

# CSI - Ohio

The Common Sense Initiative

## Business Impact Analysis

Agency Name: Accountancy Board of Ohio

Regulation/Package Title: OAC 4701-13-11 Required submission of peer review reports

Rule Number(s): 4701-13-11

Date: February 19, 2019

**Rule Type:**

New

Amended

5-Year Review

Rescinded

The Common Sense Initiative was established by Executive Order 2011-01K and placed within the Office of the Lieutenant Governor. Under the CSI Initiative, agencies should balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, consistency, predictability, and flexibility in regulatory activities. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

### **Regulatory Intent**

**1. Please briefly describe the draft regulation in plain language.**

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

4701-13-11 mandates that those who perform attest services provide as a condition of registration with the board, documentation of final acceptance of the most recent peer review of that firm and all applicable attachments. If the firm is unable to provide all documentation, this rule provides instruction on the provision of conditional peer review documents and a method to maintain compliance with the Board until acceptable peer review documentation

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has been received. This rule also mandates the responsibility of the firm to notify the Board if a peer review used to register the firm has been recalled by the administering entity.

**2. Please list the Ohio statute authorizing the Agency to adopt this regulation.**

ORC 4701.03 and 4701.04 are the statutory authorities for these particular rules.

**3. 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.

**4. 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 package.

**5. 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)?**

This rule establishes a standard of action in order to protect those receiving accounting/auditing/attest services, and to maintain professional standards so that all licensees are treated consistently and fairly.

**6. 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.

**Development of the Regulation**

**7. 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.*

Copies of the proposed rule change were provided (via electronic mail) to the Ohio Society of Certified Public Accountants (OSPCA) on October 23, 2018, who provided input on November 26, 2018.

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

The OSCPA agreed with the proposed amendments, as they improved clarity and made the rule language more accurate and consistent with other rule terminology.

**9. 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.

**10. 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.

**11. 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 this rule to be performance based.

**12. 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.

**13. 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 has already written into their licensing renewal/registration software programming information regarding the information contained in the amended rule. The Board will continue to use its website to educate and update licensees on its rules. Staff training is conducted to ensure that regulations are applied consistently and predictably.

## **Adverse Impact to Business**

**14. 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;**

This rule impacts the Board's licensees in regards to notice and compliance, directly impacts professional and ethical standards and treats all licensees consistently and equally

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

Non-compliance with this rule could result in disciplinary action, and the Board may levy fines against the firm, require the completion of continuing education, and mandate the completion of remedial action related to non-compliance with this rule.

**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.*

While the registration fee for firms to renew their licenses with the Board is one of the lowest nationwide (\$30/three years), there are additional fees associated with maintaining a license to perform attest services. Licensees who do not comply with the rule may be unable to renew their firm registration, incurring late fees (up to \$1800) and the possibility of fines and other sanctions through the Board's disciplinary hearing process

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

Requiring licensees to maintain professional standards with regards to peer review ensures the ability of Ohio CPA firms to provide quality attest services and protects the public and the profession.

## **Regulatory Flexibility**

**16. 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 for small businesses outlined in this rule.

**17. 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?**

This rule will increase compliance by making the required information easier to submit to the Board. Other paperwork violations are not applicable to this rule package.

**18. 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. The OSCPA also provides information and resources to help small businesses comply with this rule.