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## Fast-Track Regulation Agency Background Document

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| <b>Agency name</b>                                    | Virginia Board of Accountancy        |
| <b>Virginia Administrative Code (VAC) citation(s)</b> | 18VAC5-22                            |
| <b>Regulation title(s)</b>                            | Board of Accountancy Regulations     |
| <b>Action title</b>                                   | Update to CPA examination procedures |
| <b>Date this document prepared</b>                    | November 8, 2017                     |

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Orders 17 (2014) and 58 (1999), and the *Virginia Register Form, Style, and Procedure Manual*.

### Brief summary

*Please provide a brief summary (preferably no more than 2 or 3 paragraphs) of the proposed new regulation, proposed amendments to the existing regulation, or the regulation proposed to be repealed. Alert the reader to all substantive matters or changes. If applicable, generally describe the existing regulation.*

The proposed amendment makes evergreen the rules and procedures under which candidates take the Uniform Certified Public Accountant Examination, and ensure portability of exam scores with other jurisdictions.

### Acronyms and Definitions

*Please define all acronyms used in the Agency Background Document. Also, please define any technical terms that are used in the document that are not also defined in the "Definition" section of the regulations.*

“The Board” means the Virginia Board of Accountancy.

“CPA” means Certified Public Accountant.

“NASBA” means National Association of State Boards of Accountancy.

“Uniform Certified Public Accountant Examination” or “Uniform CPA Examination” is the examination designed to assess the knowledge and skills entry-level CPAs need to practice public accountancy. NASBA currently administers and oversees the examination, including testing rules and procedures.

### Statement of final agency action

*Please provide a statement of the final action taken by the agency including: 1) the date the action was taken; 2) the name of the agency taking the action; and 3) the title of the regulation.*

On November 7, 2017, the Board voted to take regulatory action to amend 18VAC5-22-80 through the fast-track process.

### Legal basis

*Please identify the state and/or federal legal authority to promulgate this proposed regulation, including: 1) the most relevant citations to the Code of Virginia or General Assembly chapter number(s), if applicable; and 2) promulgating entity, i.e., agency, board, or person. Your citation should include a specific provision authorizing the promulgating entity to regulate this specific subject or program, as well as a reference to the agency/board/person’s overall regulatory authority.*

Va. Code § 54.1-4403(3) grants authority to the Board to promulgate regulations, “in accordance with the Administrative Process Act (§ 2.2-4000 et seq.) necessary to assure continued competency, to prevent deceptive or misleading practices by licensees, and to effectively administer the regulatory system.” The Board is the promulgating entity for regulations governing public accountancy. Section 54.1-4403(1) and (2) specifically references the Board’s power to establish and examine the qualifications for licensure, “including the preparation, administration and grading of the CPA examination.”

### Purpose

*Please explain the need for the new or amended regulation. Describe the rationale or justification of the proposed regulatory action. Describe the specific reasons the regulation is essential to protect the health, safety or welfare of citizens. Discuss the goals of the proposal and the problems the proposal is intended to solve.*

This amendment is intended to ensure that the testing rules and procedures for the Uniform CPA Examination are evergreen and that there is consistency and uniformity of Uniform CPA Examination rules and procedures for better interstate portability of licensing and examination eligibility. The Uniform CPA Examination is continually updated (the most recent change occurring in April 2017), and while the most recent change did not necessitate a change in testing rules and procedures, the Board is cognizant that NASBA, the organization currently charged with administration and oversight, may make a change in the future to its testing rules and procedures that would necessitate a lengthy standard rulemaking, which might jeopardize the portability of exam scores for Virginia candidates. In the hopes of keeping the newly amended language as evergreen as possible, NASBA is not specifically named in the regulation, if in the future NASBA is no longer the organization that administers and oversees the Uniform CPA Examination.

### Rationale for using fast-track process

*Please explain the rationale for using the fast-track process in promulgating this regulation. Why do you expect this rulemaking to be noncontroversial?*

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This rulemaking is expected to be noncontroversial because the proposed amendment does not change the existing testing rules and procedures. This change is also supported by the Virginia Society of Certified Public Accountants.

### Substance

*Please briefly identify and explain the new substantive provisions, the substantive changes to existing sections, or both. A more detailed discussion is provided in the "Detail of changes" section below.*

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The proposed amendment replaces the prescribed procedural restrictions on taking the Uniform CPA Examination with an evergreen provision that encompasses the procedural restrictions set by the national organization that administers and oversees the Uniform CPA Examination.

### Issues

*Please identify the issues associated with the proposed regulatory action, including: 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions; 2) the primary advantages and disadvantages to the agency or the Commonwealth; and 3) other pertinent matters of interest to the regulated community, government officials, and the public. If there are no disadvantages to the public or the Commonwealth, please indicate.*

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- 1) There are no primary disadvantages to the public. The primary advantages to the public are greater likelihood that Virginia candidates for the Uniform CPA Examination will enjoy portability of their exam scores, allowing them to pursue licensure in additional jurisdictions.
- 2) There are no primary disadvantages to the Board or the Commonwealth. The primary advantages to the Board and the Commonwealth is that any future changes to the testing rules and procedures for the Uniform CPA Examination will not necessitate regulatory changes.
- 3) There is no restraint on competition as a result of promulgating this regulation.

### Requirements more restrictive than federal

*Please identify and describe any requirement of the proposal which is more restrictive than applicable federal requirements. Include a rationale for the need for the more restrictive requirements. If there are no applicable federal requirements or no requirements that exceed applicable federal requirements, include a statement to that effect.*

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There are no applicable federal requirements.

### Localities particularly affected

*Please identify any locality particularly affected by the proposed regulation. Locality particularly affected means any locality which bears any identified disproportionate material impact which would not be experienced by other localities.*

There are no localities particularly affected.

### Regulatory flexibility analysis

*Pursuant to § 2.2-4007.1B of the Code of Virginia, please describe the agency’s analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) the establishment of less stringent compliance or reporting requirements; 2) the establishment of less stringent schedules or deadlines for compliance or reporting requirements; 3) the consolidation or simplification of compliance or reporting requirements; 4) the establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5) the exemption of small businesses from all or any part of the requirements contained in the proposed regulation.*

There are no alternative methods consistent with health and safety of the public.

### Economic impact

*Please identify the anticipated economic impact of the proposed new regulations or amendments to the existing regulation. When describing a particular economic impact, please specify which new requirement or change in requirement creates the anticipated economic impact.*

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| <b>Projected cost to the state to implement and enforce the proposed regulation, including:<br/>a) fund source / fund detail; and<br/>b) a delineation of one-time versus on-going expenditures</b>  | There are no projected costs.  |
| <b>Projected cost of the new regulations or changes to existing regulations on localities.</b>   | There are no projected costs.  |
| <b>Description of the individuals, businesses, or other entities likely to be affected by the new regulations or changes to existing regulations.</b>  | The individuals, businesses, or other entities likely to be affected are persons who intended to take or already are in the process of taking the Uniform CPA Examination. |
| <b>Agency’s best estimate of the number of such entities that will be affected. Please include an estimate of the number of small businesses affected.</b> Small business means a business entity, including its affiliates, that:<br>a) is independently owned and operated and;<br>b) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million. | Annually, there is an average of 1,930 first time exam takers.   |
| <b>All projected costs of the new regulations or changes to existing regulations for affected individuals, businesses, or other</b>  | There are no projected costs.  |

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| <p>entities. Please be specific and include all costs including:<br/>                 a) the projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses; and<br/>                 b) specify any costs related to the development of real estate for commercial or residential purposes that are a consequence of the proposed regulatory changes or new regulations.</p> |   |
| <p>Beneficial impact the regulation is designed to produce.</p>   | <p>To make evergreen Virginia's testing rules and procedures for the Uniform CPA Examination.</p> |

### Alternatives

*Please describe any viable alternatives to the proposal considered and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the action. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in § 2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulation.*

There are no alternatives to the proposed action that is less burdensome and less intrusive.

### Public participation notice

*If an objection to the use of the fast-track process is received within the 30-day public comment period from 10 or more persons, any member of the applicable standing committee of either house of the General Assembly or of the Joint Commission on Administrative Rules, the agency shall: 1) file notice of the objections with the Registrar of Regulations for publication in the Virginia Register; and 2) proceed with the normal promulgation process with the initial publication of the fast-track regulation serving as the Notice of Intended Regulatory Action.*

### Periodic review and small business impact review report of findings

*If this fast-track is the result of a periodic review/small business impact review, use this form to report the agency's findings. Please (1) summarize all comments received during the public comment period following the publication of the Notice of Periodic Review and (2) indicate whether the regulation meets the criteria set out in Executive Order 17 (2014), e.g., is necessary for the protection of public health, safety, and welfare, and is clearly written and easily understandable. In addition, as required by 2.2-4007.1 E and F, please include a discussion of the agency's consideration of: (1) the continued need for the regulation; (2) the nature of complaints or comments received concerning the regulation from the public; (3) the complexity of the regulation; (4) the extent to which the regulation overlaps, duplicates, or conflicts with federal or state law or regulation; and (5) the length of time since the regulation has been evaluated or the degree to which technology, economic conditions, or other factors have changed in the area affected by the regulation.*

This proposed action is not the result of a periodic review/small business impact review.

**Family impact**

*Please assess the impact of this regulatory action on the institution of the family and family stability including to what extent the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one’s spouse, and one’s children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.*

This proposed action will have no impact on the institution of the family and family stability.

**Detail of changes**

*Please list all changes that are being proposed and the consequences of the proposed changes; explain the new requirements and what they mean rather than merely quoting the proposed text of the regulation. If the proposed regulation is a new chapter, describe the intent of the language and the expected impact. Please describe the difference between existing regulation(s) and/or agency practice(s) and what is being proposed in this regulatory action. If the proposed regulation is intended to replace an emergency regulation, please follow the instructions in the text following the three chart templates below.*

For changes to existing regulation(s), please use the following chart:

| <b>Current section number</b> | <b>Proposed new section number, if applicable</b> | <b>Current requirement</b>   | <b>Proposed change, intent, rationale, and likely impact of proposed requirements</b>   |
|-------------------------------|---|--|---|
| 18VAC5-22-90                  | N/A   | Regulation currently permits exam takers to take sections of the Uniform CPA Examination in any order and that if an exam taker fails a section, they may not retake that section until the next calendar quarter. | <p>Change: Replace these prescribed restrictions on taking the Uniform CPA Examination with the restrictions set by the national organization that administers and oversees the Uniform CPA Examination.</p> <p>Intent: To make evergreen the testing rules and procedures for the Uniform CPA Examination.</p> <p>Rationale: The current requirements do match the current exam testing rules and procedures under which NASBA administers the Uniform CPA Examination. However, in the event a change is made to the testing rules and procedures by NASBA or a future entity tasked with administration and oversight of the CPA examination, the Board wishes to ensure that there is no interruption to Virginia CPA exam candidates ability to sit for the examination or for their scores to be transferable to other jurisdictions.</p> <p>Likely Impact: There is no impact to current exam takers as the amendment would not change current testing rules</p> |

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|  |  |  | and procedures. A likely future impact is in the event the testing rules and procedures change, that Virginia exam candidates will not experience any disruption to their ability to take the Uniform CPA Examination or to their ability to transfer scores to other jurisdictions. |
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