

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

AS REPORTED FROM COMMITTEE ON PROFESSIONAL LICENSURE, HOUSE OF REPRESENTATIVES, AS AMENDED, JANUARY 24, 2022

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 1. SECTION 3(A)(11) OF THE ACT OF MAY 26, 1947 <--
24 (P.L.318, NO.140), KNOWN AS THE CPA LAW, IS AMENDED TO READ:

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

3 * * *

4 (11) To promulgate and amend rules [of professional
5 conduct], including adoption of AICPA's Code of Professional <--
6 Conduct A NATIONALLY RECOGNIZED CODE OF PROFESSIONAL CONDUCT, <--
7 uniformly applicable to certified public accountants and public
8 accountants, appropriate to establish and maintain a high
9 standard of integrity, objectivity and dignity by certified
10 public accountants, public accountants and firms.

11 * * *

12 SECTION 2. SECTION 4.2(B) INTRODUCTORY PARAGRAPH AND (3) AND <--
13 (D) (4) OF THE ACT ARE AMENDED AND THE SECTION IS AMENDED BY
14 ADDING A SUBSECTION TO READ:

15 Section 4.2. Requirements for Issuance of Certificate.--* *
16 *

17 (b) [Before] EXCEPT AS PROVIDED UNDER SUBSECTION (B.1), <--
18 BEFORE an individual may take the examination, the board shall
19 be satisfied that the individual:

20 * * *

21 (3) has graduated with:

22 (i) a baccalaureate or higher degree from a college or
23 university accredited by a nationally recognized accrediting
24 agency recognized by the United States Department of Education,
25 or a college or university approved by the board, and completed
26 a total of one hundred fifty semester credits of post-secondary
27 education, including at least a total of twenty-four semester
28 credits of accounting and auditing, business law, economics,
29 technology, finance or tax subjects of a content satisfactory to
30 the board and an additional twelve semester credits in

1 accounting and auditing subjects or tax subjects of a content
2 satisfactory to the board, not necessarily as part of the
3 individual's undergraduate or graduate work;

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

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

22 (B.1) AN INDIVIDUAL MAY TAKE THE EXAMINATION ON OR AFTER THE <--
23 EFFECTIVE DATE OF THIS SUBSECTION IF THE BOARD IS SATISFIED THAT
24 THE INDIVIDUAL MEETS THE REQUIREMENTS UNDER SUBSECTION (B) (1)
25 AND (2) AND HAS COMPLETED A TOTAL OF ONE HUNDRED TWENTY SEMESTER
26 CREDITS OF POST-SECONDARY EDUCATION.

27 * * *

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

1 * * *

2 (4) was verified by an individual with a current license to
3 practice public accounting as a certified public accountant or
4 public accountant in this Commonwealth or another state or a
5 substantially equivalent licensed individual from a foreign
6 country.

7 * * *

8 SECTION 3. SECTIONS 8.9 AND 12(F) (2) OF THE ACT ARE AMENDED <--
9 TO READ:

10 Section 8.9. Peer Review.--(a) As a condition for granting
11 a firm a renewal license, or an initial license in the case of a
12 firm that has previously been engaged in practice in another
13 jurisdiction, the board shall require that the firm [undergo a
14 peer review in accordance with this section] be enrolled in a
15 board-approved peer review program unless the firm meets one of
16 the exemptions in subsection (g). The initial or renewal license
17 application of a firm that does not meet one of those exemptions
18 shall include a certification that the firm is in compliance
19 with this section and shall state the name of the organization
20 administering the firm's most [recent] recently accepted peer
21 review, the date of acceptance of that peer review and the
22 period covered by that peer review. The board shall not require
23 submittal of the letter of acceptance, peer review report,
24 [letter of comment,] letter of response or working papers
25 related to the peer review [process, but the board may require
26 the organization administering the firm's most recent peer
27 review to confirm the date of acceptance and the period covered
28 by that peer review. As used in this section, the term "firm"
29 includes, but is not limited to, a sole practitioner.]. The
30 board shall verify the date of acceptance and period covered by

1 the firm's most recently accepted peer review through a secure
2 website provided by the entity administering the peer review, <--
3 such as AICPA Facilitated State Board Access.

4 (b) A firm [with less than three licensees] shall not be
5 required to undergo a peer review more frequently than once
6 every [five years and a firm with three or more licensees shall
7 not be required to undergo a peer review more frequently than
8 once every] three years, except that:

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

13 (2) A new firm that is not subject to subsection (j) shall
14 [undergo] have its first peer review [within] due eighteen
15 months [after it is granted its initial license.] from the date
16 it was required to enroll in a board-approved peer review
17 program.

18 (2.2) A firm that was not previously required to [undergo a
19 peer review] enroll in a board-approved peer review program must
20 notify the board within thirty days after accepting an
21 engagement to perform an attest activity other than a
22 compilation and shall [undergo a peer review within eighteen
23 months after commencing the engagement.] have its initial peer
24 review due eighteen months from the date it was required to
25 enroll in a board-approved peer review program.

26 (3) The regulations of the board may lengthen any of the
27 periods between required peer reviews prescribed in this
28 subsection in such manner, under such circumstances or with
29 respect to such firms as the board in its discretion may
30 consider appropriate.

1 ~~(4) Firms A FIRM with fewer than three licensees that were~~ <--
2 ~~WAS previously not required to undergo a peer review more~~ <--
3 ~~frequently than once every five years shall be permitted to~~ <--
4 ~~maintain that five year peer review cycle until their next peer~~
5 ~~review is completed., NO LATER THAN THREE YEARS BEFORE DECEMBER~~ <--
6 ~~31, 2027, AND EVERY THREE YEARS THEREAFTER, UNDERGO A PEER~~
7 ~~REVIEW CONDUCTED PURSUANT TO PEER REVIEW STANDARDS ADOPTED BY~~
8 ~~THE BOARD.~~

9 (c) The board shall adopt regulations establishing
10 guidelines for peer reviews which shall:

11 (1) Require that a peer review be conducted pursuant to a
12 program and standards approved by the board. The board shall
13 approve only peer review programs that the board finds comply
14 with established standards for performing and reporting on peer
15 reviews.

16 (2) Require that a peer review be conducted by a reviewer
17 that is independent of the firm reviewed[, qualified pursuant to
18 board rules] and approved by the organization administering the
19 peer review program.

20 (3) Other than in the peer review process, prohibit the use
21 or public disclosure of information obtained by the reviewer,
22 any organization administering an approved peer review program
23 or the board during or in connection with the peer review
24 process without the firm's permission. The requirement that
25 information not be publicly disclosed shall not apply to a
26 hearing before the board that the firm requests be public under
27 subsection (e) or to the information described in subsection (h)
28 (3).

29 (d) (1) The peer review of a firm that performs one or more
30 [audits of historical financial statements or examinations of

1 prospective financial information shall be a system review,
2 including a study and evaluation of a representative selection
3 of audit, examination, review and compilation reports, the
4 financial information upon which those reports were based and
5 the associated working papers. The system review shall include
6 additional procedures relating to the firm's system of quality
7 control sufficient to provide the reviewer with a reasonable
8 basis upon which to issue a peer review report.] engagements
9 under the Statements on Auditing Standards (SAS), Government
10 Auditing Standards, examinations in accordance with the
11 Statements on Standards for Attestation Engagements (SSAE), or
12 engagements under PCAOB standards as their highest level of
13 service shall have a system review.

14 (2) The peer review of a firm that performs no [audit or
15 examination engagements] engagements under the Statements on
16 Auditing Standards (SAS), Government Auditing Standards,
17 examination engagements in accordance with the Statements on
18 Standards for Attestation Engagements (SSAE) or engagements
19 under PCAOB standards but does perform one or more review
20 engagements in accordance with the Statements on Standards for
21 Accounting and Review Services (SSARS) or services under the
22 Statements on Standards for Attestation Engagements (SSAE) not
23 included in a system review shall be required only to be an
24 engagement review. [, including a study and evaluation of a
25 representative selection of reports issued by the firm and the
26 financial information upon which those reports were based; but,
27 if such a firm elects to have a system review, that review shall
28 also be acceptable. The engagement review shall include a study
29 of the associated working papers and procedures and inquiries
30 sufficient to provide the reviewer with a reasonable basis upon

1 which to issue a peer review report.

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

6 (e) [If a firm does not comply with any remedial actions
7 determined appropriate by the administering organization, the
8 administering organization shall refer the matter to the board
9 to determine if further action under this subsection is
10 warranted. The board may at its discretion or shall upon
11 submission of a written application by the firm hold a hearing
12 to determine whether the firm complies with the appropriate
13 professional standards and practices.] When the board is made
14 aware that a firm has had the firm's enrollment in peer review
15 dropped or terminated and is not in compliance with the
16 enrollment requirements in section 8.9, the board may consider,
17 pursuant to a hearing or with consent, other measures, including
18 disciplinary action, against the reviewed firm and any
19 individual licensee employed by the reviewed firm. The hearing
20 shall be confidential and shall not be open to the public unless
21 requested by the firm. [If the board after conducting a hearing
22 determines that the firm complies with the appropriate
23 professional standards and practices, it shall issue an order
24 requiring the reviewer and the administering organization to
25 take any necessary action to record and implement the board's
26 determination and to restore the status of compliance of the
27 firm. However, if the board after conducting the hearing
28 determines that the firm does not comply with the appropriate
29 professional standards and practices, it] After conducting the
30 hearing, the board may issue an order that requires both of the

1 following:

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

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

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

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

9 (2) An affidavit from the firm, submitted within the time
10 specified by the board, indicating completion of the required
11 remedial [actions.] or other actions causing the firm's
12 enrollment in the peer review program to be dropped or
13 terminated and evidence that the firm has reenrolled in peer
14 review. The board shall verify a firm's reenrollment in peer
15 review through a secure website provided by the entity
16 administering the peer review such as AICPA Facilitated State <--
17 Board Access.

18 (f) The firm reviewed shall pay for any peer review
19 performed.

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

22 (1) Within three years before the date of application for
23 initial or renewal licensure, the firm has undergone a peer
24 review conducted in another state or foreign jurisdiction which
25 meets the requirements of subsection (c) (1) and (2). [The firm
26 shall submit to the board a letter from the organization
27 administering the firm's most recent peer review stating the
28 date on which the peer review was completed.] The board shall
29 verify the date of acceptance through Facilitated State Board
30 Access. The board shall verify the date of acceptance and period

1 covered by the firm's most recently accepted peer review through
2 a secure website provided by the entity administering the peer
3 review such as AICPA Facilitated State Board Access. <--

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

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

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

10 (3) For reasons of personal health, military service or
11 other good cause, the [board determines that the firm is
12 entitled to an exemption for a period of time not to exceed
13 twelve months.] firm shall provide to the board a copy of a
14 grant of an extension, including the resulting new due date,
15 within thirty days of receipt from the administering
16 organization.

17 (h) In any civil action, arbitration or administrative
18 proceeding, regardless of whether a licensee is a party thereto,
19 all of the following shall apply:

20 (1) The proceedings, records (including, without limitation,
21 letters of acceptance, peer review reports, letters of comment
22 and letters of response) and working papers related to the peer
23 review process of any reviewer, administering organization or
24 board member are privileged and not subject to discovery,
25 subpoena or other means of legal process and may not be
26 introduced into evidence.

27 (2) No employe, member or agent of an administering
28 organization, reviewer or board member shall be permitted or
29 required to testify as to any matters produced, presented,
30 disclosed or discussed during or in connection with the peer

1 review process or be required to testify to any finding,
2 recommendation, evaluation, opinion or other actions of any
3 person in connection with the peer review process.

4 (3) No privilege exists under this subsection:

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

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

10 (iii) In connection with an administrative proceeding or
11 related civil action brought for the purpose of enforcing this
12 section.

13 [(i) If a peer review report indicates that a firm complies
14 with the appropriate professional standards and practices set
15 forth in the regulations of the board, the administering
16 organization shall destroy all working papers and documents,
17 other than report-related documents, related to the peer review
18 within ninety days after issuance to the firm of the letter of
19 acceptance by the administering organization. If a peer review
20 letter of acceptance indicates that corrective action by a firm
21 is required, the administering organization may retain documents
22 and reports related to the peer review until completion of the
23 next peer review or other agreed-to corrective actions.]

24 (j) [In the event the practices of two or more firms are
25 merged or otherwise combined, the surviving firm shall retain
26 the peer review year of the largest firm, as determined by the
27 number of accounting and auditing hours of each of the
28 practices. In the event that the practice of a firm is divided
29 or a portion of its practice is sold or otherwise transferred,
30 any firm acquiring some or all of the practice that does not

1 already have its own review year shall retain the review year of
2 the former firm. In the event that the first peer review of a
3 firm that would otherwise be required by this subsection would
4 be less than twelve months after its previous review, a review
5 year shall be assigned by the administering organization so that
6 the firm's next peer review occurs after not less than twelve
7 months of operation, but not later than eighteen months of
8 operation.] In the event a practice unit is sold, dissolved or
9 merged with the practice of one or more other practice units,
10 the determination of successor or predecessor practice unit,
11 peer review year end and the peer review due date shall be made
12 in accordance with the administering organization's guidance.

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

18 (i) reviewers;

19 (ii) the administering organization or any of its members,
20 employees or agents or any person furnishing professional
21 counsel or services to the administering organization; or

22 (iii) board members.

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

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

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

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

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

11 Section 12. Unlawful Acts.--* * *

12 (f) Except as provided in this subsection, in sections 5.2
13 and 5.4 of this act or in subsections (a) and (c), it is
14 unlawful for any person to use a title that includes the word
15 "certified" as a part thereof, or any other title or designation
16 likely to be confused with "certified public accountant," or any
17 title or designation implying or connoting accreditation by any
18 jurisdiction for the practice of any type of bookkeeping,
19 accounting, auditing, tax or other professional practice related
20 thereto, or to use any abbreviation of such title or
21 designation. It is not a violation of this subsection for an
22 individual:

23 * * *

24 (2) to use the designation "certified financial planner" or
25 "chartered global management accountant" or an abbreviation of
26 [that] the designation if the designation has been conferred by
27 a private organization after evaluation of the individual's
28 credentials or qualifications.

29 * * *

30 Section 2 4. This act shall take effect in 60 days.

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