

# CSI - Ohio

The Common Sense Initiative

## Business Impact Analysis

Agency Name: Accountancy Board of Ohio

Regulation/Package Title: 4701-11DO

Rule Number(s): 4701-11; 4701-11-01; 4701-11-02; 4701-11-03; 4701-11-04; 4701-11-05; 4701-11-06; 4701-11-07; 4701-11-08; 4701-11-09; 4701-11-10

Date: April 2, 2016

**Rule Type:**

New

Amended

X5-Year Review

Rescinded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 4701-11 pertains to ethics standards for Certified Public Accountants (CPAs) who hold an Ohio permit. This rule explains the need for independence in the performance of audits and other professional services as required by applicable standards of the Securities and Exchange Commission, Government Accountability Office, and American Institute of Certified Public Accountants (4701-11-01); non-disclosure of confidential client information (4701-11-02); prohibition regarding work performed for a contingent fee (4701-11-03); restrictions and disclosure requirements regarding commissions and referral fees (4701-11-04); the formation and naming of a public accounting firm (4701-11-05); requirements regarding the retention of client records (4701-11-06); policy regarding communications

77 SOUTH HIGH STREET | 30TH FLOOR | COLUMBUS, OHIO 43215-6117

[CSIOhio@governor.ohio.gov](mailto:CSIOhio@governor.ohio.gov)

from the Board (4701-11-07); definitions of acts considered discreditable to the profession of public accounting (4701-11-09); and the application of ethics rules to non-CPA owners (4701-11-10).

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

ORC 4701.01 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 who hold an Ohio permit; and outlines general standards, guidelines and principles for the performance of Public Accounting.

**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.

**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.*

Stakeholders notified were The Ohio Society of CPAs; the National Association of State Boards of Accounting; Thomas Calderon, University of Akron; Gerald Weinstein, John Carroll University; Gary Previts, Case Western Reserve University; Sandra Richermeyer, Xavier University; Joe Skoda, Skoda Minotti. These stakeholders were notified via email on May 2, 2016 and again August 24, 2016.

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

No additional input was received from stakeholders regarding this regulation.

**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 accounting standards and principles.

**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?**

There are no alternative regulations (or specific provisions within the regulation) to be considered.

**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 performance standards set forth by various regulatory bodies associated with Public Accounting – the Public Company Accounting Oversight Board, Government Accountability Office, American Institute of Certified Public Accountants, International Federation of Accountants, Governmental Accounting Standards Board, and Federal Accounting Standards Advisory Board.

**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 to educate and update licensees on its rules. The various regulatory bodies as well as the Ohio Society of CPAs ensures 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:**

77 SOUTH HIGH STREET | 30TH FLOOR | COLUMBUS, OHIO 43215-6117

[CSIOhio@governor.ohio.gov](mailto:CSIOhio@governor.ohio.gov)

- a. **Identify the scope of the impacted business community;**  
There is no direct impact to the business community, regarding this rule.
- 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 “representative business.” Please include the source for your information/estimated impact.*

The adverse impact may result a regulated individual appearing before the Accountancy Board for an administrative hearing for non- compliance.

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

Requiring licensees and firms to maintain professional standards with regards to independence protects the public and the profession. It insures the ability of Ohio CPAs to practice in other states, because Ohio credentials indicate compliance with recognized professional standards.

**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.