

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 DoubleTree Suites by Hilton Hotel Anaheim Resort - Convention Center, 2085 S Harbor Blvd, Anaheim, CA 92802 at 1:30 pm, on March 17, 2016. 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 March 14, 2016 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 5094 of the Business and Professions Code (BPC), and to implement, interpret or make specific Section 5094 of said Code, the CBA is considering changes to Division 1 of Title 16 of Section 9.1 of the California Code of Regulations (CCR) as follows:

INFORMATIVE DIGEST

A. Informative Digest

BPC section 5094 authorizes the CBA to adopt regulations specifying the criteria and procedures for approval of credentials evaluation services. Current law in CCR Title 16, section 9.1 defines the criteria a credentials evaluation service must meet to receive and maintain CBA approval to provide evaluations of education from a college, university, or other institution of learning located outside the United States that assess foreign education equivalency.

The regulatory proposal is as follows: Amend section 9.1 in Title 16 of the CCR,

Section 9.1(a) – The proposed amendment requires credentials evaluation service to submission of an application on (Form 11A-54 (9/15)), which is incorporated by reference.

Section 9.1(a)(1) – The proposed amendment requires the applicant to certify to its membership in applicable professional organizations.

Section 9.1(a)(2) – The proposed amendment would require a credentials evaluation service applicant to certify compliance with its written procedure for identifying

fraudulent transcripts.

Section 9.1(a)(3) – The proposed amendment requires the credentials evaluation service applicant to certify it maintains a complete set of reference materials.

Section 9.1(a)(4) – The proposed amendment would require the credentials evaluation service to provide the required biographical information in the form of a resume or curriculum vitae.

Section 9.1(a)(6) and (7) – The proposed amendment would define “written evidence” in section 9.1(a)(6) to mean the credentials evaluation service will provide, as part of the application, for the previous five years, the total number of evaluations performed by junior staff members, and the total number of evaluations performed by junior staff members that were reviewed by senior staff members.

Section 9.1(a)(8), (9), and (10) – The proposed amendment would renumber these to section 9.1(a)(7), (8), and (9) respectively.

Section 9.1(a)(9) – The proposed amendment adds a provision requiring the credentials evaluation service to certify compliance with its appeal procedure for applicants.

Section 9.1(a)(11) – The proposed amendment would remove this section as it is repetitive of section 9.1(a)(10).

Section 9.1(a)(12) – The proposed amendment would renumber this section to section 9.1(a)(10) and requires the sample evaluation submitted with the credentials evaluation service’s application to be in compliance with the requirements of section 9.1(b).

Section 9.1(a)(11) – The proposed amendment would add subsection 9.1(a)(11) to require credentials evaluation service to certify it will establish, within thirty days of CBA approval, a minimum six-year document retention policy.

Section 9.1(a)(12) – The proposed amendment will require credentials evaluation service as a condition of renewal, to certify continued compliance with minimum six-year document retention.

Section 9.1(b)(1) – The proposed amendment requires credentials evaluation service to affirm in writing that the transcripts and degrees being authenticated were received directly from the educational institution or its governing body.

Section 9.1(b)(4) – The proposed amendment is added to identify the primary and secondary evaluators.

Section 9.1(b)(5) – The proposed amendment requires credentials evaluation service to include the name or names of the applicant as shown on the transcripts as well as the name under which the applicant requested the evaluation.

Section 9.1(b)(4) – The proposed amendment renumbers section 9.1(b)(4) to section 9.1(b)(6).

Section 9.1(b)(7) – The proposed amendment requires credentials evaluation service to provide the total number of semester units completed and evaluated.

Section 9.1(b)(5) – The proposed amendment renumbers this paragraph to subsection 9.1(b)(8) and requires credentials evaluation service to list the coursework in chronological order without categorization, extra emphasis, or distinguishing formatting for any courses listed.

Section 9.1(b)(9) – The proposed amendment requires the following disclaimer: “This evaluation service is not authorized by the California Board of Accountancy to include in this evaluation any opinion as to whether certain courses will be accepted by the CBA as meeting the CBA’s requirements or whether the applicant meets the CBA’s requirements for taking the Uniform CPA Examination or for licensure.”

Section 9.1(c) – The proposed amendment requires credentials evaluation service to notify the CBA of any changes in the ratio required in section 9.1(a)(5), or any change in ownership. Change of Ownership means: any change in legal ownership of the approved credentials evaluation service or its business entity form, including the acquisition by a person of more than 50% of an interest in or stock of the business entity’s parent company, change of the business entity by incorporation or conversion of the business to another business entity form or a change in the corporate status that requires a new corporate number as issued by the Secretary of State.

Section 9.1(d) – The proposed amendment requires the credentials evaluation service to respond to any inquiries by the CBA, submit any documents requested by the CBA, provide any information requested by the CBA and cooperate in any investigation conducted by the CBA regarding the service’s compliance with the CBA’s requirements.

Section 9.1(e) – The proposed amendment clarifies that, in addition to failing to comply with any of the requirements of this section, approval may be withdrawn for furnishing false, inaccurate, incomplete, or misleading information to the CBA.

Section 9.1(f) – The proposed amendment allows credentials evaluation services with approval prior to the date this subdivision becomes effective to meet the requirements of this section at its next renewal.

The proposed amendments would strengthen oversight by clarifying the requirements, incorporating an application form, specifying definitions, and requiring credentials evaluation services to certify representations made to the CBA. The rulemaking benefits credentials evaluation services by clarifying what information is required for the initial approval and maintenance of approval to provide these services to CPA applicants.

B. Policy Statement Overview/Anticipated Benefits of Proposal

The CBA policy is to promulgate regulations for the protection of California consumers. When there is no impact on consumers, the CBA endeavors to pursue regulations that are not burdensome to licensees. This proposal protects consumers by ensuring that all applicants' foreign education is evaluated by credentials evaluation services that meet the criteria necessary to render effective course work comparison and analysis.

This regulatory proposal would clarify what information is required from credentials evaluation services to be included in the application for approval to provide services and information provided regarding their evaluation of foreign education. Amending the language will benefit evaluation services by providing clarity regarding what information is required to obtain and maintain approval for providing services to CPA examination and licensure applicants.

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

Document incorporated by reference:

Credentials Evaluation Service Application 11A-54 (09/15).

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. The CBA presently has eighteen CBA-approved credentials evaluation service firms who would be directly affected by this proposal. On average the CBA receives less than one new CES applicant in any given year. Entities that provide credentials evaluation services would not experience a significant financial burden in completing the application and complying with the proposed amendments to Title 16, California Code of Regulations section 9.1 since they currently provide, through a less formal manner, the information required on the proposed application. Costs associated with changes to the evaluation reports, including a single disclaimer, provided to CPA candidates and statistical reporting should be minor and absorbable by the firms. Any potential adverse economic impact would only occur if a CES failed or refused to meet minimum standards and their approval was withdrawn. Given the volume of approved credential evaluation services and the level and number of the changes proposed, no "significant" adverse impact is expected.

Cost Impact on Representative Private Person or Business:

Costs associated with changes to the evaluation reports, including a single disclaimer, provided to CPA candidates and statistical reporting should be minor and absorbable by the firms.

Effect on Housing Costs:

None.

EFFECT ON SMALL BUSINESS

The CBA has determined that the proposed regulations would affect small businesses.

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 worker safety because it has nothing to do with worker safety.

This regulatory proposal benefits the health and welfare of California residents because it will help ensure that the CBA's minimum standards for education are met by foreign-

educated CPA candidates. The CBA will be better able to meet its obligations to protect the consumers of California as a result of these proposed amendments since only a CES who meets these new minimum standards will be authorized to provide evaluation reports for consideration of a CPA candidate's eligibility by the CBA. Setting minimum standards for licensure helps protect the public by helping ensure that only qualified applicants practice public accountancy.

The 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 credentials evaluation service firms by clarifying what information is required for initial approval and maintenance of approval to provide these services.

CONSIDERATION OF ALTERNATIVES

The CBA must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, 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 provisions 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: Nooshin Movassaghi
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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](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml).