

ARKANSAS REGISTER

Proposed Rule Cover Sheet



Secretary of State
John Thurston
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Name of Department _____

Agency or Division Name _____

Other Subdivision or Department, If Applicable _____

Previous Agency Name, If Applicable _____

Contact Person _____

Contact E-mail _____

Contact Phone _____

Name of Rule _____

Newspaper Name _____

Date of Publishing _____

Final Date for Public Comment _____

Location and Time of Public Meeting _____

Rule number

Rule 1

Rule Title

Definitions

Summary / Reason for Rule Change

Act 315 requires the usage of the term “rules” instead of “regulations.” While the Act does not require Boards to promulgate rules to make this change, we elected to update our rules while we were going through rule changes this year.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Labor and Licensing
DIVISION Arkansas State Board of Public Accountancy
PERSON COMPLETING THIS STATEMENT Jimmy Corley, Executive Director
TELEPHONE NO. 501.682.5533 **FAX NO.** 501.682.5538 **EMAIL:** james.corley@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Rule 1 “Definitions”

1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X_____

2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes X_____ No _____

3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X_____ No _____

If an agency is proposing a more costly rule, please state the following:

- (a) How the additional benefits of the more costly rule justify its additional cost;

 - (b) The reason for adoption of the more costly rule;

 - (c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and

 - (d) Whether the reason is within the scope of the agency’s statutory authority, and if so, please explain.
-
3. If the purpose of this rule is to implement a federal rule or regulation, please state the following:
 - (a) What is the cost to implement the federal rule or regulation? **NA**

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue_____

General Revenue_____

Federal Funds_____

Federal Funds_____

Cash Funds_____

Cash Funds_____

Special Revenue_____

Special Revenue_____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

- 5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes_____ No X_____

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

1.9 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

“Generally accepted accounting principles” shall be deemed and construed to mean accounting principles or standards generally accepted in the United States. For purposes of these rules ~~and~~ ~~regulations~~, generally accepted accounting principles are considered to be defined by pronouncements issued by the Financial Accounting Standards Board and its predecessor entities and similar pronouncements issued by other entities having similar generally recognized authority.

<i>Rule number</i>	<i>Rule Title</i>	<i>Summary / Reason for Rule Change</i>
Rule 2	Board Rules and Meetings	Act 315 requires the usage of the term “rules” instead of “regulations.” While the Act does not require Boards to promulgate rules to make this change, we elected to update our rules while we were going through rule changes this year.

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DIVISION Arkansas State Board of Public Accountancy
PERSON COMPLETING THIS STATEMENT Jimmy Corley, Executive Director
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To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Board Rule 2 “Board Rules and Meetings”

- 1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X_____

- 2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes X_____ No _____

- 3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X_____ No _____

If an agency is proposing a more costly rule, please state the following:

- (a) How the additional benefits of the more costly rule justify its additional cost;

 - (b) The reason for adoption of the more costly rule;

 - (c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and

 - (d) Whether the reason is within the scope of the agency’s statutory authority, and if so, please explain.
3. If the purpose of this rule is to implement a federal rule or regulation, please state the following:
- (a) What is the cost to implement the federal rule or regulation? **NA**

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue_____

General Revenue_____

Federal Funds_____

Federal Funds_____

Cash Funds_____

Cash Funds_____

Special Revenue_____

Special Revenue_____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

- 5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes_____ No X_____

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

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 - (a) justifies the agency's need for the proposed rule; and
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- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

2.2 RULES ~~AND REGULATION~~

A.C.A §17-12-203 provides that the Board may prescribe rules ~~and regulations~~ for the conduct of its affairs and for the administration of the Act.

<i>Rule number</i>	<i>Rule Title</i>	<i>Summary / Reason for Rule Change</i>
Rule 3	Examinations	This change allows CPA exam candidates to take sections of the CPA Exam multiple times per quarter. Currently, the same section of the exam can only be taken one time per quarter. This is a change being made across the country because of advances in technology associated with administering and scoring the CPA exam. This will be a help to CPA exam candidates.

FINANCIAL IMPACT STATEMENT

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DIVISION Arkansas State Board of Public Accountancy
PERSON COMPLETING THIS STATEMENT Jimmy Corley, Executive Director
TELEPHONE NO. 501.682.5533 **FAX NO.** 501.682.5538 **EMAIL:** james.corley@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Board Rule 3 “Examinations”

- 1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X_____

- 2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes X_____ No _____

- 3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X_____ No _____

If an agency is proposing a more costly rule, please state the following:

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 - (d) Whether the reason is within the scope of the agency’s statutory authority, and if so, please explain.
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- (a) What is the cost to implement the federal rule or regulation? **NA**

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue_____

General Revenue_____

Federal Funds_____

Federal Funds_____

Cash Funds_____

Cash Funds_____

Special Revenue_____

Special Revenue_____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

- 5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes_____ No X_____

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

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- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

3.7 RETAKE AND GRANTING OF CREDIT REQUIREMENTS

(a) A Candidate shall be required to pass all Test Sections of the Certified Public Accountant Examination in order to qualify for a certificate. A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for eighteen months from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.

(1) Candidates must pass all four Test Sections of the Uniform CPA Examination within a rolling eighteen-month period, which begins on the date that the first Test Section(s) passed is taken.

(2) Candidates cannot retake a failed Test Section(s) in the same examination window. An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window.

(3) If the Board determines that the examination system changes necessary to eliminate the test window limitations have been implemented, subsection (2) will no longer be effective, and a Candidate can retake a test section once their grade for any previous attempt of that same test section has been released.

~~(4)~~ In the event all four Test Sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any Test Section(s) passed outside the eighteen-month period will expire and that Test Section(s) must be retaken.

(b) The Board may in particular cases extend the term of conditional credit validity notwithstanding the requirements of subsection (a) and (upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

(c) A Candidate shall be deemed to have passed the Uniform CPA Examination once the Candidate holds at the same time official credit for passing each of the four Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually

<i>Rule number</i>	<i>Rule Title</i>	<i>Summary / Reason for Rule Change</i>
Rule 10	Registration	Act 990 of 2019 required us to update this rule to comply with the new requirements surrounding the consideration of the criminal history of licensees and applicants.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Labor and Licensing
DIVISION Arkansas State Board of Public Accountancy
PERSON COMPLETING THIS STATEMENT Jimmy Corley, Executive Director
TELEPHONE NO. 501.682.5533 **FAX NO.** 501.682.5538 **EMAIL:** james.corley@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Board Rule 10 “Registrations”

- 1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X

- 2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes X No _____

- 3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X No _____

If an agency is proposing a more costly rule, please state the following:

- (a) How the additional benefits of the more costly rule justify its additional cost;

 - (b) The reason for adoption of the more costly rule;

 - (c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and

 - (d) Whether the reason is within the scope of the agency’s statutory authority, and if so, please explain.
3. If the purpose of this rule is to implement a federal rule or regulation, please state the following:
- (a) What is the cost to implement the federal rule or regulation? **NA**

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue_____

General Revenue_____

Federal Funds_____

Federal Funds_____

Cash Funds_____

Cash Funds_____

Special Revenue_____

Special Revenue_____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

- 5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes_____ No X_____

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
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- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
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 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

Rule 10 REGISTRATION**10.1 INITIAL APPLICATION, RECIPROCAL, OR REINSTATEMENT**

Application for an initial license, reinstatement, or renewal shall be made on a form provided by the Board, and in the case of application for renewal, shall be filed by January 1 of each year.

10.2 CRIMINAL BACKGROUND CHECKS

(a) Each applicant for an initial license, including a reciprocal license, or for a new license under Ark. Code Ann. § 17-12-504(h), shall apply, using forms furnished by and pursuant to instructions provided by the Board, for state and national criminal background checks to be conducted by the Identification Bureau of the Department of Arkansas State Police and Federal Bureau of Investigation. ~~The~~ Board may, in its discretion and on reasonable cause, require an applicant seeking the reinstatement of a license under Ark. Code Ann. § 17-12-504(g) to apply for the criminal background checks as provided herein.

(b) The criminal background checks shall have been completed no earlier than six (6) months prior to the date of receipt of the application, unless the delay is beyond the control of the applicant.

(c) An applicant who seeks a waiver under Ark. Code Ann. § 17-2-102(b) of disqualification from licensure resulting from a criminal conviction shall deliver to the Board: under paragraph (d) below must cause the following certified documentation to be transmitted directly to the Board by the court or other entity or individual that is providing documentation about the applicant:

(1) ~~File-marked copies~~ Copies of court documents pertinent to conviction, i.e., information, indictment, or other charging documents, and judgments, orders, final rulings, or other documents specifying conviction and sanctions, and penalties; and

(2) Documentation from the appropriate governmental official regarding the applicant's status and compliance with regard to terms of probation, parole, restitution, penalty, or any other sanctions.

(d) (1) ~~A person convicted of a felony or crime involving moral turpitude or dishonesty in any state or federal court may not receive or hold a license as a certified public accountant or public accountant. If the executive director notifies an applicant for licensure that his or her application has been denied on the grounds that the applicant is ineligible for licensure due to a criminal conviction covered by Ark. Code Ann. § 17-2-102(a), then the applicant may request a waiver of the disqualifying condition and a hearing pursuant to Ark. Code Ann. § 17-2-102(b). The request for a waiver and hearing shall be made in writing and submitted to the executive director.~~

(2) ~~Provided; however, upon written request submitted with the application or after receipt of the criminal background check reports, an applicant who has a criminal conviction may seek to have the conviction waived and application approved, subject to appropriate terms and conditions.~~

(3) ~~The request for waiver shall not be considered until the application, fees, applicable documentation, both federal and state criminal background check reports, and written request for waiver stating the applicant's reasons why the conviction should be waived are received by the Board.~~

(34) ~~The Board, after service of notice upon the applicant, shall conduct a~~

~~hearing on a request for waiver of a conviction; the~~ The Board shall conduct the waiver hearing in accordance with the provisions of Ark. Code Ann. § 17-2-102 and the hearing procedures set forth in ~~hearing shall be conducted pursuant to the relevant provisions of Rule 11.~~

10.3 LICENSE RENEWAL

The Board will renew the license to the applicant who has complied with the registration in 10.1 provided:

- (1) the necessary information was furnished on the annual registration form;
- (2) the required fee for said registration was paid, and
- (3) there is no existing suspension of certificate, license or right to apply.

10.4 REPEALED

10.5 FIRM REGISTRATION

- (a) A firm engaged in the practice of public accounting that has an office in this state must register with the Board. Application for an initial firm registration and subsequent renewal must be made on a form provided by the Board.
 - (1) As defined in Rule 7, a firm includes a corporation, partnership, limited liability company, sole proprietorship, and other permissible forms of practice.
- (b) A firm engaged in the practice of public accounting that does not have an office in this state must register with the Board in order to provide the services listed below for any client whose home office is in this state. Applicants for an initial firm registration and subsequent renewals must be made on a form provided by the Board. Services requiring firm registration include:
 - (1) A financial statement audit or other engagement to be performed in accordance with the *Statements on Auditing Standards*,
 - (2) An examination of prospective financial information to be performed in accordance with *Statements on Standards for Attestation Engagements*, and
 - (3) An engagement to be performed in accordance with PCAOB Standards.
- (c) In the case of firms with multiple offices, the licensee shall identify on its original and each renewal application each office to be registered, as prescribed on a form approved by the Board.

10.6 TEMPORARY LICENSURE

Notwithstanding the provisions of rules 10.1 through 10.5 above, the Board may issue temporary licenses to certain persons under the conditions set forth in Rule ~~18.119.2.~~

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<i>Rule number</i>	<i>Rule Title</i>	<i>Summary / Reason for Rule Change</i>
Rule 13	Continuing Education	This change came about as a result of a request from the Arkansas Society of CPAs to make changes to our CPE rules to reflect changes in technology and to make it easier for CPAs to meet our CPE requirements.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Labor and Licensing

DIVISION Arkansas State Board of Public Accountancy

PERSON COMPLETING THIS STATEMENT Jimmy Corley, Executive Director

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SHORT TITLE OF THIS RULE Board Rule 13 “Continuing Education”

1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X_____

2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes X_____ No _____

3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X_____ No _____

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- (d) Whether the reason is within the scope of the agency’s statutory authority, and if so, please explain.

3. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

- (a) What is the cost to implement the federal rule or regulation? **NA**

Current Fiscal Year

Next Fiscal Year

General Revenue _____

General Revenue _____

Federal Funds _____

Federal Funds _____

Cash Funds _____

Cash Funds _____

Special Revenue _____

Special Revenue _____

Other (Identify) _____

Other (Identify) _____

Total _____

Total _____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total _____

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes _____ No X _____

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously

with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

RULE 13 CONTINUING EDUCATION

Pursuant to the provisions of the Act, the Board prescribes the following ~~rules~~ ~~regulations~~ amending requirements of continuing education to be met from time to time by licensees in order to maintain the highest standard of proficiency in the profession of public accountancy.

13.1 DEFINITIONS THAT ARE APPLICABLE TO RULE 13:

(a) Continuing Professional education (CPE): An integral part of lifelong learning required to provide competent professional accounting service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence.

(b) Group Program: An educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants either in a classroom setting or using the Internet or video conferencing technology (noninteractive Internet courses will not qualify in this area). Interactive webinars are considered group programs. The key component in interactive CPE courses is that the content is delivered in a manner so that the participants can interact with the remote instructor.

(c) Independent Study: An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor (all independent study must be approved in advance by the Arkansas State Board of Public Accountancy).

(d) Self-study Program: An educational process designed to permit a participant to learn a given subject without major involvement of an instructor. Self-study programs use a word count formula or a pilot test (a sampling of at least three individuals) to measure the average completion time from which the recommended CPE credit is determined.

(e) Authorship: An education process designed to permit a participant to increase professional competence through research and writing articles, books or CPE programs. For the writer to receive CPE credit, the article, book, or CPE program must be in the subject areas specified in Rule 13.2(a)(1) and formally accepted in writing for publication.

13.2 BASIC REQUIREMENTS

(a) An applicant for renewal of a license must have completed acceptable continuing education, except as otherwise provided in Section 13.2(b), in the amount of 120 hours within 36 months or 40 hours within 12 months immediately preceding January 1 of the year for which the license is renewed, and further provided that:

(1) ~~Beginning January 1, 2014, Through December 31, 2019,~~ all license holders shall complete at least 50% of the required hours in the subject areas of accounting, accounting ethics, attest, or taxation. Beginning January 1, 2020 (CPE taken for the 2021 license year and beyond), licensees engaged in the practice of public accounting shall complete at least 40% of the required hours in the subject areas of accounting, accounting ethics, attest, or taxation. Licensees not engaged in the practice of public accounting shall complete at least 20% of the required hours in the subject areas of accounting, accounting ethics, attest, or taxation.

(2) License holders engaged in any attest or compilation function shall complete at least 20% of the required hours in the subject areas of attest and accounting theory/practice.

(3) License holders must complete at least 4 hours of CPE in the area of accounting professional conduct and ethics during the 36-months immediately preceding the expiration date of their current license. Licensees who received their initial license during the current calendar year are exempt from the ethics requirement until their first full calendar year of licensure. Licensees must also complete one hour of CPE on Arkansas State Board of Public Accountancy specific laws and rules. This requirement may be satisfied by completing a web based course via the Board's website or attending group training taught by a board member, board staff member, or a designee of the Board, and will count towards the 4 hour ethics requirement. The hour of CPE on Board specific rules and laws must be completed during the 36 months immediately preceding the expiration date of the current license.

(4) Licensees who are in their first calendar year of licensure must obtain CPE hours pro-rated based on the date of initial licensure.

(b) The Board may make exceptions for reasons of individual hardship including, but not limited to, health, military service, foreign residency, or other good cause. No exception shall be made solely because of age or retirement.

(c) ~~As required by ACA 17-1-106(f),~~ ~~†~~ The Board shall allow a full or partial exemption from continuing education requirements for the following licensees:

- (1) An active duty military service member deployed outside of the State of Arkansas;
- (2) A returning military veteran within one (1) year of his or her discharge from active duty; or
- (3) The spouse of a person under (1) or (2) above.

In order to receive a full or partial CPE exemption, a qualifying individual must submit a written request for an exemption to the Board. The written request must

explain whether a full or partial waiver of the CPE requirement is sought and why such waiver is appropriate under the individual's specific circumstances. In deciding the extent of any CPE waiver allowed under this Rule, the Board will take into consideration factors including, but not limited to:

- (1) ability to access any CPE programs;
- (2) ability to access various types of CPE;
- (3) applicant's personal circumstances; and
- (4) the length of time on duty.

(d) Responsibility for documenting the acceptability of the continuing education requirement rests with the applicant, who must retain such documentation for a period of five (5) years following the end of the year of completion of the continuing education hours.

13.3 PROGRAMS WHICH QUALIFY

(a) A program qualifies as acceptable continuing education if it is a formal program of learning which contributes directly to the professional competence of an individual licensed to practice as a public accountant. The responsibility for substantiating that a particular program meets the requirements of this paragraph rests solely upon the licensee.

(b) Continuing education programs requiring attendance will qualify only if:

(1) An outline of the program is prepared in advance and preserved.

(2) The program is at least one hour (fifty-minute period) in length, excluding meal time and business session. Credit shall be based on contact hours. A 50-minute period will be considered as being equal to one hour. One-half CPE credit hours (equal to 25 minutes) are permitted after the first hour has been earned in a given program. Hours devoted to preparation by the participant shall not be counted as a contact hour. Effective January 1, 2020, (CPE taken for the 2021 license year and beyond) a licensee may earn a maximum of 4 hours of CPE each year by completing nano learning courses. A nano learning course is a tutorial program designed to permit a participant to learn a given subject in a ten-minute increment using electronic media and without interaction with a real time instructor. For purposes of calculating CPE credits, one CPE hour shall consist of five ten-minute courses.

(3) The program is conducted by a qualified instructor. A qualified instructor or discussion leader is anyone whose background, training, education or experience makes it appropriate for her/him to lead a discussion on the subject matter of the particular program. A lecturer or discussion leader shall be afforded CPE credit for preparation and presentation of a program for twice the number of CPE hours applicable for participants to the extent that the program contributes

to the professional accounting competence of the applicant. Such credit does not pertain to the teaching of academic courses or other CPE courses that do not meet the criteria of Rule 13.3(a). Repetition of the same course material in the same year will not be allowable for credit as continuing education.

(4) A record of registration or attendance is maintained.

(5) The sponsor of the program is either approved registered or exempt from registration pursuant to the provisions of Rule 13.4.

(c) The following programs are examples deemed to qualify, provided Subsection 13.3(a) and (b) are met:

(1) Programs or seminars sponsored by accredited higher educational institutions [see Rule 13.4(f)(2)], government agencies, NASBA, professional organizations of Certified Public Accountants and Public Accountants, firms of Certified Public Accountants and Public Accountants, and industrial firms that meet the guidelines of Rule 13.3(b).

(2) Technical sessions at meetings of recognized national and state accounting organizations and their chapters.

(3) University or college courses offered by accredited institutions [see Rule 13.4(f)(2)] through classroom, correspondence, or distance learning. Courses taught must be upper level college courses and may only be used for CPE one time in a three year period. For credit courses, each semester hour of credit shall equal 15 hours towards the requirement, and a quarter hour credit shall equal 10 hours. For non-credit short courses, credit is computed by contact hours.

(d) Individual study programs, distance learning, independent study and self-study for which evidence of satisfactory completion is issued by the provider organization prior to January 1 of the year for which the licensee is being renewed may qualify. The Board shall accept the hours of continuing education credit recommended by the provider organization (subject to the constraints of Rule 13.3(b)(2)). NASBA's Quality Assurance Services (QAS) hours will be accepted if the course is QAS registered. Sponsors of such programs, excluding those offered by providers listed in paragraphs (c1), (c2), and (c3) above, must be registered or exempt from registration pursuant to the provisions of Rule 13.4 (see Rule 13.3(f) below).

(e) Articles, books, or CPE programs, as indicated in Rule 13.1 (e), may qualify for self-declared CPE credit if the article, book or CPE program contributes to the professional competence of the licensee and has been formally accepted for publication in writing prior to the effective date of the license year (see Rule 13.3(f) below).

(f) Combined credit awarded in paragraphs 13.3(d) and 13.3(e) above shall not exceed ~~60~~ 80 percent of the total CPE hours required.

(g) Acceptable continuing education will not include any education leading to completion of the requirements to acquire a CPA certificate. Included in this category is (1) any academic work necessary to qualify to take the CPA Examination [per Board Rule 3.3(b)] and (2) any CPA Review courses or course(s) offered for the specific purpose of preparing to take the CPA Examination.

~~(h) Computer science courses include those courses related to computing, networks, communications, and the internet; system software; application software involving web browsers, word processing, spreadsheets, database management systems and presentation software. These courses must have a connection to the practice of accounting, auditing, or taxation. Acceptable computer science courses do not include tutorials and/or related videos. Computer Science courses may not be used to meet the attest and accounting requirements of Rule 13.2(a)(2).~~

~~(i)~~ Continuing education programs accepted in other jurisdictions that have a sponsor review program will be accepted.

~~(j)~~ For a holder of an active CPA license in multiple jurisdictions, continuing education courses accepted by the jurisdiction of residence will be accepted. However, minimum requirements prescribed in Rule 13.2(a) must be met.

~~(k)~~ Specialized knowledge courses are those courses that are related to a concentrated, specialized skill set. This field of study also includes subjects related to specialized industries, such as not-for-profit organizations, health care, or oil and gas. Specialized knowledge courses may not be used to meet the requirements of Rule 13.2(a)(1).

~~(l)~~ Programs in the following subject areas are not acceptable continuing education: spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

13.4 APPROVED SPONSORS

(a) The sponsor of any continuing education program(s), which is not exempt under Rule 13.4(f), must, prior to offering such program(s) register as follows:

(1) Those sponsors offering programs totaling more than 16 credit hours per year, or offering programs more than 5 times per year must register with the National Registry of CPE Sponsors, administered by the National Association of

State Boards of Accountancy (NASBA); sponsors of such programs in self-study format may register with NASBA's QAS as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.

(2) Those sponsors offering programs which total 16 credit hours or less per year and offering programs 5 times or less per year must either register with the National Registry of CPE Sponsors administered by NASBA or register with the Board annually using a registration form prescribed by the Board; sponsors of such programs in self-study format may register with NASBA's Quality Assurance Services as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.

(b) The sponsor of any continuing education program registered with NASBA's National Registry of CPE Sponsors or Quality Assurance Service shall comply with the requirements of the Registry. Those sponsors registering with the Board as well as those exempt under Rule 13.4(f) shall keep detailed records of the following:

- (1) The date and location of the program presentation;
- (2) The names of each instructor or discussion leader;
- (3) A list of licensees attending each program presentation, and the license numbers of such attendees; and
- (4) A written outline of the program presentation.

(c) The records required by subparagraph 13.4(b) shall be retained for a period of 5 years after the end of the year of each program presentation.

(d) The sponsor of any continuing education program approved or exempt from registration pursuant to this rule must advise attendees of such approval or exemption, together with the sponsor number, subject code and the number of continuing education hours allowable.

(e) The Board may withdraw approval of any continuing education program if the sponsor of such program fails to comply with the provisions of this Rule.

(f) The following are exempt from registering with the Board and the NASBA Registry of CPE Sponsors:

- (1) Professional accounting and legal organizations such as the American Institute of Certified Public Accountants, the Arkansas Society of Certified Public Accountants, the National Society of Public Accountants, the Arkansas Society of

Public Accountants, NASBA, the Institute of Management Accountants, the American Accounting Association, the American Bar Association, the Arkansas Bar Association, and other similar organizations;

(2) Universities or colleges that are accredited per Rule 3.1;

(3) Firms, both accounting and industrial, offering organized in-firm education programs which meet the requirements of Rule 13.3(a); and

(4) Governmental entities.

13.5 CPE REPORTING REQUIREMENTS

(a) Applicants for renewal of a license must submit with their annual registration a representation that the applicant has met the CPE requirement for issuance of a license together with a CPE statement, in a form prescribed by the Board, showing the continuing education programs and hours completed during the twelve months immediately preceding January 1 of the year for which the license is being renewed. The applicant must retain all supporting documentation for the programs and hours for five (5) years following the end of the year of completion.

(b) The CPE statement shall show the following:

- (1) Name of the attendee;
- (2) NASBA registration number or an E, if the sponsor is exempt;
- (3) Sponsoring organizations;
- (4) Location of program;
- (5) Title of program or description of content;
- (6) Dates attended and/or completed and submitted;
- (7) Field of Study
- (8) Hours claimed; and
- (9) Other information as designated by the Board.

(c) On an annual basis, the Board will audit the CPE statements of a selected number of licensees, and those licensees will be required to submit support documentation acceptable to the Board as part of the audit process. Licensees who fail the CPE audit can appeal to the CPE Compliance Committee, and if necessary, the full Board.

13.6 NONCOMPLIANCE AND SANCTIONS

(a) Should a licensee report less than the required number of CPE hours, the licensee shall complete the balance of the CPE hours for the reporting period and provide the Board with appropriate documentation no later than January 31 of the

following CPE reporting period. Delinquent CPE hours reported to the Board under Section 13.6 shall first apply to the deficiency and any remaining CPE hours shall be applied to the current CPE reporting period.

(b) Should a licensee fail to timely report CPE hours in conjunction with the renewal application or fail to timely file a report on completion of the balance of the CPE hours as provided in paragraph (a) of this section, the Board shall serve notice of noncompliance upon the licensee. The notice shall state the nature of the noncompliance. The licensee shall, within thirty (30) days of the date of the notice, deliver acceptable documentation to the Board that the licensee has successfully completed the minimum CPE hours to correct the noncompliance.

(c) In addition to the notice of noncompliance described above, the Board may institute a proceeding to impose disciplinary action against a licensee who fails to comply with any provision under Rule 13. The disciplinary action for a licensee who completes the minimum number of CPE hours during the period provided in paragraph (a) of this section shall be a monetary penalty unless the Board determines that other disciplinary action is appropriate. The disciplinary action for a licensee who failed to obtain the minimum CPE hours before the date for correction of the delinquency under paragraph (a) of this section or who completed the minimum CPE hours after notice of noncompliance under paragraph (b) of this section may be suspension of the license unless the Board determines other disciplinary action to be appropriate.

(d) A licensee who has been suspended pursuant to this section may file a petition for reinstatement which shall state the reasons for noncompliance, that the licensee is presently in compliance, any other material information and that the licensee has not performed any of the services set forth in A.C.A. § 17-12-505 since the suspension under this section. The petitioner may request a hearing and the Board may require additional CPE hours as a condition of reinstatement. Any reinstatement shall be subject to the provisions of Rule 13.9.

13.7 INACTIVE STATUS

(a) Except as provided in A.C.A. § 17-12-505(c), A licensee on inactive status shall not perform for the public any of the services set forth in A.C.A. § 17-12-505(a). If the licensee performs any such services, he or she shall be subject to discipline by the Board pursuant to A.C.A. § 17-12-602, et seq. or § 17-12-105.

(b) A licensee who complies with this Rule 13.7 shall be granted an exception to the continuing education requirement of A.C.A. § 17-12-502.

(c) To qualify for this exception, the licensee must annually pay the appropriate inactive status registration fee as determined by the Board and complete a form

prescribed by the Board.

(d) A person on inactive status may convert to active status as follows:

1. Complete a form prescribed by the Board and submit payment of the appropriate fee(s) (initial or upgrade) for active status.
2. Comply with CPE requirements under these rules for the renewal period following reinstatement on a pro rata basis, such hours to be computed at a rate of 3 1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs.
3. Undergo a federal and state background check.
4. Comply with the appropriate condition below:
 - (A) If inactive for less than three (3) years, the licensee must deliver documentation acceptable to the Board showing completion of forty (40) hours of CPE, qualified pursuant to Rule 13.2, for each consecutive (12) month period the licensee was on inactive status. For any period of less than twelve (12) consecutive months, whether alone or as part of a period exceeding twelve (12) months, the number of CPE hours shall be prorated at the rate of 3 1/3 hours of CPE per month of inactive status.
 - (B) If inactive for less than (1) year, the licensee will be considered not to have been inactive for CPE reporting purposes.
 - (C) If inactive for three (3) years or more, the licensee must develop and deliver to the Board a proposed program of CPE as specified in Rule 13.2(a) (to include four hours of accounting professional conduct and ethics). After the Board's approval of the CPE program the licensee shall complete all of the CPE hours during the 36-month period immediately preceding the date of the licensee's application for active status. The licensee shall attach to said application documentation acceptable to the Board showing successful completion of all of the CPE hours comprising said CPE program.
 - (D) Applicants who have been inactive for three (3) years or more must have at least one year of experience verified by a form approved by the Board from a licensee as defined in the Act or from another state. This experience must have been earned within the five years preceding the application for active status.

(a) Retired Status. A licensee who is at least 55 years old and has filed a request on a form prescribed by the Board stating that he or she has no association with accounting work for compensation may be granted retired status upon approval of the application. Licensees on retired status are not required to comply with the continuing professional education requirements set forth in Board Rule 13 or to make payment of annual license fees.

(1) The licensee who has been granted retired status immediately becomes ineligible for retired status upon:

(a) Re-entering the workforce in a position that has an association with accounting work for which he or she receives compensation; or

(b) Serving on a Board of Directors, Board of Trustees, or in a similar governance position, unless the service is provided without compensation and is for a charity or a civic or not-for-profit organization.

(2) Upon the occurrence of either 13.8(a)(1)(a) or 13.8(a)(1)(b) above, the licensee must notify the Board and request an application for active status or inactive status (if eligible) and:

a) Pay the license fee established by the Board;

b) Complete the active or inactive license application; and

c) If converting to active status, meet the requirements of Board Rule 13.7(d).

(b) Disabled Status. Disabled status may be granted to a licensee who submits to the Board a statement and a letter from the licensee's physician that identifies the disability and states that the individual is unable to work because of a severe, ongoing, physical or mental impairment or medical condition that is not likely to improve within the next 12 consecutive months. Licensees on disabled status are not required to comply with the continuing professional education requirements set forth in Board Rule 13 or to make payment of annual license fees.

(1) The licensee who has been granted disabled status immediately becomes ineligible for disabled status upon:

(a) Re-entering the workforce in a position that has an association with accounting work for which he or she receives compensation; or

(b) Serving on a Board of Directors, Board of Trustees, or in a similar governance position, unless the service is provided without compensation

and is for a charity or a civic or not-for-profit organization.

(2) Upon the occurrence of either 13.8(b)(1)(a) or 13.8(b)(1)(b) above, the licensee must notify the Board and request an application for active status or inactive status (if eligible) and:

- a) Pay the license fee established by the Board;
- b) Complete the active or inactive license application; and
- c) If converting to active status, meet the requirements of Board Rule 13.7(d).

(c) For purposes of this section the term "association with accounting work" shall include, but not be limited to, the following:

(1) Whether for the public or for an employer - Working, supervising, or providing oversight of accounting work performed in the areas of financial accounting and reporting; tax compliance, planning or advice; management advisory services; accounting information systems; treasury, finance, or audit; or

(2) Representing to the public, including an employer, that the individual is a CPA or public accountant in connection with the sale of any services or products involving accounting work, including such designation on a business card, letterhead, proxy statement, promotional brochure, advertisement, or office; or

(3) Offering testimony in a court of law purporting to have expertise in accounting and reporting, auditing, tax, or management services.

(d) All Board rules and all provisions of the Public Accountancy Act of 1975 apply to an individual in retired or disabled status. Licensees in retired status must use the term "Retired" adjacent to their CPA or PA title. Licensees in disabled status must use the term "Inactive" adjacent to their CPA or PA title.

13.9 ACTIVATION OF DELINQUENT, SUSPENDED OR REVOKED LICENSES

(a) A person whose license is delinquent, suspended, void, or revoked and who applies for active status will be subject to the same CPE requirements as those who wish to activate inactive licenses (see Rule 13.7).

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

<i>Rule number</i>	<i>Rule Title</i>	<i>Summary / Reason for Rule Change</i>
Rule 14	Quality Review	This rule change was necessary because of Act 278 of 2017. Peer Review has replaced our Quality Review program with the exception of Compilation reports – the Quality Review program has been scaled back significantly as a result.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Labor and Licensing

DIVISION Arkansas State Board of Public Accountancy

PERSON COMPLETING THIS STATEMENT Jimmy Corley, Executive Director

TELEPHONE NO. 501.682.5533 **FAX NO.** 501.682.5538 **EMAIL:** james.corley@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Board Rule 14 “Quality Review”

- 1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X_____
- 2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes X_____ No _____
- 3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X_____ No _____

If an agency is proposing a more costly rule, please state the following:

- (a) How the additional benefits of the more costly rule justify its additional cost;
- (b) The reason for adoption of the more costly rule;
- (c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and
- (d) Whether the reason is within the scope of the agency’s statutory authority, and if so, please explain.

- 3. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

- (a) What is the cost to implement the federal rule or regulation? **NA**

Current Fiscal Year

Next Fiscal Year

General Revenue _____
 Federal Funds _____
 Cash Funds _____
 Special Revenue _____

General Revenue _____
 Federal Funds _____
 Cash Funds _____
 Special Revenue _____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue_____

General Revenue_____

Federal Funds_____

Federal Funds_____

Cash Funds_____

Cash Funds_____

Special Revenue_____

Special Revenue_____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes_____ No X_____

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

Rule 14 QUALITY REVIEW PROGRAM

14.1 PURPOSE

There is hereby established a Quality Review Program (the "Program"). The purpose of the Program is to improve the quality of financial reporting and to assure that the public can rely on the fairness of presentation of financial information on which licensees issue compilation reports. The Program emphasizes education and rehabilitation rather than disciplinary action. Appropriate educational programs or procedures will ordinarily be recommended or required where reporting does not comply with appropriate professional standards. However, when a licensee is unwilling or unable to comply with such standards, or a licensee's professional work is so egregious as to warrant disciplinary action, such action may be taken as the appropriate means of protecting the public interest.

~~14.2 QUALITY REVIEW COMMITTEE REPEALED~~

~~(a) The Quality Review Committee (the Committee) will assist in the implementation and administration of the Program. The Committee's responsibilities will include:~~

- ~~(1) Developing procedures for the internal operation of the Committee,~~
- ~~(2) Developing criteria for assignment of reviewers to specific tasks,~~
- ~~(3) Assisting the Board in the selection and training of reviewers of reports,~~
- ~~(4) Evaluating the findings of the reviewers of reports and making reports and recommendations to the Board,~~
- ~~(5) Compiling and reporting to the Board statistics on the impact and effect of the Program, and~~
- ~~(6) Considering such other matters and performing such other duties regarding the Program as may be assigned to it by the Board from time to time.~~

~~(b) The composition of the Committee:~~

- ~~(1) The Committee shall be comprised of nine licensees appointed by the Board.~~
- ~~(2) The President shall annually appoint one member of the Board who shall be chair.~~
- ~~(3) The remaining members shall be selected at the Board's discretion from nominees submitted by professional accounting associations or from other qualified licensees identified by the Board. Their terms shall be three years and shall be staggered.~~

~~(c) The qualifications for serving as a member are:~~

- ~~(1) Licensed by and in good standing with the Board.~~
- ~~(2) The licensee or firm with which he is associated has completed an acceptable~~

~~peer review, pursuant to Rule 14.3(d), or has completed the Board's Quality Review, both including a minimum of one category of compilation, review, and/or audit with no fail reports within three years immediately preceding the appointment; and~~

~~(3) The licensee or his firm has no pending investigations or disciplinary matters by the Board.~~

~~(d) The chair shall vote only in case of a tie.~~

14.3 QR SURVEY

Quality Review (QR) is to be conducted annually on one third of the licensees on a rotating basis. QR may be required more frequently as provided herein.

(a) The Board will mail a QR survey to one-third of its licensees annually. The recipient shall return the completed survey form within the time specified and submit reports, for QR purposes, when compilation reports have been issued during the QR period as stated in the instructions in said survey form.

(b) Failure to respond to the QR survey mailed by the Board or to submit reports for QR purposes, when reports were issued during the subject period, shall be a basis for the non-renewal of the license, after notice and hearing, as provided by Ark. Code Ann. § 17-12-507.

(c) In response to the QR survey, the licensee shall submit the most recently issued ~~audit report, review report, governmental audit report, examination of prospective financial information, agreed upon procedures report, and~~ compilation report with disclosures ~~if any were issued and, if not, a and~~ compilation report without disclosures; ~~issued by the licensee~~ since initial licensure by the Board or since June 30th of the year the latest QR survey was completed by the licensee.

(d) Submission to the Board of an acceptable peer review report, performed by a CPA, PA or firm, licensed in this or another state, and the individual CPA or PA is qualified pursuant to the provisions of Rule 14.4-14.5(a)-(e), or 14.11, which is conducted consistent with a peer review program authorized by a professional accounting organization and approved by the Board, dated within the QR period or the ~~twenty-four~~ thirty months immediately preceding the QR period, will exempt the licensee from QR ~~on that type of report~~. For purposes of this paragraph, acceptable peer review reports shall be those classifications designated by the peer review program that are generally comparable to pass and pass with deficiencies QR reports as defined in Rule 14.8, and which the Board identifies in its approval of the individual peer review program as comparable to pass and pass with deficiencies QR reports.

(e) A firm or licensee registered in a jurisdiction other than Arkansas that is not required to register in this state pursuant to A.C.A. § 17-12-311 or A.C.A. § 17-12-401 and that performs engagements for clients in this state that are performed in accordance with Statements on Standards for Accounting and Review Services (SSARS), such as compilations and reviews, must receive an acceptable peer review performed by a CPA, PA or firm in lieu of the Quality Review required under Rule 14.3 or must receive an acceptable quality review performed under the rules of the state of licensure.

14.4 QR REVIEWERS

The QR reviewers shall have the following qualifications:

- (a) Licensed by and in good standing with the Board,
- (b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review ~~both including a minimum of one category of compilation, review, and/or audit~~ with no fail reports within three years immediately preceding the appointment,
- (c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and
- (d) Shall have a minimum of 5 years of experience in accounting and auditing, including experience in compilations ~~the type of report he will be reviewing.~~

14.5 TEAM CAPTAINS

Team captains shall have the following qualifications:

- (a) Licensed by and in good standing with the Board,
- (b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review ~~both including a minimum of one category of compilation, review, and/or audit~~ with no fail reports within three years immediately preceding the appointment,
- (c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and
- (d) Shall have a minimum of 5 years of experience in accounting and auditing, including experience in compilations ~~the type of report he will be reviewing.~~
- (e) Shall have served as a quality reviewer for a minimum of one year, and
- (f) Shall be approved by the QR Consultant.

14.6 QR CONSULTANT

The QR consultant shall have the following qualifications:

- (a) Licensed by and in good standing with the Board,
- (b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review ~~both including a minimum of one category of compilation, review, and/or audit~~ with no fail reports within three years immediately preceding the appointment,
- (c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and
- (d) Shall have a minimum of 5 years of experience in accounting and auditing, including experience in compilations ~~the type of report he will be reviewing~~, and
- (e) Shall be approved by the Board.

14.7 QR PROCEDURE

The QR process shall include:

- (a) Review and classification of the report and a statement of reasons for the classification by an assigned reviewer.
- (b) Review of that classification and reasons therefore by the QR team captain who may make appropriate changes after consulting with the assigned reviewer.
- (c) Review of that classification and reasons therefore by the Board's QR Consultant who may make appropriate changes after consulting with both the assigned reviewer and team captain.

14.8 QR CLASSIFICATIONS

The QR will result in a determination whether each report rating is fail, pass with deficiencies, or fail.

- (a) "Pass" means that the report contains no deficiencies or only minor deficiencies.
- (b) "Pass with Deficiencies" means that the report contains more serious deficiencies, such as departures from the technical reporting or accounting standards set forth in Board Rule 8, but of the type that will not render the statement materially inaccurate or misleading.
- (c) "Fail" means that the report is materially inaccurate or misleading; such a report

violates one or more significant reporting standards, seriously departs from Generally Accepted Accounting Principles, or does not include material disclosures necessary for a fair presentation.

(d) "Deficiency" means a failure to comply with any provision in the Professional Standards identified in Board Rule 8.

14.9 NOTIFICATION AND RESPONSE

(a) The licensee will be notified in writing of the QR classification of each report. Notice of pass with deficiencies and fail reports shall be by certified mail, return receipt requested. No response is necessary for a "pass" or "pass with deficiencies" classification, and QR will be closed. If the licensee who has received a pass with deficiencies classification disagrees, he should notify the Board in writing within 30 days. The notification will instruct the licensee who has received a fail classification to reply to the Board in writing within 30 days.

(b) Pass with Deficiencies classification. If the licensee agrees with the pass with deficiencies classification, no reply is necessary and the QR is complete. However, if the licensee disagrees with the classification, he may, but is not required to file a notice including an explanation of his objection, citations to applicable professional standards, and any relevant documentation supporting his objection to the classification for consideration by QR Consultant. This notice must be written and filed with the Board within 30 days. After reconsideration of the Summary of Deficiencies and Comments, original documents from the licensee, and any supplemental information from the licensee that may have been requested by the QR Team, the QR Consultant will affirm the classification of or reclassify the licensee's report. The licensee will be notified of this result in writing for informational purposes. The QR will be closed and the licensee will remain in the same QR cycle.

(c) Fail Classification.

(1) First fail classification.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of a first fail classification stating whether he agrees or disagrees with that classification.

(B) If the licensee agrees with the fail classification, the Board shall request that the licensee obtain 16 hours of CPE in specific subjects. ~~In the event there is another fail classification on a different type of report in the same QR cycle, additional CPE may be requested.~~ Said CPE is intended to be educational, for the purpose of improving the quality of the licensee's reports, rather than disciplinary in nature, shall not be self-study, and shall be approved in advance by the

Board's Executive Director. The licensee shall complete said CPE hours and deliver acceptable documentation thereof to the Board on or before June 30 of the following year.

(C) If the licensee disagrees with the fail classification, he may deliver written notice to the Board within 30 days explaining the objection to the classification, citation to applicable professional standards and any relevant documentation supporting the licensee's objection to the classification. The QR Consultant shall review the Summary of Deficiencies and Comments, original documents from the licensee, and any supplemental information from the licensee that may have been requested by the QR Team, and will affirm the classification of, or reclassify the licensee's report. The licensee will be provided written notice of the QR Consultant's review of the report by certified mail, return receipt requested.

~~(D) The licensee can request that the QR Committee review the QR Consultant's reconsideration of the classification of the licensee's report. Said request shall be filed with the Board in writing within 30 days.~~

~~(E) The QR Committee will consider the classification based upon all records considered by the QR Consultant as described by paragraph (b) and determine the appropriate classification for the report. The licensee will be notified of the Committee's classification of the report in writing by certified mail, return receipt requested.~~

~~(F)~~ The licensee can appeal the QR Consultant's Committee's decision on the classification, and obtain a hearing by the Board by filing a written notice of appeal with the Board within 30 days. The Board shall notify the licensee of the time and place of the hearing and shall consider the classification of the report based solely upon the record considered by the QR Consultant ~~and QR Committee~~, as per paragraph (b). When the evidence of record that the report is a fail report is considered, the Board will consider all relevant facts. Should the facts show convincingly that the report should be classified as "fail", the Board will consider the report as fail. If the evidence of record is equally balanced, or the Board cannot find that the facts are convincing, the Board shall determine that the report should not be classified as fail. Should the Board find that the report should be classified as fail, it may require appropriate action by the licensee that is designed to assure that the licensee's professional services are performed consistent with applicable professional standards as provided under these procedures.

~~(G)~~ Following any first fail classification of the report that becomes final prior to appeal to the Board, the licensee will be requested to obtain the 16 hours of CPE as stated in paragraph 14.9(c)(1)(B) above. Upon request of the licensee, or should the licensee not agree to obtain CPE described above, fail to complete said CPE, or fail to timely deliver satisfactory documentation thereof to the Board, the Board shall conduct a hearing to determine whether the licensee has failed to comply with the Code of Professional

Conduct and the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq. and, if so, the necessary corrective action to be taken to improve the quality of the licensee's reports or to otherwise protect the public interest.

(2) Second consecutive fail report.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of a second fail classification stating whether he agrees or disagrees with that classification.

(B) If he agrees with the classification, the licensee will be requested to submit ~~all of the types of reports classified as fail to a licensee approved by the Board~~ for pre-issuance review pursuant to the Board's current Pre-Issuance Review Procedures that shall be provided to the licensee.

(C) If the licensee disagrees with the fail classification, he will be instructed to file notice including an explanation of his objection to the classification, citation to applicable professional standards, and any relevant documentation supporting his position for reconsideration by QR Consultant. The provisions set forth in subparagraph 14.9(c)(1)(D-~~EG~~) for reconsideration by the QR Consultant, ~~for review by the QR Committee~~ and appeal to the Board are also applicable to second consecutive fail reports.

(D) Upon appeal, should the Board find that the report should be classified as fail, it may require that the licensee take action deemed appropriate by the Board to assure the licensee's professional services are performed consistent with applicable professional standards or to otherwise protect the public interest.

(E) If at any stage of the QR procedure in this subparagraph 14.9(c)(2) pertaining to second consecutive fail reports, the licensee fails to respond to the notice of the classification of the report as fail in the original review or upon reconsideration by the QR Consultant or review by the QR Committee, the Board will determine whether to schedule a hearing to find whether the licensee's report should be classified as fail and whether the Board shall require the licensee to obtain pre-issuance review and subsequent QR pursuant to the Board's current Pre-Issuance Review Procedures or take other action appropriate to protect the public interest.

(3) Third consecutive fail report.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of third fail classification stating whether he agrees or disagrees with that classification.

(B) If the licensee agrees with the classification, the Board will determine whether to conduct a hearing to consider whether the licensee's report violates the Board's Code of Professional Conduct and the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq.

(C) If the licensee disagrees with the fail classification, he will be instructed to file notice including an explanation of the objection to the classification, citation to applicable professional standards and any relevant documentation supporting his position for consideration by QR Consultant.

(D) The procedure set forth in subparagraph 14.9(c)(1)(D-~~EG~~) for reconsideration by the QR Consultant, ~~for review by the QR Committee~~ and appeal to the Board are also applicable to third consecutive fail reports.

(E) Upon appeal, should the Board find that the report is in violation of the Code of Professional Conduct or the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq., it may take appropriate action to protect the public interest.

(F) If at any stage of the QR procedure in this paragraph 14.9(c)(3), the licensee fails to respond to the notice of the classification of the report as fail in the original review or upon review by the QR Consultant or review by the QR Committee, the Board will determine whether to schedule a hearing to determine whether the licensee has violated the Board's Code of Professional Conduct or the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq., and the appropriate action to be taken as a result of the violations found.

(G) Consent orders. At any stage in the QR process, when a licensee will agree not to perform any further reports that have been classified as fail or to other appropriate action to protect the public interest, the Board may resolve the controversy by an appropriate Consent Order.

14.10 PRE-ISSUANCE REVIEW PROCEDURES

(a) Pre-Issuance Reviewer (Reviewer) shall be a CPA or PA currently holding an Arkansas license to practice public accountancy, who has undergone quality or peer review within the past 3 years with reports thereon determined to be acceptable pursuant to Rule 14.3(d), and approved by the Board prior to performing preissuance reviews for the subject Accountant (Respondent). Prior to performing any pre-issuance review services, the Reviewer shall deliver a written confirmation to the Board to provide pre-issuance review of each compilation report ~~financial statement or related attestation report (cumulatively "Report")~~ prepared by the subject respondent for the period of the engagement. The Respondent whose Reports are being reviewed shall be solely responsible for any expense for the pre-issuance review.

(b) Reviewer shall review, prior to release to Respondent's client, each Report as identified above to determine compliance with professional standards identified in Board Rule 8 or otherwise applicable to the particular type of Report and shall authorize the release of a Report only after making a written determination that the Report complies with said standards. In the event a submitted Report does not

comply with said standards, the reviewer shall provide written comments or instructions for the Respondent to revise the Report in compliance with applicable professional standards.

(c) Reviewer shall maintain a pre-issuance review file on each Report review performed. The file shall contain each original Report submitted to reviewer, the reviewer's written comments or instructions in any form regarding necessary revisions for the Report to comply with professional standards, any revised Report(s) and the Report(s) approved for release to the client. Reports reviewed and found acceptable with no change shall be clearly noted on the file Report, "Accepted-No Change Required".

(d) Reviewer shall maintain the pre-issuance review files for a minimum of five years after each pre-issuance review engagement is completed and shall make said records available to the Board upon request.

(e) Reviewer shall submit a written report to the Arkansas Board of Public Accountancy every ninety (90) days following the date of the Reviewer's confirmation to the Board. The report shall contain a summary of the number ~~and type~~ of Reports reviewed, number of Reports with no change required, and number of Reports requiring amendment. For Reports requiring change, a copy of each original Report submitted by Licensee, Reviewer notations, and/or comment sheet(s) and the revised and approved Report(s) must accompany the report.

(f) Reviewer may recommend in writing with accompanying supporting documentation that the Respondent be released from continuing pre-issuance review. Should the Board determine that the Respondent appears to have demonstrated an ability to issue Reports in compliance with applicable professional standards without the necessity of continuing pre-issuance review, it shall terminate the pre-issuance review, but may require the Respondent to participate in annual quality review for a specific or indefinite term.

~~14.11 PEER REVIEWER STANDARDS~~

~~(a) In order to qualify to perform peer review for the exemption from Quality Review requirements of 14.3, an individual licensee must have the applicable qualifications for reviewers set forth in Rules 14.4, or supervisors set forth in Rules 14.5, except 14.5(f) for team captains.~~

~~(b) An individual peer reviewer not licensed or registered in Arkansas under Ark. Code Ann. § 17-12-301 et seq., shall meet the requirements set forth in Ark. Code Ann. § 17-12-311.~~

<i>Rule number</i>	<i>Rule Title</i>	<i>Summary / Reason for New Rule</i>
Rule 21	Prelicensure Criminal Background Petitions	We are promulgating this new rule because of Act 990 of 2019. This rule lays out the process by which an applicant with a criminal background may petition our Board for determination of whether the applicant's criminal background will disqualify the applicant and whether or not a waiver could be obtained.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Labor and Licensing

DIVISION Arkansas State Board of Public Accountancy

PERSON COMPLETING THIS STATEMENT Jimmy Corley, Executive Director

TELEPHONE NO. 501.682.5533 **FAX NO.** 501.682.5538 **EMAIL:** james.corley@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Board Rule 21 “Prelicensure Criminal Background Petition”

1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X_____

2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes X_____ No _____

3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X_____ No _____

If an agency is proposing a more costly rule, please state the following:

- (a) How the additional benefits of the more costly rule justify its additional cost;

 - (b) The reason for adoption of the more costly rule;

 - (c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and

 - (d) Whether the reason is within the scope of the agency’s statutory authority, and if so, please explain.
3. If the purpose of this rule is to implement a federal rule or regulation, please state the following:
 - (a) What is the cost to implement the federal rule or regulation? **NA**

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total_____

Total_____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue_____

General Revenue_____

Federal Funds_____

Federal Funds_____

Cash Funds_____

Cash Funds_____

Special Revenue_____

Special Revenue_____

Other (Identify)_____

Other (Identify)_____

Total_____

Total_____

- 5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0 _____

\$ 0 _____

- 7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes _____ No X _____

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously

with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

NEW RULE

Rule 21 Prelicensure Criminal Background Petition

21.1 AUTHORITY

- (a) Pursuant to Ark. Code Ann. § 17-2-103(a)(1), an individual with a criminal record may petition the Board at any time for a determination of whether the individual's criminal record will disqualify him or her from licensure and whether he or she could obtain a waiver under Ark. Code Ann. § 17-2-102(b).
- (b) Ark. Code Ann. § 17-2-104 requires the Board to adopt rules to implement this process.

21.2 FORM AND CONTENTS OF PETITION

- (a) An individual wishing to submit a prelicensure criminal background petition shall do so on a form provided by the Board.
- (b) The petitioner shall complete all portions of the petition form and shall provide the following information:
 - (1) Full name, mailing address, email address, and phone number;
 - (2) Identification of the court, case name, and case number in which the petitioner was found guilty or pleaded guilty or nolo contendere;
 - (3) Name of each crime and relevant statute under which petitioner was found guilty or pleaded guilty or non contendere;
 - (4) Date of the judgment or sentencing order; and
 - (5) A file-marked copy of the judgment or sentencing order.
- (c) If the petitioner wishes to do so, he or she may also submit a written position statement concerning the three issues the Board will address in its determination, which are set forth in Rule 21.3(f).

21.3 CONSIDERATION OF PETITION

- (a) A completed petition shall be submitted to the Board's executive director via certified mail, return receipt requested.
- (b) The executive director shall present any properly-completed petition to the Board's Compliance Committee at the next Compliance Committee meeting following receipt of the petition. However, if the executive director determines that the

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petition has not been properly completed, he or she shall return the petition to the petitioner at the address provided on the petition with instructions as to any additional information the petitioner needs to supply.

- (c) After considering the petition, the Compliance Committee shall make a recommendation to the Board regarding its determination on the petition.
- (d) The Board shall consider the petition and may accept, reject, or modify the Compliance Committee's recommendation.
- (e) For the purposes of considering a prelicensure criminal background petition, the Board shall accept as true the facts as stated in the petition.
- (f) In making its determination on a prelicensure criminal background petition, the Board shall address the following three issues:
 - (1) Whether the petitioner's criminal record, as set forth in the petition, will disqualify the petitioner from licensure under Ark. Code Ann. § 17-2-102;
 - (2) If the petitioner's criminal record will disqualify the petitioner from licensure, then whether the petitioner *could* obtain a waiver under Ark. Code Ann. § 17-2-102(b); and
 - (3) Whether the petitioner's criminal record could result in the denial of an application for licensure under Ark. Code Ann. § 17-12-601, regardless of whether the petitioner would be disqualified from licensure under Ark. Code Ann. § 17-2-102.
- (g) The Board's determination on a prelicensure criminal background petition shall be put in writing and served on the petitioner at the address provided in the petition via certified mail, return receipt requested.
- (h) The Board's determination is not subject to appeal.

21.4 APPLICABILITY OF DETERMINATION IN LICENSE APPLICATION PROCESS

- (a) A determination on a prelicensure criminal background petition that is unfavorable to the petitioner does not preclude the petitioner from later applying for licensure. However, the determination will be reviewed and taken into consideration by the Board in its decision on whether to grant an application for an individual CPA or PA license.
- (b) An applicant for an individual CPA or PA license must undergo the criminal background check required under Rule 10.2 regardless of whether that individual has completed the prelicensure criminal background petition process set out in this rule.

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- (c) If the results of the criminal background check required under Rule 10.2 match the facts concerning the applicant's criminal history that were provided in a precensure criminal background petition, and if the Board determined in response to the petition that either (1) the petitioner's criminal history either does not disqualify the individual from licensure, or (2) the petitioner could obtain a waiver under Ark. Code Ann. § 17-2-102(b), then the Board will be bound by its determination on the precensure criminal background petition.
- (d) If the Board discovers during the license application process that the facts of the applicant's criminal background are different from those set out in the precensure criminal background petition, the Board will not be bound by its determination on the petition.
- (e) A determination by the Board in response to a precensure criminal background petition that an individual with an otherwise disqualifying criminal history *could* obtain a waiver under Ark. Code Ann. § 17-2-102(b) does not mean that the individual *will* be granted such waiver. Whether to grant a waiver, when permissible, may only be decided through a hearing requested by:
 - (1) An affected applicant for a license; or
 - (2) An individual holding a license subject to revocation.