



ARIZONA STATE BOARD OF ACCOUNTANCY

100 N. 15th Ave., Suite 165
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info@azaccountancy.gov

November 19, 2024

Governor's Regulatory Review Council
Via email: grrc@azdoa.gov

Dear Council Members,

Pursuant to Arizona Revised Statutes § 41-1027(B), please find attached the Arizona State Board of Accountancy's Notice of Proposed Expedited Rulemaking.

I would be happy to answer any questions that you may have regarding this rulemaking. I can be reached at (602) 364-0870 or mpetersen@azaccountancy.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Monica L. Petersen", with a long horizontal flourish extending to the right.

Monica L. Petersen
Executive Director

Enclosure

The Americans with Disabilities Act

Persons with disabilities may request reasonable accommodations, such as sign language interpreters. Requests should be made as early as possible to allow time to arrange the accommodation.

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
R4-1-345	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:

Name: Monica L. Petersen, Executive Director

Address: Board of Accountancy
100 N. 15th Ave., Suite 165
Phoenix, AZ 85007

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E-mail: mpetersen@azaccountancy.gov

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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 An agency’s justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking: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. Clerical errors were recently identified in this rule. For example, in subsection B, in the last

sentence, an incorrect indefinite article is used before “30-month period.” Additionally, the most recent edition of the Secretary of State’s Rulemaking Manual advises that agencies not use “(s)” in rule language to signify that the subject may be singular or plural. Amendments are made to this rule to use the correct indefinite article and to reflect the rule language preferences of the Secretary of State’s office.

R4-1-345. From July 1, 2020 to June 30, 2024, the Board instituted a temporary biennial fee discount of \$25 for CPAs renewing their certificate, which saved the regulated community approximately \$500,000. The fee discount was not continued and expired on July 1, 2024. Therefore, the fee has returned to the normal amount of \$300 as a matter of law. Because of this, there is no longer any reason or use to keep the language found in A.A.C. R4-1-345(C)(2)(a)(i) and (ii) that permitted the fee discount. Accordingly, the amendments to this rule remove that purposeless language.

R4-1-454. The first change related to this rule (subsection A) is the updating of the Board’s incorporation by reference of the Standards for Performing and Reporting on Peer Reviews. 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 incorporation, hence the Board’s need to annually update. Peer reviews are periodic quality reviews that CPA firms undergo to educate them as to whether complex engagements (e.g., audits) are performed in accordance with applicable standards. The regulated community already uses the latest version of the standards and the Board endeavors to keep its incorporation by reference up-to-date accordingly.

The second change related to this rule (subsection B) permits the Board to see additional information in the American Institute of Certified Public Accountants’ (AICPA’s) Facilitated State Board Access (FSBA). The AICPA’s FSBA is a system that allows boards of accountancy across the nation to see the status and documentation related to a firm’s peer review. The information that this Board is requesting access to view is already contained in the FSBA and would not put an additional burden on CPA firms. In fact, it would save firms time from having to address questions by Board staff that can be independently accessed in the FSBA without any inquiry of the firm. The information would be used to assist the Board in understanding the firm’s progress in the peer review program.

R4-1-455. The Board seeks to update its incorporation by reference of the AICPA’s Code of Professional Conduct. 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 incorporation, hence the Board’s need to annually update. The updating of this references is essential to

the Board's public safety mission. 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: January 27, 2025

Time: 9:00 a.m.

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

The rulemaking record will close on Monday, January 27, 2025, 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

R4-1-345. Registration; Fees

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 conditioned credit is valid for 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 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 30 months shall retake previously passed sections of the Uniform CPA Examination to ensure passage of all sections within ~~an~~ a 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 candidate with Uniform CPA Examination ~~credit(s)~~ credit on January 1, 2024 will have such ~~credit(s)~~ credit extended to June 30, 2025.

Article 3 – Certification and Registration

R4-1-345. Registration; Fees

- A. Initial registration: After the Board approves an applicant’s request for certification or firm registration, the registrant shall file a registration in a format prescribed by the Board and pay a registration fee under subsection (C).
- B. Renewal registration: A registrant shall file an application for renewal registration in a format prescribed by the Board no later than 5:00 p.m. on the last business day of the month. A renewal registration is deemed filed on the date and time received in the Board office. The Board shall record the date and time either by electronic date stamp in Arizona time or on physical receipt in the board’s office. The Board shall not accept a postmark as evidence of timely filing. It is the sole responsibility of the registrant to complete the renewal registration requirements at the following times:
 - 1. Individual registrant: An individual registrant shall renew registration at the following times:

- a. A registrant born in an even-numbered year shall renew registration during the month of birth in each even-numbered year.
 - b. A registrant born in an odd-numbered year shall renew registration during the month of birth in each odd-numbered year.
2. Firm registrant: A firm shall renew registration at the following times:
- a. A business organization firm that initially registered with the Board in an even-numbered year shall renew registration during the board-approved month of the initial registration in each even-numbered year.
 - b. A business organization firm that initially registered with the Board in an odd-numbered year shall renew registration during the board-approved month of the initial registration in each odd-numbered year.
 - c. An individual or a sole proprietorship firm shall renew its registration pursuant to paragraph (B)(1).

C. Registration fees:

- 1. Initial Registration Fee –
 - a. Certification – \$300 and, if applicable, a late fee of \$50.
 - b. The registration fee shall be prorated by month for an initial registration period of less than two years.
- 2. Biennial Registration Fee –
 - a. Certification – \$300 and, if applicable, a late fee of \$50.
 - ~~i. For registrations due during the period from July 1, 2020 to June 30, 2024, the biennial registration fee will be reduced temporarily to \$275.~~
 - ~~ii. For registrations due beginning July 1, 2024, the biennial registration fee will revert to \$300.~~
 - b. Firm Registration – \$300 and, if applicable, a late fee of \$50. Under A.R.S. § 32-729, the Board shall not charge a fee for the registration of additional offices of the same firm or for the registration of a sole practitioner.

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 1, 2023~~ June 15, 2024 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~~ shall allow the sponsoring organization to make the following documents and objective information 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~~ The acceptance 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,
 6. The most current peer review program enrollment or reenrollment letter,
 7. Firm representation to the sponsoring organization that it has not performed engagements subject to peer review in the last 12 months, if applicable
 8. Due date of the current peer review and, if applicable, due date on any open corrective action and actions,
 9. Peer review or corrective action extension letters, if applicable
 10. Letter acknowledging the peer review was scheduled, and
 11. Estimated dates of the peer review commencement and presentation to a report acceptance body.
- 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 1, 2023~~ June 15, 2024 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.