

Regulatory Analysis Form

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REVIEW COMMISSION

IRRC Number: 2390

(1) Agency

Department of State, Bureau of Professional and Occupational Affairs, State Board of Accountancy

(2) I.D. Number (Governor's Office Use)

16A-5510

(3) Short Title

CPA Examination

(4) PA Code Cite

49 Pa. Code §§11.4 and 11.11-11.19

(5) Agency Contacts & Telephone Numbers

Primary Contact: Steven Wennberg, Board Counsel
783-7200

Secondary Contact: Joyce McKeever, Deputy Chief Counsel, 783-7200

(6) Type of Rulemaking (check one)

Proposed Rulemaking

Final Order Adopting Regulation

Final Order, Proposed Rulemaking

Omitted

(7) Is a 120-Day Emergency Certification Attached?

No

Yes: By the Attorney General

Yes: By the Governor

(8) Briefly explain the regulation in clear and nontechnical language.

The rulemaking adopts completion requirements for the new computer-based CPA examination, including special rules for examination candidates who earned conditional credit for passing parts of the former paper-and-pencil CPA examination. The rulemaking also deletes outdated and unnecessary regulations related to examination administration and revises for clarity a regulation relating to character references for examination candidates.

(9) State the statutory authority for the regulation and any relevant state or federal court decisions.

Section 3(a)(12) of the CPA Law (63 P.S. §9.3(a)(12)) authorizes the Board to adopt such regulations as are necessary to carry out the provisions of the CPA Law.

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(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

The rulemaking is not mandated by any federal or state law or court order, or by any federal regulation.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

The rulemaking is necessary for implementation of the computer-based examination in Pennsylvania as of its national launch date on April 5, 2004. The rulemaking ensures that new examination candidates in Pennsylvania will be subject to the same examination completion requirements as new examination candidates in other states, and that re-examination candidates in Pennsylvania who earned conditional credit for passing parts of the former paper-and-pencil examination will have a reasonable transition period within which to pass the remaining parts of the examination in its computer-based format. The rulemaking is also necessary to eliminate existing examination regulations that are in conflict with how the computer-based examination will be administered throughout the United States.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

The principal risk associated with nonregulation is that Pennsylvania examination candidates will be subject to outdated examination completion requirements following implementation of the computer-based examination. This would create confusion and uncertainty among candidates and the examination administration organizations and would likely result in hardship to those candidates who have planned their examination-taking in the expectation that Pennsylvania would adopt the same examination completion requirements as other states.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

The rulemaking benefits examination candidates by affording them greater flexibility in taking the examination, which will have the effect of speeding up the process for obtaining certification as a certified public accountant. The rulemaking also benefits the public by requiring candidates to demonstrate their proficiency in all examination subjects within a more meaningful timeframe than is currently required under the Board's regulations.

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(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

The Board cannot identify any group that will be adversely affected by the rulemaking.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

The rulemaking affects all current and prospective examination candidates, including persons who earned conditional credit for passing one or more parts of the paper-and-pencil examination as of April 5, 2004. The number of prospective examination candidates cannot be estimated; however, there are approximately 635 active examination candidates with conditional credit from the paper-and-pencil examination.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

Because the rulemaking adopts national examination completion standards while eliminating outdated and unnecessary regulations, the Board did not seek public input in drafting the rulemaking.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

The rulemaking will not result in costs or savings to the regulated community, and it will not impose new legal, accounting or consulting procedures. (Examination candidates will be charged higher fees for the computer-based examination than were charged for the paper-and-pencil examination. However, the higher fees are not the result of the rulemaking. The fee for taking the complete (four-part) computer-based examination is \$470. The fee for taking each part of the examination separately ranges from \$100.50 to \$134.50, depending on the part taken. The fee for taking the complete (four-part) paper-and-pencil examination was \$135; the fees for taking three parts, two parts and one part were \$112.50, \$90 and \$67.50, respectively. The application fee for the computer-based examination fee is \$75; the application for the paper-and-pencil examination was \$45. The new fees compare favorably with the examination fees for other licensed professions in Pennsylvania, including medical doctors, dentists and architects.)

Regulatory Analysis Form

(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

The rulemaking will not result in costs or savings to local government.

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

The rulemaking will not result in costs or savings to state government.

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(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY	FY +1	FY +2	FY +3	FY +4	FY +5
SAVINGS:	None	None	None	None	None	None
Regulated						
Local Government						
State Government						
Total Savings						
COSTS:						
Regulated	None	None	None	None	None	None
Local Government						
State Government						
Total Costs						
REVENUE LOSSES:	None	None	None	None	None	None
Regulated						
Local Government						
State Government						
Total Revenue Losses						

(20a) Explain how the cost estimates listed above were derived.

N/A

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(20b) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
Accountancy	\$654,760.25	\$715,962.80	\$823,483.57 (est.)	\$879,000.00 (est.)

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

The rulemaking updates the Board's examination requirements, to the benefit of all current and prospective examination candidates and to the cost of none.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

The Board did not consider a nonregulatory alternative.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

Because the rulemaking only amends an existing regulatory scheme, the Board did not consider an alternative regulatory scheme.

Regulatory Analysis Form

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

There are no federal standards applicable to the CPA examination.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

The rulemaking will not put Pennsylvania at a disadvantage with other states. The rulemaking adopts national completion standards based on model regulations jointly developed by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy. (A copy of the model regulations is attached as Appendix A.) The accountancy licensing boards of other states are adopting the same national completion standards, and their transition rules for examination candidates with conditional credit under the paper-and-pencil examination are believed to be comparable with the Board's.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

The rulemaking will not affect other existing or proposed regulations of the Board or of any other state agency.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

The Board has not scheduled public hearings or informational meetings on the rulemaking. The Board, through its test administering organization, is providing individual notice of the examination requirements to new examination candidates and to previously conditioned candidates whose addresses are on file with the test administering organization.

Regulatory Analysis Form

(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

The rulemaking will not affect existing reporting, recordkeeping or other paperwork requirements.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

The rulemaking contains provisions that address the special circumstances of examination candidates who received conditional credit for passing parts of the paper-and-pencil examination. The provisions apprise candidates of how their conditional credit will be converted to credit under the computer-based examination and establish a reasonable transition period for completing the remaining parts of the examination. (The rulemaking does not impact the special accommodations that are currently given to disabled examination candidates under the Americans with Disabilities Act.)

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

The rulemaking will take effect upon publication in the Pennsylvania Bulletin, and will be applicable during all relevant time frames associated with implementation of the computer-based examination on April 5, 2004.

(31) Provide the schedule for continual review of the regulation.

The Board has a committee on regulations that evaluates the continued effectiveness of regulations on a yearly basis.

1 standard-setting procedure and approved by the Board.

2
3 **Rule 5-7 – Retake and Granting of Credit Requirements**
4

5 (a) A Candidate shall be required to pass all sections of the examination provided for in
6 Section 5(d) of the Act in order to qualify for a certificate. Prior to the
7 implementation of a computer-based examination, if at a given sitting of the
8 examination a Candidate passes two or more but not all sections, then the
9 Candidate shall be given credit for those sections that the Candidate has passed and
10 need not sit for reexamination in those sections, provided that-

- 11
- 12 (1) at that sitting the Candidate wrote all sections of the examination for which the
13 Candidate does not have credit;
- 14
- 15 (2) the Candidate attained a minimum grade of 50 on each section taken at that
16 sitting;
- 17
- 18 (3) the Candidate passes the remaining sections of the examination within six
19 consecutive examinations given after the one at which the first sections were
20 passed;
- 21
- 22 (4) at each subsequent sitting at which the Candidate seeks to pass any additional
23 sections, the Candidate sits for all sections for which the Candidate does not
24 have credit; an
- 25
- 26 (5) in order to receive credit for passing additional sections in any such
27 subsequent sitting, the Candidate attains a minimum grade of 50 on sections
28 taken at that sitting.
29

30 (b) Upon the implementation of a computer-based examination, a Candidate may take
31 the required Test Sections individually and in any order. Credit for any Test
32 Section(s) passed shall be valid for eighteen months from the actual date the
33 Candidate took that Test Section, without having to attain a minimum score on any
34 failed Test Section(s) and without regard to whether the Candidate has taken other
35 Test Sections.
36

- 37 (1) Candidates must pass all four Test Sections of the Uniform CPA Examination
38 within a rolling eighteen-month period, which begins on the date that the first
39 Test Section(s) passed is taken.
40
- 41 (2) Candidates cannot retake a failed Test Section(s) in the same examination
42 window. An examination window refers to a three-month period in which
43 Candidates have an opportunity to take the CPA examination (comprised of
44 two months in which the examination is available to be taken and one month in
45 which the examination will not be offered while routine maintenance is
46 performed and the item bank is refreshed). Thus, Candidates will be able to
47 test two out of the three months within an examination window.

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

5
6 (c) Candidates having earned conditional credits on the paper-and-pencil examination,
7 as of the launch date of the computer-based Uniform CPA Examination, will retain
8 conditional credits for the corresponding Test Sections of the computer-based CPA
9 examination as follows:

Paper-and-Pencil Examination	Computer-Based Examination
Auditing	Auditing and Attestation
Financial Accounting and Reporting (FARE)	Financial Accounting and Reporting
Accounting and Reporting (ARE)	Regulation
Business Law and Professional Responsibilities (LPR)	Business Environment and Concepts

10 1) Candidates who have attained conditional status as of the launch date of the
11 computer-based Uniform CPA Examination will be allowed a transition period
12 to complete any remaining Test Sections of the CPA examination. The
13 transition is the maximum number of opportunities that Candidates who have
14 conditioned under the paper-and-pencil examination have remaining, at the
15 launch of the computer-based CPA examination, to complete all remaining
16 Test Sections, or the number of remaining opportunities under the paper-and-
17 pencil examination, multiplied by six months, whichever is first exhausted.

18
19 2) If a previously conditioned Candidate does not pass all remaining Test
20 Sections during the transition period, conditional credits earned under the
21 paper-and-pencil examination will expire and the Candidate will lose credit for
22 the Test Sections earned under the paper-and-pencil examination. However,
23 any Test Section(s) passed during the transition period is subject to the
24 conditioning provisions of the computer-based examination as indicated in the
25 aforementioned conditioning recommendation, except that a previously
26 conditioned Candidate will not lose conditional credit for a Test Section of the
27 computer-based examination that is passed during the transition period, even
28 though more than eighteen months may have elapsed from the date the Test
29 Section is passed, until the end of the transition period.

30
31 (d) A Candidate shall retain credit for any and all Test Sections of an examination
32 passed in another state if such credit would have been given, under then applicable

1 requirements, if the Candidate had taken the examination in this State.

2
3 (e) The Board may in particular cases extend the term of conditional credit validity
4 notwithstanding the requirements of subsections (a), (b), (c), and (d), upon a
5 showing that the credit was lost by reason of circumstances beyond the Candidate's
6 control.

7
8 (f) A Candidate shall be deemed to have passed the Uniform CPA Examination once
9 the Candidate holds at the same time valid credit for passing each of the four Test
10 Sections of the examination. For purposes of this section, credit for passing a Test
11 Section of the computer-based examination is valid from the actual date of the
12 Testing Event for that Test Section, regardless of the date the Candidate actually
13 receives notice of the passing grade.

14
15 **Rule 5-8 – Candidate Testing Fee**

16
17 The Candidate shall, for each Test Section scheduled by the Candidate to the Board
18 or its designee, pay a Candidate Testing Fee that includes the actual fees charged by
19 the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable
20 application fees established by the State Board.

21
22 **Rule 5-9 – Cheating**

23
24 (a) Cheating by a Candidate in applying for, taking or subsequent to the examination
25 will be deemed to invalidate any grade otherwise earned by a Candidate on any Test
26 Section of the examination, and may warrant summary expulsion from the test site
27 and disqualification from taking the examination for a specified period of time.

28
29 (b) For purposes of this Rule, the following actions or attempted activities, among
30 others, may be considered cheating:

31
32 (1) Falsifying or misrepresenting educational credentials or other information
33 required for admission to the examination;

34
35 (2) Communication between Candidates inside or outside the test site or copying
36 another Candidate's answers while the examination is in progress;

37
38 (3) Communication with others inside or outside the test site while the
39 examination is in progress;

40
41 (4) Substitution of another person to sit in the test site in the stead of a Candidate;

42
43 (5) Reference to crib sheets, textbooks or other material or electronic media (other
44 than that provided to the Candidate as part of the examination) inside or
45 outside the test site while the examination is in progress.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
BUREAU OF PROFESSIONAL AND OCCUPATIONAL AFFAIRS



STATE BOARD OF ACCOUNTANCY
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HARRISBURG, PENNSYLVANIA 17105-2649

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ST-ACCOUNTANCY@state.pa.us

March 4, 2004

Mr. Robert E. Nyce
Executive Director
Independent Regulatory Review Commission
Harristown II, 14th Floor
333 Market Street
Harrisburg, PA 17101

RE: Final-Omitted Rulemaking of the State Board of Accountancy
Relating to CPA Examination (16A-5510)

Dear Mr. Nyce:

The State Board of Accountancy is in receipt of your letter of March 2, 2004, recommending that the Board consider tolling the review period of its final-omitted rulemaking relating to the CPA examination so that a clarification can be made to one of the amendments.

In your letter, you note that the amended 49 Pa. Code §11.18 (relating to character references submitted by an examination candidate) states in part as follows: "The Board may accept other individuals as character references if the candidate, for good cause shown, is unable to obtain the signatures of individuals who satisfy the requirements of this section." You correctly point out that the Board itself does not review character references for compliance with the regulation; rather, this function is carried out by CPA Examination Services, the test administration contractor that processes examination applications from Pennsylvania candidates on behalf of the Board. You suggest that, for purposes of clarity, the Board modify the above-quoted sentence in §11.18 by replacing the phrase "The Board may accept" with the phrase "The candidate may submit with the examination application."

The Board agrees that the recommended clarification is appropriate and, accordingly, requests that the review period for the rulemaking be tolled in accordance with Section 5.1(g) of the Regulatory Review Act. The Board is simultaneously submitting with this tolling request a revised Annex and Preamble that reflect the clarification. The originally submitted Regulatory Analysis Form is unchanged.

Robert E. Nyce
March 4, 2004
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If you should have any questions about this tolling request, please do not hesitate to contact the Board's counsel, Steven Wennberg, at 783-7200.

Sincerely,



Francis J. Lison, CPA, Chairman
State Board of Accountancy

FJL:SW

Enclosures

cc: The Honorable Robert M. Tomlinson, Majority Chairperson
Senate Consumer Protection and Professional Licensure Committee

The Honorable Thomas P. Gannon, Majority Chairperson
House Professional Licensure Committee

The Honorable Lisa M. Boscola, Minority Chairperson
Senate Consumer Protection and Professional Licensure Committee

The Honorable William W. Rieger, Minority Chairperson
House Professional Licensure Committee

The Honorable Pedro A. Cortés
Secretary of the Commonwealth

Robert A. Mulle, Chief Deputy Attorney General
Office of Attorney General

David J. DeVries, Executive Deputy General Counsel
Office of General Counsel

Linda C. Barrett, Chief Counsel
Department of State

Joyce McKeever, Deputy Chief Counsel
Department of State

Cynthia Montgomery, Regulatory Counsel
Department of State

Steven Wennberg, Counsel
State Board of Accountancy

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REVIEW COMMISSION

FACE SHEET
FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE BUREAU

(Pursuant to Commonwealth Documents Law)

2390

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Copy below is hereby approved as to form and legality. Attorney General

Copy below is hereby certified to be a true and correct copy of a document issued, prescribed or promulgated by:

Copy below is approved as to form and legality. Executive or Independent Agencies.

BY _____
(DEPUTY ATTORNEY GENERAL)

State Board of Accountancy

(AGENCY)

David T. Doherty
BY: _____

DOCUMENT/FISCAL NOTE NO. 16A-5510

DATE OF APPROVAL

DATE OF ADOPTION: _____

2/11/04
DATE OF APPROVAL

BY: *Francis J. Lison*

Francis J. Lison, CPA

Exec.
(Deputy General Counsel
~~Chief Counsel~~
Independent Agency
(Strike inapplicable title))

Chairman

TITLE: (EXECUTIVE OFFICER, CHAIRMAN OR SECRETARY)

[] Check if applicable
Copy not approved.
Objections attached.

[] Check if applicable. No Attorney General approval or objection within 30 days after submission.

FINAL RULEMAKING (PROPOSED OMITTED)

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
BUREAU OF PROFESSIONAL AND OCCUPATIONAL AFFAIRS
STATE BOARD OF ACCOUNTANCY
(49 PA. CODE, CHAPTER 11)

CPA EXAMINATION

PREAMBLE

The State Board of Accountancy (Board), by this order, amends Chapter 11, to read as set forth in Annex A, by revising §§11.4, 11.16 and 11.18 and by deleting §§11.11-11.15, 11.17 and 11.19.

Omission of Proposed Rulemaking

Under authority of Section 204 of the Commonwealth Documents Law (CDL) (45 P.S. §1204), the Board has omitted procedures for proposed rulemaking set forth in Sections 201 and 202 of the CDL (45 P.S. §§1201 and 1202). Proposed rulemaking has been omitted because (1) examination candidates affected by the amendments have been given actual notice of the Board's intention to adopt the amendments prior to the publication of this order and (2) public comment is unnecessary in that the amendments adopt national standards regarding new completion requirements for the uniform CPA examination and delete or clarify other regulations relating to agency procedures and examination administration.

Overview of CPA Examination

Section 3.1(b) of the CPA Law (63 P.S. §9.3a(b)) provides, consistent with earlier statutory provisions, that the CPA examination must be a written examination covering four broad subject areas; that the examination must be held at least twice each year and simultaneously in at least two counties in Pennsylvania; and that the Board may use the uniform CPA examination adopted by the American Institute of Certified Public Accountants (AICPA).

All states have adopted the AICPA examination as the required examination for certification as a certified public accountant. Through 2003, the examination was a four-part, paper-and-pencil examination that was administered over a 2-day period during May and November of each year. States had differing requirements regarding how many times an examination candidate could take the examination in order to achieve a passing score on all parts of the examination and the circumstances under which a candidate could receive "conditional credit" for passing one or more parts of the examination.

Effective April 5, 2004, the AICPA examination will be a four-part, computer-based examination, with reorganized subject matter, that will be administered at least 5 days a week during an examination window that consists of the first 2 months of each quarter of every year beginning April 5, 2004. All states are adopting uniform completion standards, jointly developed by AICPA and the National Association of State Boards of Accountancy (NASBA), that require an examination candidate to pass all parts of the examination during a rolling 18-month period beginning on the date

the candidate first passes one part of the examination. All states are also adopting special completion requirements for an examination candidate who, as of the launch date of the computer-based examination, retained conditional credit for passing parts of the paper-and-pencil examination. In addition, all states are eliminating or revising examination administration regulations that conflict with the more flexible arrangements permitted under the computer-based format.

The Board's test administration contractor, CPA Examination Services (CPAES), a unit of the NASBA, has provided information about the new computer-based examination, including completion requirements, to all initial candidates for the computer-based examination as well as to all candidates with conditional credit from the paper-and-pencil examination for whom there is current address information.

Description of Amendments

§11.4 (Fees)

Section 11.4 lists examination fees, license renewal fees, and fees charged for Board services. The amendments delete the references to examination fees. Examination fees for the licensing boards within the Bureau of Professional and Occupational Affairs are established by contract between the Commonwealth and the independent testing organizations that process examination applications; develop, administer, and grade the examinations; and report examination scores. The AICPA develops and grades the CPA examination. NASBA reports examination scores and maintains a national examination database. CPAES processes examination applications. Effective April 5, 2004, Prometric, a division of the Thomson Corporation, will administer the examination at its computer-based test centers throughout the United States. The Board has no role in establishing or collecting any of the fees charged by AICPA, NASBA, CPAES and Prometric.

Upon implementation of the computer-based examination, the fees for taking all or individual parts of the examination will increase, with the fee for the complete (four-part) examination rising from \$135 to \$470. The fee for taking each part of the examination separately will range from \$100.50 to \$134.50 depending on the part taken. The fees for taking one part, two parts or three parts of the paper-and-pencil examination were \$67.50, \$90 and \$112.50, respectively. The application-processing fee charged by CPAES for the computer-based examination will be \$75, which is \$30 more than the application-processing fee charged for the paper-and-pencil examination. An examination candidate may obtain information about all examination-related fees directly from CPAES or through links on the Board's website.

§11.11 (Application for examination)

Section 11.11 provides that an application for examination must be submitted in a manner prescribed by the Board.

The amendments delete this regulation. An examination candidate submits the examination application directly to CPAES, which reviews the application for conformity with examination eligibility requirements in the CPA Law and the Board's regulations. The application form and instructions are customized by CPAES to reflect Pennsylvania's eligibility requirements.

§11.12 (Location of examination sites)

Section 11.12 provides that the examination will be administered in at least two counties in Pennsylvania as directed by the Board, and that current examination locations will be shown on the examination application.

The amendments delete this regulation. Section 3.1(b) of the CPA Law already requires that the examination be administered in at least two counties. It is not necessary or practical for examination locations to be listed on the examination application. An examination candidate will be able to take the computer-based examination at any of the approximately 300 Prometric test centers throughout the United States, including 10 locations in Pennsylvania. A candidate will be able to obtain test center information directly from Prometric.

§11.13 (Dates of written examination)

Section 11.13 provides that the examination will be administered in May and November, and that the examination dates will be shown on the examination application.

The amendments delete this regulation. The paper-and-pencil examination was administered over a 2-day period in May and November of each year. The computer-based examination will be administered at least 5 days a week during the first 2 months of each 3-month examination window that begins April 5, 2004. An examination candidate will be able to obtain information about examination dates directly from CPAES and Prometric.

§11.14 (Dates for submission of examination)

Section 11.14(a) requires that an application from a new examination candidate must be received by February 15 for the May examination and by August 15 from the November examination. Section 11.14(b) requires that an application from a re-examination candidate must be

received by March 1 for the May examination and by September 1 for the November examination. Section 11.4(c) provides that the date of receipt will be determined by the postmark date.

The amendments delete this regulation. There is no need for application deadlines with the new computer-based examination. CPAES will accept an examination application at any time. An eligible candidate will receive a "notice to schedule" from CPAES. A candidate uses the "notice" to schedule an appointment with Prometric to take the examination at one of its test centers. Depending upon the availability of the date, time and location selected, a candidate will be able to schedule an appointment with as little as 6 days' notice to Prometric.

§11.15 (Out-of-state examinations)

Section 11.15 provides that a Pennsylvania examination candidate with a permanent or temporary location in another state may take the examination in the other state if the state's accountancy licensing board allows it. The candidate must obtain permission from the other state's accountancy licensing board before submitting an examination application and must indicate on the application the out-of-state location where the examination will be administered.

The amendments delete this regulation. A Pennsylvania examination candidate who satisfies Pennsylvania examination eligibility requirements will be able to take the computer-based examination at any Prometric test center in the United States without seeking prior approval of the accountancy licensing board of the state where the test center is located. (Section 3.1(a)(1) of the CPA Law (63 P.S. §9.3a(a)(1)) requires that a Pennsylvania examination candidate must have a connection to Pennsylvania at the time the examination is initially taken. The connection is established through maintaining a residence in Pennsylvania; being a graduate of, or being currently enrolled in, a Pennsylvania college or university; or being employed in Pennsylvania under the supervision of a licensed certified public accountant.)

§11.16 (Examination completion requirement)

Section 11.16(a) sets forth the current examination completion requirements for a candidate who initially took the examination on or after November 1, 1990. A candidate must initially sit for all parts of the examination and must pass at least two parts in order to receive credit. A candidate who does not pass at least two parts must retake the entire examination. A candidate who passes at least two parts may sit for one or both of the remaining parts at the candidate's discretion. A candidate who does not pass all parts within 5 years (i.e., 10 examination opportunities under the paper-and-pencil examination) must reapply as a new candidate and retake the entire examination.

Section 11.16(b) sets forth the current examination completion requirements for a candidate

who initially took the examination before November 1, 1990. A candidate must initially sit for all parts of the examination and must continue to sit for all parts not passed. A candidate will receive credit for each part of the examination passed provided the candidate scored at least 20% on the parts not passed. A candidate is not subject to a deadline for passing all parts of the examination. The Board imposed stricter completion requirements in November 1990 in order to make Pennsylvania's requirements more comparable with those of other states.

Section 11.16(c) provides that a candidate who passed the accounting practice part of the examination before May 1994 will receive credit for passing two parts of the examination. This section reflects a restructuring, in May 1994, of the examination format from a five-part examination, including two parts on accounting practice, to a four-part examination, including one part on accounting practice.

The amendments revise §11.16 in its entirety by establishing new completion requirements for the computer-based examination based on model regulations developed by AICPA and NASBA.

Revised §11.16(a) provides that a four-part, computer-based examination will replace the four-part, paper-and-pencil examination effective April 5, 2004. The examination will be administered during an examination window that consists of the first 2 months of each quarter of every year beginning April 5, 2004. An examination candidate may take the four parts of the examination individually or in combination, and in any order. A candidate may take each unpassed part once during each examination window. A candidate will receive conditional credit for passing each part of the examination, without regard to the scores on the parts not passed.

Revised §11.16(b) provides that an examination candidate without conditional credit from the paper-and-pencil examination must pass all four parts of the examination during a rolling 18-month period (comprising six examination windows) that commences from the date the candidate first passes one part of the examination. If a candidate does not pass all parts within the 18-month period, conditional credit for any part passed outside the 18-month period will expire and that part must be retaken. There is no deadline or time period within which a candidate must first pass a part of the examination.

Revised §11.16(c) establishes the completion requirements for an examination candidate who initially took the examination in November 1999 or thereafter and who, as of April 5, 2004, had received conditional credit for passing at least two parts of the examination. (Because of the 5-year completion requirement (comprising 10 examination opportunities) for candidates who initially took the examination on or after November 1, 1990, there are currently no candidates with conditional credit who initially took the examination between November 1990 and May 1999.) A candidate must pass the remaining parts of the examination within a 5-year period from the date of initial

examination. Consistent with the model regulations developed by AICPA and NASBA, a candidate will have the same number of opportunities to complete the computer-based examination as would have been available under the paper-and-pencil examination. For example, a candidate who initially took the examination in November 2000 would have had seven examination opportunities before implementation of the computer-based examination (that is, November 2000, May 2001, November 2001, May 2002, November 2002, May 2003, and November 2003) and, therefore, will have three examination opportunities, or windows, remaining as of April 5, 2004.

The following chart illustrates the relevant completion requirements based on when a candidate initially took the examination:

<u>Initial Examination Date</u>	<u>Available Examination Windows</u>	<u>Examination Completion Date</u>
November 3-4, 1999	1	November 4, 2004
May 3-4, 2000	2	May 4, 2005
November 1-2, 2000	3	November 2, 2005
May 2-3, 2001	4	May 3, 2006
November 7-8, 2001	5	November 8, 2006
May 8-9, 2002	6	May 9, 2007
November 6-7, 2002	7	November 7, 2007
May 7-8, 2003	8	May 8, 2008
November 5-6, 2003	9	November 6, 2008

A candidate will be permitted to take a part of the examination during any examination window between April 5, 2004, and the appropriate examination deadline. If a candidate does not pass the remaining parts of the examination by the appropriate completion deadline, or after exhausting the remaining examination opportunities, whichever occurs first, conditional credit for parts of the examination passed before April 5, 2004, will expire, and a candidate will be subject to the regular completion requirements in revised §11.16(b). In that case, a candidate will retain conditional credit for any part of the examination passed on or after April 5, 2004, that is timely to the regular completion requirements.

New §11.16(d) establishes the completion requirement for an examination candidate who initially took the examination before November 1, 1990, and who, as of April 5, 2004, had received conditional credit for passing at least one part of the examination. During the last few administrations of the paper-and-pencil examination, there were only a small number of candidates with conditional credit who initially took the examination before November 1, 1990. Under the current regulation, these candidates are under no deadline to complete the remaining parts of the examination. The model regulations developed by AICPA and NASBA do not contemplate that a conditioned candidate should have an unlimited amount of time to pass the remaining parts of the examination. A completion deadline contributes to the validity of the examination as a useful measurement of technical knowledge and skill because it requires a candidate to demonstrate more or less contemporaneous mastery of the complex subject areas related to the practice of public accounting.

Section 11.16(d) requires a candidate who initially sat for the examination before November 1, 1990, to pass the remaining parts of the examination during an 18-month period that begins on the date when the candidate next sits for the examination on or after April 5, 2004. If a candidate does not pass the remaining parts of the examination within the 18-month period, conditional credit for parts of the examination passed before April 5, 2004, will expire, and a candidate will be subject to the regular completion requirements in revised §11.16(b). In that case, a candidate will retain conditional credit for any part of the examination passed on or after April 5, 2004, that is timely to the regular completion requirements.

The completion standard in §11.16(d) allows a candidate with no prior completion deadline continued flexibility in determining when to resume the examination process, while requiring such candidate, upon retaking the examination, to pass the remaining parts within the same time frame as that required of a candidate who was not previously conditioned.

New §11.16(e) provides that a candidate will retain conditional credit as of April 5, 2004, based on the following equivalency, as determined by AICPA and NASBA, between the four parts of the paper-and-pencil examination and the four parts of the computer-based examination:

Paper and Pencil Examination

Computer-Based Examination

Auditing (AUD)

Auditing and Attestation

Financial Accounting and Reporting (FARE)
(previously Accounting Theory)

Financial Accounting and Reporting

Accounting and Reporting (ARE)
(previously Accounting Practice)

Regulation

Business Law and Professional Responsibilities (LPR)
(previously Business Law)

Business Environment and Concepts

The current completion requirements lack a provision allowing the Board to extend the term of conditional credit in cases of individual hardship. New §11.16(f) provides, consistent with the model regulations developed by AICPA and NASBA, that the Board may extend the term of a candidate's conditional credit upon the candidate's showing that the conditional credit expired by reason of circumstances beyond the candidate's control.

§11.17 (Submission of application and examination fees)

Section 11.17 provides that an examination candidate must submit the application required by §11.11, together with the examination fee, to the Board's designee.

The amendments delete this regulation. An examination candidate may obtain detailed information about the application procedures and examination fees directly from CPAES or through links on the Board's website.

§11.18 (References for examination)

Section 11.18 requires a candidate for initial examination to submit character references from three non-relatives, including a certified public accountant, who are residents of Pennsylvania and who have been acquainted with the candidate for at least 3 years. A candidate must submit a statement of reference form that is completed by each character reference and must have each character reference sign the examination application in a space designated for that purpose. The requirements may be waived for good cause.

The Board requires an examination candidate to submit character references because Section 3.1(a)(3) of the CPA Law (63 P.S. §9.3(a)(3)) requires a candidate to be of good moral character. The character references are presumptive evidence of good moral character (although the presumption may be rebutted by evidence such as a candidate's criminal record). In recent years, the Board has not required an examination candidate to submit the separate statement of reference form with the examination application because it is redundant of the character references' signatures on the application and thus creates unnecessary paperwork. Accordingly, the amendments revise §11.18 to delete the requirement of a separate statement of reference form. The amendments also clarify that an examination candidate may submit as character references on the examination application

individuals who, for good cause shown by the candidate, do not satisfy all the requirements set forth in the regulation.

§11.19 (Dissemination of grades)

Section 11.19 provides that, effective with the May 1980 examination, an examination candidate will receive scores for each part of the examination by mail; that the scores of all candidates will be mailed on the same day; and that no prior disclosure of the scores will be made to any candidate.

The amendments delete this regulation. The examination is graded by AICPA, and examination scores are processed by NASBA and mailed to Pennsylvania examination candidates by CPAES. A candidate is apprised during the application process of the procedures for the reporting of examination scores. Under the computer-based examination, all candidates will initially receive their scores at the end of each 3-month examination window. It is anticipated candidates will eventually receive their scores within 2 weeks of the date they took the examination.

Effective Date

The amendments will take effect upon publication in the *Pennsylvania Bulletin* and will be applicable during all relevant time frames associated with implementation of the computer-based CPA examination on April 5, 2004.

Statutory Authority

Section 3(a)(12) of the CPA Law (63 P.S. §9.3(a)(12)) authorizes the Board to promulgate such regulations as are necessary to carry out the provisions of the CPA Law.

Fiscal Impact and Paperwork Requirements

The amendments will not have a fiscal impact on, or create additional paperwork for, the regulated community, the general public, or the Commonwealth and its political subdivisions.

Regulatory Review

Under Section 5.1(c) of the Regulatory Review Act (RRA) (71 P.S. §745.5a(c)), on February 17, 2004, the Board submitted copies of the amendments for review and comment to the Independent Regulatory Review Commission (IRRC), the Senate Consumer Protection and Professional Licensure Committee, and the House Professional Licensure Committee. On the same date, the

Board submitted a copy of the amendments for review and comment to the Office of Attorney General under the Commonwealth Attorneys Act (71 P.S. §732.101 et. seq.)

On March 4, 2004, under authority of Section 5.1(g)(1) of the RRA (71 P.S. §745.5a(g)(1)), the Board tolled the review period to clarify one of the amendments, and submitted revised amendments on that date to IRRC, the House Committee, the Senate Committee, and the Office of Attorney General.

Under Section 5.1(g)(3) and (j.2) of the RRA (71 P.S. §745.5a(g)(3) and (j.2)), the revised amendments were approved by the House Committee on _____, 2004, approved by the Senate Committee on _____, 2004, and approved by IRRC on _____, 2004.

Additional Information

For additional information about the amendments, submit inquiries to Dorna J. Thorpe, Administrator, State Board of Accountancy, P.O. Box 2649, Harrisburg, PA 17105-2649, (717) 783-1404, ST-ACCOUNTANCY@state.pa.us.

Findings

The Board finds that:

(1) Public notice of the Board's intention to amend its regulations under the procedures in Sections 201 and 202 of the CDL has been omitted under Section 204 of the CDL because examination candidates affected by the amendments adopted by this order have been given actual notice of the Board's intention to adopt the amendments prior to publication of this order and because public comment is unnecessary in that the amendments adopted by this order implement national standards regarding completion of the uniform CPA examination and delete or clarify other regulations relating to agency procedures and examination administration.

(2) The amendment of the Board's regulations in the manner provided in this order is necessary and appropriate for the administration of the CPA Law.

Order

The Board, acting under the CPA Law, orders that:

(a) The regulations of the Board, 49 Pa. Code Chapter 11, are amended by

amending §§11.4, 11.16 and 11.18 and by deleting §§11.11-11.15, 11.17 and 11.19.

(b) The Board shall submit this order and Annex A to the Office of General Counsel and the Office of Attorney General for approval as to legality as required by law.

(c) The Board shall certify this order and Annex and deposit them with the Legislative Reference Bureau as required by law.

(d) This order shall take effect upon publication in the *Pennsylvania Bulletin*.

ANNEX A

TITLE 49. PROFESSIONAL AND VOCATIONAL STANDARDS

PART I. DEPARTMENT OF STATE

SUBPART A. PROFESSIONAL AND OCCUPATIONAL AFFAIRS

CHAPTER 11. STATE BOARD OF ACCOUNTANCY

GENERAL PROVISIONS

§11.4. Fees.

Following is the schedule of fees charged by the Board:

[Complete CPA examination (Four parts).....	\$135
Three parts.....	\$112.50
Two parts.....	\$90
One part.....	\$67.50
AICPA examination administration to candidates of other state boards.....	\$100]

* * *

EXAMINATIONS

§11.11. [Application for examination.] (Reserved).

[Application for examination shall be submitted in a manner prescribed by the Board.]

§11.12. [Location of examination sites.] (Reserved).

[Examinations will be held in cities in at least two counties of this Commonwealth as directed by the Board. Current examination locations will be shown in current application forms.]

§11.13. [Dates of written examinations.] (Reserved).

[Certified public accountant examinations will be held in May and November. Examination dates are announced by the American Institute of Certified Public Accountants approximately 10 years in advance, and they will be shown in the application forms.]

§11.14. [Dates for submission of examination applications.] (Reserved).

(a) For new candidates, examination applications shall be completed properly and received not later than February 15 for the May examination and not later than August 15 for the November examination.

(b) For other than new candidates, examination applications shall be completed and received not later than March 1 for the May examination and not later than September 1 for the November examination.

(c) For purposes of this section, the date of receipt will be determined by the postmark.]

§11.15. [Out-of-State examinations.] (Reserved).

[Commonwealth examination candidates who have a temporary or permanent location in a

state other than this Commonwealth will be permitted to sit for the examination as a Commonwealth candidate in another state providing that state permits examination of candidates applying for a Commonwealth Certificate of Certified Public Accounting. Applicants shall indicate on their application the city and state in which they desire to be examined after contacting the state board to determine if that state will permit the examination.]

§11.16. Examination completion requirement.

[(a) On or after November 1, 1990:

(1) An applicant for examination shall sit initially for all parts of the examination and pass at least two parts of the examination to receive credit.

(2) An applicant who does not pass at least two parts of the examination shall retake the entire examination.

(3) An applicant who has passed at least two parts of the examination may sit for one or more of the remaining parts of the examination at the applicant's discretion.

(4) An applicant who does not complete all parts of the examination within 5 years shall reapply as a new candidate and retake the entire examination.

(b) Prior to November 1, 1990:

(1) An applicant approved for the examination shall continue to sit for all

parts of the examination which the applicant has not already passed.

(2) An applicant will be given credit for each part of the examination which the applicant passes unless the applicant scores less than 20% on any part of the examination, in which case the applicant will receive no credit.

(3) An applicant will not be subject to a deadline for completing the examination.

(c) An applicant who has passed accounting practice prior to the administration of the May 1994, examination will receive credit for two parts of the examination.]

(a) Effective April 5, 2004, the four-part, paper-and-pencil CPA examination will be replaced with a four-part, computer-based CPA examination. The examination will be administered during an examination window that consists of the first 2 months of each quarter of every year beginning April 5, 2004. An examination candidate may take the four parts of the examination individually or in combination, and in any order. A candidate may take each unpassed part of the examination once during each examination window. A candidate will receive conditional credit for passing each part of the examination, without regard to the scores on the parts not passed.

(b) Except as provided in subsections (c) and (d), an examination candidate shall pass all parts of the examination during a rolling 18-month period that begins on the date the candidate first passes one part of the examination. If the candidate does not pass all parts of the examination within the 18-month period, conditional credit for any part passed outside the 18-month period will expire.

and the candidate shall retake that part of the examination.

(c) An examination candidate who, as of April 5, 2004, had received conditional credit for passing at least two parts of the examination since November 1999 shall pass the remaining parts of the examination within 5 years from the date the candidate initially took the examination. The candidate shall be permitted to take the remaining parts of the examination during the following number of examination windows, depending on when the candidate initially took the examination:

<u>Initial Examination Date</u>	<u>Available Examination Windows</u>	<u>Examination Completion Deadline</u>
<u>November 3-4, 1999</u>	<u>1</u>	<u>November 4, 2004</u>
<u>May 3-4, 2000</u>	<u>2</u>	<u>May 4, 2005</u>
<u>November 1-2, 2000</u>	<u>3</u>	<u>November 2, 2005</u>
<u>May 2-3, 2001</u>	<u>4</u>	<u>May 3, 2006</u>
<u>November 7-8, 2001</u>	<u>5</u>	<u>November 8, 2006</u>
<u>May 8-9, 2002</u>	<u>6</u>	<u>May 9, 2007</u>
<u>November 6-7, 2002</u>	<u>7</u>	<u>November 7, 2007</u>
<u>May 7-8, 2003</u>	<u>8</u>	<u>May 8, 2008</u>
<u>November 5-6, 2003</u>	<u>9</u>	<u>November 6, 2008</u>

The candidate may take a part of the examination during any examination window between April 5, 2004, and the appropriate completion deadline. If the candidate does not pass the remaining parts of the examination by the appropriate completion deadline, or after exhausting the remaining

examination opportunities, whichever occurs first, conditional credit for the parts of the examination passed before April 5, 2004 will expire, and the candidate shall thereafter be subject to the requirements of subsection (b). In that case, the candidate will retain conditional credit for any part of the examination passed after April 5, 2004 that is timely to the requirements of subsection (b).

(d) An examination candidate who initially took the examination prior to November 1990 and who, as of April 5, 2004, had received conditional credit for passing at least one part of the examination shall pass the remaining parts of the examination within 18 months from the date the candidate next takes the examination on or after April 5, 2004. If the candidate does not pass the remaining parts of the examination within the 18-month period, conditional credit for the parts of the examination passed before April 5, 2004 will expire, and the candidate shall thereafter be subject to the requirements of subsection (b). In that case, the candidate will retain conditional credit for any part of the examination passed after April 5, 2004 that is timely to the requirements of subsection (b).

(e) For purposes of subsections (c) and (d), an examination candidate with conditional credit under the paper-and-pencil examination will receive conditional credit under the computer-based examination based on the following equivalency between the four parts of the two examinations:

Paper-and-Pencil Examination

Auditing (AUD)

Computer-Based Examination

Auditing and Attestation

(formerly Accounting Practice)

Business Law and Professional

Responsibilities (LPR) (formerly

Business Law)

Business Environment and

Concepts

(f) Notwithstanding the requirements of subsections (a)-(c), the Board may extend the term of a candidate's conditional credit upon the candidate's showing that the conditional credit expired by reason of circumstances beyond the candidate's control.

§11.17. [Submission of application and examination fees.] (Reserved).

[An applicant for admission to the Uniform Certified Public Accountant Examination shall submit to the designee of the Board the application for examination required by §11.11 (relating to application for examination), together with a fee to cover the costs associated with the preparation and administration of the examination.]

Financial Accounting and
Reporting (FARE) (formerly
Accounting Theory)
Accounting and Reporting (ARE)

Financial Accounting and
Reporting
Regulation

§11.18. Character [References] references for examination.

[Applicants for an initial examination shall arrange for three references to be submitted from residents of this Commonwealth. One of the references shall be from a certified public accountant and no references from relatives will be accepted. Individuals providing references shall be acquainted with the candidate for at least 3 years; and, in addition to submitting a statement of reference, they shall sign the application of the applicant in a space designated for that purpose. The requirements of this section may be waived if good cause is shown.] An initial candidate for the CPA examination shall have three individuals, including one certified public accountant, sign the examination application as character references. The individuals selected as character references shall be residents of this Commonwealth who have known the candidate for at least 3 years and who are not related to the candidate. The candidate may submit with the examination application other individuals as character references if the candidate, for good cause shown, is unable to obtain the signatures of individuals who satisfy the requirements of this section.

§11.19. [Dissemination of grades.] (Reserved).

[Effective with the May 1980 examination, examinees will be mailed their grades for each section of the examination. All grades will be sent on the same day, and no grades will be disclosed prior thereto.]

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE
REGULATORY REVIEW ACT**

LD. NUMBER: 16A-5510

SUBJECT: State Board of Accountancy (CPA Examination)

AGENCY: DEPARTMENT OF STATE

2390

TYPE OF REGULATION

Proposed Regulation

Final Regulation

Final Regulation with Notice of Proposed Rulemaking Omitted

120-day Emergency Certification of the Attorney General

120-day Emergency Certification of the Governor

Delivery of Tolled Regulation

a. With Revisions b. Without Revisions

2001 MAR -4 PM 6:15

FILING OF REGULATION

DATE

SIGNATURE

DESIGNATION

3/4/04 Sandra G. Harper

HOUSE COMMITTEE ON PROFESSIONAL LICENSURE

3/4/04 Mary Walmer

SENATE COMMITTEE ON CONSUMER PROTECTION AND
PROFESSIONAL LICENSURE

3/4/04 Joseph J. Hoffmann

INDEPENDENT REGULATORY REVIEW COMMISSION

3-4-04 M. Mummert

ATTORNEY GENERAL (~~Final-Omitted~~ only)

LEGISLATIVE REFERENCE BUREAU (~~Proposed~~ only)

April 20, 2001