



Common Sense Initiative

Mike DeWine, Governor
Jon Husted, Lt. Governor

Carrie Kuruc, Director

Business Impact Analysis

Agency, Board, or Commission Name: Accountancy Board of Ohio

Rule Contact Name and Contact Information:

Donna Oklok 614-728-3004

Regulation/Package Title (a general description of the rules' substantive content):

Registration of Offices, Partnerships. And Corporations

Rule Number(s): 4701-13-01 (Rescind/Replace); 4701-13-02 (Rescind/Replace); 4701-13-03 (Rescind/Replace); 4701-13-04 (Rescind/Replace); 4701-13-05 (Rescind/Replace); 4701-13-06 (Revised); 4701-13-07 (Rescind/Replace); 4701-13-08 (Revised); and 4701-13-09 (Rescind/Replace); 4701-13-10 (Rescind); 4701-13-11 (Rescind)

Date of Submission for CSI Review: 02/18/2020

Public Comment Period End Date: 03/14/2020

Rule Type/Number of Rules:

- | | |
|---|--|
| <input checked="" type="checkbox"/> New/ seven rules | <input type="checkbox"/> No Change/ ___ rules (FYR? ___) |
| <input checked="" type="checkbox"/> Amended/ two rules (FYR? Y) | <input checked="" type="checkbox"/> Rescinded/ nine rules (FYR? Y) |

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of regulations that have an adverse impact on business with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing

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

CSIPublicComments@governor.ohio.gov

regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Reason for Submission

1. R.C. 106.03 and 106.031 require agencies, when reviewing a rule, to determine whether the rule has an adverse impact on businesses as defined by R.C. 107.52. If the agency determines that it does, it must complete a business impact analysis and submit the rules for CSI review.

Which adverse impact(s) to businesses has the agency determined the rule(s) create?

The rule:

- _____ a. **Requires a license, permit, or any other prior authorization to engage in or operate a line of business.**
- _____ b. **Imposes a criminal penalty, a civil penalty, or another sanction, or creates a cause of action for failure to comply with its terms.**
- _____ c. **Requires specific expenditures or the report of information as a condition of compliance.**
- _____ d. **Is likely to directly reduce the revenue or increase the expenses of the lines of business to which it will apply or applies.**

Regulatory Intent

2. Please briefly describe the draft regulation in plain language.

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

Rule 4701-13 pertains to the registration of offices, partnerships and corporations of the Accountancy Board. Most of the rule sections were rewritten to help regulated parties and other stakeholders find the information they need by adding definitions and clarity as well as to create a cohesive order to the information presented. The rules were revised to add definitions of terms used throughout the chapter (4701-13-01); to create a separate section regarding registration requirements and renewal deadlines for public accounting firms (4701-13-02); to create a separate section outlining insurance requirements of public accounting firms that are organized as limited liability companies (4701-13-03); to create a separate chapter clarifying the requirements of public accounting firms that seek a firm registration status change from attest to non-attest (4701-13-04); to provide related information regarding other changes to a public accounting firm's name, structure or ownership (4701-13-05); to add clarity to the Board's standards for a public accounting firm's compliance with peer review standards (4701-13-06); to move a section of the chapter related to required

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

CSIPublicComments@governor.ohio.gov

submission of peer review documents (4701-13-07); to add clarification to requirements related to retention of peer review documents (4701-13-08); to move a section of the chapter regarding Board procedures related to its addressing of peer review deficiencies; and the rescission of 4701-13-10 and 4701-13-11, which are subsequently being re-established as 4701-13-09 and 4701-13-07, respectively.

3. Please list the Ohio statute(s) that authorize the agency, board or commission to adopt the rule(s) and the statute(s) that amplify that authority.

ORC 4701.03 (Enforcement powers of board – compensation – bond) and 4701.04 (Registration) are the statutory authorities for these rules.

4. 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.

5. 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.

6. 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)?

These rules establish certain standards of practice in order to protect those that are receiving public accounting services, and to maintain professional and ethical standards so that all licensees are treated consistently and equally.

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

Success will be measured by increased compliance and quicker notification of non-compliance by licensees, and a reduction in the number of inquiries for clarification on behalf of those licensees.

8. Are any of the proposed rules contained in this rule package being submitted pursuant to R.C. 101.352, 101.353, 106.032, 121.93, or 121.931?

If yes, please specify the rule number(s), the specific R.C. section requiring this submission, and a detailed explanation.

No.

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

CSIPublicComments@governor.ohio.gov

Development of the Regulation

- 9. 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.

The proposed rule changes were provided (via electronic mail) to the Ohio Society of Certified Public Accountants (OSPCA) on February 4, 2020.

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

The OSCPA has been present at discussions of these rule revisions at the Board's stated meetings, providing input and information regarding the peer review process.

- 11. 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 not data driven.

- 12. 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.

- 13. 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.***

The Board did not see an application for the rule in this package to be performance based.

- 14. 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.

- 15. 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 Facebook page to educate and update licensees on its rules. The OSCPA also ensures that new rules and rule changes are provided to their members through communications and continuing education opportunities. Staff training is conducted to ensure that regulations are applied consistently and predictably.

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

CSIPublicComments@governor.ohio.gov

Continuing education providers also will be notified of changes to the regulations outlined in this chapter.

Adverse Impact to Business

16. 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; and

This rule impacts public accounting firms.

b. Identify the nature of all adverse impact (e.g., fees, fines, employer time for compliance,); and

Those to wish to provide public accounting services need to pay a registration fee and a renewal fee to maintain compliance. Public accounting firms that wish to provide attest services must participate in the peer review program, be compliant with peer review program requirements, and pay all costs associated with its participation in the program. Late fees are assessed for non-compliance with firm registration deadlines, and a public accounting firm may be subject to disciplinary fines and compliance costs due to a failure to comply with any of these rules.

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.

Public accounting firms are charged a standard licensing fee of \$10 with \$30 renewal fee due every three years. Public accounting firms that are subject to peer review program requirements incur additional costs related to meeting peer review program requirements and are incurred on no less than a triennial basis.

If a firm fails to renew their license by the required deadline, late fees ranging from \$150 to \$1200 are assessed, depending on the size of the firm. Additionally, the Board may issue a cease and desist notice, prohibiting a public accounting firm from offering public accounting services to the public; levy disciplinary action, including fines and additional compliance requirements; and failing to comply with peer review program requirements may result in expulsion from the peer review program.

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

The firm registration requirement ensures compliance with Chapter 4701.04 of the Revised Code and maintains professional standards with regards to the protection of the public and the profession.

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

CSIPublicComments@governor.ohio.gov

Regulatory Flexibility

18. 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.

19. 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.

20. 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.