

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 Los Angeles Airport, 5711 West Century Boulevard Los Angeles, CA 90045 at 1:30 pm, on July 21, 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 June 27, 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 5027 of the Business and Professions Code (BPC), and to implement, interpret or make specific Section 5027 of said Code, the CBA is considering changes to Division 1 of Title 16 of Section 80.1, 80.2, 87, and 87.1 of the California Code of Regulations (CCR) as follows:

INFORMATIVE DIGEST

A. Informative Digest

BPC section 5027 authorizes the CBA to adopt, amend or repeal rules regarding continuing education exercising its power under this section for the interests of consumer protection; the board shall establish standards which will assure reasonable currency of knowledge as a basis for a high standard of practice by licensees.

The regulatory proposal is as follows:

Section 80.1

These proposed amendments would require, for conversion or restoration to active status prior to renewal, eight hours of continuing education (CE) in preparation engagements or accounting and auditing (A&A) for licensees who, as the highest level of service, provided preparation engagements in the prior two years and four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements. Section 87 outlines the CBA's basic CE requirements. Section 80.1 outlines prorated amounts of those basic requirements. The proposed amendment is being added to this section in order to continue the proration of section 87 in this section.

Section 80.2

These proposed amendments establish, for licensees who, as their highest level of service, provided preparation engagements, a prorated CE requirement in preparation engagements or A&A following conversion or restoration to active status during the renewal period at two hours for each 20 hours of CE required and four hours of CE in the prevention, detection, and or reporting of fraud affecting financial statements. Section 87 outlines the CBA's basic CE requirements. Section 80.2 outlines prorated amounts of those basic requirements. The proposed amendment is being added to this section in order to continue the proration of section 87 in this section.

Section 87

These proposed amendments establish and define the CE requirements for licensees who, as the highest level of service, provided preparation engagements. Specifically, the proposal requires such a licensee to complete eight of the 80 required hours of CE in preparation engagements or A&A. Further, such licensees would be required to complete four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements.

Section 87.1

These proposed amendments establish, for new licensees who, as their highest level of service, provide preparation engagements, a prorated CE requirement in preparation engagements or A&A following initial licensure for the first renewal period at two hours for each 20 hours of CE required. In addition, it requires such licensees, to complete four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements. Requiring CE in preparation engagements or A&A and in the prevention, detection, and/or reporting of fraud affecting financial statements in this section maintain its consistency with section 87.

B. Policy Statement Overview/Anticipated Benefits of Proposal

This proposal protects consumers by requiring licensees who perform preparation engagements as their highest level of service to take required CE specific to preparation engagements or A&A thereby assisting in maintaining professional competency.

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:

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. The CBA presently requires certified public accountants to complete 80 hours of CE each two year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the continuing education should be minor and absorbable to the business since the licensee still must complete 80 total hours of CE during each renewal period.

Cost Impact on Representative Private Person or Business:

Costs associated with changes to the CE should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

Effect on Housing Costs:

None.

EFFECT ON SMALL BUSINESS

The CBA has determined that the proposed regulations would affect small businesses. This proposal impacts public accounting individuals and firms that as their highest level of service provide preparation engagements. The number of individuals and firms whom provide this level of service is currently unknown to CBA. In addition, it is unknown by the CBA the percentage of those affected are small business.

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS

Impact on Jobs/Businesses:

It will not create or eliminate jobs within the State of California because the proposed changes are not of sufficient magnitude to create or eliminate jobs or businesses, or affect the expansion of existing businesses in California. The CBA presently requires individual licensees to complete 80 hours of CE each two year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the continuing education should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

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 requiring licensees who perform preparation engagements as their highest level of service to take required CE specific to preparation engagements or A&A and CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements will assist the CBA in its mission of consumer protection by ensuring these licensees maintain their professional competency.

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

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 as effective and less burdensome to affected private persons than the proposed action, 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
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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.