proprietorship seeking to perform attest services in Oklahoma must register the firm and obtain a permit within thirty days of accepting the attest engagement. The purpose of this proposed rule is to provide protection to the public. Registered firms that provide attest services for Oklahoma clients are required to undergo peer review, thus providing a means to ensure the quality of attest services provided for Oklahoma clients.

Subchapter 24, Return of Certificate or License, is a new subchapter added to replace Board policy regarding requirements for the return of certificates or licenses from individuals who voluntarily surrender them.

An amendment to Subchapter 25 clarifies that registrants who are licensed attorneys that provide tax services are not required to hold a permit as long as they do not display their certificate or license and do not have any reference thereto on professional stationery, business cards, or printed or electronic format.

The amendments to Subchapter 27 incorporate new language from the AICPA Peer Review Standards which will change the terms in the peer review report to either "pass," "pass with deficiency" or "fail." No fees are being added or changed.

Amendments to Subchapter 30 change the ethics CPE requirement from two (2) hours per year to four hours within each rolling three-calendar-year period and provide that the AICPA Ethics Examination or its equivalent as determined by the Board must have been earned with the previous calendar year or within the 365-day period that immediately precedes the date of an application to obtain an original permit or to renew a lapsed permit. An additional amendment clarifies that the ethics requirement may be met by courses from other licensed professional disciplines that related directly to the practice of public accounting and by courses on ethical codes in jurisdictions other than Oklahoma. Another amendment makes clarifications to the rules regarding the verification of CPE credit which were previously handled by Board policy. A final amendment clarifies the requirement for ethics CPE for registrants re-entering active status.

Amendments to Subchapter 33 add special definitions for "deficiency," "deficient report, " "fail," pass," "pass with deficiencies," and "significant deficiency," which are terms used in the new AICPA Peer Review Standards. The rules requiring that any individual or firm performing a peer review for registrants in Oklahoma be registered and hold a valid permit to practice are revoked. Another amendment removes outdated wording and provides updated verbiage regarding services that require a peer review. Additional amendments are added to accommodate the new terminology that will be used effective January 1, 2009 in order to be consistent with terminology used in the AICPA Peer Review Standards.

The amendment to Subchapter 37 adds to the rules a previous Board policy that the results of hearings for applicants or candidates will not be published in the Board's newsletter.

Amendments to Subchapter 39 remove outdated references and provide needed clarification resulting from the revocation of Subparagraph 10:15-39-6 in a previous rules promulgation. An additional amendment provides that, effective July 1, 2010, registrants may not hold out and/or engage in the practice of public accounting under a "d/b/a" designation.

Any other changes to the rules in Chapter 15 are non-substantive and made for purposes of clarification.

2. A description of the classes of persons who most likely will be affected by the proposed rule, including classes that will bear the costs of the proposed rule, and any information on cost impacts received by the agency from any private or public entities.

An amendment the Substantial Equivalency subchapter provides that a non-registrant sole proprietor performing attest services in Oklahoma must register the firm and obtain a permit to practice. There will be no fee to register the firm, so the only fee these individuals will pay to the OAB will be the $100 permit fee. In addition, these firms will be required to participate in a peer review program. The cost of doing so varies between $1800-$2600 over a three-year period. Many of these individuals could already be participating in peer review programs in their home states. If that is the case, this would not be an additional cost. They would just have to provide peer review reports to the OAB. The amendment to Subchapter 39 that will eliminate the ability of registrants to hold out and/or engage in the practice of public accounting under a "d/b/a" designation will impact only the fewer than fifty registrants who now practice under a "d/b/a" designation. Because they will need to print new stationery, business cards, etc., the proposed rule would not be effective until July 1, 2010. The Board believes the benefit to the public outweighs any negative effects to the registrants because "d/b/a" designations can be very misleading to the public.

3. A description of the classes of persons who will benefit from the proposed rule.

The public will benefit from the amendment to the substantial equivalency rules because registered firms that provide attest services for Oklahoma clients are required to undergo peer review, which is a means to ensure that generally accepted auditing standards and any other applicable standards are being met. Individuals who apply for reciprocity in Oklahoma will benefit from the removal of language that requires a letter of good standing to have been issued not more than 60 days prior to filing the application by the jurisdiction that issued their original certificate. The amendment should shorten the reciprocal application process for some of these individuals. The amendment that changes the ethics CPE requirement from 2 hours every year to 4 hours within each rolling 3-calendar year period will affect all active registrants, requiring fewer ethics hours and providing more flexibility in scheduling their ethics courses to coincide with requirements in other jurisdictions. The public will benefit from the elimination of the "d/b/a/" designation. A sole proprietor will no longer be able to hold out or practice under his/her name "and associates" or under any other name that could be misleading to the public. Individuals and firms subject to the peer review requirement will benefit from the amendments to the peer review subchapter because terminology in the Board's rules will be consistent with terminology in the AICPA's Peer Review Standards.

4. A description of the probable economic impact of the proposed rule upon affected classes of persons or political subdivisions, including a listing of all fee changes and, whenever possible, a separate justification for each fee change.

The amendment to the substantial equivalency rules would have an economic impact only on sole proprietors who enter Oklahoma under the substantial equivalency provisions to perform attest services. The cost of the permit would be $100. The cost of enrollment in a peer review program could currently vary between $1800-$2600 every three years. This would only be an additional cost if these sole proprietors are not already enrolled in a peer review program. Currently only about fifteen sole proprietors enter Oklahoma under the substantial equivalency provisions. It is not currently known how many of those fifteen perform attest services. Approximately fifty individuals will be impacted by the amendment that will eliminate the ability of registrants to hold out and/or engage in the practice of public accounting under a "d/b/a" designation. Because they will need to print new stationery, business cards, etc., the proposed rule would not be effective until July 1, 2010. The Board believes the benefit to the public outweighs any negative effects to the registrants because "d/b/a" designations can be very misleading to the public. If any of these sole proprietors choose to incorporate and register as a firm instead of as a sole proprietor, the Board's fee for firm registration and permit is $150.

The Board does not foresee any economic impact of the proposed rules on any political subdivisions.

5. The probable costs and benefits to the agency and to any other agency of the implementation and enforcement of the proposed rule, the source of revenue to be used for implementation and enforcement of the proposed rule, and any anticipated effect on state revenues, including a projected net loss or gain in such revenues if it can be projected by the agency.

No benefit to the OAB or any other agency is expected. It is not anticipated that any additional revenue will be needed for the implementation of any of the proposed rules. The cost of enforcing the rules would normally be paid by the individual undergoing the enforcement action. The Board does not anticipate any significant effect on state revenues.

6. A determination of whether implementation of the proposed rule will have an economic impact on any political subdivisions or require their cooperation in implementing or enforcing the rule.

The Board is not aware of any impact on any political subdivision which will require their cooperation in implementing or enforcing the proposed rules.

7. An explanation of the measures the agency has taken to minimize compliance costs and a determination of whether there are less costly or non-regulatory methods or less intrusive methods for achieving the purpose of the proposed rule.

Compliance costs for the proposed rule amendments are minimal. In the instance where the proposed rule amendment would no longer allow sole proprietors to hold out or practice under a d/b/a, the Board made the effective date of the amendment July 1, 2010, which would allow affected registrants two years to use up any stationery, business cards, etc., so the affected registrants do not have to incur additional costs to replace large quantities of these items.

8. A determination of the effect of the proposed rule on the public health, safety and environment and, if the proposed rule is designed to reduce significant risks to the public health, safety and environment, an explanation of the nature of the risk and to what extent the proposed rule will reduce the risk.

The Board's proposed rules will not have any effect on public health, safety or environment.

9. A determination of any detrimental effect on the public health, safety and environment if the proposed rule is not implemented.

There should not be any detrimental effect on the public health, safety and environment if the proposed rule is not implemented.

10. The date the rule impact statement was prepared and if modified, the date modified.

The Rule Impact Statement was prepared on January 1, 2008.