

TITLE 16. DIVISION 1. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (CBA) is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at The Hilton Pasadena, 168 South Los Robles Avenue, Pasadena, CA 91101 at 1:30 pm, on November 19, 2015. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the CBA at its office not later than 5:00 p.m. on November 16, 2015 or must be received by the CBA at the hearing. The CBA, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010 and 5076 of the Business and Professions Code (BPC), and to implement, interpret or make specific Section 5076 of said Code, the CBA is considering changes to Division 1 of Title 16 of Section 42 of the California Code of Regulations as follows:

INFORMATIVE DIGEST

A. Informative Digest

Current law in CCR Title 16, section 42 excludes firms, which as their highest level of work perform only compilations where no report is issued.

The regulatory proposal is as follows:

1. Amend Section 42 in Title 16 of the California Code of Regulations.

This proposal would amend the services that are excluded from peer review to include firms that, as their highest level of work, only perform preparation engagements (with or without disclaimer reports).

B. Policy Statement Overview/Anticipated Benefits of Proposal

This regulatory proposal would clarify what services are excluded from peer review. Amending the language will benefit firms by providing clarity regarding whether they are subject to the peer review requirement in California.

C. Consistency and Compatibility with Existing State Regulations

During the process of developing these regulations and amendments, the CBA has

conducted a search of any similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing state regulations.

INCORPORATION BY REFERENCE

None

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:

None

Nondiscretionary Costs/Savings to Local Agencies:

None

Local Mandate:

None

Cost to Any Local Agency or School District for Which Government Code Sections 17500 - 17630 Require Reimbursement:

None

Business Impact:

The CBA has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

AND

The following studies/relevant data were relied upon in making the above determination.

Firms as their highest level of work that perform only preparation engagements (with or without disclaimer reports) would have a cost savings as a result of being excluded from the peer review process.

Cost Impact on Representative Private Person or Business:

The CBA is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Effect on Housing Costs:

None

EFFECT ON SMALL BUSINESS

The CBA has determined that the proposed regulations would affect small businesses. The cost savings as a result of being excluded from the peer review process would be a benefit to many small businesses that as the highest level of work only perform preparation engagements (with or without disclaimer reports).

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS

Impact on Jobs/Businesses:

The CBA has determined that this regulatory proposal will not have a significant impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Benefits of Regulation:

The CBA has determined that this regulatory proposal will have the following benefits to the health and welfare of California residents, worker safety, and state's environment:

This regulatory proposal does not affect health and welfare of California residents because it has nothing to do with health and welfare.

This regulatory proposal does not affect worker safety because it has nothing to do with worker safety.

This regulatory proposal does not affect the state's environment because it has nothing to do with the environment.

As stated above under the Informative Digest, the proposed regulation would benefit CPA firms and licensees by clarifying what services are excluded from peer review and is not of sufficient magnitude to affect the expansion business or jobs within the State of California.

CONSIDERATION OF ALTERNATIVES

The CBA must determine that no reasonable alternative it considered would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposal described in this Notice, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The CBA has prepared an initial statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, and any document incorporated by reference, and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the CBA at 2000 Evergreen St., Ste. 250, Sacramento, California, 95815.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named below.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named below or by accessing the website listed below.

CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name:	Pat Billingsley
Address:	2000 Evergreen St., Ste. 250 Sacramento, CA 95815
Telephone No.:	916-561-1782
Fax No.:	916-263-3678
E-Mail Address:	pat.billingsley@cba.ca.gov

The backup contact person is:

Name:	Matthew Stanley
Address:	2000 Evergreen St., Ste. 250 Sacramento, CA 95815
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Website Access: Materials regarding this proposal can be found at http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml.