

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1782 Session of
1995

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AND TRAVAGLIO, JUNE 19, 1995

REFERRED TO COMMITTEE ON PROFESSIONAL LICENSURE, JUNE 19, 1995

AN ACT

1 Relating to the practice of public accounting; providing for the
2 examination, education and experience requirements for
3 certification of certified public accountants and for the
4 licensing of certified public accountants, public accountants
5 and firms; requiring continuing education and peer review;
6 providing for the organization and ownership of firms;
7 providing the procedures and grounds for discipline and
8 reinstatement of licensees; prescribing the powers and duties
9 of the State Board of Accountancy; providing for ownership of
10 working papers and confidentiality; regulating the
11 professional responsibility of licensees; defining unlawful
12 acts and the penalties therefor; and making a repeal.

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26 The General Assembly of the Commonwealth of Pennsylvania
27 hereby enacts as follows:

28 Section 1. Short title.

29 This act shall be known and may be cited as the CPA Law of
30 (in preparing this act for printing in the Laws of Pennsylvania,

1 the Legislative Reference Bureau shall insert here, in lieu of
2 this statement, the calendar year of enactment of this act).

3 Section 2. Definitions.

4 The following words and phrases when used in this act shall
5 have the meanings given to them in this section unless the
6 context clearly indicates otherwise:

7 "AICPA." The American Institute of Certified Public
8 Accountants.

9 "Attest activity." Any of the activities described in
10 paragraph (1) of the definition of "public accounting."

11 "Board." The State Board of Accountancy.

12 "Business unit." A functional group of individuals in a firm
13 or a sole practitioner performing an attest activity.

14 "Certified public accountant." An individual to whom a
15 certificate of certified public accountant has been issued under
16 this act or prior law.

17 "Commission." Compensation, except a referral fee, for
18 recommending or referring any product or service to be supplied
19 by another person.

20 "Department." The Department of State acting through the
21 Commissioner of Professional and Occupational Affairs.

22 "Equity interest." Any type of ownership interest in a firm,
23 including, without limitation, the right to vote with respect to
24 any issue, whether or not the right to vote is coupled with an
25 interest in the profits or assets of the firm.

26 "Examination." The examination for the certificate of
27 certified public accountant provided for in section 5(b).

28 "Firm." A qualified association that is a licensee.

29 "Holding out" or "hold out." Any representation of the fact
30 that a person, or an individual associated in any way with a

1 person, holds a certificate of certified public accountant, a
2 registration as a public accountant or a license, made in
3 connection with the performance of, or an offer to perform,
4 services for the public. A representation shall be deemed to
5 include any oral or written communication conveying the fact
6 that the person or individual holds a certificate, registration
7 or license, including, without limitation, the use of titles or
8 legends on letterheads, business cards, office doors,
9 advertisements and listings or the displaying of a certificate,
10 registration or license.

11 "Internal auditor." An individual within a governmental or
12 private entity who performs an audit function that requires the
13 individual to be independent of the activities he audits. The
14 independence required of an internal auditor does not need to
15 meet the standard of independence required of a certified public
16 accountant or public accountant.

17 "Licensee." An individual certified by or registered with
18 the State Board of Accountancy and holding a current license to
19 practice under section 12 or a qualified association holding a
20 current license to practice under section 14. A person on
21 inactive status under section 12(c) or otherwise not holding a
22 current license is not a licensee.

23 "Nonqualified individual." An individual who is not and has
24 never been a certified public accountant or a public accountant.

25 "Peer review." A study, appraisal or review of one or more
26 aspects of the professional work of an individual or firm in the
27 practice of public accounting to determine the degree of
28 compliance by the individual or firm with generally accepted
29 accounting principles and auditing standards and other generally
30 accepted technical standards by persons who hold current

1 licenses to practice public accounting under the laws of this
2 Commonwealth or another jurisdiction and who are not affiliated
3 with the individual or firm being reviewed.

4 "Public accountant." An individual who was qualified and
5 accepted for registration in accordance with section 8.7 of the
6 act of May 26, 1947 (P.L.318, No.140), known as The C.P.A. Law.

7 "Public accounting." Offering to perform or performing for a
8 client or potential client:

9 (1) An examination, audit, review, compilation or other
10 agreed-upon procedure with respect to financial information
11 together with the issuance of a report expressing or
12 disclaiming an opinion or other assurance on such
13 information, which opinion or assurance, when issued, is
14 based on the performance of services in accordance with
15 generally accepted auditing standards, standards for
16 accounting and review services, standards for prospective
17 financial information, standards for attestation engagements,
18 governmental auditing standards or any other similar
19 standards.

20 (2) Other professional services, including, but not
21 limited to, the use of accounting skills, management advisory
22 or consulting services, business valuations, financial
23 planning, preparation of tax returns or furnishing of advice
24 on tax matters while:

25 (i) holding oneself out as a certified public
26 accountant, public accountant or firm; or

27 (ii) using a firm name that is the same as the name
28 that the firm uses when performing an attest activity.

29 "Qualified association." An association as defined in 15
30 Pa.C.S. § 102 (relating to definitions) that is incorporated or

1 organized under the laws of this Commonwealth or any other
2 jurisdiction if the organic law under which the association is
3 incorporated or organized does not afford the shareholders,
4 partners, members or other owners of equity interests in the
5 association or the officers, employees or agents of the
6 association with greater immunity than is available to the
7 shareholders, officers, employees or agents of a professional
8 corporation under 15 Pa.C.S. § 2925 (relating to professional
9 relationship retained).

10 "Referral fee." Compensation paid to a licensee for
11 recommending another licensee to, or referring to another
12 licensee, any person for the performance by the other licensee
13 of any service within the definition of public accounting.

14 "Report." An opinion, statement or other form of written
15 communication that states or implies assurance as to the
16 reliability of any financial information or assessments of the
17 status or performance of any person and that also implies or is
18 accompanied by any statement or implication that the person
19 issuing it has special knowledge or competence in accounting or
20 auditing. Such a statement or implication of special knowledge
21 or competence may arise from use by the issuer of the
22 communication of names or titles indicating that the issuer or
23 any individual employed by or affiliated with it is an
24 accountant or auditor or from the language of the communication
25 itself. The term "report" includes any form of language which
26 disclaims an opinion when such form of language is
27 conventionally understood to imply any positive assurance as to
28 the reliability of the financial information referred to and/or
29 special competence on the part of the person issuing such
30 language, and it includes any other form of language that is

1 conventionally understood to imply such assurance and/or such
2 special knowledge or competence.

3 "Unprofessional conduct." For the purposes of the
4 application of section 16 only, "unprofessional conduct" means
5 failure to:

6 (1) undertake only those professional services that a
7 licensee can reasonably expect to be completed with
8 professional competence;

9 (2) exercise due professional care in the performance of
10 professional services;

11 (3) adequately plan and supervise the performance of
12 professional services; or

13 (4) obtain sufficient data to afford a reasonable basis
14 for conclusions or recommendations in relation to any
15 professional services performed.

16 Section 3. State Board of Accountancy.

17 (a) Membership.--The State Board of Accountancy shall
18 consist of 18 members, one of whom shall be the Commissioner of
19 Professional and Occupational Affairs in the Department of State
20 or his designee, one of whom shall be the Director of the Bureau
21 of Consumer Protection in the office of the Attorney General or
22 his designee, and the remaining 16 of whom shall be appointed by
23 the Governor subject to the consent of the Senate as follows:

24 (1) Eleven members shall be certified public
25 accountants, all of whom are licensees and at least six of
26 whom are actively engaged in the practice of public
27 accounting as their principal occupation at the time of their
28 appointment. Two members shall be appointed from the eastern
29 part of the Commonwealth, two from the western part, two from
30 the central part and five from any part of the Commonwealth.

1 (2) Three members shall be persons who are not
2 affiliated in any manner with the profession, who shall
3 represent the public at large.

4 (3) Two members shall be registered public accountants
5 who are licensees engaged in the practice of public
6 accounting as their principal occupation at the time of their
7 appointment. The number of public accountant members shall be
8 reduced by one and the number of certified public accountant
9 members increased by one when the number of public
10 accountants who are licensees falls below 500 for the first
11 time by elimination of the public accountant member whose
12 term expires closest to that time. The remaining public
13 accountant member shall be eliminated and the number of
14 certified public accountant members increased by one when the
15 number of public accountants who are licensees falls below
16 100 for the first time.

17 (b) Terms of members.--The terms of the members of the board
18 shall be four years from the respective dates of their
19 appointment, except that a member may continue to serve for a
20 period not to exceed six months beyond the expiration of his
21 term, if a successor has yet to be duly appointed and qualified
22 according to law. A board member shall not serve more than two
23 consecutive full four-year terms and shall not be eligible for
24 reappointment until after four years have elapsed.

25 (c) Organization; action by board.--Ten members of the board
26 shall constitute a quorum. The board shall select from among its
27 number a chairman, vice chairman, secretary and under secretary.
28 The board may act by a majority of the members present and
29 voting at a meeting at which a quorum is present, except that
30 action by the board under section 15(a), 22 or 24(c) may only be

1 taken by:

2 (1) a majority vote of the maximum authorized membership
3 of the board; or

4 (2) if the current membership of the board is less than
5 its full authorized membership, the greater of:

6 (i) a majority vote of the duly qualified and
7 confirmed membership of the board; or

8 (ii) a minimum number of nine affirmative votes.

9 (d) Compensation.--Each member of the board shall be paid
10 reasonable traveling and other expenses and per diem
11 compensation at the rate of \$100 for each day of actual service
12 while on board business.

13 (e) Forfeiture of membership.--A member who fails to attend
14 three consecutive meetings shall forfeit his seat unless the
15 Commissioner of Professional and Occupational Affairs upon
16 written request from the member finds that the member should be
17 excused from a meeting because of illness or the death of an
18 immediate family member.

19 (f) Successor members.--In the event that a member of the
20 board shall die, resign or be removed during his term of office,
21 his successor shall be appointed in the same way and with the
22 same qualifications as set forth in this section and shall hold
23 office for a full four-year term.

24 (g) Restrictions on other activities.--

25 (1) A certified public accountant, representative of the
26 public or a public accountant appointed to the board pursuant
27 to subsection (a)(1), (2) or (3) shall not hold any other
28 public office, compensated or uncompensated, during the term
29 of his membership on the board.

30 (2) No member of the board shall be a teacher or

1 instructor in any coaching school which has as its primary
2 purpose preparation for the examination or a person who has a
3 financial interest in such a coaching school.

4 (h) Support staff.--The department shall assign to the board
5 such agents, clerks, stenographers, assistants and investigators
6 as may be deemed necessary to carry out and enforce the
7 provisions of this act.

8 Section 4. General powers of board.

9 (a) Authority.--The board shall have the power:

10 (1) To provide for, regulate and approve the issuance of
11 a certificate of certified public accountant to any person:

12 (i) who meets the requirements for the issuance of a
13 certificate in section 5(e); or

14 (ii) who meets the requirements for the issuance of
15 a certificate by reciprocity in section 8 or 9.

16 (2) To contract with a professional testing organization
17 for the preparation and administration of the examination in
18 accordance with section 812.1(a) of the act of April 9, 1929
19 (P.L.177, No.175), known as The Administrative Code of 1929,
20 and to establish prior to the administration of each
21 examination an appropriate minimum passing score in keeping
22 with the purposes of this act.

23 (3) To keep a record showing the names and the places of
24 business of persons to whom a certificate of certified public
25 accountant has been issued under this act or prior laws and
26 of all other persons registered or holding licenses under
27 this act or prior laws. The department shall furnish copies
28 of such record to the public upon request and may establish a
29 reasonable fee for such copies which shall not exceed the
30 cost of reproduction.

1 (4) To revoke, suspend, limit or otherwise restrict the
2 certificate or license of any certified public accountant or
3 the registration or license of any public accountant or the
4 license of any firm under this act, to censure or reprimand
5 the holder of any certificate, registration or license, to
6 require completion of general or a specific number of
7 continuing professional education courses, to require more
8 frequent peer review or other remedial action, and to impose
9 civil penalties for violation of this act.

10 (5) To collect fees as provided for in this act and to
11 submit annually to the department an estimate of the
12 financial requirements of the board for its administrative,
13 investigative, legal and miscellaneous expenses.

14 (6) To arrange for assistance in the performance of its
15 duties, to administer and enforce the laws of this
16 Commonwealth relating to certification, registration,
17 licensing and practice by certified public accountants,
18 public accountants and firms and to instruct and require its
19 agents to seek an injunction or bring a prosecution for a
20 violation of this act.

21 (7) To keep minutes and records of all of its
22 transactions and proceedings. Copies thereof duly certified
23 by the secretary of the board shall be received as evidence
24 in all courts and elsewhere. The department shall furnish
25 copies of such minutes and records to the public upon request
26 and may establish a reasonable fee for such copies which
27 shall not exceed the cost of reproduction.

28 (8) To become a member of the National Association of
29 State Boards of Accountancy or a similar organization, to pay
30 such dues as that association shall establish and to send

1 members of the board and staff as delegates to the meetings
2 of that association and defray their expenses.

3 (9) To adopt, promulgate and enforce rules and
4 regulations consistent with the provisions of this act
5 establishing requirements of continuing education and peer
6 review to be met by certified public accountants, public
7 accountants and firms as a condition for renewal of biennial
8 licenses to engage in the practice of public accounting in
9 this Commonwealth. Such rules and regulations shall include,
10 but not be limited to, analysis of continuing education
11 records by a consultant whose analysis shall cover licensee
12 forms and records of continuing education sponsors. The
13 analysis shall be designed to determine compliance with all
14 continuing education regulations of the board, including
15 attendance of licensees, qualifications of sponsors and
16 qualifications of courses for credit and shall have a
17 statistical validity of 95%, plus or minus 3%.

18 (10) To promulgate and amend rules of professional
19 conduct, uniformly applicable to certified public accountants
20 and public accountants, appropriate to establish and maintain
21 a high standard of integrity, objectivity and dignity by
22 certified public accountants, public accountants and firms.

23 (11) To adopt, promulgate and enforce such
24 administrative rules and regulations not inconsistent with
25 this act or other acts as are necessary and proper to carry
26 into effect the provisions of this act.

27 (12) To submit annually to the Consumer Protection and
28 Professional Licensure Committee of the Senate and the
29 Professional Licensure Committee of the House of
30 Representatives a description of the types of complaints

1 received, status of the cases, board action that has been
2 taken and length of time from the initial complaint to final
3 board resolution.

4 (13) To submit annually to the Appropriations Committee
5 of the Senate and the Appropriations Committee of the House
6 of Representatives not later than 15 days after the Governor
7 has submitted his budget to the General Assembly a copy of
8 the budget request for the upcoming year that the board
9 previously submitted to the department.

10 (14) To engage consultants as may be deemed necessary to
11 carry out and enforce the provisions of this act.

12 (b) Limitations.--The board shall not have the power to:

13 (1) Require a photograph as part of an application for a
14 certificate of certified public accountant.

15 (2) Adopt regulations requiring licensees to maintain a
16 minimum amount of insurance, unimpaired capital or net worth.

17 Section 5. Examination and issuance of certificate.

18 (a) Qualifications.--An individual shall be permitted to
19 take the examination for the certificate of certified public
20 accountant if the individual:

21 (1) Is a resident of this Commonwealth, is enrolled in a
22 college or university in this Commonwealth or is employed in
23 this Commonwealth under the supervision of a licensee at the
24 time the individual first sits for the examination.

25 (2) Has attained the age of 18 years.

26 (3) Is of good moral character.

27 (4) Meets the education requirements provided for in
28 section 6.

29 (b) Conduct and contents of examination.--The examination
30 shall be held at least twice in each calendar year and

1 simultaneously in at least two counties of the Commonwealth and
2 shall be a written examination in business law and professional
3 responsibilities, auditing, accounting and reporting, and
4 financial accounting and reporting. The board shall use all
5 parts of the Uniform Certified Public Accountants' examination
6 and Advisory Grading service of the AICPA to assist in
7 performing its duties hereunder.

8 (c) Retaking examination.--Subject to such regulations as
9 the board may adopt governing reexaminations, a candidate shall
10 be entitled to retake the examination.

11 (d) Examination under prior law.--An individual who has
12 previously taken an examination for a certificate of certified
13 public accountant under the provisions of a prior law of this
14 Commonwealth shall continue to be permitted to take the
15 examination and receive a certificate subject to such prior
16 provisions.

17 (e) Issuance of certificate.--A certificate of certified
18 public accountant shall be issued by the board upon application
19 by an individual who:

20 (1) has passed the examination;

21 (2) meets the experience requirements provided for in
22 section 7; and

23 (3) has successfully completed an examination or self-
24 study program on professional conduct satisfactory to the
25 board, in the case of an individual applying for the
26 certificate of certified public accountant on or after (in
27 preparing this act for printing in the Laws of Pennsylvania,
28 the Legislative Reference Bureau shall insert here, in lieu
29 of this statement, the date that is one year after the
30 effective date of this act).

1 Section 6. Education requirements.

2 (a) General rule.--Before an individual is permitted to take
3 the examination, the board shall be satisfied that he has
4 complied with the following requirements:

5 (1) Except as provided in subsection (b), an individual
6 not subject to paragraph (2) shall have:

7 (i) graduated with a baccalaureate degree from a
8 college or university approved at the time of graduation
9 by the Department of Education, or completed an education
10 that is the equivalent thereof and also completed at
11 least 24 semester credits in accounting, auditing,
12 business law, finance and tax subjects of a content
13 satisfactory to the board, not necessarily as a part of
14 his undergraduate work; or

15 (ii) graduated with a master's degree or a doctoral
16 degree from a college or university approved at the time
17 of graduation by the Department of Education and
18 completed at least 24 semester credits in accounting,
19 auditing, business law, finance and tax subjects of a
20 content satisfactory to the board, not necessarily as
21 part of his undergraduate or graduate work.

22 (2) On and after January 1, 2005, an individual applying
23 to sit for the examination for the first time shall be
24 required to have graduated with a baccalaureate degree from a
25 college or university approved at the time of graduation by
26 the Department of Education or have completed an education
27 that is the equivalent thereof. Prior to being granted the
28 certificate of certified public accountant, the individual
29 must also demonstrate that he has completed a total of 150
30 semester credits, including at least 24 semester credits of

1 accounting, auditing, business law, finance and tax subjects
2 of a content satisfactory to the board, and an additional 12
3 semester credits in accounting, auditing and tax subjects of
4 a content satisfactory to the board, not necessarily as part
5 of his undergraduate or graduate work.

6 (b) Transitional provision.--The board shall permit an
7 applicant taking the examination for the first time before (in
8 preparing this act for printing in the Laws of Pennsylvania, the
9 Legislative Reference Bureau shall insert here, in lieu of this
10 statement, the date that is one year after the effective date of
11 this act), to take the examination during the final term,
12 semester or quarter of the school year in which he will
13 graduate, if it is reasonably expected that he will fulfill the
14 educational requirements of subsection (a)(1) and receive the
15 required degree within 90 days after the date of the
16 examination.

17 Section 7. Experience requirements.

18 (a) General rule.--An individual shall be issued the
19 certificate of certified public accountant under section 5(e)
20 after the individual has complied with the following experience
21 requirements:

22 (1) An individual taking the examination on the basis of
23 having satisfied the education requirements in section
24 6(1)(i) shall have completed at least two years of experience
25 in public accounting or as an internal auditor or as an
26 auditor with a unit of Federal, State or local government.

27 (2) An individual taking the examination on the basis of
28 having satisfied the education required in section 6(1)(ii)
29 or (2) shall be subject to the same experience requirements
30 as in paragraph (1), except that the individual shall need

only one year of qualifying experience.

(b) Nature of experience.--The experience required under subsection (a)(1) or (2) must:

(1) Be of a caliber satisfactory to the board.

(2) Have required the use of auditing skills.

(3) Have been supervised by a licensee.

(c) Completion of experience.--Individuals taking the examination for the first time after January 1, 1997, must complete the experience required by this section within 120 months preceding the date of application for a certificate of certified public accountant under section 5(e). Individuals taking the examination before January 1, 1997, need not attain the experience required by this section within any particular period of time.

(d) Minimum audit experience.--The experience required under subsection (a)(1) must include not less than 800 hours of auditing, and the experience required under subsection (a)(2) must include not less than 400 hours of auditing.

Section 8. Certificates issued by domestic reciprocity.

(a) General rule.--Without requiring the examinations otherwise required under section 5(e), the board may in its discretion issue a certificate of certified public accountant to a holder of a certificate of certified public accountant then in full force and effect issued by another state following passage of a written examination if the applicant shall submit evidence satisfactory to the board that he:

(1) possesses the qualifications specified in section 5(a), has passed the written examination required to practice as a certified public accountant under the laws of the other state, meets the continuing education requirements specified

1 in section 12 and has the experience required under section 7
2 to receive the certificate in this Commonwealth; or

3 (2) has held a certificate and license to practice
4 public accounting for the immediately preceding five years in
5 another state.

6 (b) Contents of application.--An applicant for a certificate
7 under this section shall list in the application all states and
8 foreign jurisdictions in which the applicant has applied for or
9 holds a designation or certificate to practice public
10 accounting.

11 (c) Notice of actions in other jurisdictions.--Each holder
12 of a certificate issued under this section shall notify the
13 board in writing within 30 days after its occurrence of any
14 issuance, denial, revocation or suspension of his designation,
15 certificate or license to practice public accounting or the
16 commencement of a disciplinary or enforcement action against him
17 or his firm by any state or foreign jurisdiction.

18 Section 9. Certificates issued by foreign reciprocity.

19 (a) General rule.--Without requiring the examinations
20 otherwise required under section 5(e), the board may in its
21 discretion issue a certificate of certified public accountant to
22 a holder of a foreign designation, granted and then in full
23 force in a foreign country or other jurisdiction that is not a
24 state, entitling the holder thereof to engage in the practice of
25 public accounting if all of the following conditions are
26 satisfied:

27 (1) Pursuant to a duly enacted free trade agreement, the
28 foreign jurisdiction that granted the designation makes
29 similar provision to allow an individual who holds a valid
30 certificate issued by this Commonwealth to obtain such

1 foreign jurisdiction's comparable designation.

2 (2) The foreign designation:

3 (i) Was duly issued by a duly constituted authority
4 within the foreign jurisdiction that regulates the
5 practice of public accounting and the foreign designation
6 has not expired or been revoked or suspended.

7 (ii) Entitles the holder to issue reports.

8 (iii) Was issued upon the basis of educational,
9 examination and experience requirements established by
10 the foreign authority or by law.

11 (3) The applicant:

12 (i) Received the designation based on educational
13 and examination standards substantially equivalent to
14 those in effect in this Commonwealth at the time the
15 foreign designation was granted.

16 (ii) Completed an experience requirement
17 substantially equivalent to the requirements set forth in
18 section 7 in the jurisdiction that granted the foreign
19 designation or has completed five years of experience in
20 the practice of public accounting in this Commonwealth or
21 meets such other requirements as may be prescribed by the
22 board by rule within the ten years immediately preceding
23 the application.

24 (iii) Passed a uniform qualifying examination in
25 national standards and has successfully completed an
26 examination or self-study program on professional conduct
27 acceptable to the board.

28 (b) Contents of application.--An applicant for a certificate
29 under this section shall list in the application all states and
30 foreign jurisdictions in which the applicant has applied for or

1 holds a designation or certificate to practice public
2 accounting.

3 (c) Notice of actions in other jurisdictions.--Each holder
4 of a certificate issued under this section shall notify the
5 board in writing within 30 days after its occurrence of any
6 issuance, denial, revocation or suspension of his designation,
7 certificate or license to practice public accounting or the
8 commencement of a disciplinary or enforcement action against him
9 or his firm by any state or foreign jurisdiction.

10 Section 10. Fees.

11 (a) General rule.--All fees required under the provisions of
12 this act shall be fixed by the board by regulation and shall be
13 subject to review in accordance with the act of June 25, 1982
14 (P.L.633, No.181), known as the Regulatory Review Act. If the
15 revenues generated by fees, fines and civil penalties imposed in
16 accordance with the provisions of this act are not sufficient to
17 match the expenditures of the board over a two-year period, the
18 board shall increase those fees by regulation, subject to review
19 in accordance with the Regulatory Review Act, such that the
20 projected revenues will meet or exceed projected expenditures.

21 (b) Increase.--If the Bureau of Professional and
22 Occupational Affairs determines that the fees established by the
23 board are inadequate to meet the minimum enforcement efforts
24 required, then the bureau after consultation with the board
25 shall increase the fees by regulation, subject to review in
26 accordance with the Regulatory Review Act, such that adequate
27 revenues are raised to meet the required enforcement effort.

28 (c) Exclusive use.--All fees, fines, civil penalties and
29 reimbursements of costs imposed in accordance with this act
30 shall be for the exclusive use of the board in carrying out the

1 provisions of this act and shall be annually appropriated for
2 that purpose.

3 Section 11. Status of existing rights preserved.

4 Any person legally authorized to practice public accounting
5 in this Commonwealth at the time this act takes effect shall
6 thereafter possess the same rights and privileges as persons to
7 whom certificates of certified public accountant shall be issued
8 under this act, subject, however, to the power of the board, as
9 provided in this act, to suspend or revoke the certificate,
10 registration or license of any such person or censure any such
11 person for any of the causes set forth in this act and subject
12 to the power of the board to provide for and to require licenses
13 to practice.

14 Section 12. Licenses to practice.

15 (a) General rule.--Biennial licenses to engage in the
16 practice of public accounting in this Commonwealth shall be
17 issued by the Department of State to:

18 (1) Holders of the certificate of certified public
19 accountant issued by this Commonwealth and public accountants
20 registered in this Commonwealth who shall have furnished
21 evidence satisfactory to the board of compliance with the
22 requirements of subsection (c).

23 (2) Qualified associations licensed under section 14.

24 (b) Expiration of licenses.--Licenses to practice shall
25 expire on April 30 of even-numbered years or on such other
26 biennial expiration dates as the department may fix.

27 (c) Renewal; inactive status.--Licenses may be renewed for a
28 period of two years upon payment of the biennial licensing fee
29 and, in the case of certified public accountants and public
30 accountants, upon completion of the continuing education

1 requirement specified in subsection (d). A certified public
2 accountant or public accountant who is not engaged in the
3 practice of public accounting may request the board, in writing,
4 to place his name on the inactive roll and thus protect his
5 right to obtain a license at such time as he may become engaged
6 in the practice of public accounting. As to reinstatement from
7 inactive status, see section 17(d).

8 (d) Continuing education required.--Each certified public
9 accountant or public accountant filing an application for a
10 license or a renewal thereof to engage in the practice of public
11 accounting in this Commonwealth must, during the reporting
12 period immediately preceding the current biennial period,
13 complete 80 hours of continuing education in programs approved
14 by the board. The reporting period for licensees shall be
15 January 1 of even-numbered years to December 31 of odd-numbered
16 years. No carryover of credits shall be permitted from one
17 biennial license period to another. The continuing education
18 requirement shall not apply to firms but shall apply to all
19 natural persons who apply for a license or a renewal thereof
20 under this section.

21 (e) Failure to complete continuing education.--Failure by a
22 licensed certified public accountant or public accountant
23 applying for renewal of his biennial license to furnish evidence
24 of completion of the required number of hours of acceptable
25 continuing education shall constitute grounds for denial or
26 refusal to renew his license, unless the board in its discretion
27 shall determine such failure to have been due to reasonable
28 cause, in which case the board shall grant an extension.

29 (f) Continuing education regulations.--In issuing rules,
30 regulations and individual orders with respect to requirements

1 of continuing education, the board:

2 (1) may rely upon guidelines and pronouncements of
3 recognized educational and professional organizations;

4 (2) may prescribe the content, duration and organization
5 of courses;

6 (3) shall take into account the accessibility of such
7 continuing education as it may require and any impediments to
8 interstate practice of public accounting that may result from
9 differences in such requirements in other states; and

10 (4) may provide for relaxation or suspension of such
11 requirements in instances of individual hardship such as for
12 reasons of health, military service or other good cause.

13 (g) Reporting of multiple certifications.--A certified
14 public accountant or public accountant who is also certified,
15 registered or licensed to practice public accounting in any
16 other state or foreign jurisdiction shall report this
17 information to the board on the biennial renewal application.
18 Any disciplinary action taken in any other state or foreign
19 jurisdiction shall be reported to the board on the biennial
20 renewal application or within 90 days of disposition, whichever
21 is sooner. Multiple certification, registration or licensure
22 shall be noted by the board on the record of the certified
23 public accountant or public accountant, and the state or foreign
24 jurisdiction shall be notified by the board of any disciplinary
25 action taken against the certified public accountant or public
26 accountant in this Commonwealth.

27 (h) Peer review of sole practitioners.--An initial or
28 renewal license shall not be issued on or after May 1, 1998, to
29 a certified public accountant or public accountant practicing as
30 a sole practitioner unless he complies with the requirements of

1 section 13.

2 Section 13. Peer review.

3 (a) General rule.--As a condition for granting a firm an
4 initial or renewal license on or after May 1, 1998, the board
5 shall require that the firm have undergone a peer review in
6 accordance with this section unless the firm meets one of the
7 exemptions in subsection (f). A firm shall not be required to
8 undergo a peer review more frequently than once every three
9 years, except that the board may order a firm that has been
10 disciplined under section 16 or that has been ordered to take
11 remedial action under subsection (d) to undergo a peer review
12 more frequently. If a firm has undergone a peer review within
13 three years before the date of application for an initial or
14 renewal license, the firm shall submit to the board a copy of
15 the peer review letter of acceptance from that peer review. The
16 board shall not require submittal of the peer review report,
17 letter of comment, letter of response or working papers related
18 to the peer review process. As used in this section, the term
19 "firm" includes, but is not limited to, a sole practitioner.

20 (b) Regulations.--The board shall adopt regulations
21 establishing guidelines for peer reviews which shall:

22 (1) Establish a Peer Review Oversight Committee to serve
23 as consultants to the board and to insure that the board's
24 guidelines are followed. The membership of the Peer Review
25 Oversight Committee shall consist of:

26 (i) Two certified public accountants who are board
27 members and current licensees with extensive current
28 experience in accounting and auditing.

29 (ii) One nonlicensee who shall have significant
30 experience in the preparation or use of financial

1 statements but who need not be a member of the board.

2 (2) Require that the peer review program be administered
3 by an organization approved by the AICPA and that the
4 standards and procedures applied by the reviewer be in
5 accordance with the Standards for Performing and Reporting on
6 Peer Reviews established by the AICPA, but no licensee shall
7 be required to become a member of the AICPA or of any
8 administering organization.

9 (3) Require that a peer review be conducted by a
10 reviewer that is both independent of the firm reviewed and
11 qualified pursuant to board rules. The administering
12 organization shall approve reviewers for those reviews not
13 administered by the AICPA. A peer reviewer for a review not
14 administered by the AICPA must provide evidence of one of the
15 two following minimum qualifications to the administering
16 organization:

17 (i) acceptance as a peer reviewer by the AICPA; or

18 (ii) compliance with the qualifications required by
19 the AICPA to qualify as a peer reviewer.

20 (4) Other than in the peer review process, prohibit the
21 use or public disclosure of information obtained by the
22 reviewer, the administering organization, the board or
23 members of the Peer Review Oversight Committee during or in
24 connection with the peer review process. 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
27 under subsection (d) or to the information described in
28 subsection (g)(3).

29 (c) Nature of peer review required.--

30 (1) The peer review of a firm that performs one or more

audits of historical financial statements or examinations of prospective financial information shall include an onsite study and evaluation of a representative selection of audit, examination, review and compilation reports, the financial information upon which those reports were based and the associated working papers. The onsite review shall include additional procedures relating to the firm's system of quality control sufficient to provide the reviewer with a reasonable basis upon which to issue a peer review report.

(2) The peer review of a firm that performs no audit or examination engagements but does perform one or more review engagements or one or more compilation engagements may be limited by regulation to an offsite study and evaluation of review and compilation reports and the financial information upon which those reports were based. The offsite review need not include a study of the associated working papers but shall include procedures and inquiries sufficient to provide the reviewer with a reasonable basis upon which to issue a peer review report.

(d) Remedial action.--If a firm does not comply with any remedial actions determined appropriate by the administering organization, the administering organization shall refer the matter to the Peer Review Oversight Committee to determine if further action under this subsection is warranted. If the Peer Review Oversight Committee notifies the board that a firm has not complied with any remedial actions, the board may at its discretion or shall upon submission of a written application by the firm hold a hearing to determine whether the firm complies with the appropriate professional standards and practices. The hearing shall be confidential and shall not be open to the

1 public unless requested by the firm. If the board after
2 conducting a hearing determines that the firm complies with the
3 appropriate professional standards and practices, it shall issue
4 an order requiring the reviewer, the administering organization
5 and the Peer Review Oversight Committee to take any necessary
6 action to record and implement the board's determination and to
7 restore the status of compliance of the firm. However, if the
8 board after conducting the hearing determines that the firm does
9 not comply with the appropriate professional standards and
10 practices, it may issue an order that requires both of the
11 following:

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

14 (i) Requiring employees of the firm to complete
15 general or specific continuing professional education
16 courses.

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

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

24 (e) Payment of costs.--The firm reviewed shall pay for any
25 peer review performed, including without limitation any
26 administrative costs of the administering organization.

27 (f) Exemptions.--The board may exempt a firm from the
28 requirement to undergo a peer review if the firm submits to the
29 board a written and notarized statement that the firm meets at
30 least one of the following grounds for exemption identified in

1 the statement:

2 (1) Within three years before the date of application
3 for initial or renewal licensure, the firm has undergone a
4 peer review conducted in another state or foreign country
5 which meets the requirements of subsection (b)(2) and (3).
6 The firm shall submit to the board a copy of the peer review
7 letter of acceptance.

8 (2) The firm satisfies all of the following conditions:

9 (i) The firm does not engage in any attest activity.

10 (ii) Within the next two years, the firm does not
11 intend to engage in any attest activity.

12 (iii) The firm agrees to notify the board within 90
13 days of engaging in any attest activity and will undergo
14 a peer review within 18 months of commencing such
15 activities.

16 (3) Subject to the board's approval, for reasons of
17 personal health, military service or other good cause, the
18 firm is entitled to an exemption for a period of time not to
19 exceed 12 months.

20 (g) Privileged information.--In any civil action,
21 arbitration or administrative proceeding involving a licensee or
22 to which a licensee is reasonably anticipated to be made a
23 party, all of the following shall apply:

24 (1) The proceedings, records and working papers of any
25 reviewer, administering organization, board member or Peer
26 Review Oversight Committee member involved in the peer review
27 process are privileged and not subject to discovery, subpoena
28 or other means of legal process and may not be introduced
29 into evidence.

30 (2) No reviewer, administering organization, board

1 member or Peer Review Oversight Committee member shall be
2 permitted or required to testify as to any matters produced,
3 presented, disclosed or discussed during or in connection
4 with the peer review process or be required to testify to any
5 finding, recommendation, evaluation, opinion or other actions
6 of any person in connection with the peer review process.

7 (3) No privilege exists under this section for either of
8 the following:

9 (i) Information presented or considered in the peer
10 review process that was otherwise available to the
11 public.

12 (ii) Materials not prepared in connection with a
13 peer review merely because they subsequently are
14 presented or considered as part of the peer review
15 process.

16 (h) Handling of workpapers.--If a peer review report
17 indicates that a firm complies with the appropriate professional
18 standards and practices set forth in the regulations of the
19 board, the administering organization shall destroy all working
20 papers and documents, other than report-related documents,
21 related to the peer review within 90 days after issuance to the
22 firm of the letter of acceptance by the administering
23 organization. If a peer review letter of acceptance indicates
24 that corrective action by a firm is required, the administering
25 organization may retain documents and reports related to the
26 peer review until completion of the next peer review or other
27 agreed-to corrective actions.

28 (i) Peer review year of successor practices.--In the event
29 the practices of two or more firms are merged or otherwise
30 combined, the surviving firm shall retain the peer review year

1 of the largest firm, as determined by the number of accounting
2 and auditing hours of each of the practices. In the event that
3 the practice of a firm is divided or a portion of its practice
4 is sold or otherwise transferred, any firm acquiring some or all
5 of the practice that does not already have its own review year
6 shall retain the review year of the former firm. In the event
7 that the first peer review year of a firm otherwise established
8 by this subsection would be less than 12 months, a review year
9 shall be assigned by the administering organization so that the
10 review occurs after 12 months of operation, but not later than
11 18 months.

12 (j) Immunity.--

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

18 (i) reviewers;

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

23 (iii) board members; or

24 (iv) members of the Peer Review Oversight Committee.

25 (2) Subsection (g) shall not apply to the defense of a
26 claim alleging conduct not protected under paragraph (1).

27 Section 14. Licensing of firms.

28 (a) General rule.--An association shall not practice public
29 accounting in this Commonwealth unless it is a qualified
30 association, has been granted a license to practice and

1 satisfies the requirements of this section at all times while it
2 is a licensee. A new firm shall apply for its initial license
3 within 90 days after its formation; thereafter, the firm's
4 license shall be subject to renewal in accordance with section
5 12(c).

6 (b) Applications.--The initial and all renewal license
7 applications by a firm shall:

8 (1) List the name, home address and license number of
9 each certified public accountant or public accountant who
10 owns an equity interest directly or indirectly in the firm
11 and who is a licensee.

12 (2) List the name and home address of each nonqualified
13 individual who owns an equity interest in the firm.

14 (3) Include a statement that the firm is in compliance
15 with subsections (d) and (e).

16 (c) Peer review.--An initial or renewal license shall not be
17 issued to a firm on or after May 1, 1998, unless the firm
18 complies with the requirements of section 13.

19 (d) Organizational requirements.--A firm shall satisfy all
20 of the following requirements:

21 (1) At least one general partner if the firm is a
22 partnership, one record and beneficial owner of common shares
23 if the firm is a corporation, or one owner of a similar
24 equity interest if the firm is any other form of qualified
25 association, shall be a certified public accountant or public
26 accountant who is a licensee.

27 (2) Except as provided in subsections (e) and (f), each
28 shareholder, partner, member or other owner of an equity
29 interest in the firm must be the holder of a current license
30 to practice public accounting as a certified public

1 accountant or public accountant under the laws of this
2 Commonwealth or another jurisdiction. This paragraph shall
3 not:

4 (i) apply in the case of a person who withdraws from
5 a firm for such period as may be reasonable under the
6 circumstances to permit the firm to comply with this
7 requirement; or

8 (ii) prohibit payments by a firm to a former equity
9 owner or his estate in connection with his withdrawal
10 from the firm.

11 (3) Each individual in charge of an office that performs
12 any attest activity or business unit of the firm in this
13 Commonwealth shall be a certified public accountant or public
14 accountant who is a licensee.

15 (4) The principal executive officer of the firm shall be
16 a certified public accountant or public accountant who holds
17 a current license to practice public accounting in this
18 Commonwealth or another state.

19 (5) An individual who does not hold a current license to
20 practice public accounting as a certified public accountant
21 or public accountant in this Commonwealth or another
22 jurisdiction shall not assume ultimate responsibility for any
23 attest activity.

24 (e) Nonqualified owners.--Notwithstanding any other
25 provision of law, a nonqualified individual may own an equity
26 interest in a firm if all of the following conditions are met:

27 (1) All of the nonqualified individuals owning equity
28 interests in the firm shall not:

29 (i) own in the aggregate equity interests in the
30 firm entitling them to cast more than one-third of the

1 votes on any issue or to receive more than one-third of
2 any dividend or other distribution of profits or assets
3 of the firm; or

4 (ii) constitute more than one-third in number of the
5 owners of equity interests in the firm.

6 (2) The nonqualified individual shall not hold himself
7 out as a certified public accountant or public accountant.

8 (3) The nonqualified individual shall be permitted to
9 designate or refer to himself as a principal, owner, officer,
10 member or shareholder of the firm. The nonqualified
11 individual may also use such other titles as may be
12 authorized by the regulations of the board.

13 (4) The nonqualified individual shall not:

14 (i) have pleaded guilty, entered a plea of nolo
15 contendere or been found guilty or been convicted of a
16 felony under the laws of this Commonwealth or any other
17 jurisdiction; or

18 (ii) be in violation of any regulation of the board
19 regarding the character or conduct of a nonqualified
20 individual who is the owner of an equity interest in a
21 firm.

22 (5) The participation of the nonqualified individual in
23 the business of the firm must be the principal occupation of
24 the individual and shall be in the nature of providing
25 services to clients of the firm and not solely as an investor
26 or in another commercial or passive capacity.

27 (6) On and after January 1, 2005, the nonqualified
28 individual shall satisfy the educational requirements for
29 eligibility to take the examination set forth in section
30 6(2), except that the nonqualified individual shall not be

1 required to have taken courses in the subjects specified in
2 section 6.

3 (7) The nonqualified individual shall comply with all
4 applicable provisions of this act and the regulations of the
5 board.

6 (f) Indirect ownership.--An equity interest in a firm may be
7 owned indirectly but only if all of the ultimate, indirect
8 beneficial owners of the equity interest are licensees.

9 (g) Effect of noncompliance.--In accordance with the
10 procedure referred to in section 16, the board shall revoke the
11 license to practice of a firm if at any time it is in violation
12 of any of the provisions of this section.

13 Section 15. Disciplinary procedures; appeals.

14 (a) General rule.--Except as provided in section 3(c), the
15 procedure to be followed in the imposition of discipline under
16 section 16 and in appeals taken from disciplinary actions of the
17 board shall be that prescribed by 2 Pa.C.S. (relating to
18 administrative law and procedure) and any applicable rules of
19 the board.

20 (b) Payment of costs.--A person who is disciplined by the
21 board under section 16 shall reimburse the board for the actual
22 costs incurred by the board in the proceeding resulting in the
23 imposition of the discipline.

24 (c) Surrender of suspended or revoked certificate.--The
25 board shall require an individual whose certification has been
26 suspended or revoked to return his certificate or to certify in
27 such manner as the board directs that it was lost, stolen or
28 destroyed. Failure to comply with the board's directions shall
29 be a misdemeanor of the third degree.

30 Section 16. Grounds for discipline.

1 (a) General rule.--In accordance with the procedure provided
2 in section 15, the board may revoke, suspend, limit or otherwise
3 restrict the certificate of a certified public accountant or the
4 registration of a public accountant, may revoke, suspend, limit
5 or otherwise restrict any license issued under this act, may
6 censure or reprimand the holder of any certificate, registration
7 or license, may require completion of general or a specific
8 number of continuing professional education courses or may
9 require more frequent peer review or other remedial action for
10 any one or any combination of the following causes:

11 (1) Fraud or deceit in obtaining a certificate of
12 certified public accountant or in obtaining registration
13 under this act or in obtaining a license to practice under
14 this act.

15 (2) Dishonesty, fraud or gross negligence in the
16 practice of public accounting.

17 (3) Violation of any of the provisions of section 20.

18 (4) Violation of a rule of professional conduct
19 promulgated by the board under the authority granted by this
20 act.

21 (5) Pleading guilty to, entering a plea of nolo
22 contendere to or being found guilty of a felony under any
23 Federal or State law.

24 (6) Pleading guilty to, entering a plea of nolo
25 contendere to or being found guilty of any crime, an element
26 of which is dishonesty or fraud under any Federal or State
27 law.

28 (7) Pleading guilty to, entering a plea of nolo
29 contendere to or being found guilty of violating any Federal
30 or State revenue law.

1 (8) Cancellation, revocation, suspension or refusal to
2 renew his authority to practice as a certified public
3 accountant or public accountant by any other state or other
4 jurisdiction for any cause other than failure to pay a
5 registration or other fee in such other state or
6 jurisdiction.

7 (9) Suspension or revocation of the right to practice
8 before any Federal or State governmental agency.

9 (10) Failure of a certified public accountant or public
10 accountant to furnish evidence of completion of the
11 requirements for continuing education under section 12 or to
12 meet any conditions with respect to continuing education that
13 the board may have ordered in respect to such certified
14 public accountant or public accountant under that section.

15 (11) Failure of a firm or sole proprietorship to satisfy
16 the peer review requirements in section 13.

17 (12) Failure of a firm to satisfy any of the
18 organizational requirements in section 14(d).

19 (13) Conduct that brings the profession of public
20 accounting into disrepute or that lowers public esteem for
21 the profession.

22 (14) Violation of an order of the board.

23 (15) Engaging in a pattern of unprofessional conduct.

24 Discipline may be imposed under this paragraph whether or not
25 actual injury or loss to a client is established.

26 (b) Inactive persons.--The fact that a certified public
27 accountant or public accountant is on inactive status under
28 section 12(c) or that a person does not hold a current license
29 for any reason shall not limit or otherwise affect the power of
30 the board to discipline him or it as provided in subsection (a).

1 Section 17. Reinstatement.

2 (a) Reinstatement following suspension for five years or
3 less.--Except as provided in subsection (b), upon application in
4 writing and after hearing pursuant to notice, the board may
5 reinstate or modify the suspension of any license to practice
6 that has been suspended. Reinstatement shall not be granted
7 under this subsection:

8 (1) To an individual unless he demonstrates that he has
9 completed the biennial continuing education requirements that
10 he would have been required to complete during the
11 immediately preceding two full biennial periods if his
12 license had not been suspended.

13 (2) Unless the person seeking reinstatement pays the
14 current biennial licensing fee plus a reinstatement fee not
15 in excess of \$100 fixed by the board.

16 (b) Reinstatement following suspension for more than five
17 years.--An individual whose license has been suspended for more
18 than five years shall not be eligible to apply for reinstatement
19 of the license, but instead must take the examination and apply
20 for a certificate of certified public accountant in accordance
21 with section 5.

22 (c) Reinstatement following revocation prohibited.--Unless
23 ordered to do so by a court, the board shall not reinstate the
24 certificate of a person to practice as a certified public
25 accountant or the registration of a person to practice as a
26 public accountant that has been revoked. A person whose
27 certification or registration has been revoked may take the
28 examination and apply for a certificate of certified public
29 accountant in accordance with section 5 not less than five years
30 after his certificate or registration was revoked if he desires

1 to resume the practice of public accounting.

2 (d) Reinstatement following lapse.--A person whose license
3 to practice has expired for failure to make biennial
4 registration or who has been on the inactive roll under section
5 12(c) may have the license reinstated upon compliance with the
6 following:

7 (1) In the case of an individual, presentation to the
8 board of satisfactory evidence of having completed the
9 biennial educational requirements that he would have been
10 required to complete during the immediately preceding two
11 full biennial periods if the license had not expired.

12 (2) Payment of the current biennial licensing fee plus a
13 reinstatement fee not in excess of \$100 fixed by the board.

14 (e) Reimbursement of costs.--A person whose certificate,
15 registration or license has been suspended or revoked shall not
16 be entitled to reinstatement of the certificate, registration or
17 license or to apply for a certificate under section 5 until the
18 person has reimbursed the board for any costs of prosecution
19 under section 15(b).

20 Section 18. Ownership of working papers.

21 (a) General rule.--All statements, records, schedules,
22 working papers and memoranda prepared by a licensee or a
23 partner, shareholder, member or other owner of an equity
24 interest in a firm, or an officer, director, employee or agent
25 of a licensee incident to or in the course of rendering services
26 to a client pursuant to the practice of public accounting,
27 except reports submitted to a client and statements, records,
28 schedules, working papers and memoranda provided by a client to
29 a licensee or a partner, shareholder, member or other owner of
30 an equity interest in a firm, or an officer, director, employee

1 or agent of a licensee shall be and remain the property of the
2 licensee in the absence of an express agreement between the
3 licensee and the client to the contrary. No such statement,
4 record, schedule, working paper or memorandum shall be sold,
5 transferred or bequeathed without the consent of the client or
6 his personal representative, successor or assignee to anyone
7 other than one or more surviving or new partners, members,
8 shareholders or other owners of an equity interest of the
9 licensee or any combined or merged firm or successor in interest
10 to the licensee. Nothing in this section shall be construed as
11 prohibiting any temporary transfer of working papers or other
12 material in the course of complying with the peer review
13 provisions of this act or as otherwise interfering with the
14 disclosure of information pursuant to section 13.

15 (b) Right of client to certain documents.--In addition to
16 any statements, records, schedules, working papers, memoranda or
17 reports required to be furnished or returned to the client in
18 accordance with subsection (a), a licensee shall furnish to his
19 or its client or former client upon request made within a
20 reasonable time after original issuance of the document in
21 question:

22 (1) A copy of a tax return of the client.

23 (2) A copy of any report or other document issued by the
24 licensee to or for such client and not formally withdrawn or
25 disavowed by the licensee prior to the request.

26 (3) A copy of the licensee's working papers to the
27 extent that such working papers include records that would
28 ordinarily constitute part of the client's records and are
29 not otherwise available to the client. However, a licensee
30 may require that fees due the licensee with respect to

1 completed engagements be paid before such information is
2 provided.

3 (4) Any accounting or other records belonging to or
4 obtained from or on behalf of the client that the licensee
5 removed from the client's premises or received for the
6 client's account. The licensee may make and retain copies of
7 such documents of the client whenever those documents form
8 the basis for work done by him.

9 (5) If a licensee can document compliance with the
10 foregoing requirements, he need not comply with subsequent
11 requests to again provide such information.

12 Section 19. Privileged communications.

13 (a) General rule.--Except by permission of the client
14 engaging him or the heirs, successors or personal
15 representatives of a client, a licensee or a person employed by
16 a licensee shall not be required to and shall not voluntarily
17 disclose or divulge information of which he may have become
18 possessed unless the sharing of confidential information is
19 within the peer review process. This provision on
20 confidentiality shall prevent the board from receiving reports
21 relative to and in connection with any professional services as
22 a certified public accountant, public accountant or firm. The
23 information derived from or as the result of such professional
24 services shall be deemed confidential and privileged. Nothing in
25 this section shall be taken or construed as prohibiting the
26 disclosure of information required to be disclosed by the
27 standards of the profession in reporting on the examination of
28 financial statements or in making disclosures in a court of law
29 or in disciplinary investigations or proceedings when the
30 professional services of the certified public accountant, public

1 accountant or firm are at issue in an action, investigation or
2 proceeding in which the certified public accountant, public
3 accountant or firm is a party.

4 (b) Cross reference.--See section 13(g).

5 Section 20. Unlawful acts.

6 (a) Use of titles.--It is unlawful for any person:

7 (1) To hold himself out as or otherwise use the title or
8 designation "certified public accountant" or the abbreviation
9 "CPA" or any other title, designation, words, letters or
10 abbreviation tending to indicate that the person is a
11 certified public accountant or engaged in the practice of
12 public accounting unless the person has received or has been
13 notified in writing by the board that he has qualified to
14 receive a certificate of certified public accountant issued
15 by this Commonwealth, which is not revoked or suspended.

16 (2) To hold himself out as or otherwise use the title
17 "certified public accountant," "public accountant" or any
18 abbreviation thereof or the letters "CPA" or "PA" by virtue
19 of any certificate, registration or license illegally or
20 fraudulently obtained by the person or issued unlawfully or
21 through any fraudulent representation or deceit or
22 misstatement of material fact or fraudulent concealment of a
23 material fact made or induced or aided or abetted by the
24 person.

25 (3) If organized in the form of a partnership,
26 corporation or other association, to hold itself out as or
27 otherwise use the title or designation "certified public
28 accountant" or "public accountant" or the abbreviation "CPA"
29 or "PA" or any other title, designation, words, letters or
30 abbreviation tending to indicate that the corporation,

1 partnership or other association is composed of or includes
2 certified public accountants or public accountants unless the
3 partnership, corporation or other association holds a current
4 license under section 14.

5 (4) Except as prescribed in paragraphs (1) and (3), to
6 use a title, including the word "certified" as a part
7 thereof, or any other title or designation likely to be
8 confused with "certified public accountant" or any title or
9 designation implying or connoting accreditation by any
10 jurisdiction for the practice of any type of bookkeeping,
11 accounting, auditing, tax or other professional practice
12 related thereto or to use any abbreviations of such title or
13 designation.

14 (5) To hold himself out as or otherwise use the title or
15 designation "public accountant" or the abbreviation "PA" or
16 any other title, designation, words, letters or abbreviation
17 tending to indicate that the person is a public accountant
18 unless the person is registered as a public accountant and is
19 a current licensee or unless the person has received or has
20 been notified in writing by the board that he has qualified
21 to receive a certificate as certified public accountant
22 issued by the Commonwealth.

23 (6) To hold himself out as or otherwise use the title or
24 designation "certified accountant," "chartered accountant,"
25 "enrolled accountant," "licensed accountant," "registered
26 accountant," "licensed public accountant," "registered public
27 accountant" or "accredited accountant" or any other title or
28 designation likely to be confused with "certified public
29 accountant" or "public accountant" or any of the
30 abbreviations "CA," "EA," "RA," "LA," "LPA" or "AA" or

1 similar abbreviations likely to be confused with "CPA,"
2 except that a person who is a licensee may hold himself out
3 to the public as an "accountant," "auditor" or "accountant
4 and auditor." "Enrolled agent" or "EA" may only be used by
5 individuals so designated by the Internal Revenue Service.

6 (b) Certificate, registration or license.--It is unlawful
7 for any person to sell or offer to sell or fraudulently obtain,
8 furnish or procure any certificate, registration or license
9 under the provisions of this act or cause or aid or abet another
10 person to do so.

11 (c) Reports issued by firms.--It is unlawful for any person
12 that is not a licensee to sign, affix a firm name to or
13 otherwise issue any:

14 (1) report; or

15 (2) opinion, certificate or other communication
16 respecting compliance with conditions established by law or
17 contract, including, but not limited to, statutes,
18 ordinances, regulations, grants, loans and appropriations,
19 together with any wording, accompanying or contained in such
20 opinion or certificate, that indicates that the person is
21 composed of or employs:

22 (i) accountants or auditors; or

23 (ii) persons having expert knowledge in accounting
24 or auditing.

25 (d) Firm names.--It is unlawful for a licensee to use a
26 professional or firm name that the licensee is prohibited from
27 using by other applicable provision of law, or that is
28 misleading as to the persons who are partners, officers,
29 members, directors, employees or shareholders of the firm or as
30 to any other matter, except that the names of one or more former

1 partners, shareholders or members may be included in the name of
2 a firm or its successor.

3 (e) Reports issued by individuals.--It is unlawful for any
4 individual who is not a licensee to sign or affix his name or
5 any trade or assumed name used by him in his profession or
6 business to or otherwise issue any:

7 (1) report; or

8 (2) opinion, certificate or other communication
9 respecting compliance with conditions established by law or
10 contract, including, but not limited to, statutes,
11 ordinances, regulations, grants, loans and appropriations,
12 together with any wording accompanying or contained in such
13 report or other communication, that indicates that:

14 (i) he is an accountant or auditor; or

15 (ii) he has expert knowledge in accounting or
16 auditing.

17 The provisions of this subsection shall not prohibit any
18 officer, employee, partner or principal of any organization from
19 affixing his signature to any report or other communication in
20 reference to the affairs of that organization with any wording
21 designating the position, title or office that he holds in the
22 organization, nor shall the provisions of this subsection
23 prohibit any act of a public official or public employee in the
24 performance of his duties as such.

25 (f) Professional memberships.--It is unlawful for any person
26 to hold himself or itself out as a member in any society,
27 association or organization of certified public accountants or
28 public accountants unless the person holds a valid certificate
29 of certified public accountant issued by this Commonwealth or by
30 another state or is registered as a public accountant in this

1 Commonwealth, or in the case of a firm, is licensed under
2 section 14.

3 (g) Holding out as auditor.--It is unlawful for any person
4 not a licensee to hold himself or itself out as an "auditor" or
5 as an "accountant and auditor." This subsection shall not
6 prohibit any officer, employee, partner or principal of any
7 organization from describing himself by the position, title or
8 office he holds in the organization, nor shall this subsection
9 prohibit any action of a public official or public employee in
10 the performance of his duties as such.

11 (h) Commissions.--It is unlawful for a licensee to pay a
12 commission to obtain a client or to accept a commission for
13 referring products or services of others to a client of his
14 accounting practice. This subsection does not prohibit:

15 (1) Payments for the purchase of all or part of an
16 accounting practice.

17 (2) Retirement or similar payments to persons formerly
18 engaged in the practice of public accounting.

19 (3) Payments to the heirs or estates of persons formerly
20 engaged in the practice of public accounting.

21 (4) Referral fees as defined in section 2.

22 (i) Practice of public accounting.--It is unlawful for any
23 person not a licensee to engage in the practice of public
24 accounting in this Commonwealth.

25 Section 21. Acts not unlawful.

26 (a) Staff.--Nothing contained in this act shall prohibit any
27 person not a certified public accountant or a public accountant
28 from serving as an employee of or an assistant to a certified
29 public accountant, a public accountant or firm, but an employee
30 or assistant shall not issue any report or accounting or

1 financial statement over his name.

2 (b) Temporary practice.--Nothing contained in this act shall
3 prohibit a certified public accountant, or association composed
4 of certified public accountants, of another state concurrently
5 engaged in public practice in such state from temporarily
6 practicing in this Commonwealth on professional business, if
7 such practice is conducted in conformity with the regulations
8 and rules governing temporary practice promulgated by the board.

9 (c) Actions while not holding out.--Nothing contained in
10 this act shall prohibit a person while not holding himself out
11 as a certified public accountant, public accountant or licensee
12 from offering and rendering bookkeeping and similar technical
13 services or other services involving the use of accounting
14 skills, including the preparation of tax returns and the
15 preparation of financial information without issuing a report or
16 other communication that expresses an opinion or assurance on
17 the statements. Such a person may use the title or designation
18 "accountant" or "accountants."

19 Section 22. Injunction against unlawful act.

20 Whenever in the judgment of the board any person has engaged
21 in or is about to engage in any acts or practices that
22 constitute or will constitute a violation of this act, the board
23 or its agents may make application to the appropriate court for
24 an order enjoining such acts or practices, and, upon a showing
25 by the board that the person has engaged or is about to engage
26 in any such acts or practices, an injunction, restraining order
27 or such other order as may be appropriate shall be granted by
28 such court without bond. See section 3(c).

29 Section 23. Single act evidence of practice.

30 The willful or knowing display or uttering by a person of a

1 card, sign, advertisement or other printed, engraved or written
2 instrument or device bearing a person's name in conjunction with
3 the words "certified public accountant" or "public accountant,"
4 or any abbreviation thereof or any designation prohibited by
5 this act, shall be prima facie evidence in any prosecution,
6 proceeding or hearing that the person whose name is so
7 displayed, caused or procured the display or uttering of such
8 card, sign, advertisement or other printed, engraved or written
9 instrument or device and that the person is holding himself or
10 itself out to be a certified public accountant or a public
11 accountant. In any prosecution or proceeding under this act,
12 evidence of the commission of a single act prohibited by this
13 act shall be sufficient to justify an injunction or a conviction
14 without evidence of a general course of conduct.

15 Section 24. Penalties.

16 (a) Misdemeanor.--A person who violates any of the
17 provisions of section 20 commits a misdemeanor of the third
18 degree and shall, upon conviction, be sentenced to pay a fine of
19 not more than \$2,500 or to imprisonment for not more than one
20 year, or both. See also section 15(c).

21 (b) Discipline in addition to penalties.--The disciplinary
22 powers of the board under sections 15 and 16 shall be in
23 addition to the penalties set forth in this section.

24 (c) Civil penalties.--In addition to any other civil remedy,
25 criminal penalty or discipline provided for in this act, the
26 board may levy a civil penalty of up to \$1,000 on any person who
27 violates any provision of this act or on any person who
28 practices public accounting without being properly licensed to
29 do so under this act. The board shall levy this penalty only
30 after affording the accused party the opportunity for a hearing,

1 as provided in 2 Pa.C.S. (relating to administrative law and
2 procedure). Each day's continuance in the violation of any
3 provision of this act or in the practice of public accounting
4 without being properly licensed to do so under this act shall be
5 a separate and distinct offense, subject to a civil penalty of
6 not more than \$1,000 for each violation for each day that the
7 violation persists, except that the maximum civil penalty shall
8 not be more than \$200,000 for any related series of violations.
9 See section 3(c).

10 Section 25. Audits limited to certified public accountants and
11 public accountants.

12 Whenever any statute or any rule, regulation or order of a
13 department, board, agency or commission heretofore or hereafter
14 enacted or adopted requires the audit or examination of
15 finances, accounts, financial statements, books and records or
16 reports of any:

17 (1) department, division, board, bureau, office,
18 commission or agency of this Commonwealth;

19 (2) municipal authority or other authority or political
20 subdivision within this Commonwealth;

21 (3) corporation, joint-stock company, nonprofit
22 corporation, association, cooperative or joint-stock
23 association or any other business or professional entity; or

24 (4) eleemosynary institution;

25 by a certified public accountant, public accountant, independent
26 accountant or auditor, competent public accountant or other
27 person purporting to have expert knowledge of accounting and
28 auditing, that requirement shall be construed to mean a
29 licensee. Nothing in this section shall be construed to affect
30 the eligibility of any person to serve as an elected auditor in

1 a political subdivision.

2 Section 26. Transitional provisions.

3 (a) Prior board.--Any reference in any statute of this
4 Commonwealth containing the words "State Board of Examiners of
5 Public Accountants" shall instead refer to the State Board of
6 Accountancy as provided in this act.

7 (b) Prior rules and regulations.--Unless inconsistent with
8 this act, all rules and regulations promulgated by the State
9 Board of Accountancy prior to the effective date of this act
10 shall remain in full force and effect until amended or repealed
11 by the State Board of Accountancy.

12 Section 27. Repeal.

13 The act of May 26, 1947 (P.L.318, No.140), known as The
14 C.P.A. Law, is repealed.

15 Section 28. Effective date.

16 This act shall take effect in 60 days.

SOURCE NOTES

Section 1: Derived from act of May 26, 1947 (P.L.318, No.140) § 1 (63 P.S. § 9.1).

Section 2: Derived from act of May 26, 1947 (P.L.318, No.140) § 2 (63 P.S. § 9.2). The definition of "business unit" is patterned after a resolution of the Council of the AICPA adopted May 1994 interpreting Rule 505 of the AICPA Code of Professional Conduct. The definition of "holding out" (or "hold out") is patterned after Rule 3-5 of the Uniform Accountancy Act Rules (2d Ed., Rev). The definition of "internal auditor" is patterned after the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. The definition of "licensee" has been substituted for the definition in the prior law of "current licensee" with no change in substance. The definition of "peer review" is patterned after Uniform Accountancy Act (2d Ed., Rev.) § 3(j) and Ohio Revised Code § 4701.04(C). The definition of "peer review" is intended to be applied broadly and is not limited to peer reviews performed only under the requirements of this act; thus, a peer review administered pursuant to the requirements of the AICPA, whether before or after the effective date of this act, as well as one performed pursuant to the law of another state will be subject to the provisions of section 13(g) of this act regarding privileged information. The definition of "person" in the prior law has been omitted as supplied by 1 Pa.C.S. § 1991. The definition of "report" is patterned after Uniform Accountancy Act (2d Ed., Rev.) § 3(k). The definition of "unprofessional conduct" is patterned after Rule 201 of the AICPA Code of Professional Conduct and has been introduced for purposes of defining the types of conduct for which the board may discipline a licensee, but is not intended to affect other issues such as when a licensee may be held liable to clients or other persons.

Section 3: Derived from act of March 7, 1984 (P.L.106, No.23) § 3 (63 P.S. § 9.2c).

Section 4: Derived from act of May 26, 1947 (P.L.318, No.140) § 3 (63 P.S. § 9.3). Subsection (b)(1) is limited to an application for a certificate of certified public accountant to make clear that the board may require photographs for other purposes, e.g., to enforce security in the administration of the examination. Subsection (b)(2) abrogates 49 Pa. Code § 11.41.

Section 5: Subsections (a) and (e) are derived from act of May 26, 1947 (P.L.318, No.140) § 3.1 (63 P.S. § 9.3a). Subsection (b) is derived from act of May 26, 1947 (P.L.318, No.140) § 3(3) (63 P.S. § 9.3(3)). Subsections (c) and (d) are derived from act of May 26, 1947 (P.L.318, No.140) § 4(d) and (f) (63 P.S. § 9.4(d) and (f)).

Section 6: Subsection (a) derived from act of May 26, 1947 (P.L.318, No.140) § 4(b)(1) and (2) (63 P.S. § 9.4(b)(1) and (2)). Subsection (b) derived from act of May 26, 1947 (P.L. 318, No.140) § 4(c) (63 P.S. § 9.4(c)).

Section 7: Subsections (a), (b) and (c) are derived from act of May 26, 1947 (P.L.318, No.140) § 4(b)(3) and (4) and (e) (63 P.S. § 9.4(b)(3) and (4) and (e)). The last sentence of subsection (d) abrogates 49 Pa. Code § 11.54. The provision of section 4(b)(3) of the prior law that employment with the Department of Auditor General satisfies the experience requirement of this section has been omitted as redundant, with no change in substance. Subsection (e) abrogates 49 Pa. Code § 11.55.

Section 8: Subsection (a) is derived from act of May 26, 1947 (P.L.318, No.140) § 5 (63 P.S. § 9.5). Subsections (b) and (c) are patterned after Uniform Accountancy Act (2d Ed., Rev.) § 6(h). The term "state" is defined in 1 Pa.C.S. § 1991 to include "the District of Columbia and the several territories of the United States." The term "foreign jurisdiction" is not defined in the act, but is intended to be applied broadly to include any jurisdiction other than a state and thus includes, for example, a foreign county or a province of a foreign country.

Section 9: Subsection (a) is patterned after Uniform Accountancy Act (2d Ed., Rev.) § 6(g). See also act of May 26, 1947 (P.L.318, No.140) § 8.1 added by act of September 2, 1961 (P.L.1155, No.518) § 6 (former 63 P.S. § 9.8a) repealed by act of March 7, 1984 (P.L.106, No.23) § 9. With regard to the use of the term "foreign jurisdiction" in this section, see Source Note to Section 8. Subsections (b) and (c) are patterned after Uniform Accountancy Act (2d Ed., Rev.) § 6(h).

Section 10: Subsections (a) and (b) are derived from act of May 26, 1947 (P.L.318, No.140) § 6 (63 P.S. § 9.6). Subsection (c) is patterned after act of December 20, 1985 (P.L.457, No.112) § 6(c) (63 P.S. § 422.6(c)).

Section 11: Derived from act of May 26, 1947 (P.L.318, No.140) § 7 (63 P.S. § 9.7).

Section 12: Derived from act of May 26, 1947 (P.L.318, No.140) § 8.2 (63 P.S. § 9.8b).

Section 13: Subsections (a) through (h) are patterned after Ohio Revised Code § 4701.04(C)-(I). Subsection (i) is patterned after act of July 20, 1974 (P.L.564, No.193) § 3(b)(63 P.S. § 425.3(b)), known as the Peer Review Protection Act.

Section 14: Subsections (a)-(d) and (g) are a generalization of act of May 26, 1947 (P.L.318, No.140) §§ 8.3, 8.4, 8.5 and 8.6 (63 P.S. §§ 9.8c, 9.8d, 9.8e and 9.8f). Subsection (e) is patterned after a resolution of the Council of the AICPA adopted May 1994 interpreting Rule 505 of the AICPA Code of Professional Conduct.

Section 15: Subsection (a) is derived from act of May 26, 1947 (P.L.318, No.140) § 9 (63 P.S. § 9.9). Subsection (b) is patterned in general after Rule 208(g) of the Pennsylvania Rules of Disciplinary Enforcement. Subsection (c) is patterned after act of December 20, 1985 (P.L.457, No.112) § 44 (63 P.S. § 422.44), known as the Medical Practice Act of 1985.

Section 16: Derived from act of May 26, 1947 (P.L.318, No.140) § 9.1 (63 P.S. § 9.9a).

Section 17: Subsections (a) and (c) are derived from act of May 26, 1947 (P.L.318, No.140) § 9.2 (63 P.S. § 9.9b).

Section 18: Derived from act of May 26, 1947 (P.L.318, No.140) § 11 (63 P.S. § 9.11). The term "client" is not defined in the act, but is intended to have the same meaning as under applicable professional standards; the last sentence of subsection (b)(3) is patterned after Interpretation 501-1 of Rule 501 of the AICPA Rules of Professional Conduct.

Section 19: Derived from act of May 26, 1947 (P.L.318, No.140) § 11.1 (63 P.S. § 9.11a).

Section 20: Derived from act of May 26, 1947 (P.L.318, No.140) § 12 (63 P.S. § 9.12). The effect of the first clause of subsection (d) is to make a violation of a provision of law such as 15 Pa.C.S. §§ 1303, 8505 or 8905 or 54 Pa.C.S. § 311 by a licensee also a violation of this act.

Section 21: Derived from act of May 26, 1947 (P.L.318,

1 No.140) § 13 (63 P.S. § 9.13).
2 Section 22: Derived from act of May 26, 1947 (P.L.318,
3 No.140) § 14 (63 P.S. § 9.14).
4 Section 23: Derived from act of May 26, 1947 (P.L.318,
5 No.140) § 15 (63 P.S. § 9.15).
6 Section 24: Derived from act of May 26, 1947 (P.L.318,
7 No.140) § 16(a)-(c) (63 P.S. § 9.16(a)-(c)).
8 Section 25: Derived from act of May 26, 1947 (P.L.318,
9 No.140) § 16.2 (63 P.S. § 9.16b).
10 Section 26: Derived from act of March 7, 1984 (P.L.106,
11 No.23) §§ 16 and 18 (63 P.S. § 9.2c note and § 9.3 note).
12 Section 27: New.
13 Section 28: New.