

NOTICES OF FINAL RULEMAKING

The Administrative Procedure Act requires the publication of the final rules of the state's agencies. Final rules are those which have appeared in the *Register* 1st as proposed rules and have been through the formal rulemaking process including approval by the Governor's Regulatory Review Council. The Secretary of State shall publish the notice along with the Preamble and the full text in the next available issue of the *Arizona Administrative Register* after the final rules have been submitted for filing and publication.

NOTICE OF FINAL RULEMAKING

TITLE 4. PROFESSIONS AND OCCUPATIONS

CHAPTER 1. BOARD OF ACCOUNTANCY

PREAMBLE

1. **Sections Affected** **Rulemaking Action**
R4-1-226 Amend
R4-1-345 Amend
2. **The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**
Authorizing statutes: A.R.S. § 32-703
Implementing statutes: A.R.S. §§ 32-729; 32-730; 32-731 and 32-732
3. **The effective date of the rules:**
The date of January 1, 2000, after the rules are filed with the Office of the Secretary of State following the Governor's Regulatory Review Council (GRRC) approval. The delayed effective date will give the Board staff time to change all office forms for exam, certification and renewal registration, amend the rules printed for the roster and amend the rules as they appear on the agency's website.
4. **A list of all previous notices appearing in the Register addressing the final rules:**
Notice of Rulemaking Docket Opening: 5 A.A.R. 537, February 19, 1999.
Notice of Proposed Rulemaking: 5 A.A.R. 1272, May 7, 1999. (The record was closed June 7, 1999)
5. **The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**
Name: Ruth R. Lee, Executive Director
Address: Accountancy Board
3877 N. Seventh Street-106
Phoenix, Arizona 85014
Telephone: (602) 255-3648, Ext. 18
Fax: (602) 255-1283
6. **An explanation of the rule, including the agency's reasons for initiating the rule:**
Budget issues caused the Board to feel it had no other options than to increase fees. The certified public accountant population is decreasing and aging, causing a direct effect on annual revenues.
Expenditures exclusive of "special investigations" have exceeded revenues for the past 2 years.
The Arizona State Board of Accountancy reviewed its budget proposal for fiscal years 2000 and 2001 with officials of both the Office of Strategic Planning and Budgeting (OSP) and the Joint Legislative Budget Committee (JLBC). Each session spotlighted the agency's mission to regulate the profession and the costs inherent in that effort when complaints are filed against the large accounting firms. The budget calculations showed that the Board funds would be nearly depleted within 4 years at the current rate of spending and absent any recovery of costs.
The Board had directed that its staff run a computer report on the projected number of certified public accountants registered with the Board who would turn age 65 each year for the next 10 years. That also became an issue since A.R.S. § 32-730(C) gives the Board the option of providing fee waivers for persons who have reached the

Arizona Administrative Register
Notices of Final Rulemaking

age of 65.

The heads of both OSPB and JLBC informed the Board President, Michael T. Daggett, the Board Treasurer, M. Susan Dwyer, and Ruth R. Lee, Executive Director, that it would be necessary for the Board to increase its fees. Each office was concerned that the fund balance would be reduced to a level that would conceivably cause general fund monies to be infused into the Accountancy Board budget. Neither of the budget office agency heads would entertain any plan to contribute general fund monies to the "special investigations" conducted by the Board.

7. A reference to any study that the agency proposes to rely on in its evaluation of or justification for the final rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:

The following are data that the agency plans to rely upon and each may be found on file at the Board office located at 3877 N. 7th Street, Phoenix, Arizona 85014:

- a. Budget for fiscal years 2000 and 2001 (There are 2 versions: 1 showing projections of expenditures and revenues without a fee increase and 1 showing a fee increase as designated by the 2 budget offices.)
- b. A printout of the number of registrants reaching the age of 65 for the next 10 years.
- c. A report on the revenues and expenditures for the biannual Uniform AICPA CPA Examination for the past 3 years.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

9. The summary of the economic, small business, and consumer impact:

The amended rules will impact the state's economy by allowing the Accountancy Board to fulfill its mission by responding to complaints against large firms which are international entities without having to seek general fund monies. It will impact the small business practitioner with higher fees amounting to \$25 a year; however, the certificate holders should become more in demand as their numbers decrease due to a number of market place factors. The impact on the consumer of a \$25 a year increase in fees for the certified public accountants should be minimal, if indeed there is any impact.

10. A description of the changes between the proposed rules, including supplemental notices, and final rules:

None.

11. A summary of the principal comments and the agency response to them:

The Accountancy Board has approximately 8,000 certified public accountants registered and active in the state of Arizona. The Board received 6 letters expressing concern about the increase in fees for renewal registration. Generally, each letter expressed concern about an increase in fees stating that the fees were already high enough. Only 1 letter specifically addressed the increase in fees for the examination.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

Not applicable.

13. Incorporations by reference and their location in the rules:

None.

14. Was this rule previously adopted as an emergency rule?

No.

15. The full text of the rules follows:

TITLE 4. PROFESSIONS AND OCCUPATIONS

CHAPTER 1. BOARD OF ACCOUNTANCY

ARTICLE 2. CPA EXAMINATION

Sections

R4-1-226. Applications; Examination

ARTICLE 3. CERTIFICATION AND REGISTRATION

Sections

R4-1-345. Registration; Fees; Certificate Renewal

ARTICLE 2. CPA EXAMINATION

R4-1-226. Applications; Examination

- A. A person desiring to take the examination for qualification as certified public accountant shall apply on a form provided by the Board. The Board shall provide different forms for original examinations and re-examinations. The applicant shall submit with the application to the Board office Registrar- certified, or the equivalent, university or college transcripts to confirm that the educational requirements set forth in A.R.S. § 32-721 have been completed.
- B. Filing date: Examinations are held twice a year in months designated by the Board. The applicant shall file the applicable application form, fees, and photos no earlier than the 1st day of the 4th month and no later than the last day of the 3rd month preceding the examination for which the applicant applies. For purposes of this subsection, applications are considered filed on the date received by the Board office. Applications received after 5:00 p.m. on the last day for filing are considered late except that, if the last day for filing falls on a Saturday, Sunday or a legal holiday, the applications are considered timely if received in the Board Office by 5:00 p.m. on the next business day. Late applications are not accepted.
- C. Application fees: Each applicant shall pay an examination fee pursuant to A.R.S. § 32-729 in the following amount:
 - 1. Initial applicants: For an initial examination where the applicant has not previously filed an application in Arizona for the examination, ~~\$175~~ 225.
 - 2. Retake noncondition applicants: For an examination where the retake applicant has no condition, ~~\$175~~ 225. (See also R4-1-230)
 - 3. Retake condition applicants: For an examination where the retake applicant has a condition from this state, ~~\$50~~ 75 for each section of the examination which has not been successfully completed. (See also R4-1-229)
 - 4. Out-of-state candidates: All candidates applying through a state other than Arizona, but sitting for the examination in Arizona, shall pay the applicable fee set forth in subsections (C)(1), (2), or (3).
 - 5. Refunds:
 - a. The Board shall refund ½ of the examination fee if a written notice of withdrawal is received in the Board office no later than 5:00 p.m. on the last day for filing.
 - b. The Board may refund ½ of the examination fee to an applicant who makes a written request in which good cause is shown. Good cause includes permanent or partial disability, illness or other physical or mental condition, military service, or financial hardship which prevented the applicant from appearing for the examination.
 - c. Except as provided in subsection (C)(5)(b), the full fee is forfeited by an applicant who withdraws after the final date for filing applications or who fails to appear for the examination.
- D. Re-examination: Pursuant to A.R.S. § 32-723, the applicant shall apply for all sections of the examination which have not been successfully completed.
- E. The Board shall accept or reject applications and fees as provided by law but shall not hold applications or fees for future examinations.

ARTICLE 3. CERTIFICATION AND REGISTRATION

R4-1-345. Registration; Fees; Certificate Renewal

- A. Initial registration: A registration fee is due when a new certificate is issued or when a new firm is registered by the Board. The initial registration fee is prorated for registration periods of less than 2 years.
- B. Renewal registration: All registrants, individuals and firms, shall register biennially by filing with the Board the appropriate completed registration form specified in R4-1-118 and pay the registration fee prescribed by this Section. A registrant shall file the appropriate form no later than 5:00 P.M. on the last business day of the month. Registrations are deemed filed on the date received in the Board Office. It is the sole responsibility of the registrant to complete the renewal registration requirements at the following times:
 - 1. Individual registrants: All individual registrants shall register at the following times:

- a. Registrants born in even-numbered years shall register during the month of their birth in each even-numbered year.
- b. Registrants born in odd-numbered years shall register during the month of their birth in each odd-numbered year.
2. Firms: All firms shall register at the following times:
 - a. Firms which initially registered with the Board in even-numbered years shall register during the month of their initial registration in each even-numbered year.
 - b. Firms which initially registered with the Board in odd-numbered years shall register during the month of their initial registration in each odd-numbered year.
- C. Registration fees for individuals: The biennial registration fee for each certified public accountant and each public accountant is ~~\$150~~ 200 per registration period. The registration fee shall be prorated by month for initial registration periods of less than 2 years.
- D. Registration fees for firms: The biennial registration for each certified public accountant or public accountant firm is ~~\$150~~ 200 per registration period.
- E. The penalty for failure to register and pay a registration fee as provided in this Section is suspension of the registrant's registration. The Board shall vacate a suspension under this Section when the registrant has paid all past due registration fees, a \$25 late fee and \$25 for each full year the registrant has failed to register, total payment not to exceed \$350. If a suspension under this subsection continues for more than 6 months, an individual shall return the registration certificate to the Board. If a suspension under this subsection continues for more than 12 months, an individual's certificate shall be deemed expired pursuant to A.R.S. § 32-741(C).
- F. Registrants who have been granted inactive status shall not provide accounting services, for a fee or other form of compensation, including but not limited to: recording and summarizing financial transactions; analyzing and verifying financial information; reporting financial results to an employer, client, or other party; and rendering tax and management advisory services to an employer, client, or other party during the period of time in which the registrant's CPA certificate is inactive.