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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2005

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A N A C T

RELATING TO BUSINESSES AND PROFESSIONS -- PUBLIC ACCOUNTANCY

Introduced By: Representative Arthur J. Corvese

Date Introduced: January 12, 2005

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 5-3.1-3, 5-3.1-5, 5-3.1-7, 5-3.1-9, 5-3.1-14 and 5-3.1-16 of the
2 General Laws in Chapter 5-3.1 entitled "Public Accountancy" are hereby amended to read as
3 follows:

4 **5-3.1-3. Definitions.** -- As used in this chapter, unless the context requires otherwise, the
5 following terms are construed as follows:

6 (1) "Attest" means providing the following financial statement services:

7 (i) Any audit or other engagement to be performed in accordance with the Statements on
8 Auditing Standards (SAS) as adopted by the American Institute of Certified Public Accountants
9 or any other regulatory agencies recognized by the State Board of Accountancy;

10 (ii) Any review of a financial statement to be performed in accordance with the
11 Statement on Standards for Accounting and Review Services (SSARS) as adopted by the
12 American Institute of Certified Public Accountants;

13 (iii) Any examination of prospective financial information to be performed in accordance
14 with the Statements on Standards for Attestation Engagements (SSAE) as adopted by the
15 American Institute of Certified Public Accountants;

16 (iv) Any services considered attest by the American Institute of Certified Public
17 Accountants;

18 (v) Any services that will provide assurance on financial information and will be
19 performed in accordance with appropriate professional standards;

1 (vi) The statements on standards specified in this definition shall be adopted by reference
2 by the board pursuant to rulemaking and shall be those standards developed by the American
3 Institute of Certified Public Accountants.

4 (2) "Authority" means an authority to practice as a public accountant in this state granted
5 by the public accountants advisory commission under former section 5-3-6, (P.L. 1962, chapter
6 228, Section 1, as amended by P.L. 1970, chapter 272, Section 1).

7 (3) "Board" means the board of accountancy, a public authority created by section 5-3.1-
8 4.

9 (4) "Certificate" means a certificate as certified public accountant issued under this
10 chapter or corresponding provisions of prior law, or a corresponding certificate as certified public
11 accountant issued after examination under the law of any other state.

12 (5) "Certified public accountant" or "CPA" means a person holding a certificate issued
13 under this chapter or corresponding provisions of prior law or under the accountancy act or
14 similar law of any other state.

15 (6) "Compilation" means providing a service to be performed in accordance with the
16 Statement on Standards for Accounting and Review Services (SSARS) as adopted by the
17 American Institute of Certified Public Accountants that is presenting in the form of financial
18 statements, information that is the representation of management without undertaking to express
19 any assurance on the statements.

20 (7) "Contingent fee" means a fee established for the performance of a service pursuant to
21 an arrangement in which no fee will be charged unless a specific finding or result is attained, or in
22 which the amount of the fee is otherwise dependant upon the finding or result of such service.

23 ~~(7)~~ (8) "Entity" includes a general partnership, limited liability company, limited liability
24 partnership, a corporation, a sole proprietor, a trust and joint venture.

25 ~~(8)~~ (9) "Good moral character" for purposes of this section, means lack of a history of
26 dishonest or felonious acts.

27 ~~(9)~~ (10) "Licensee" means the holder of a certificate, authority or permit issued under
28 this chapter or under the prior laws of this state.

29 ~~(10)~~ (11) "Majority" refers to a sixty-seven percent (67%) ownership in terms of
30 financial interests and voting rights with respect to an entity created prior to [the effective date of
31 this act].

32 ~~(11)~~ (12) "Peer review" means a study, appraisal, or review of one or more aspects of the
33 professional work of a practice unit engaged in the practice of public accountancy in this state, by
34 a licensee or licensees who are not affiliated with the practice unit being reviewed.

1 ~~(12)~~ (13) "Permit" means a permit to practice public accountancy issued under section 5-
2 3.1-7, 5-3.1-8, or 5-3.1-9, or under corresponding provisions of prior law, or under corresponding
3 provisions of the law of any other state.

4 ~~(13)~~ (14) "Practice of (or practicing) public accounting or accountancy" means the
5 performance of or the offering to perform, in an independent posture, for a client or potential
6 client, one or more kinds of services involving the use of accounting or auditing skills, in
7 connection with the issuance of reports on financial statements.

8 ~~(14)~~ (15) "Practice unit" means a sole proprietorship, corporation, partnership or other
9 entity engaged in the practice of public accounting in this state. For the purpose of this chapter,
10 the office of the Auditor General is considered a practice unit.

11 ~~(15)~~ (16) "Principal residence" means the state in which a person has the right to register
12 to vote for, or the right to vote in, general elections and in which he or she qualifies to file a
13 resident state income tax return.

14 ~~(16)~~ (17) "Public accountant" or "PA" means a person holding an authority as a public
15 accountant issued under the prior laws of this state.

16 ~~(17)~~ (18) "Report" means an opinion, report, or other form of language that states or
17 implies assurance as to the reliability of financial statements and that also includes or is
18 accompanied by a statement or implication that the person or practice unit issuing the financial
19 statements has special knowledge or competence in accounting or auditing. A statement or
20 implication of special knowledge or competence may arise from use by the issuer of the report of
21 names or titles indicating that the issuer is an accountant or auditor, or from the language of the
22 report itself. The term "report" includes any form of language which disclaims an opinion when
23 that language is conventionally understood to imply any positive assurance as to the reliability of
24 the financial statements referred to and/or any special competence on the part of the person or
25 practice unit issuing that language; and it also includes any other form of language that is
26 conventionally understood to imply that assurance and/or special knowledge or competence.

27 ~~(18)~~ (19) "State" means the states of the United States, the District of Columbia, Puerto
28 Rico, Guam, and the U.S. Virgin Islands. The term "this state" means the state of Rhode Island.

29 ~~(19)~~ (20) "Substantial equivalency" means a determination by the board of accountancy
30 that the education, examination and experience requirements contained in the statutes and
31 administrative rules of another state are comparable to or exceed the education, examination and
32 experience requirements included in this chapter.

33 **5-3.1-5. Certified public accountants.** -- (a) Upon application for a certificate and
34 payment of the required fee, the board shall issue a certificate to any person who:

1 (1) Is of good moral character;

2 (2) Has a principal residence in Rhode Island as defined in section 5-3.1-3 or a primary
3 place of employment in Rhode Island;

4 (3) [As amended by P.L. 2001, ch. 249, section 1.]Has received a baccalaureate degree
5 from a college or university acceptable to the board, the total educational program of which
6 includes an accounting concentration or its equivalent and courses in any related subjects that the
7 board determines to be appropriate; provided, the education requirement for a certificate, shall be
8 at least one hundred fifty (150) semester hours of college education, including a baccalaureate or
9 higher degree conferred by a college or university acceptable to the board, the total educational
10 program of which includes an accounting concentration or equivalent as determined by board rule
11 to be appropriate; provided, that a candidate who has not met the one hundred fifty (150) hour
12 education requirement may sit for an examination if the candidate has, at the time of the
13 examination, completed not less than one hundred twenty (120) semester hours of education,
14 provided that such candidate who successfully passes the examination will not be eligible to
15 receive a certificate until the applicant completes the one hundred fifty (150) hour education
16 requirement and the experience requirement;

17 ~~(3)~~ (4) [As amended by P.L. 2001, ch. 336, section 1.]Before applying for the
18 examinations prescribed in subsection (a)(4), has received a baccalaureate degree from a college
19 or university acceptable to the board, the total educational program of which includes an
20 accounting concentration or its equivalent and courses in any related subjects that the board
21 determines to be appropriate; provided, that after December 31, 1999, the education requirement
22 for a certificate, which must be met before an applicant is eligible to apply for the examinations
23 prescribed in subsection (a)(4) (5), is at least one hundred fifty (150) semester hours of college
24 education, including a baccalaureate or higher degree conferred by a college or university
25 acceptable to the board, the total educational program of which includes an accounting
26 concentration or equivalent as determined by board rule to be appropriate; provided, further that
27 those candidates who have met all requirements for the examination prior to July 1, 1999, under
28 the one-hundred twenty (120) semester hours of college education rule, are eligible to apply for
29 the first examination scheduled to be administered after December 31, 1999, notwithstanding the
30 fact that the candidates may not have completed one hundred fifty (150) semester hours of
31 college education;

32 ~~(4)~~ (5) Has passed written examinations in accounting and auditing and any related
33 subjects that the board deems appropriate and specifies by rule;

34 ~~(5)~~ (6) [As amended by P.L. 2001, ch. 249, section 1.]Have one year public accounting

1 experience or equivalent government experience and who has satisfactorily completed any
2 number of semester hours in accounting, auditing, and other business courses that are prescribed
3 by board rules and regulations; and

4 ~~(5) [As amended by P.L. 2001, ch. 336, section 1.]Has one year of experience in~~
5 ~~providing any type of service or advice involving the use of accounting, attest, management~~
6 ~~advisory, financial advisory, tax or consulting skills all of which was verified and supervised by a~~
7 ~~licensee, meeting requirements prescribed by the board by rule. This experience would be~~
8 ~~acceptable if it was gained through employment in government, industry, academia or public~~
9 ~~practice. After December 31, 1999, the person must also have completed one hundred fifty (150)~~
10 ~~hours or received a master's or doctorate degree in accounting, business administration, or other~~
11 ~~related curriculum from a college or university recognized by the board; and have satisfactorily~~
12 ~~completed any number of semester hours in accounting, auditing, and other business courses that~~
13 ~~are prescribed by board rules and regulations; and~~

14 ~~(6)~~ (7) If an out of state individual:

15 (i) Has passed all parts of the uniform certified public accountant examination in another
16 jurisdiction, but has not received a certificate or similar certification in that jurisdiction;

17 (ii) Has established a principal residence in Rhode Island or a primary place of
18 employment in Rhode Island preparatory to seeking a certificate from this state;

19 (iii) Has complied with the longer of:

20 (A) The experience requirement in the jurisdiction in which the uniform examination
21 was taken; or

22 (B) The Rhode Island experience requirement;

23 (iv) Has complied with the educational requirements under subdivision (3) of this
24 subsection; and

25 (v) Has satisfactorily complied with any other requirements that the board by rule or
26 regulation reasonably determines to be appropriate.

27 (b) The board, in its discretion, may accept the educational credits of any person who is a
28 candidate for a certificate if it is satisfied, by appropriate means of evaluation, that the credits are
29 an acceptable substitute for the credit requirements of subdivision (a)(3) or (a) (4) of this section.

30 The board, in its discretion, may waive the residency or primary place of employment
31 requirements relating to the issuance of a certificate as stated in subdivisions (a)(2) and or (a)(~~6~~)
32 (7) of this section.

33 (c) The examinations described in subdivision (a)(~~4~~) (5) of this section are held by the
34 board and shall take place as often as the board determines to be desirable, but in any event not

1 less frequently than once each year. The board shall prescribe by rule the procedures to be
2 followed in applying for and conducting the examinations and the methods to be used in grading
3 the examinations and determining a passing grade. The board may make this use of any or all
4 parts of the uniform certified public accountant examination and advisory grading service
5 provided by the American Institute of Certified Public Accountants, and may contract with third
6 parties to perform any administrative services with respect to the examinations that the board
7 deems appropriate to assist it in performing its duties under this section.

8 (d) The board may, by rule or regulation, provide for the granting of credit to a candidate
9 for the satisfactory completion by the candidate of a written examination in any one or more of
10 the subjects referred to in subdivision (a)~~(4)~~ (5) of this section which is given by the licensing
11 authority in any other state. Any rules and regulations shall include the requirement that any
12 examination approved as a basis for the granting of credit is, in the judgment of the board at the
13 time of the granting of the credit, at least as thorough as the most recent examination given by the
14 board in the subject or subjects tested. The board may also, by rule or regulation, prescribe terms
15 and conditions under which a candidate who passes the examination in one or more of the
16 subjects referred to in subdivision (a)~~(4)~~ (5) of this section may be reexamined in the remaining
17 subjects, with credit given for the subjects previously passed. It also may provide by rule or
18 regulation for a reasonable waiting period for a candidate's reexamination in a subject previously
19 failed. Subject to the preceding and to any other rules and regulations that the board may adopt
20 governing reexaminations, a candidate is entitled to any number of reexaminations. Except as the
21 board may provide by a rule or regulation in order to prevent what it determines to be undue
22 hardship to candidates, a candidate granted credit for satisfactory examination in any one or more
23 of the subjects referred to in subdivision (a)~~(4)~~ (5) of this section shall have met the educational
24 requirement of subdivision (a)(3) or (a) (4) ~~(5)~~ of this section in effect on the date of the
25 examination by which the candidate successfully completes the examination under subdivision
26 (a)~~(4)~~ (5) of this section.

27 (e) The board shall charge each candidate for a certificate a fee for the initial
28 examination under subsection (a) of this section, for reexamination under subsection (d) of this
29 section for each subject in which the candidate is reexamined, and for evaluation of a candidate's
30 educational qualifications under subsection (b) of this section. The applicable fee shall be paid by
31 the candidate at the time of application for the examination, reexamination, or evaluation. Fees
32 for examination, reexamination, and evaluation of educational qualifications shall be determined
33 by the board and prescribed in the rules and regulations issued by the board. The liability of the
34 board to a candidate taking an examination or reexamination is limited to the amount of the fee

1 received for the examination.

2 (f) Persons who on July 1, 1995, hold a certificate issued under the laws of this state
3 prior to that date are not required to obtain an additional certificate under this chapter, but are
4 subject to all the provisions of this chapter; the certificate previously issued is, for all purposes,
5 considered a certificate issued under this chapter and subject to the provisions of this chapter.
6 Reinstatement power is vested in the board as to those certificates suspended or revoked prior to
7 July 1, 1995, and the holder of those certificates may have them reissued upon application for
8 reissuance in accordance with section 5-3.1-15. Persons holding certificates on July 1, 1995, who
9 are estopped from obtaining a permit under government employment restrictions may apply for a
10 permit under section 5-3.1-7 within one year following termination of that employment, and upon
11 obtaining the permit may engage in the practice of public accounting in this state as a certified
12 public accountant subject to the provisions of this chapter.

13 (g) (1) The board shall, upon application for a certificate and payment of a fee to be
14 determined by the board and promulgated by rule or regulation, issue a certificate to a holder of a
15 certificate issued by another state, provided that:

16 (i) The applicant meets all current requirements in this state at the time application is
17 made; and

18 (ii) At the time of the issuance of the applicant's certificate in the other state, the
19 applicant met all requirements then applicable in this state unless reciprocity is allowed under the
20 substantial equivalency standard in section 5-3.1-7.

21 (2) If the holder of a certificate issued by another state meets all current requirements in
22 this state except the educational or experience requirements of this state as prescribed in this
23 section, or passed the examination under different credit provisions then applicable in this state,
24 the board shall issue a certificate to the applicant upon application for the certificate and upon
25 payment of the required fee, provided that:

26 (i) The applicant has five (5) years of experience in the practice of public accountancy
27 within the ten (10) years immediately prior to the application; or

28 (ii) The applicant has five (5) years of experience in the practice of public accountancy
29 over a longer or earlier period and has completed fifteen (15) current semester hours of
30 accounting, auditing, and any other related subject that the board specifies by rule, at an
31 accredited institution, and has one year of current experience in the practice of public
32 accountancy.

33 (h) An applicant for issuance of a certificate under this section shall list in the application
34 all other states in which the applicant has applied for or holds a certificate. Each applicant for or

1 holder of a certificate issued under this section shall, within thirty (30) days of the occurrence of
2 that event, notify the board, in writing, of the issuance, denial, revocation, or suspension of a
3 certificate by any other state, or of the commencement of a disciplinary or enforcement action
4 against the applicant or holder by any other state.

5 (i) The board may refuse to grant a certificate on the grounds of failure to satisfy the
6 good moral character requirement ~~only if there is a substantial connection between the lack of~~
7 ~~good moral character of the applicant and the professional responsibilities of a licensee and~~ if the
8 finding by the board of lack of good moral character is supported by clear and convincing
9 evidence. When an applicant is found to be unqualified for a certificate because of lack of good
10 moral character, the board shall furnish the applicant a statement containing the findings of the
11 board, a complete record of the evidence upon which the determination was based, and a notice of
12 the applicant's right of appeal.

13 **5-3.1-7. Permits for public accountants and certified public accountants.** -- (a)
14 Annual permits to engage in the practice of public accounting in this state shall be issued by the
15 board, upon application for the permit and payment of the required fee, to certified public
16 accountants qualified under section 5-3.1-5 or eligible under the substantial equivalency standard
17 set out in subsection (g) of this section, and to public accountants qualified under section 5-3.1-6.
18 All of those permits expire on the last day of June of each year unless the permit is renewed in
19 accordance with subsection (c) of this section. Permits may be renewed for a period of one year.

20 (b) A certified public accountant who holds a permit issued by another state and who
21 desires to practice in this state shall apply for a permit in this state if that person does not qualify
22 for reciprocity under the substantial equivalency standard set out in subsection (g) of this section.
23 Upon the date of filing the completed application with the board, the applicant is deemed
24 qualified to practice and may practice public accounting in this state pending board review of the
25 application; provided, that the applicant meets all other applicable requirements under this
26 chapter. Submission of the application constitutes the appointment of the secretary of state as an
27 agent for the applicant for service of process in any action or proceeding arising out of any
28 transaction or operation connected with or incidental to the practice of public accounting in this
29 state by the applicant.

30 (c) Applications for renewal of a permit under this section shall be submitted to the
31 board by February 15 of each year and shall be accompanied by evidence that the applicant has
32 satisfied the continuing professional education requirements promulgated by board regulation.
33 That evidence shall be in a form that the board requires. Failure to furnish that evidence
34 constitutes grounds for refusal to renew the permit unless the board in its discretion determines

1 that the failure was due to reasonable cause or excusable neglect.

2 (d) Applications for renewal of a permit under this section shall also identify any
3 practice unit with which the applicant is affiliated. In the event the practice unit fails to comply
4 with section 5-3.1-9 or 5-3.1-10, the board may refuse to renew the applicant's individual permit
5 if the board determines that the applicant was personally and substantially responsible for the
6 failure of the practice unit to meet the requirements of sections 5-3.1-9 and 5-3.1-10.

7 (e) All applicants for a permit under this section shall list in the application all other
8 states in which the applicant has applied for or holds a permit to practice. Each applicant for or
9 holder of a permit issued under this section or any individual who has entered the state under the
10 provisions of substantial equivalency shall, within thirty (30) days of the occurrence of the event,
11 notify the board in writing:

12 (1) Of the issuance, denial, revocation, or suspension of any certificate, license, degree,
13 or permit by any other state; or

14 (2) Of the commencement of any disciplinary or enforcement action against the
15 applicant, holder or individual by any other state.

16 (f) Fees for the issuance and renewal of permits under this section shall be established
17 from time to time by the board. The required fee shall be paid by the applicant at the time the
18 application is filed with the board.

19 (g) (1) Substantial equivalency. - An individual whose principal place of business or
20 principal residence is not in this state having a valid certificate or license as a certified public
21 accountant from any state whose licensure requirements are determined to be substantially
22 equivalent with the conditions of this section shall have all the privileges of certificate holders
23 and licensees of this state without the need to obtain a certificate or permit from this state under
24 this section as long as the conditions of this section are met. The individual shall notify the board,
25 in writing, of his or her intent to enter the state under this provision. The individual must have one
26 year or more of experience and state so on the written notice to the board. This experience shall
27 include providing any type of service ~~or advice~~ involving the use of [financial](#) accounting, attest,
28 [compilation reporting, or related](#) ~~management advisory, financial advisory, tax or consulting~~
29 skills all of which was verified and supervised by a licensee, meeting requirements prescribed by
30 the board by rule. This experience is acceptable if it was gained through employment in
31 government, ~~industry, academia~~ or public practice. If this individual is responsible for supervising
32 attest services and signs or authorizes another licensee to sign the accountant's report on the
33 financial statements on behalf of the firm, this individual shall meet the experience requirements
34 set out in the professional standards for such services. If this individual is responsible for signing

1 or authorizing another licensee to sign the accountant's report on the financial statements on
2 behalf of the firm, this individual shall meet the experience requirements set out in the
3 professional standards for such services. The board may use the NASBA National Qualification
4 Appraisal Service to determine which other states have substantial equivalence with this chapter.

5 (2) Any licensee of another state exercising the privilege afforded under this section
6 hereby consents, as a condition of the granting of this privilege:

7 (i) To the personal and subject matter jurisdiction of the board;

8 (ii) To comply with this chapter and the board's rules;

9 (iii) To the appointment of the board which issued their license as their agent upon
10 whom process may be served in any action or proceeding by this board against the licensee;

11 (iv) To be subject to disciplinary action in this state for an act committed in this state.

12 (3) A licensee of this state offering or rendering services or using their CPA title in
13 another state shall be subject to disciplinary action in this state for an act committed in another
14 state for which the licensee would be subject to discipline for an act committed in the other state.

15 **5-3.1-9. Permits for practice units.** -- (a) An annual permit to engage in the practice of
16 public accounting in this state as a practice unit shall be issued by the board, upon application
17 therefore and payment of the required fee, to an entity that demonstrates its qualifications in
18 accordance with this chapter or to certified public accounting firms originally licensed in another
19 state that establish an office in this state. A practice unit must hold a permit issued under this
20 section in order to provide attest and compilation services as defined or to use the title "CPAs" or
21 "CPA firm." An applicant entity for initial issuance or renewal of a permit to practice under this
22 section shall be required to register each office of the firm within this state with the board and to
23 show that all attest and compilation services as defined in this chapter rendered in this state are
24 under the charge of a person holding a valid certificate issued under this chapter, or the
25 corresponding provision of prior law or some other state.

26 (b) An entity shall satisfy the following requirements:

27 (1) For general partnerships, joint ventures, limited liability partnerships and limited
28 liability companies:

29 (i) The principal purpose and business of the partnership must be to furnish public
30 accounting services to the public not inconsistent with this chapter and the rules and regulations
31 of the board;

32 (ii) ~~A majority of the~~ With respect to an entity created on or after [the effective date of
33 this act], the ownership of the entity, in terms of financial interests and voting rights of all
34 partners, shareholders or members, ~~must belongs~~ belong to holders of a certificate who shall hold

1 a certificate and a permit from some state, and such partners, shareholders or members, whose
2 principal place of business is in this state and who perform professional services in this state, hold
3 a valid permit issued under this chapter or are public accountants registered under section 5-3.1-7.

4 ~~Although firms may include non-licensee owners, the firm and its ownership and all parties must~~
5 ~~comply with rules promulgated by the board.~~ For firms of public accountants, a majority all of the
6 ownership of the firm, in terms of financial interests and voting rights, must belong to holders of
7 permits under section 5-3.1-7, and provided, that any such entity as defined by this subsection
8 may include non-licensee owners, ~~provided that:~~

9 ~~(A) The entity designates a licensee of this state, who is responsible for the proper~~
10 ~~registration of the firm and identifies that individual to the board;~~

11 ~~(B) All non-licensee owners are active individual participants in the entity;~~

12 ~~(C) The entity complies with such other requirements as the board may impose by rule;~~

13 ~~(D) Any individual licensee who is responsible for supervising attest and compilation~~
14 ~~services and signs or authorizes another licensee to sign the accountant's report on the financial~~
15 ~~statements on behalf of the firm, shall meet the experience requirements as set out in professional~~
16 ~~standards for such services;~~

17 ~~(E) Any individual licensee who signs or authorizes another licensee to sign the~~
18 ~~accountants' report on the financial statements on behalf of the firm shall meet the experience~~
19 ~~requirement as set out in professional standards for such services.~~

20 ~~(iii) At least one partner, shareholder or member must be a certified public accountant or~~
21 ~~a public accountant holding a certificate or authority under this chapter and a permit to practice in~~
22 ~~this state under section 5-3.1-7;~~

23 (iii) All partners, shareholder or members must be a certified public accountant or a
24 public accountant holding a certificate or authority under this chapter and a permit to practice in
25 this state under section 5-3.1-7.

26 (iv) The address of every office of the entity located in this state must be listed in the
27 application for the permit.

28 (2) For a sole proprietorship:

29 (i) The principal purpose and business of the sole proprietorship must be to furnish
30 public accounting services to the public not inconsistent with this chapter and the rules and
31 regulations of the board;

32 (ii) The sole proprietor must be a certified public accountant or a public accountant
33 holding a certificate or authority under this chapter and a permit to practice in this state under
34 section 5-3.1-7;

1 (iii) The address of every office of the sole proprietorship located in this state must be
2 listed in the application for the permit.

3 (iv) Any individual licensee who is responsible for supervising attest and compilation
4 services and signs or authorizes another licensee to sign the accountant's report on the financial
5 statements on behalf of the sole proprietor shall meet the experience requirements as set out in
6 professional standards for such services; and

7 (v) Any individual licensee who signs or authorizes another licensee to sign the
8 accountants' report on the financial statements on behalf of the firm shall meet the experience
9 requirement as set out in professional standards for such services.

10 (c) Application for a permit under this section must be made upon the affidavit of the
11 partner, shareholder, member or sole proprietor who holds a permit to practice in this state under
12 section 5-3.1-7 as a certified public accountant or a public accountant. All applications for a
13 permit under this section must include, in addition to any other information required by this
14 chapter or by rule or regulation of the board to be stated in the application, a list of all other states
15 in which the entity has applied for or holds a permit. Upon receipt of the application, the board
16 shall determine whether the entity is eligible for a permit. In the event the board determines the
17 entity is ineligible for a permit under this section, that determination shall be stated in writing and
18 delivered to the applicant at the address that is stated in the application.

19 (d) All applicants for or holders of a permit under this section shall notify the board in
20 writing within thirty (30) days of the occurrence of the event:

21 (1) Of any change in the identities of the partners, officers, directors, or shareholders
22 who are personally engaged in this state in the practice of public accounting;

23 (2) Of any change in the number or location of offices within this state required to be
24 listed in the application pursuant to this section;

25 (3) Of any change in the identities of the persons supervising the offices; and

26 (4) Of any issuance, denial, revocation, or suspension of a permit by any other state or
27 jurisdiction. The board may prescribe fees, which are to be paid by the applicants or holders upon
28 the notification.

29 (5) ~~Of a reduction below a majority of the ownership in the entity in terms of financial~~
30 ~~interests and voting rights.~~

31 (e) All permits issued by the board under this section shall expire on the last day of June
32 of each year unless the permit is renewed in accordance with the provisions of this section.
33 Permits may be renewed for a period of one year, and shall expire on the last day of June in the
34 year following the year in which they are renewed unless they are again renewed by their holders.

1 All applications for renewal of permits under this section shall be submitted to the board by
2 February 15 of each year. All applicants for permit renewal shall satisfy the quality review
3 requirements prescribed in section 5-3.1-10.

4 (f) Fees to be paid upon application for initial issuance or renewal of a permit under this
5 section shall be established from time to time by the board. Fees shall be paid at the time the
6 application is filed with the board.

7 (g) An annual permit to engage in the practice of public accounting in this state shall be
8 issued by the board, upon application for it and payment of the required fee, to the office of the
9 auditor general provided the office is in compliance with section 5-3.1-10.

10 (h) An entity which falls out of compliance with the provisions of this section due to
11 changes in firm ownership or personnel, after receiving or renewing a permit, shall take
12 corrective action to bring the firm into compliance as quickly as possible. The board may grant a
13 reasonable period of time for a firm to take such corrective action. Failure to bring the firm into
14 compliance within a reasonable period as defined by the board will result in the suspension or
15 revocation of the permit.

16 **5-3.1-14. Initiation of proceedings -- Hearings before board -- Appeals -- Notice to**

17 **other states.** -- (a) The board may initiate proceedings under this chapter against a licensee either
18 on its own motion, on the complaint of any person, upon the finding of probable cause by a
19 probable cause committee appointed by the board pursuant to section 5-3.1-4, or upon receiving
20 notification from another state board of accountancy [or other jurisdictions](#) of its decision to:

21 (1) Revoke, suspend, or refuse to renew the practice privileges granted in that state to the
22 licensee, or

23 (2) Censure in writing, limit the scope of practice, impose an administrative fine upon, or
24 place on probation the licensee.

25 (b) A written notice stating the nature of the charge or charges against the licensee and
26 the time and place of the hearing before the board on the charges shall be served on the licensee
27 not less than twenty (20) days prior to the date of the hearing either personally or by mailing a
28 copy of the notice by certified mail, return receipt requested, to the address of the licensee last
29 known to the board.

30 (c) If, after being served with the notice of hearing as provided for in this section, the
31 licensee fails to appear at the hearing and to defend against the stated charges, the board may
32 proceed to hear evidence against the licensee and may enter an order that is justified by the
33 evidence. That order is final unless the licensee petitions for a review of it as provided in this
34 chapter; provided, that within thirty (30) days from the date of any order, upon a showing of good

1 cause for failing to appear and defend, the board may reopen the proceedings and may permit the
2 licensee to submit evidence in his, her, or its behalf.

3 (d) (1) At any hearing under this section, the licensee may:

4 (i) Appear in person or be represented by counsel;

5 (ii) Produce evidence and witnesses on his, her, or its behalf;

6 (iii) Cross examine witnesses; and

7 (iv) Examine any evidence that is produced.

8 (2) A partnership may be represented before the board by counsel or by any partner. A
9 corporation may be represented before the board by counsel or by any shareholder or member of
10 the corporation. A sole proprietorship may be represented before the board by counsel or by the
11 sole proprietor. The licensee is entitled, on written application to the board, to the issuance of
12 subpoenas to compel the attendance of witnesses on the licensee's behalf.

13 (e) The board or any member of the board may issue subpoenas to compel the attendance
14 of witnesses and the production of documents, and may administer oaths, take testimony, hear
15 proofs, and receive exhibits in evidence in connection with or upon a hearing under this chapter.
16 In case of disobedience to a subpoena, the board may petition the superior court to require the
17 attendance and testimony of witnesses and the production of documentary evidence.

18 (f) The board shall not be bound by strict rules of procedure or by the laws of evidence
19 in the conduct of its proceedings, but any determination of the board shall be based upon
20 sufficient legal evidence to sustain the determination.

21 (g) A stenographic record of all hearings under this section shall be kept and a transcript
22 filed with the board.

23 (h) At all hearings, the attorney general of this state, or any other legal counsel that is
24 employed, shall appear and represent the board.

25 (i) The decision of the board shall be made by vote in accordance with rules and
26 regulations established under section 5-3.1-4.

27 (j) Any appeal from the decision of the board, by a person or persons adversely affected
28 by the decision, shall be governed by section 42-35-15.

29 (k) On rendering a decision to: (1) revoke or suspend a certificate issued under the laws
30 of this state, (2) revoke or suspend an authority as a public accountant issued under the prior laws
31 of this state, (3) revoke, suspend, or refuse to renew a permit issued under the laws of this state,
32 or (4) censure in writing, limit the scope of practice of, impose an administrative fine upon, or
33 place on probation a licensee, the board shall examine its records to determine whether the
34 licensee holds a certificate or a permit to practice in any other state [or other jurisdiction](#). If the

1 board determines that the licensee in fact holds a certificate or permit, the board shall
2 immediately notify the board of accountancy of the other state by mail of its decision under this
3 section, and shall include in the notice an indication as to whether or not the licensee has appealed
4 that decision.

5 (l) The board may, in its discretion, order any licensee against whom proceedings have
6 been initiated under section 5-3.1-12 or 5-3.1-13 to reimburse the board for any fees, expenses,
7 and costs incurred by the board in connection with those proceedings, including attorneys' fees.
8 Those fees shall be paid within thirty (30) days from the date they are assessed and may be
9 reviewed in accordance with section 42-35-15.

10 [\(m\) The board will issue regulations for practice units to be in compliance with the](#)
11 [changes affecting practice units promulgated by this law.](#)

12 **5-3.1-16. Acts declared unlawful.** -- ~~(a) Except as permitted by the board pursuant to~~
13 ~~section 5-3.1-18(b), no person shall hold himself or herself out to the public as a certified public~~
14 ~~accountant or assume or use the designation "certified public accountant" or "CPA" or any other~~
15 ~~title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the~~
16 ~~person is a certified public accountant or CPA, unless that person has been issued a permit to~~
17 ~~practice under section 5-3.1-7.~~

18 ~~(b) No entity shall provide attest or compilation services or assume or use the~~
19 ~~designation "certified public accountants" or "CPAs" or any other title, designation, words,~~
20 ~~letters, abbreviation, sign, card, or device tending to indicate that the practice unit is composed of~~
21 ~~certified public accountants or CPAs, unless:~~

22 ~~(1) The practice unit holds a permit to practice under section 5-3.1-9;~~

23 ~~(2) Ownership of the firm is in accord with this chapter and rules promulgated by the~~
24 ~~board.~~

25 ~~(c) No person shall hold himself or herself out to the public as a public accountant, or~~
26 ~~assume or use the designation "public accountant" or "PA" or any other title, designation, words,~~
27 ~~letters, abbreviation, sign, card, or device tending to indicate that the person is a public~~
28 ~~accountant or PA, unless that person holds an authority as a public accountant and a permit to~~
29 ~~practice in this state issued under section 5-3.1-7. This subsection does not apply to those persons~~
30 ~~qualified under subsection (a) of this section to hold themselves out to the public as certified~~
31 ~~public accountants and to use the designation "certified public accountant" or "CPA".~~

32 ~~(d) No entity shall provide attest or compilation services or assume or use the~~
33 ~~designation "public accountants" or "PAs" or any other title, designation, words, letters,~~
34 ~~abbreviation, sign, card, or device tending to indicate that the practice unit is composed of public~~

1 ~~accountants or PAs, unless the practice unit holds a permit to practice under section 5-3.1-9.~~

2 ~~-(e) No person or entity not holding a valid permit shall assume or use the title or~~
3 ~~designation "certified accountant", "chartered accountant", "enrolled accountant", "licensed~~
4 ~~accountant", "registered accountant", "accredited accountant", or any other title or designation~~
5 ~~likely to be confused with "certified public accountant" or "public accountant", any of the~~
6 ~~abbreviations "CA", "RA", "LA", "AA", or similar abbreviation likely to be confused with "CPA"~~
7 ~~or "PA"; provided, that anyone who holds a permit to practice under section 5-3.1-7 may hold~~
8 ~~himself or herself out to the public as an "accountant" or "auditor". The title "Enrolled Agent" or~~
9 ~~the abbreviation "EA" may only be used by those individuals so designated by the Internal~~
10 ~~Revenue Service. In addition, the board may at its discretion allow titles or abbreviations to be~~
11 ~~used which do not mislead the public and for which appropriate certification or accreditation by a~~
12 ~~national organization can be demonstrated.~~

13 ~~-(f) No person or entity shall prepare or attempt to prepare, or sign, affix, or associate the~~
14 ~~person's or entity's name or any trade name used by him, her, or it in the person's or entity's~~
15 ~~business or profession or practice unit to any attest or compilation reports unless the individual~~
16 ~~holds a permit to practice under section 5-3.1-7 or 5-3.1-8, and unless the practice unit holds a~~
17 ~~permit to practice under section 5-3.1-9.~~

18 ~~-(g) No person or entity not holding a permit to practice under this chapter shall hold~~
19 ~~himself, herself, or itself out to the public as an "accountant" or "auditor", whether or not the term~~
20 ~~is accompanied by any other description or designation, on any sign, card, or letterhead, or in any~~
21 ~~advertisement or directory.~~

22 ~~-(h) No person holding a permit shall assume or use a professional or firm name or~~
23 ~~designation that is misleading about the legal form of the firm, or the persons who are partners,~~
24 ~~officers, members, managers or shareholders of the firm, or about any other matter; provided,~~
25 ~~however, that names of one or more former partners, members, managers or shareholders may be~~
26 ~~included in the name of a firm or its successor.~~

27 ~~-(i) No person or entity shall hold himself, herself, or itself out to the public as being~~
28 ~~qualified for the practice of public accounting unless the person or entity holds a permit to~~
29 ~~practice under this chapter.~~

30 ~~-(j) The provisions of subsections (a), (c), and (e) of this section do not prohibit any~~
31 ~~accountant licensed by a foreign country who holds an annual limited permit to engage in the~~
32 ~~practice of public accounting under section 5-3.1-8 from using the accounting designation by~~
33 ~~which he or she is known in his or her own country, translated into the English language,~~
34 ~~followed by the name of the country from which his or her certificate, license, or degree was~~

1 issued, as required by section 5-3.1-8.

2 ~~-(k) Any person or practice unit that is found to have violated any provision of this~~
3 ~~section by a court of competent jurisdiction is liable to the board for reasonable attorneys' fees in~~
4 ~~connection with the proceeding in which the finding was made.~~

5 ~~-(l) (1) A licensee, practice unit, or affiliated entity shall not directly or indirectly for a~~
6 ~~commission, recommend or refer to a client any product or service, or for a commission,~~
7 ~~recommend or refer any product or service to be supplied by a client, or receive a commission,~~
8 ~~when the licensee, practice unit, or affiliated entity also performs for that client any attest or~~
9 ~~compilation services or reports. This prohibition applies during the period in which the licensee~~
10 ~~or practice unit or affiliated entity is engaged to perform any services listed above and the period~~
11 ~~covered by any historical financial statements involved in such listed services.~~

12 ~~-(2) A licensee, practice unit, or affiliated entity who is not prohibited by this section~~
13 ~~from performing services for or receiving a commission, and who is paid or expects to be paid a~~
14 ~~commission, shall disclose that fact to any person or entity to whom the licensee, practice unit, or~~
15 ~~affiliated entity recommends or refers a product or service to which the commission relates. The~~
16 ~~disclosure must be made in writing contemporaneously with or prior to the referral or~~
17 ~~recommendation.~~

18 ~~-(3) Any licensee, practice unit, or affiliated entity who accepts a referral fee for~~
19 ~~recommending or referring any service of a licensee to any person or entity or who pays a referral~~
20 ~~fee to obtain a client shall disclose the acceptance or payment to the client. The disclosure must~~
21 ~~be made, in writing, contemporaneously with or prior to the referral or recommendation.~~

22 ~~-(4) For purposes of this section, an "affiliated entity" is defined as an entity in which the~~
23 ~~licensee, and/or any member and/or employee of the practice unit, has more than an aggregate~~
24 ~~twenty percent (20%) direct or indirect financial interest.~~

25 ~~-(5) A licensee or practice unit in public practice who is not prohibited by this section~~
26 ~~from performing service for or receiving a commission shall comply with all applicable federal~~
27 ~~and state securities laws, rules promulgated thereunder, and registration requirements.~~

28 ~~-(m) (1) A licensee, practice unit, or affiliated entity shall not: perform for a contingent~~
29 ~~fee any professional services for, or receive such a fee from, a client for whom the licensee or~~
30 ~~practice unit performs any attest or compilation services or reports; or prepare an original or~~
31 ~~amended tax return or claim for a tax refund for a contingent fee for any client.~~

32 ~~-(2) Except as stated in the next sentence, a "contingent fee" is a fee established for the~~
33 ~~performance of any service pursuant to an arrangement in which no fee will be charged unless a~~
34 ~~specified finding or result is attained, or in which the amount of the fee is otherwise dependent~~

1 ~~upon the finding or result of such service. Solely for purposes of this section, fees are not~~
2 ~~regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if~~
3 ~~determined based on the results of judicial proceedings or the findings of governmental agencies.~~

4 ~~A licensee's fees may vary depending, for example, on the complexity of services rendered.~~

5 ~~(3) For purposes of this section, an "affiliated entity" is defined as any entity in which~~
6 ~~the licensee, or any member or employee of the practice unit, has more than an aggregate twenty~~
7 ~~percent (20%) direct or indirect financial interest.~~

8 ~~(4) Any licensee who receives a contingent fee pursuant to this section shall comply with~~
9 ~~all applicable federal and state securities laws, rules promulgated thereunder, and registration~~
10 ~~requirements.~~

11 (a) Except as permitted by the board pursuant to subsection 5-3.1-18(b), no person shall
12 hold himself or herself out to the public as a certified public accountant or assume or use the
13 designation "certified public accountant" or "CPA" or any other title, designation, words, letters,
14 abbreviation, sign, card or device tending to indicate that the person is a certified public
15 accountant or CPA unless that person has been issued a permit to practice under section 5-3.1-7.

16 (b) No practice unit shall hold itself out to the public as being engaged in the practice of
17 public accounting or assume or use the designation "certified public accountants" or "CPAs" or
18 any other title, designation, words, letters, abbreviation, sign, card or device tending to indicate
19 that the practice unit is composed of certified public accountants or CPAs unless:

20 (1) The practice unit holds a permit to practice under section 5-3.1-9;

21 (2) Every partner, shareholder, officer, director, and every manager of every office of the
22 practice unit is the holder of a certificate from some state; and

23 (3) Every partner, shareholder, officer, and director personally engaged in the business of
24 the practice unit within this state holds a permit issued under section 5-3.1-7.

25 (c) Except as subsequently provided no person shall hold himself or herself out to the
26 public as a public accountant, or assume or use the designation "public accountant" or "PA" or
27 any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate
28 that the person is a public accountant or PA, unless that person holds an authority as a public
29 accountant and a permit to practice in this state issued under section 5-3.1-7. This subsection
30 does not apply to those persons qualified under subsection (a) to hold themselves out to the public
31 as certified public accountants and to use the designation "certified public accountant" or "CPA".

32 (d) No practice unit shall hold itself out to the public as being engaged in the practice of
33 public accounting or assume or use the designation "public accountants" or "PAs" or any other
34 title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the

1 practice unit is composed of public accountants or PAs, unless the practice unit holds a permit to
2 practice under section 5-3.1-9.

3 (e) No person, or practice unit shall hold himself, herself, or itself out to the public as, or
4 assume or use alone, or in connection with his, her, or its name, or any other name the title or
5 designation "certified accountant," "chartered accountant," "enrolled accountant," "licensed
6 accountant," "registered accountant," "accredited accountant," or any other title or designation
7 likely to be confused with "certified public accountant," or "public accountant," and shall not
8 assume "CA," "RA," "LA," "AA," or similar abbreviation likely to be confused with "CPA" or
9 "PA"; provided, that anyone who holds a permit to practice under section 53.1-7 may hold
10 himself or herself out to the public as an "accountant" or "auditor." The title "Enrolled Agent" or
11 the abbreviation "EA" may only be used by those individuals so designated by the Internal
12 Revenue Service. In addition, the board may at its discretion allow titles or abbreviations to be
13 used which do not mislead the public and for which appropriate certification or accreditation by a
14 national organization can be demonstrated.

15 (f) No person shall prepare or attempt to prepare, or sign, affix, or associate his or her
16 name or any trade name used by him or her in his or her business or profession or practice unit to
17 any of the following enumerated reports or any report in any manner having the appearance or
18 import of any of the following enumerated reports unless he or she holds a permit to practice
19 under section 5-3.1-7 or 5-3.1-8, and unless his or her practice unit holds a permit to practice
20 under section 5-3.1-9:

21 (1) A report expressing or disclaiming an opinion on a financial statement based on an
22 audit or examination of that statement;

23 (2) A report expressing limited assurance on a financial statement based on a review of
24 that statement; and

25 (3) A report on a financial statement based on a compilation of that statement.

26 (g) No person or practice unit not holding a permit to practice under this chapter shall
27 hold himself, herself, or itself out to the public as an "accountant" or "auditor," whether or not the
28 term is accompanied by any other description or designation, on any sign, card, or letterhead, or
29 in any advertisement or directory.

30 (h) No person shall assume or use the designation "certified public accountant" or "CPA"
31 or "public accountant," or "PA" in conjunction with names of other persons so as to indicate or
32 imply that there is a practice unit comprised of those persons which is engaged in the practice of
33 public accounting, or in conjunction with the designation "and Company" or "and Co." or a
34 similar designation, if, in this case, there is in fact no bona fide partnership, corporation, or sole

1 proprietorship holding a permit under section 53.1-9 or use a professional or firm name or
2 designation that is misleading about the legal form of the firm, or the persons who are partners,
3 officers, shareholders, or members of the firm, or about any other matter; provided, however, that
4 names of one or more former partners, officers or members may be included in the name of the
5 firm or its successors.

6 (i) No person or practice unit shall hold himself, herself, or itself out to the public as
7 being qualified for the practice of public accounting unless the person or practice unit holds a
8 permit to practice under this chapter.

9 (j) The provisions of subsections (a), (c), and (e) do not prohibit any accountant licensed
10 by a foreign country who holds an annual limited permit to engage in the practice of public
11 accounting under section 5-3.1-8.

12 (k) No licensee or practice unit, in connection with the practice of public accounting, may
13 accept any payment or other consideration, including a commission, for the recommendation, sale
14 or referral of products or services of others to a client, or for the recommendation, sale or referral
15 of products or services supplied by a client.

16 (l) An affiliated entity of a licensee or practice unit shall not directly or indirectly for a
17 commission recommend, refer or sell any product or service to be supplied by a client when the
18 licensee or practice unit performs any attest or compilation services or reports for that client. This
19 prohibition applies during the period in which the licensee or practice unit or affiliated entity is
20 engaged to perform any services listed above and the period covered by any historical financial
21 statements involved in such listed services.

22 (m) A licensee, practice unit or affiliated entity shall not: perform for a contingent fee any
23 professional services for, or receive such a fee from a client for whom the licensee or practice unit
24 performs any attest or compilation services or reports; or prepare an original or amended tax
25 return or claim for a tax refund for a contingent fee for any client.

26 (1) The prohibitions of this section apply during the period in which the licensee is
27 engaged to perform any of the services listed above and the period covered by any historical
28 financial statements involved in any such listed services.

29 (2) Except as stated in the next sentence, a “contingent fee” is a fee established for the
30 performance of any service pursuant to an arrangement in which no fee will be charged unless a
31 specified finding or result is attained, or in which the amount of the fee is otherwise dependent
32 upon the finding or result of such service. Solely for purposes of this section, fees are not
33 regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if
34 determined based on the results of judicial proceedings or the findings of governmental agencies.

1 A licensee's fees may vary depending, for example, on the complexity of services rendered.

2 (3) For purposes of this section, an "affiliated entity" is defined as any entity in which the
3 licensee, or any member or employee of the practice unit, has more than an aggregate ten percent
4 (10%) direct or indirect financial interest.

5 (4) Any licensee who receives a contingent fee pursuant to this section shall comply with
6 all applicable federal and state securities laws, rules promulgated thereunder, and registration
7 requirements.

8 (n) Any person or practice unit that is found to have violated any provision of this section
9 by a court of competent jurisdiction is liable to the board for reasonable attorneys' fees in
10 connection with the proceeding in which the finding was made.

11 SECTION 2. This act shall take effect upon passage.

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LC00022
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO BUSINESSES AND PROFESSIONS -- PUBLIC ACCOUNTANCY

- 1 This act would make changes in the law regulating public accountants.
- 2 This act would take effect upon passage.

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LC00022
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