
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1328 Session of
2021

INTRODUCED BY GREINER, BROOKS, PISCIOTTANO, ZIMMERMAN, SMITH,
SANCHEZ, DUNBAR, GROVE, JAMES, PEIFER, MENTZER, RYAN,
WHEELAND AND GILLEN, MAY 6, 2021

REFERRED TO COMMITTEE ON PROFESSIONAL LICENSURE, MAY 6, 2021

AN ACT

1 Amending the act of May 26, 1947 (P.L.318, No.140), entitled "An
2 act relating to the practice of public accounting; providing
3 for the examination, education and experience requirements
4 for certification of certified public accountants and for the
5 licensing of certified public accountants, public accountants
6 and firms; requiring continuing education and peer review;
7 providing for the organization and ownership of firms and for
8 the procedures and grounds for discipline and reinstatement
9 of licensees; prescribing the powers and duties of the State
10 Board of Accountancy and the Department of State; providing
11 for ownership of working papers and confidentiality;
12 regulating the professional responsibility of licensees;
13 defining unlawful acts and acts not unlawful; providing
14 penalties; and repealing existing laws," further providing
15 for general powers of the board, for requirements for
16 issuance of certificate, for peer review and for unlawful
17 acts.

18 The General Assembly of the Commonwealth of Pennsylvania
19 hereby enacts as follows:

20 Section 1. Sections 3(a)(11), 4.2(b)(3) and (d)(4), 8.9 and
21 12(f)(2) of the act of May 26, 1947 (P.L.318, No.140), known as
22 the CPA Law, are amended to read:

23 Section 3. General Powers of the Board.--(a) The Board
24 shall have the power:

25 * * *

1 (11) To promulgate and amend rules [of professional
2 conduct], including adoption of AICPA's Code of Professional
3 Conduct, uniformly applicable to certified public accountants
4 and public accountants, appropriate to establish and maintain a
5 high standard of integrity, objectivity and dignity by certified
6 public accountants, public accountants and firms.

7 * * *

8 Section 4.2. Requirements for Issuance of Certificate.--* *
9 *

10 (b) Before an individual may take the examination, the board
11 shall be satisfied that the individual:

12 * * *

13 (3) has graduated with:

14 (i) a baccalaureate or higher degree from a college or
15 university accredited by a nationally recognized accrediting
16 agency recognized by the United States Department of Education,
17 or a college or university approved by the board, and completed
18 a total of one hundred fifty semester credits of post-secondary
19 education, including at least a total of twenty-four semester
20 credits of accounting and auditing, business law, economics,
21 technology, finance or tax subjects of a content satisfactory to
22 the board and an additional twelve semester credits in
23 accounting and auditing subjects or tax subjects of a content
24 satisfactory to the board, not necessarily as part of the
25 individual's undergraduate or graduate work;

26 (ii) a baccalaureate degree from a college or university
27 accredited by a nationally recognized accrediting agency
28 recognized by the United States Department of Education, or a
29 college or university approved by the board, and completed at
30 least a total of twenty-four semester credits, which credits

1 shall be in accounting and auditing, business law, economics,
2 technology, finance or tax subjects of a content satisfactory to
3 the board, not necessarily as a part of his undergraduate work;
4 or

5 (iii) a Master's Degree or other post-graduate degree from a
6 college or university accredited by a nationally recognized
7 accrediting agency recognized by the United States Department of
8 Education, or a college or university approved by the board, and
9 completed at least a total of twenty-four semester credits,
10 which credits shall be in accounting and auditing, business law,
11 economics, technology, finance or tax subjects of a content
12 satisfactory to the board, not necessarily as part of his
13 undergraduate or graduate work.

14 * * *

15 (d) Before an individual may be issued a certificate, the
16 board shall be satisfied that the individual has completed at
17 least one year of experience that:

18 * * *

19 (4) was verified by an individual with a current license to
20 practice public accounting as a certified public accountant or
21 public accountant in this Commonwealth or another state or a
22 substantially equivalent licensed individual from a foreign
23 country.

24 * * *

25 Section 8.9. Peer Review.--(a) As a condition for granting
26 a firm a renewal license, or an initial license in the case of a
27 firm that has previously been engaged in practice in another
28 jurisdiction, the board shall require that the firm [undergo a
29 peer review in accordance with this section] be enrolled in a
30 board-approved peer review program unless the firm meets one of

1 the exemptions in subsection (g). The initial or renewal license
2 application of a firm that does not meet one of those exemptions
3 shall include a certification that the firm is in compliance
4 with this section and shall state the name of the organization
5 administering the firm's most [recent] recently accepted peer
6 review, the date of acceptance of that peer review and the
7 period covered by that peer review. The board shall not require
8 submittal of the letter of acceptance, peer review report,
9 [letter of comment,] letter of response or working papers
10 related to the peer review [process, but the board may require
11 the organization administering the firm's most recent peer
12 review to confirm the date of acceptance and the period covered
13 by that peer review. As used in this section, the term "firm"
14 includes, but is not limited to, a sole practitioner.]. The
15 board shall verify the date of acceptance and period covered by
16 the firm's most recently accepted peer review through a secure
17 website provided by the entity administering the peer review,
18 such as AICPA Facilitated State Board Access.

19 (b) A firm [with less than three licensees] shall not be
20 required to undergo a peer review more frequently than once
21 every [five years and a firm with three or more licensees shall
22 not be required to undergo a peer review more frequently than
23 once every] three years, except that:

24 (1) The board may order a firm that has been disciplined
25 under section 9.1 of this act or that has been ordered to take
26 remedial action under subsection (e) to undergo a peer review
27 more frequently.

28 (2) A new firm that is not subject to subsection (j) shall
29 [undergo] have its first peer review [within] due eighteen
30 months [after it is granted its initial license.] from the date

1 it was required to enroll in a board-approved peer review
2 program.

3 (2.2) A firm that was not previously required to [undergo a
4 peer review] enroll in a board-approved peer review program must
5 notify the board within thirty days after accepting an
6 engagement to perform an attest activity other than a
7 compilation and shall [undergo a peer review within eighteen
8 months after commencing the engagement.] have its initial peer
9 review due eighteen months from the date it was required to
10 enroll in a board-approved peer review program.

11 (3) The regulations of the board may lengthen any of the
12 periods between required peer reviews prescribed in this
13 subsection in such manner, under such circumstances or with
14 respect to such firms as the board in its discretion may
15 consider appropriate.

16 (4) Firms with fewer than three licensees that were
17 previously not required to undergo a peer review more frequently
18 than once every five years shall be permitted to maintain that
19 five-year peer review cycle until their next peer review is
20 completed.

21 (c) The board shall adopt regulations establishing
22 guidelines for peer reviews which shall:

23 (1) Require that a peer review be conducted pursuant to a
24 program and standards approved by the board. The board shall
25 approve only peer review programs that the board finds comply
26 with established standards for performing and reporting on peer
27 reviews.

28 (2) Require that a peer review be conducted by a reviewer
29 that is independent of the firm reviewed[, qualified pursuant to
30 board rules] and approved by the organization administering the

1 peer review program.

2 (3) Other than in the peer review process, prohibit the use
3 or public disclosure of information obtained by the reviewer,
4 any organization administering an approved peer review program
5 or the board during or in connection with the peer review
6 process without the firm's permission. The requirement that
7 information not be publicly disclosed shall not apply to a
8 hearing before the board that the firm requests be public under
9 subsection (e) or to the information described in subsection (h)
10 (3).

11 (d) (1) The peer review of a firm that performs one or more
12 [audits of historical financial statements or examinations of
13 prospective financial information shall be a system review,
14 including a study and evaluation of a representative selection
15 of audit, examination, review and compilation reports, the
16 financial information upon which those reports were based and
17 the associated working papers. The system review shall include
18 additional procedures relating to the firm's system of quality
19 control sufficient to provide the reviewer with a reasonable
20 basis upon which to issue a peer review report.] engagements
21 under the Statements on Auditing Standards (SAS), Government
22 Auditing Standards, examinations in accordance with the
23 Statements on Standards for Attestation Engagements (SSAE), or
24 engagements under PCAOB standards as their highest level of
25 service shall have a system review.

26 (2) The peer review of a firm that performs no [audit or
27 examination engagements] engagements under the Statements on
28 Auditing Standards (SAS), Government Auditing Standards,
29 examination engagements in accordance with the Statements on
30 Standards for Attestation Engagements (SSAE) or engagements

1 under PCAOB standards but does perform one or more review
2 engagements in accordance with the Statements on Standards for
3 Accounting and Review Services (SSARS) or services under the
4 Statements on Standards for Attestation Engagements (SSAE) not
5 included in a system review shall be required only to be an
6 engagement review. [, including a study and evaluation of a
7 representative selection of reports issued by the firm and the
8 financial information upon which those reports were based; but,
9 if such a firm elects to have a system review, that review shall
10 also be acceptable. The engagement review shall include a study
11 of the associated working papers and procedures and inquiries
12 sufficient to provide the reviewer with a reasonable basis upon
13 which to issue a peer review report.

14 (3) A firm that does not perform any audits or reviews,
15 regardless of whether or not the firm performs compilations,
16 shall be exempt from the requirement to undergo a peer review to
17 the extent provided in subsection (g) (2).]

18 (e) [If a firm does not comply with any remedial actions
19 determined appropriate by the administering organization, the
20 administering organization shall refer the matter to the board
21 to determine if further action under this subsection is
22 warranted. The board may at its discretion or shall upon
23 submission of a written application by the firm hold a hearing
24 to determine whether the firm complies with the appropriate
25 professional standards and practices.] When the board is made
26 aware that a firm has had the firm's enrollment in peer review
27 dropped or terminated and is not in compliance with the
28 enrollment requirements in section 8.9, the board may consider,
29 pursuant to a hearing or with consent, other measures, including
30 disciplinary action, against the reviewed firm and any

1 individual licensee employed by the reviewed firm. The hearing
2 shall be confidential and shall not be open to the public unless
3 requested by the firm. [If the board after conducting a hearing
4 determines that the firm complies with the appropriate
5 professional standards and practices, it shall issue an order
6 requiring the reviewer and the administering organization to
7 take any necessary action to record and implement the board's
8 determination and to restore the status of compliance of the
9 firm. However, if the board after conducting the hearing
10 determines that the firm does not comply with the appropriate
11 professional standards and practices, it] After conducting the
12 hearing, the board may issue an order that requires both of the
13 following:

14 (1) Remedial action, which may include any or all of the
15 following:

16 (i) Requiring employes of the firm to complete general or
17 specific continuing professional education courses.

18 (ii) Requiring the firm to undergo a peer review more
19 frequently than every three years.

20 (iii) Any other remedial action specified by the board.

21 (2) An affidavit from the firm, submitted within the time
22 specified by the board, indicating completion of the required
23 remedial [actions.] or other actions causing the firm's
24 enrollment in the peer review program to be dropped or
25 terminated and evidence that the firm has reenrolled in peer
26 review. The board shall verify a firm's reenrollment in peer
27 review through a secure website provided by the entity
28 administering the peer review such as AICPA Facilitated State
29 Board Access.

30 (f) The firm reviewed shall pay for any peer review

1 performed.

2 (g) A firm shall be exempt from the requirement to undergo a
3 peer review if any of the following applies:

4 (1) Within three years before the date of application for
5 initial or renewal licensure, the firm has undergone a peer
6 review conducted in another state or foreign jurisdiction which
7 meets the requirements of subsection (c)(1) and (2). [The firm
8 shall submit to the board a letter from the organization
9 administering the firm's most recent peer review stating the
10 date on which the peer review was completed.] The board shall
11 verify the date of acceptance through Facilitated State Board
12 Access. The board shall verify the date of acceptance and period
13 covered by the firm's most recently accepted peer review through
14 a secure website provided by the entity administering the peer
15 review such as AICPA Facilitated State Board Access.

16 (2) [The firm satisfies both of the following conditions:

17 (i)] During the preceding two years, the firm has not
18 accepted or performed any [audit or review engagement.

19 (ii) Within the next two years, the firm does not intend to
20 accept or perform any audit or review engagement.] attestation
21 engagements other than a compilation.

22 (3) For reasons of personal health, military service or
23 other good cause, the [board determines that the firm is
24 entitled to an exemption for a period of time not to exceed
25 twelve months.] firm shall provide to the board a copy of a
26 grant of an extension, including the resulting new due date,
27 within thirty days of receipt from the administering
28 organization.

29 (h) In any civil action, arbitration or administrative
30 proceeding, regardless of whether a licensee is a party thereto,

1 all of the following shall apply:

2 (1) The proceedings, records (including, without limitation,
3 letters of acceptance, peer review reports, letters of comment
4 and letters of response) and working papers related to the peer
5 review process of any reviewer, administering organization or
6 board member are privileged and not subject to discovery,
7 subpoena or other means of legal process and may not be
8 introduced into evidence.

9 (2) No employe, member or agent of an administering
10 organization, reviewer or board member shall be permitted or
11 required to testify as to any matters produced, presented,
12 disclosed or discussed during or in connection with the peer
13 review process or be required to testify to any finding,
14 recommendation, evaluation, opinion or other actions of any
15 person in connection with the peer review process.

16 (3) No privilege exists under this subsection:

17 (i) For information presented or considered in the peer
18 review process that was otherwise available to the public.

19 (ii) For material not prepared in connection with a peer
20 review merely because they subsequently are presented or
21 considered as part of the peer review process.

22 (iii) In connection with an administrative proceeding or
23 related civil action brought for the purpose of enforcing this
24 section.

25 [(i) If a peer review report indicates that a firm complies
26 with the appropriate professional standards and practices set
27 forth in the regulations of the board, the administering
28 organization shall destroy all working papers and documents,
29 other than report-related documents, related to the peer review
30 within ninety days after issuance to the firm of the letter of

1 acceptance by the administering organization. If a peer review
2 letter of acceptance indicates that corrective action by a firm
3 is required, the administering organization may retain documents
4 and reports related to the peer review until completion of the
5 next peer review or other agreed-to corrective actions.]

6 (j) [In the event the practices of two or more firms are
7 merged or otherwise combined, the surviving firm shall retain
8 the peer review year of the largest firm, as determined by the
9 number of accounting and auditing hours of each of the
10 practices. In the event that the practice of a firm is divided
11 or a portion of its practice is sold or otherwise transferred,
12 any firm acquiring some or all of the practice that does not
13 already have its own review year shall retain the review year of
14 the former firm. In the event that the first peer review of a
15 firm that would otherwise be required by this subsection would
16 be less than twelve months after its previous review, a review
17 year shall be assigned by the administering organization so that
18 the firm's next peer review occurs after not less than twelve
19 months of operation, but not later than eighteen months of
20 operation.] In the event a practice unit is sold, dissolved or
21 merged with the practice of one or more other practice units,
22 the determination of successor or predecessor practice unit,
23 peer review year end and the peer review due date shall be made
24 in accordance with the administering organization's guidance.

25 (k) (1) None of the following persons shall be held to have
26 violated any criminal law or to be civilly liable by reason of
27 the performance by him or it of any duty, function or activity
28 under this section so long as the person has not engaged in
29 recklessness or willful misconduct:

30 (i) reviewers;

1 (ii) the administering organization or any of its members,
2 employees or agents or any person furnishing professional
3 counsel or services to the administering organization; or

4 (iii) board members.

5 (2) Subsection (h) shall not apply to the defense of a claim
6 alleging conduct not protected under clause (1).

7 [(1) This section shall apply as follows:

8 (1) Except as provided in clause (2), this section shall
9 take effect on February 3, 1997. This clause includes without
10 limitation effectiveness for the purposes of permitting the
11 board to promulgate the regulations under subsection (c) and of
12 applying subsections (h) and (k).

13 (2) This section shall not become applicable to firms and no
14 firm shall be required to undergo a peer review under this
15 section until May 1, 2000, except that this section shall not
16 become applicable until May 1, 2004, to a firm that has not
17 accepted or performed any audit engagements during the period
18 May 1, 1998, through April 30, 2004.]

19 (m) The fees charged by an administering organization under
20 this section shall not vary depending on whether or not a firm
21 or some or all of its owners or employees are members of the
22 administering organization.

23 Section 12. Unlawful Acts.--* * *

24 (f) Except as provided in this subsection, in sections 5.2
25 and 5.4 of this act or in subsections (a) and (c), it is
26 unlawful for any person to use a title that includes the word
27 "certified" as a part thereof, or any other title or designation
28 likely to be confused with "certified public accountant," or any
29 title or designation implying or connoting accreditation by any
30 jurisdiction for the practice of any type of bookkeeping,

1 accounting, auditing, tax or other professional practice related
2 thereto, or to use any abbreviation of such title or
3 designation. It is not a violation of this subsection for an
4 individual:

5 * * *

6 (2) to use the designation "certified financial planner" or
7 "chartered global management accountant" or an abbreviation of
8 [that] the designation if the designation has been conferred by
9 a private organization after evaluation of the individual's
10 credentials or qualifications.

11 * * *

12 Section 2. This act shall take effect in 60 days.