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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: Senators McCaffrey, Walaska, Alves, and Ruggerio

Date Introduced: February 03, 2005

Referred To: Senate Commerce, Housing & Municipal Government

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 a certified public accountant issued under this  
10 chapter or corresponding provisions of prior law, or a corresponding certificate as a certified  
11 public accountant issued after examination under the law of any other state or jurisdiction.

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 and other professional accounting  
8 and tax services.

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

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

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

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

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

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

34           **5-3.1-5. Certified public accountants.** -- (a) Upon application for a certificate and

1 payment of the required fee, the board shall issue a certificate to any person who:

2 (1) Is of good moral character;

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

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

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

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

1           ~~(5)~~ (6) [As amended by P.L. 2001, ch. 249, section 1.]Have one year public accounting  
2 experience or equivalent government experience and who has satisfactorily completed any  
3 number of semester hours in accounting, auditing, and other business courses that are prescribed  
4 by board rules and regulations; and

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

15           ~~(6)~~ (7) If an out of state individual:

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

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

20           (iii) Has complied with the longer of:

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

23           (B) The Rhode Island experience requirement;

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

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

28           (b) The board, in its discretion, may accept the educational credits of any person who is a  
29 candidate for a certificate if it is satisfied, by appropriate means of evaluation, that the credits are  
30 an acceptable substitute for the credit requirements of subdivision (a)(3) or (a) (4) of this section.  
31 The board, in its discretion, may waive the residency or primary place of employment  
32 requirements relating to the issuance of a certificate as stated in subdivisions (a)(2) and or (a)~~(6)~~  
33 (7) of this section.

34           (c) The examinations described in subdivision (a)~~(4)~~ (5) of this section are held by the

1 board and shall take place as often as the board determines to be desirable, but in any event not  
2 less frequently than once each year. The board shall prescribe by rule the procedures to be  
3 followed in applying for and conducting the examinations and the methods to be used in grading  
4 the examinations and determining a passing grade. The board may make this use of any or all  
5 parts of the uniform certified public accountant examination and advisory grading service  
6 provided by the American Institute of Certified Public Accountants, and may contract with third  
7 parties to perform any administrative services with respect to the examinations that the board  
8 deems appropriate to assist it in performing its duties under this section.

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

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

1 board to a candidate taking an examination or reexamination is limited to the amount of the fee  
2 received for the examination.

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

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

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

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

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

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

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

34 (h) An applicant for issuance of a certificate under this section shall list in the application

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

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

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

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

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



1 constitutes grounds for refusal to renew the permit unless the board in its discretion determines  
2 that the failure was due to reasonable cause or excusable neglect.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (ii) ~~A majority of the~~ [With respect to an entity created on or after \[the effective date of](#)  
34 [this act\], the](#) ownership of the entity, in terms of financial interests and voting rights of all

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

5 ~~Although firms may include non-licensee owners, the firm and its ownership and all parties must~~  
6 ~~comply with rules promulgated by the board.~~ For firms of public accountants, ~~a majority~~ all of the  
7 ownership of the firm, in terms of financial interests and voting rights, must belong to holders of  
8 permits under section 53.1-7, and provided, further, that any such entity as defined by this  
9 subsection may not include non-licensee owners, ~~provided that:~~ upon passage of this act.

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

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

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

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

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

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

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

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

29 (2) For a sole proprietorship:

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

33 (ii) The sole proprietor must be a certified public accountant or a public accountant  
34 holding a certificate or authority under this chapter and a permit to practice in this state under

1 section 5-3.1-7;

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

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

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

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

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

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

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

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

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

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

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

1 year following the year in which they are renewed unless they are again renewed by their holders.  
2 All applications for renewal of permits under this section shall be submitted to the board by  
3 February 15 of each year. All applicants for permit renewal shall satisfy the quality review  
4 requirements prescribed in section 5-3.1-10.

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

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

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

17 **5-3.1-14. Initiation of proceedings -- Hearings before board -- Appeals -- Notice to**  
18 **other states.** -- (a) The board may initiate proceedings under this chapter against a licensee either  
19 on its own motion, on the complaint of any person, upon the finding of probable cause by a  
20 probable cause committee appointed by the board pursuant to section 5-3.1-4, or upon receiving  
21 notification from another state board of accountancy [or other jurisdictions](#) of its decision to:

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

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

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

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

1 chapter; provided, that within thirty (30) days from the date of any order, upon a showing of good  
2 cause for failing to appear and defend, the board may reopen the proceedings and may permit the  
3 licensee to submit evidence in his, her, or its behalf.

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

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

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

7 (iii) Cross examine witnesses; and

8 (iv) Examine any evidence that is produced.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 ~~(d) No entity shall provide attest or compilation services or assume or use the~~  
34 ~~designation "public accountants" or "PAs" or any other title, designation, words, letters,~~

1 ~~abbreviation, sign, card, or device tending to indicate that the practice unit is composed of public~~  
2 ~~accountants or PAs, unless the practice unit holds a permit to practice under section 5-3.1-9.~~

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

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

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

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

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

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



1 ~~followed by the name of the country from which his or her certificate, license, or degree was~~  
2 ~~issued, as required by section 5-3.1-8.~~

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

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

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

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

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

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

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

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

1 ~~specified finding or result is attained, or in which the amount of the fee is otherwise dependent~~  
2 ~~upon the finding or result of such service. Solely for purposes of this section, fees are not~~  
3 ~~regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if~~  
4 ~~determined based on the results of judicial proceedings or the findings of governmental agencies.~~  
5 ~~A licensee's fees may vary depending, for example, on the complexity of services rendered.~~

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

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

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

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

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

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

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

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

33 (d) No practice unit shall hold itself out to the public as being engaged in the practice of  
34 public accounting or assume or use the designation "public accountants" or "PAs" or any other

1 title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the  
2 practice unit is composed of public accountants or PAs, unless the practice unit holds a permit to  
3 practice under section 5-3.1-9.

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

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

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

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

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

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

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

1 similar designation, if, in this case, there is in fact no bona fide partnership, corporation, or sole  
2 proprietorship holding a permit under section 53.1-9 or use a professional or firm name or  
3 designation that is misleading about the legal form of the firm, or the persons who are partners,  
4 officers, shareholders, or members of the firm, or about any other matter; provided, however, that  
5 names of one or more former partners, officers or members may be included in the name of the  
6 firm or its successors.

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

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

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

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

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

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

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

1 determined based on the results of judicial proceedings or the findings of governmental agencies.

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

3 (3) For purposes of this section, an "affiliated entity" is defined as any entity in which the  
4 licensee, or any member or employee of the practice unit, has more than an aggregate ten percent  
5 (10%) direct or indirect financial interest.

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

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

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

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LC01164  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO BUSINESSES AND PROFESSIONS -- PUBLIC ACCOUNTANCY

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

=====  
LC01164  
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