

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The purpose of one amendment to Subchapter 18 is to delete provisions no longer applicable because any candidates who held credit that needed to be transferred to the computer based test (CBT) and who have not passed the examination as of this time have lost that credit due to the passage of time. The CBT launched April 2004. A Board policy is added which allows a letter from the registrar's office in lieu of an official transcript providing official transcripts are submitted prior to any score release. Additional amendments clarify qualification applicants as applicants to become candidates for examination.

The amendment to Subchapter 27 establishes applicants as qualification applicants to be consistent with changes to Subchapter 18.

The purpose of one amendment to Subchapter 30 is to clarify that if the ethics examination course required for issuance of either an initial permit or the renewal of a lapsed permit is to be counted toward the forty (40) hours of continuing professional education (CPE) required for the permit, it must have been completed in the same period as the remaining CPE required for the permit. Amendments also clarify that any ethics course meeting the requirements for issuance of an original permit or the renewal of a lapsed permit must be one course recommended for at least eight (8) hours of CPE and must have been passed with a score of 90% or above. Language is added to clarify that CPE reporting will take place annually by July 31. Language is added to clarify to industry permit holders that CPE credit in the areas of taxation, accounting, or assurance must be earned each calendar year. Finally, the rules on re-entering active status are amended to clarify that the three-year CPE cycle begins in the year the registrant returns to active status, and that if the hours required to return to active status are fewer than one hundred twenty (120), two hours of professional ethics are required rather than four. Amendments provide that forty (40) hours earned to return to active status will be counted toward the three-year CPE cycle. Amendments would also simplify the CPE requirement, modifying it to make it comparable to what registrants would have had to earn if they had remained on active status and allowing registrants one year to make up any hours required above forty (40) instead of the six months currently allowed.

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The purpose of the amendment to Subchapter 32 is to require that sponsors of self-study CPE programs be registered with the National Association of State Boards of Accountancy's (NASBA) National Registry of CPE Sponsors, courses offered by the AICPA, or other such organizations as determined by the Board in order for their courses to qualify for CPE credit. The intent is to help registrants avoid losing CPE credit from taking self-study CPE courses that do not meet the Board's CPE standards for self-study programs. These standards were developed jointly by NASBA and the AICPA. CPE sponsors who are registered with NASBA are required to demonstrate that their courses are in compliance with the CPE standards.

Amendments to Subchapter 33 would change the effect of consecutive deficient peer review reports or an adverse report from the requirement of an accelerated peer review to a pre-issuance review or team captain revisit within eighteen (18) months from the year end of the firm's last peer review. The dual purpose of the amendment is to educate a firm providing substandard audits and/or reviews and to provide a means for an audit or review performed by a firm that has had consecutive deficient peer review reports to be reviewed by a qualified reviewer before the audit report or review is issued. Language in the rule discussing the pre-issuance review or team captain revisit results is modified from resulting in "a modified or adverse report" to resulting in "continued oversight." Additional amendments change the name of the Peer Review Committee to the Peer Review Oversight Committee.

The purpose of the amendments to Subchapter 35 is to clarify that individuals applying for reinstatement of a certificate or license must meet requirements for returning to active status if they will be providing any services associated with accounting work and must provide evidence of successful completion of the AICPA ethics examination or its equivalent as determined by the Board.

The purpose of the amendment to Subchapter 37 is to strike language regarding the Board providing information in investigation files and hearing records to any board of accountancy or commission of the District of Columbia or other state or territory of the United States exercising disciplinary authority over accountants or to any law enforcement agency showing such information is necessary to conduct a pending investigation. The rule is in conflict with Section 15.6A of the Oklahoma Accountancy Act.

The purpose of one amendment to Subchapter 39 is to correct the name of the Public Company Accounting Oversight Board (PCAOB). An amendment is

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added to clarify that it is professional misconduct for a registrant to receive a censure, suspension, cancellation, or revocation from another state or federal regulatory agency concerning the registrant's right to practice before a state or federal agency.

An amendment is added to Subchapter 43 that would disqualify a firm and remove the firm's name from the list of Registrants Performing Governmental Audits in Accordance with Government Auditing Standards if the firm's registration or permit to practice public accounting in Oklahoma is revoked, cancelled, dissolved or suspended. An additional amendment provides for reinstatement to the list.

Any other changes to the rules in Chapter 15 or 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.

Both candidates and registrants will be affected by proposed amendments, but none of the proposed amendments will require either candidates or registrants to bear any costs not already born under the current rules. Although the large majority of self-study CPE sponsors utilized by Oklahoma registrants are already registered with NASBA's National CPE Sponsor Registry program, there could be some CPE sponsors impacted by the proposed amendment to Subchapter 32. The initial fee to register with NASBA varies from \$800 to \$2900, depending on the number of programs provided. There is also a \$300 reviewer fee. The proposed rule does leave room for a CPE sponsoring organization to request Board approval rather than registering with NASBA.

The proposed amendment to Subchapter 35 would require that individuals applying for reinstatement of their CPA certificates or PA licenses would have to complete the AICPA comprehensive ethics examination course or its equivalent, but the CPE obtained would count toward their CPE requirement. The approximately \$124 for the comprehensive ethics course would only be an added cost if the individual was otherwise exempt from the CPE requirement. There would be no cost impact to the agency.

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

Candidates who graduate in December and meet the requirements to sit for the CPA examination but whose degree will not be posted until May will benefit by the amendments to Subchapter 18 because they will be allowed to sit for examination before their degree is posted as long as they provide an official letter from the registrar's office.

Registrants re-entering active status will benefit by the amendments to Subchapter 30 because it will be much easier to tell what requirements must be met; it will be clear when their three-year CPE compliance period begins; and 40 hours of CPE completed for purposes of returning to active status will be applied toward their new three-year CPE cycle, which is not the case currently.

Although the rules as regards self-study CPE credit will be slightly more restrictive, Oklahoma registrants will benefit because they will be less likely to have their CPE self-study courses denied because they took self-study courses that do not meet established CPE standards. This will save them the time and added expense of having to take additional CPE courses to replace courses that did not qualify. Although CPE sponsors must pay a fee to register with NASBA's National Sponsor Registry program, sponsors will benefit in that their names and contact information will be included in a list on NASBA's website, making it easier for registrants to find them and to know their courses will qualify as long as they maintain or improve the registrants' professional competence. The public will benefit because registrants will be less likely to take substandard self-study CPE courses.

The public will benefit from amendments to Subchapter 33 because firms that have had two consecutive modified peer reviews or an adverse report will be required to undergo a pre-issuance review before issuing an audit report or review. Any problems with the audit or review could then be corrected before the audit report or review is issued. The firm would also benefit through the additional education it would receive from the pre-issuance reviewer.

Individuals applying for reinstatement of their CPA certificate or PA license would benefit from the amendments to Subchapter 35 because the rules about which they need to be aware will all be in one subchapter, which should decrease the number of applications that must be returned for additional information or requirements. The public will benefit because such individuals will be required to pass a comprehensive ethics examination before they can reinstate.

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The public will benefit from the amendment to Subchapter 43 because the amendment would ensure that that a governmental entity needing to have an audit performed would not find the name of an inactive firm on the Board's list of firms registered to perform such audits.

- 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 Board does not foresee any economic impact of the proposed rules on any political subdivisions. No fee changes have been proposed.

- 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.**

Sponsors of self-study CPE programs would need to register with NASBA in order for their courses to be accepted. The proposed rules provide that an organization offering self-study CPE could request approval from the Board rather than register with NASBA.

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- 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 proposed rule amendments 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 12, 2009 and modified February 23, 2009.