

**NOTICE OF PROPOSED EXPEDITED RULEMAKING**

**TITLE 4. PROFESSIONS AND OCCUPATIONS**

**CHAPTER 1. BOARD OF ACCOUNTANCY**

**PREAMBLE**

**1. Article, Part, or Section Affected (as applicable)**                      **Rulemaking Action**

R4-1-229	Amend
R4-1-341	Amend
R4-1-454	Amend
R4-1-455	Amend

**2. Citations to the agency’s statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**

Authorizing statute:    A.R.S. § 32-703(B)(7) and (13)

Implementing statute:    A.R.S. § 32-703(B)(8)

**3. Citations to all related notices published in the *Register* as specified in R1-1-409(A) that pertain to the record of the proposed rule:**

None published.

**4. The agency’s contact person who can answer questions about the rulemaking:**

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**5. An agency’s justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**

R4-1-229. On April 21, 2023, the National Association of State Boards of Accountancy (NASBA) voted

to adopt an amendment to the Uniform Accountancy Act (UAA) Model Rule 5-7 increasing the length of conditioned credits from 18-months to 30-months. Per NASBA, this was done due to disruptions of the COVID-19 pandemic, the reduction of candidates in the certified public accountant (CPA) pipeline, and the increased workload of CPA firms. The Board is choosing to adopt this national standard by modifying subsections (A) and (B) of this rule. Once revised, the rule would provide that once a candidate has successfully passed one section of the Uniform CPA Exam (Exam), they will then be provided with a rolling 30-month period to pass the remaining three sections of the Exam. Furthermore, it will be effective retroactively from and after January 1, 2024.

As it relates to subsections (A) and (B) of this rule, expedited proceedings are justified as boards of accountancy across the nation are in the process of approving and implementing this change, which will result in the 18-month conditioned credit timespan being outdated and archaic (A.R.S. § 41-1027(A)(6)) as 27 (49.1%) of the 55 jurisdictions have already implemented it as of January 16, 2024. Applicants for the Exam can be tremendously affected by the timing of the implementation of this rule as they may have to make decisions such as when to retake a section of the Exam, or to even continue their journey to complete the Exam. Timely implementation of this change is imperative to ensuring that applicants have a clear path forward instead of confusion. While we are unable to quantify, there are applicants who are approaching the 18-month and risk an earlier exam section(s) expiring. An applicant must decide whether to incur the cost to sit for the expired section(s) at the cost of \$254.80 per section as well as the opportunity cost to study again or wait to see if the continued credit timespan is extended.

NASBA also recommended that boards of accountancy across the nation adopt a credit relief initiative (CRI), which will condition applicant Exam credit that expired during the COVID-19 pandemic. The Board is choosing to adopt this recommendation by modifying subsection (C) of this rule. Once revised, the CRI will assist those applicants affected by the COVID-19 pandemic who did not seek a conditioned credit extension during the pandemic and whose exam sections expired. The goal of the CRI is to invite applicants back in pursuing CPA certification who perhaps otherwise gave up because they were unable to complete the Exam.

As it relates to subsection (C), expedited proceedings are justified as the rule is considered outdated as the pandemic was unexpected and had a significant impact on the global economy. With the change in the economy, some former Exam candidates might be incentivized to resume their CPA exam journey and this initiative encourages candidates back to complete the Exam and seek CPA certification. In Arizona, 245 applicants are eligible for this initiative.

R4-1-341. While completing our five-year rule review, we identified citations in A.A.C. R4-1-341 that were incorrect and language that did not conform with standard language used elsewhere in statute. Accordingly, the Board is modifying A.A.C. R4-1-341(A)(6) and (7) to make those technical corrections. Expedited proceedings are justified as these revisions comply with A.R.S. § 41-1027(A)(3) and were identified as a result of our five-year rule review.

R4-1-454 and R4-1-455. The Board seeks to update the incorporations by reference found in A.A.C. R4-1-454 and R4-1-455. A.R.S. § 41-1028(B) requires that a reference in rule fully identify an incorporated matter by location, date and state that the rule does not include any later amendments or editions of the incorporated matter. Expedited proceedings are justified as the current incorporation is outdated (A.R.S. § 41-1027(A)(6)). The updating of these references is essential to the Board's public safety mission as they incorporate the Standards for Performing and Reporting on Peer Reviews and the American Institute of Certified Public Accountants' (AICPA's) Code of Professional Conduct. The AICPA's standards publication is updated on a yearly basis, and the timely updating of these standards ensures that CPAs are regulated by the same standards that industry has implemented. Untimely implementation may create confusion for registrants and complainants, and ultimately lead to ineffective regulation, which may harm the public we must protect.

**6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

Not applicable.

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

Not applicable.

**8. The preliminary summary of the economic, small business, and consumer impact:**

Not applicable. The agency is exempt from the requirements to prepare and file an economic, small business, and consumer impact statement under A.R.S. § 41-1055(D)(2).

**9. The agency's contact person who can answer questions about the economic, small business and consumer impact statement:**

Not applicable.

**10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the**

**proposed rule:**

An oral proceeding regarding the proposed rules will be held as follows:

Date: May 6, 2024

Time: 9:00 a.m.

Location: Board of Accountancy, 100 N. 15<sup>th</sup> Ave., Suite 165, Phoenix, AZ 85007

The rulemaking record will close on Monday, May 6, 2024, at 5:00 p.m.

**11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:**

**a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:**

The rules do not require a permit.

**b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:**

There is no federal law regarding CPAs or any other subjects of the rules.

**c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:**

No analysis was submitted.

**12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:**

R-1-454(A) – Standards for Performing and Reporting on Peer Reviews

<https://us.aicpa.org/content/dam/aicpa/research/standards/peerreview/downloadabledocuments/2023/clarified-standards-for-performing-and-reporting-on-peer-reviews-as-amended-by-prsu-no-1.pdf>

R4-1-455(A) – Code of Professional Conduct

<https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf>

**13. The full text of the rules follows:**

**TITLE 4. PROFESSIONS AND OCCUPATIONS**  
**CHAPTER 1. BOARD OF ACCOUNTANCY**

**ARTICLE 2. CPA EXAMINATION**

R4-1-229. Conditioned Credit

**ARTICLE 3. CERTIFICATION AND REGISTRATION**

R4-1-341. CPA Certificates; Firm Registration; Reinstatement; Reactivation

**ARTICLE 4. REGULATION**

R4-1-454. Peer Review

R4-1-455. Professional Conduct and Standards

## Article 2 – CPA Examination

### R4-1-229. Conditioned Credit

- A. An applicant is allowed to sit for each section individually and in any order. An applicant is given conditioned credit for each section of the examination passed. Effective retroactively from and after January 1, 2024, A a conditioned credit is valid for ~~18~~ 30 months from the score release date of the examination. Upon written request to the Board and showing good cause, an applicant may be granted by the Board a 90-day extension to a conditioned credit.
- B. Transfer of conditioned credit. The Board shall give an applicant credit for all sections of an examination passed in another jurisdiction if the credit has been conditioned. If an applicant transfers conditioned credit from another jurisdiction, the applicant shall pass the remaining sections of the examination within the ~~18-month~~ 30-month period from the score release date that the first section was passed. An applicant who fails to pass all sections of the Uniform CPA Examination within ~~18~~ 30 months shall retake previously passed sections of the Uniform CPA Examination to ensure passage of all sections within an ~~18-month~~ 30-month period.
- C. Any candidate who had exam credit expire between January 30, 2020, and May 11, 2023, during the National Public Health Emergency declared by the United States Department of Health and Human Services which have not been subsequently replaced by new credits for the same sections and ~~Any~~ any candidate with Uniform CPA Examination credit(s) on January 1, 2024 will have such credit(s) extended to June 30, 2025.

## Article 3 – Certification and Registration

### R4-1-341. CPA Certificates; Firm Registration; Reinstatement; Reactivation

- A. An applicant may apply for a certificate of certified public accountant or for reinstatement of a certificate by submitting:
1. An application fee of \$100; and
  2. For an applicant applying for certification under A.R.S. § 32-721(A) and (B), a completed application including:
    - a. Verification that the applicant passed the Uniform CPA Examination,
    - b. Verification that the applicant meets the education and experience requirements specified in R4-1-343,
    - c. Proof of a score of at least 90% on the American Institute of Certified Public Accountants (AICPA) examination in professional ethics taken within the two years immediately before the application is submitted,
    - d. Evidence of lawful presence in the United States, and
    - e. Other information or documents requested by the Board to determine compliance with eligibility requirements.
  3. For an applicant applying for certification under A.R.S. § 32-721(A) and (C), a completed application including:
    - a. Verification that the applicant has passed the International Qualification Examination (IQEX),
    - b. License verification from each jurisdiction in which the applicant has ever been issued a certificate as a certified public accountant of which at least one must be an active certification from a jurisdiction with requirements determined by the Board to be substantially equivalent to the requirements in A.R.S. § 32-721(B) or verification that the applicant meets the education and experience requirements specified in R4-1-343,
    - c. Evidence of lawful presence in the United States, and
    - d. Other information or documents requested by the Board to determine compliance with eligibility requirements.
  4. For an applicant applying for certification under A.R.S. § 32-721(A) and (D) for mutual recognition agreements adopted by the Board a completed application including:
    - a. Verification that the applicant has passed the International Qualification Examination (IQEX),
    - b. License verification from the applicant's country which has a mutual recognition agreement with the

- National Association of State Boards of Accountancy that has been adopted by the Board,
    - c. Evidence of lawful presence in the United States, and
    - d. Other information or documents requested by the Board to determine compliance with eligibility requirements.
  - 5. For an applicant applying for certification under A.R.S. § 32-4302, a completed application including:
    - a. License verification from each jurisdiction in which the applicant holds a license;
    - b. Evidence of lawful presence in the United States;
    - c. Proof of residency;
    - d. Disciplinary history, if applicable;
    - e. Other information or documents requested by the Board to determine compliance with eligibility requirements.
  - 6. For an applicant applying for reinstatement from cancelled status under A.R.S. § 32-732(B) a completed application including:
    - a. CPE that meets the requirements of R4-1-453(C)(~~8~~7) and (E), and
    - b. Evidence of lawful presence in the United States.
  - 7. For an applicant applying for reinstatement from expired, relinquished, or revoked status under A.R.S. § 32-732(C), a completed application including:
    - a. CPE that meets the requirements of R4-1-453(C)(~~8~~7) and (E),
    - b. Evidence of lawful presence in the United States,
    - c. ~~If not waived by the Board as part of a disciplinary order~~ If prescribed by a board relinquishment or revocation order, evidence from an accredited institution or a college or university that maintains standards comparable to those of an accredited institution that the individual has completed at least one hundred fifty semester hours of education as follows:
      - i. At least 36 semester hours are accounting courses of which at least 30 semester hours are upper level courses.
      - ii. At least 30 semester hours are related courses.
    - d. ~~If prescribed by the Board as part of a disciplinary order~~ If prescribed by a board relinquishment or revocation order, evidence that the individual has retaken and passed the Uniform Certified Public Accountant Examination.
- B.** An applicant may apply for a certified public accountant firm registration or for reinstatement of a registration by submitting:
  - 1. For an applicant applying for a new firm under A.R.S. § 32-731, a completed application including:
    - a. Approved Articles of Incorporation for professional corporations, approved Articles of Organization for limited liability companies or professional limited liability companies, confirmation of business name on the Secretary of State's website for partnerships, limited liability partnerships, or an individual or sole proprietorship with a trademark name;
    - b. If applicable, peer review results as prescribed by R4-1-454(~~A~~B); and
    - c. Other information or documents requested by the Board to determine compliance with eligibility requirements.
  - 2. For an applicant applying for reinstatement from cancelled under A.R.S. § 32-732(E) a completed application including:
    - a. Approved Articles of Incorporation for professional corporations, approved Articles of Organization for limited liability companies or professional limited liability companies, confirmation of business name on the Secretary of State's website for partnerships, limited liability partnerships, or an individual or sole proprietorship with a trademark name;
    - b. If applicable, peer review results as prescribed by R4-1-454(~~A~~B); and
    - c. Other information or documents requested by the Board to determine compliance with eligibility requirements.
  - 3. For an applicant applying for reinstatement from expired, relinquished, or revoked status under A.R.S. § 32-732(F) a completed application including:

- a. Approved Articles of Incorporation for professional corporations, approved Articles of Organization for limited liability companies or professional limited liability companies, confirmation of business name on the Secretary of State’s website for partnerships, limited liability partnerships, or an individual or sole proprietorship with a trademark name;
  - b. If applicable, peer review results as prescribed by R4-1-454(A-B);
  - c. If applicable, substantial evidence that the applicant has been completely rehabilitated with respect to the conduct that was the basis of the expiration, relinquishment or revocation of the firm’s registration; and
  - d. Other information or documents requested by the Board to determine compliance with eligibility requirements.
- C. Pursuant to Title 41, Chapter 6, Article 7.1, the Board’s licensing time frames are as follows:
- 1. Certification/Reinstatement/Reactivation
    - a. Administrative Completeness Review Time Frame. The Board shall notify the applicant within 30 days from the receipt of the application that the application is complete.
      - i. If the application is incomplete, an incomplete notice shall specify what information is missing. If the Board issues an incomplete notice, the administrative completeness review time frame and the overall time frame are suspended from the date the notice is issued until the date the Board receives the missing information from the applicant.
      - ii. The applicant has 30 days from the date of the incomplete notice to respond in writing and provide all the missing information or the Board may administratively close the file. An applicant whose file is administratively closed shall reapply under subsection (A).
    - b. Substantive Review Time Frame. The Board has 60 days to complete its substantive review.
      - i. If the Board finds deficiencies during the substantive review of the application, the Board may issue one comprehensive written request to the applicant for additional information. If the Board issues a comprehensive written request, or a supplemental request by mutual agreement, the substantive review time frame and the overall time frame are suspended from the date the request is issued until the date the Board receives the additional information from the applicant.
      - ii. The applicant has 30 days from the date of the written request to respond in writing and provide all the additional information or the Board may administratively close the file. An applicant whose file is administratively closed shall reapply under subsection (A).
    - c. Overall Time Frame. The Board has 150 days to issue a written notice to an applicant approving or denying an application.
  - 2. Firm Registration
    - a. Administrative Completeness Review Time Frame. The Board shall notify the applicant within 10 days from the receipt of the application that the application is complete.
      - i. If the application is incomplete, an incomplete notice shall specify what information is missing. If the Board issues an incomplete notice, the administrative completeness time frame and the overall time frame are suspended from the date the notice issued until the date the Board receives the missing information from the applicant.
      - ii. The applicant has 30 days from the date of the incomplete notice to respond in writing and provide all the missing information or the Board may administratively close the file. An applicant whose file is administratively closed shall reapply under subsection (B).
    - b. Substantive Review Time Frame. The Board has 60 days to complete its substantive review.
      - i. If the Board finds deficiencies during the substantive review of the application, the Board may issue one comprehensive written request to the applicant for additional information. If the Board issues a comprehensive written request, or a supplemental request by mutual agreement, the substantive time frame and the overall time frame are suspended from the date the request is issued until the date the Board receives the additional information from the applicant.



- ii. The applicant has 30 days from the date of the written request to respond in writing and provide all the additional information or the Board may administratively close the file. An applicant whose file is administratively closed shall reapply under subsection (B).
  - c. Overall Time Frame. The Board has 90 days to issue a written notice to an applicant approving or denying an application.
- D. If the Board denies an applicant's request under this section, the Board shall send the applicant written notice explaining:
  - 1. The reason for denial, with citations to supporting statutes or rules;
  - 2. The applicant's right to seek a fair hearing to challenge the denial; and
  - 3. The time periods for appealing the denial.
- E. The Board shall send the applicant any written notice required by this section in accordance with R4-1-117(E)(1) or (2).

## **Article 4 – Regulation**

### **R4-1-454. Peer Review**

- A. Each firm, review team, and member of a review team shall comply with the Standards for Performing and Reporting on Peer Reviews, issued April 2019 and published ~~June 15, 2022~~ June 1, 2023 in the AICPA Professional Standards by the American Institute of Certified Public Accountants, 220 Leigh Farm Road, Durham, North Carolina 27707-8110 (www.aicpa.org), which is incorporated by reference. This incorporation by reference does not include any later amendments or editions. The incorporated material is available for inspection and copying at the Board's office.
- B. A firm must allow the sponsoring organization to make the following documents accessible to the Board via the FSBA process:
  - 1. Peer review report which has been accepted by the sponsoring organization,
  - 2. Firm's letter of response accepted by the sponsoring organization, if applicable,
  - 3. Completion letter from the sponsoring organization,
  - 4. Letter or letters accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the sponsoring organization, if applicable, and
  - 5. Letter signed by the sponsoring organization notifying the firm that required actions have been appropriately completed, if applicable.
- C. Information discovered solely as a result of a peer review is not grounds for suspension or revocation of a certificate.
- D. Firms that reorganize a current firm, rename a firm, or create a new firm, within which at least one of the prior CPA owners remains an owner or employee, shall remain subject to the provisions of this Section. If a firm is merged, combined, dissolved, or separated, the sponsoring organization shall determine which resultant firm shall be considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

### **R4-1-455. Professional Conduct and Standards**

- A. It is the Board's policy that the rules governing registrants be consistent with the rules governing the accounting profession generally. Except as otherwise set forth in these regulations, registrants shall conform their conduct to the Code of Professional Conduct, published ~~June 15, 2022~~ June 1, 2023 in the AICPA Professional Standards by the American Institute of Certified Public Accountants, 220 Leigh Farm Road, Durham, North Carolina 27707-8110 (www.aicpa.org), available from the AICPA.
- B. The AICPA Code of Professional Conduct, and any interpretations and ethical rulings by the issuing body, shall apply to all registrants, including those who are not members of the AICPA. The version specified above, including any interpretations and ethical rulings in effect shall apply. Any later amendments, additions, interpretations, or ethical rulings shall not apply.