

**STATE OF CALIFORNIA – DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
NOTICE OF PROPOSED CHANGES IN THE REGULATIONS**

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:

**California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
November 21, 2019
3:30 p.m.**

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 by November 12, 2019 or must be received by the CBA at the hearing. The CBA, upon its own motion or at the insistence 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, 5018, 5027, 5082, 5134, and 5157 of the Business and Professions Code (BPC), and to implement, interpret or make specific sections 5018, 5024, 5082, 5134, and 5152 of the BPC, the CBA is considering changes to Division 1 of Title 16, Article 2, Sections 7.1, 8; Article 10, Section 70; Article 11, Section 75.5; and Article 12, Sections 87.6, and 89.1 of the California Code of Regulations (CCR) as follows:

INFORMATIVE DIGEST

A. Informative Digest

BPC section 5010 authorizes the CBA to adopt regulations as may be reasonably necessary and expedient for the orderly conduct of its affairs and for the administration of this chapter. The regulations are in existence to establish the current requirements that must be met for examination, licensing, license renewal, and enforcement. These regulations are referenced by CBA staff, stakeholders, licensees, consumers, as well as other government organizations to determine various regulatory requirements regarding the accounting profession in California. In reviewing the provisions relevant to the CBA, several sections were identified that are obsolete and outdated.

The regulatory proposal is as follows:

Repeal Title 16, CCR Section 7.1(c)

Section 7.1(c) currently allows first-time applicants who passed the Uniform CPA Examination (CPA Exam) within the six-month period following the commencement of computer-based testing in California in 2004 to retain credit for the section that was passed for a period of 24 months. The CBA is proposing to repeal this section as the 24-month period had elapsed and the language is no longer necessary.

Repeal Title 16, CCR Section 8

Section 8 established the final filing deadlines for applicants to apply for the CPA Exam when it was administered as a paper and pencil examination. In 2004, the CPA Exam transitioned to a computer-based format. Because the CPA Exam is no longer administered as a paper and pencil examination, the CBA is proposing to repeal this section as it is no longer relevant to current applicants.

Amend Title 16, CCR Section 70

Section 70 identifies fees that were in place between July 1, 2014 and June 30, 2016. As these fees were effective only between July 1, 2014 and June 30, 2016, they are no longer relevant. The CBA is proposing to delete the outdated portions of this section and to provide further clarity regarding the fees that are relevant.

Amend Title 16, CCR Section 75.5

Section 75.5 provides references to regulatory and statutory requirements that applicants for an accountancy corporation must meet in order to obtain a Certificate of Registration from the CBA. The regulatory references identified as 75.7 and 75.10 are no longer in existence. To ensure that applicants for an accountancy corporation have accurate information regarding licensing requirements, the language is being amended to reflect existing and relevant requirements. The proposed amendment would delete references to Sections 75.7 and 75.10 and add Sections 75.8 and 75.9. Section 75.8 is being included to require that accountancy corporations maintain adequate security for claims against it by its clients or each be deemed to agree that every shareholder of the corporation be jointly and severally liable for claims against the corporation by its clients arising out of the rendering of, or failure to render, professional services. Section 75.9 is being included to ensure that applicants for an accountancy corporation adhere to the requirements of sections 13406 and 13407 of the Corporations Code and section 5079 of the BPC regarding requirements and restrictions for share certificates. Amending this language will provide clear guidance to applicant corporations.

Repeal Title 16, CCR Section 87.6

Section 87.6 established the Report Quality Monitoring Committee, which is no longer in existence. The purpose of this committee was to monitor and promote compliance with applicable accounting principles and reporting standards by reviewing financial reports. This section allows the Report Quality Monitoring Committee to order licensees to complete continuing education that will contribute to licensees' professional competence. The CBA is proposing to delete this section as the Report Quality Monitoring Committee is no longer in existence.

Repeal Title 16, CCR Section 89.1

Section 89.1 authorizes the Report Quality Monitoring Committee (as established in Section 87.6) to require licensees to supply selected financial reports for the committee’s review and establishes what constitutes a “financial report”. Because the committee is no longer in existence, the requirement to define what constitutes a “financial report” is no longer necessary. Repealing Section 89.1 will eliminate outdated language that is no longer relevant.

B. Policy Statement Overview/Anticipated Benefits of Proposal

This regulatory proposal would eliminate obsolete and outdated provisions of the CBA’s regulations and amend sections to provide added clarity. Amending and repealing the identified regulations will benefit CBA stakeholders, licensees and consumers by providing clear, current, and relevant regulations.

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.

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 not affect small businesses. This regulatory proposal would eliminate obsolete and outdated provisions of the CBA's regulations and amend sections to provide added clarity. Amending and repealing the identified regulations will benefit CBA stakeholders, licenses and consumers by providing clear, current, and relevant regulations and have no negative impact to businesses of any type or size.

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 proposal would provide clarity to the CBA's regulations, ensuring stakeholders, licensees, and consumers can access relevant and current laws.

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.

CONSIDERATION OF ALTERNATIVES

The CBA must determine 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 that 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 2450 Venture Oaks Way, Ste. 300, Sacramento, California, 95833.

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: Aaron Bone
Address: 2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
Telephone No.: 916-561-1792
Fax No.: 916-263-3675
E-Mail Address: aaron.bone@cba.ca.gov

The backup contact person is:

Name: Peter Renevitz
Address: 2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
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Website Access:

Materials regarding this proposal can be found at
<http://www.dca.ca.gov/cba/about-cba/laws-and-rules.shtml>.