

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 838 Session of 2007

INTRODUCED BY CORMAN, BROWNE, MELLOW, BOSCOLA, M. WHITE, WOZNIAK, GORDNER, ERICKSON, RAFFERTY, LOGAN, ORIE, FONTANA, MUSTO, O'PAKE, ROBBINS, FOLMER, VANCE, D. WHITE, KASUNIC, COSTA, BRUBAKER, DINNIMAN, WONDERLING, WAUGH AND PICCOLA, MAY 4, 2007

SENATOR ARMSTRONG, APPROPRIATIONS, RE-REPORTED AS AMENDED, NOVEMBER 27, 2007

AN ACT

1 Amending the act of May 26, 1947 (P.L.318, No.140), entitled, as
2 amended, "An act relating to the practice of public
3 accounting; providing for the examination, education and
4 experience requirements for certification of certified public
5 accountants and for the licensing of certified public
6 accountants, public accountants and firms; requiring
7 continuing education and peer review; providing for the
8 organization and ownership of firms and for the procedures
9 and grounds for discipline and reinstatement of licensees;
10 prescribing the powers and duties of the State Board of
11 Accountancy and the Department of State; providing for
12 ownership of working papers and confidentiality; regulating
13 the professional responsibility of licensees; defining
14 unlawful acts and acts not unlawful; providing penalties; and
15 repealing existing laws," further providing for definitions,
16 for State Board of Accountancy, for general powers of the
17 board, for examination and issuance of certificate, for
18 education requirements, for experience requirements;
19 providing for requirements for issuance of certificate;
20 further providing for certificates issued by domestic
21 reciprocity and for certificates issued by foreign
22 reciprocity; providing for practice in this Commonwealth by
23 individuals under substantial equivalency, for practice
24 outside this Commonwealth under substantial equivalency;
25 further providing for licenses to practice, for licensing of
26 firms, for peer review, for grounds for discipline, for
27 reinstatement, for unlawful acts and for acts not unlawful.

28 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. Section 2, 2.3(a), 3 and 3.1 of the act of May
3 26, 1947 (P.L.318, No.140), known as the CPA Law, reenacted and
4 amended December 8, 1976 (P.L.1280, No.286) and amended December
5 4, 1996 (P.L.851, No.140), are amended to read:

6 Section 2. Definitions.--The following words and phrases
7 when used in this act shall have the meanings ascribed to them
8 in this section unless the context clearly indicates otherwise:

9 "AICPA." The American Institute of Certified Public
10 Accountants.

11 "Attest activity." [An examination, audit, review,
12 compilation or other agreed-upon procedure with respect to
13 financial information, together with the issuance of a report
14 expressing or disclaiming an opinion or other assurance on the
15 information.] The provision of any of the following financial
16 statement services together with the issuance of a report
17 expressing or disclaiming an opinion or other assurance on the
18 information:

19 (1) an audit or other engagement performed in accordance
20 with Statements on Auditing Standards (SAS);

21 (2) a review or compilation of a financial statement
22 performed in accordance with Statements on Standards for
23 Accounting and Review Services (SSARS);

24 (3) an engagement performed in accordance with Statements on
25 Standards for Attestation Engagements (SSAE); or

26 (4) any other engagement performed in accordance with
27 attestation standards established by an organization granted
28 authority by statute or regulation to establish attestation
29 standards, such as the American Institute of Certified Public
30 Accountants (AICPA) or the Public Company Accounting Oversight

1 Board (PCAOB).

2 "Board." The State Board of Accountancy.

3 "Business unit." A functional group of individuals in a firm
4 or a sole practitioner performing attest activity.

5 "Certificate." A certificate as "certified public
6 accountant" issued under this act or a corresponding certificate <—
7 RIGHT TO PRACTICE as certified public accountant issued after <—
8 examination under the law of another jurisdiction.

9 "Certified public accountant." An individual to whom a
10 certificate [of certified public accountant] has been issued,
11 [under the laws of this Commonwealth or another state.]

12 "Client." Any person that agrees orally, in writing or in
13 electronic form with a certified public accountant, public
14 accountant or firm to receive a professional service.

15 "Commission." Compensation for recommending or referring a
16 product or service to be supplied by another person. The term
17 does not include a referral fee.

18 "Compilation." A service performed in accordance with
19 Statements on Standards for Accounting and Review Services
20 (SSARS) that presents, in the form of financial statements,
21 information that is the representation of management or the
22 owners without undertaking to express any assurance on the
23 statements.

24 "Department." The Department of State acting through the
25 Commissioner of Professional and Occupational Affairs.

26 "Engagement review." A peer review process which provides
27 the reviewer with a reasonable basis for expressing limited
28 assurance that:

29 (1) the financial statements or information and the related
30 accountant's report on the accounting, review and attestation

1 engagements submitted for review conform with the requirements
2 of professional standards in all material respects; and
3 (2) the reviewed firm's documentation conforms with the
4 requirements of Statements on Standards for Accounting and
5 Review Services (SSARS) and Statements on Standards for
6 Attestation Engagements (SSAE) applicable to those engagements
7 in all material respects.

8 "Equity interest." Any type of ownership interest in a firm.
9 The term includes the right to vote with respect to any issue,
10 whether or not the right to vote is coupled with an interest in
11 the profits or assets of the firm.

12 "Examination." The examination for the certificate of
13 certified public accountant provided for in section 3.1(b) of
14 this act.

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

16 "Holding out" or "hold out." Any representation of the fact
17 that a person, or an individual associated in any way with a
18 person, holds a certificate of certified public accountant, a
19 registration as a public accountant or a license, made in
20 connection with the performance of, or an offer to perform,
21 services for the public. A representation shall be deemed to
22 include any oral or written communication conveying the fact
23 that the person or individual holds a certificate, registration
24 or license, including, without limitation, the use of titles or
25 legends on letterheads, business cards, office doors,
26 advertisements and listings or the displaying of a certificate,
27 registration or license.

28 "Internal auditor." An individual within a governmental or
29 private entity who performs an audit function that requires the
30 individual to be independent of the activities being audited.

1 The independence required of an internal auditor does not need
2 to meet the standard of independence required of a certified
3 public accountant or public accountant.

4 "Licensee." An individual certified by or registered with
5 the board and holding a current license to practice under
6 section 8.2 of this act or a qualified association holding a
7 current license to practice under section 8.8 of this act. The
8 term does not include a person on inactive status under section
9 8.2(a.1) of this act or otherwise not holding a current license.

10 "NASBA." The National Association of State Boards of
11 Accountancy.

12 "PCAOB." The Public Company Accounting Oversight Board.

13 "Peer review." A study, appraisal or review of one or more
14 aspects of the professional work of an individual or firm in the
15 practice of public accounting to determine the degree of
16 compliance by the individual or firm with generally accepted
17 accounting principles and auditing standards and other generally
18 accepted technical standards, conducted by persons who hold
19 current licenses to practice public accounting under the laws of
20 this Commonwealth or another state and who are not affiliated
21 with the individual or firm being reviewed.

22 "Principal place of business." The location of the principal
23 office where a certified public accountant practices public
24 accounting.

25 "Professional services." Services performed by a certified
26 public accountant, public accountant or firm:

27 (1) as part of the practice of public accounting; or

28 (2) that would be part of the practice of public accounting

29 except that the individual performing the services does not hold
30 out as a certified public accountant or public accountant.

1 "Public accountant." An individual who was qualified and
2 accepted for registration in accordance with former section 8.7
3 of this act.

4 "Public accounting." Offering to perform or performing for a
5 client or potential client:

6 (1) Attest activity.

7 (2) Other [professional] services involving the use of
8 accounting skills, including, but not limited to, management
9 advisory or consulting services, business valuations, financial
10 planning, preparation of tax returns or furnishing of advice on
11 tax matters by a person holding out as a certified public
12 accountant, public accountant or firm.

13 "Qualified association." An association as defined in 15
14 Pa.C.S. § 102 (relating to definitions) that is incorporated or
15 organized under the laws of this Commonwealth or any other state
16 or foreign jurisdiction if the organic law under which the
17 association is incorporated or organized does not afford the
18 shareholders, partners, members or other owners of equity
19 interests in the association or the officers, employes or agents
20 of the association greater immunity than is available to the
21 shareholders, officers, employes or agents of a professional
22 corporation under 15 Pa.C.S. § 2925 (relating to professional
23 relationship retained).

24 "Qualified nonlicensee." An individual who does not hold a
25 current license or permit to practice public accounting in this
26 Commonwealth or any other state or foreign jurisdiction.

27 "Referral fee." Compensation paid to a licensee for
28 recommending another licensee to, or referring to another
29 licensee, any person for the performance by the other licensee
30 of public accounting.

1 "Report." Any opinion, statement or other form of written
2 communication that states or implies assurance as to the
3 reliability of any financial information or assessments of the
4 status or performance of any person and that also implies or is
5 accompanied by any statement or implication that the person
6 issuing it has special knowledge or competence in accounting or
7 auditing. Such a statement or implication of special knowledge
8 or competence may arise from use by the issuer of the
9 communication of names or titles indicating that the issuer or
10 any individual employed by or affiliated with it is an
11 accountant or auditor or may arise from the language of the
12 communication itself. The term includes any form of language
13 which disclaims an opinion when the form of language is
14 conventionally understood to imply any positive assurance as to
15 the reliability of the financial information referred to or
16 special competence on the part of the person issuing the
17 language. The term also includes any other form of language that
18 is conventionally understood to imply assurance or special
19 knowledge or competence.

20 "Statements on Auditing Standards (SAS)." The Statements on
21 Auditing Standards or any similar professional standard which
22 supersedes such statements.

23 "Statements on Standards for Attestation Engagements (SSAE)."
24 The Statements on Standards for Attestation Engagements or any
25 similar professional standard which supersedes such statements.

26 "Statements on Standards for Accounting and Review Services
27 (SSARS)." The Statements on Standards for Accounting and Review
28 Services or any similar professional standard which supersedes
29 such statements.

30 "Substantial equivalency." ~~A determination by the State~~

<—

1 ~~Board of Accountancy that:~~ THE FACT THAT:

2 (1) the education, examination and experience requirements
3 contained in the statutes and regulations of another
4 jurisdiction are comparable to or exceed the education,
5 examination and experience requirements contained in this act;
6 or

7 (2) a certified public accountant's education, examination
8 and experience qualifications are comparable to or exceed the
9 education, examination and experience requirements contained in
10 this act.

11 "System review." A peer review process which provides the
12 reviewer with a reasonable basis for expressing an opinion on
13 whether, during the year under review:

14 (1) the reviewed firm's system of quality control for its
15 accounting and auditing practice has been designed in accordance
16 with quality control standards established by the American
17 Institute of Certified Public Accountants; and

18 (2) is being complied with to provide the firm with
19 reasonable assurance of conforming with professional standards
20 in all material respects.

21 Section 2.3. State Board of Accountancy.--(a) The State
22 Board of Accountancy shall consist of fifteen members, one of
23 whom shall be the Commissioner of Professional and Occupational
24 Affairs in the Department of State or a designee, one of whom
25 shall be the Director of the Bureau of Consumer Protection in
26 the Office of Attorney General or his designee, and the
27 remaining thirteen of whom shall be appointed by the Governor,
28 subject to the consent of the Senate, as follows:

29 (1) [Eight] Nine members shall be certified public
30 accountants, all of whom are licensees and at least six of whom

1 are actively engaged in the practice of public accounting as
2 their principal occupation at the time of their appointment. Two
3 of the members who are certified public accountants shall be
4 appointed from the eastern part of the State, two from the
5 western part, two from the central part, and [two] the remainder
6 from any part of the State. At least two of the members who are
7 certified public accountants shall be actively engaged at the
8 time of their appointment in the practice of public accounting
9 with firms that have five or fewer licensees participating in
10 the firm's practice.

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

14 (3) [Two members shall be public accountants who are
15 licensees engaged in the practice of public accounting as their
16 principal occupation at the time of their appointment. The
17 number of public accountant members shall be reduced by one and
18 the number of certified public accountant members increased by
19 one when the number of public accountants who are licensees
20 falls below five hundred for the first time.] One member shall
21 be a public accountant who is a licensee engaged in the practice
22 of public accounting as his or her principal occupation at the
23 time of appointment. The [remaining] public accountant member
24 shall be eliminated and the number of certified public
25 accountant members increased by one when the number of public
26 accountants who are licensees falls below fifty for the first
27 time. [A decrease in the number of members of the board who are
28 required to be public accountants] The elimination of the public
29 accountant member as provided in this clause shall not have the
30 effect of shortening the term of [an incumbent] the incumbent

1 public accountant member of the board.

2 * * *

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

5 (1) To provide for, regulate and approve the issuance of a
6 certificate of certified public accountant to any person (a) who
7 meets the requirements for the issuance of a certificate in
8 [section 3.1(e) of] this act; or (b) who meets the requirements
9 for the issuance of a certificate by reciprocity in section 5 or
10 5.1 of this act.

11 (3) To contract with a professional testing organization for
12 the preparation and administration of the examination, in
13 accordance with section 812.1(a) of the act of April 9, 1929
14 (P.L.177, No.175), known as "The Administrative Code of 1929,"
15 and to establish prior to the administration of each examination
16 an appropriate minimum passing score, in keeping with the
17 purposes of this act.

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

25 (5) To:

26 (i) revoke, suspend, limit or otherwise restrict the
27 certificate or license of any certified public accountant or the
28 registration or license of any public accountant or the license
29 of any firm under this act[, to];

30 (ii) censure or publicly reprimand the holder of any

1 certificate, registration or license[, to];

2 (iii) require completion of general or a specific number of
3 continuing professional education courses[, to];

4 (iv) require more frequent peer review or other remedial
5 action [and to];

6 (v) revoke, suspend or limit the right of a person to
7 practice under section 5.2 or 5.4 of this act;

8 (vi) censure or publicly reprimand a person practicing under
9 section 5.2 or 5.4; and

10 (vii) impose civil penalties as provided in section 16 for
11 violation of this act.

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

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

22 (8) To keep minutes and records of all its transactions and
23 proceedings. To the extent required by the act of June 21, 1957
24 (P.L.390, No.212), referred to as the Right-to-Know Law, the
25 department shall furnish copies of such minutes and records to
26 the public upon request and may establish a reasonable fee for
27 such copies which shall not exceed the cost of reproduction.

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

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

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

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

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

25 (15) To submit annually to the House and Senate
26 Appropriations Committees, not later than fifteen days after the
27 Governor has submitted his budget to the General Assembly, a
28 copy of the budget request for the upcoming year that the board
29 previously submitted to the department.

30 (16) To engage consultants as may be deemed necessary to

1 carry out and enforce the provisions of this act.

2 (b) The board shall not require a photograph as part of an
3 application for a certificate of certified public accountant.

4 Section 3.1. [Examination and Issuance of Certificate.--(a)
5 An individual shall be permitted to take the examination for the
6 certificate of certified public accountant if the individual:

7 (1) At the time the individual first sits for the
8 examination:

9 (i) is a resident of this Commonwealth;

10 (ii) is enrolled in or has graduated from a college or
11 university in this Commonwealth; or

12 (iii) is employed in this Commonwealth under the supervision
13 of a licensee.

14 (2) Has attained the age of eighteen years.

15 (3) Is of good moral character.

16 (4) Meets the education requirements of section 4 of this
17 act.] Examination.--

18 (b) The examination shall [be held at least twice in each
19 calendar year and simultaneously in at least two counties of
20 this Commonwealth and shall be a written examination in business
21 law and professional responsibilities, auditing, accounting and
22 reporting, and financial accounting and reporting.] test the
23 applicant's knowledge and skills required for performance as a
24 certified public accountant. The examination shall include the
25 subject areas of accounting and auditing and such related
26 knowledge and skills as the board may require. The time and
27 location for holding the examination shall be determined by the
28 board and may be changed from time to time. The examination may
29 be administered in either written or computerized form. The
30 board may use all parts of the Uniform Certified Public

1 Accountants' examination and [Advisory Grading Service of the
2 American Institute of Certified Public Accountants] designated
3 grading service of the AICPA to assist in performing its duties
4 hereunder.

5 (c) Subject to such regulations as the board may adopt
6 governing reexaminations, a candidate shall be entitled to
7 retake the examination.

8 (d) An individual who has previously taken an examination
9 for a certificate of certified public accountant under the
10 provisions of a prior law of this Commonwealth shall continue to
11 be permitted to take the examination and receive a certificate
12 subject to such prior provisions and applicable regulations.

13 [(e) A certificate of certified public accountant shall be
14 issued by the board upon application by an individual who has
15 passed the examination and meets the experience requirements
16 provided for in section 4.1 of this act.]

17 Section 2. Section 4 of the act, amended December 4, 1996
18 (P.L.851, No.140) and May 9, 1997 (P.L.145, No.9), is repealed:

19 [Section 4. Education Requirements.--(a) Before an
20 individual is permitted to take the examination, the board shall
21 be satisfied that, except as provided in subsection (b), he has:

22 (1) graduated with a baccalaureate degree from a college or
23 university approved at the time of graduation by the Department
24 of Education and also completed at least a total of twenty-four
25 semester credits, which credits shall be in accounting and
26 auditing, business law, finance or tax subjects of a content
27 satisfactory to the board, not necessarily as a part of his
28 undergraduate work;

29 (2) graduated with a Master's Degree or other post-graduate
30 degree from a college or university approved at the time of

1 graduation by the Department of Education and completed at least
2 a total of twenty-four semester credits, which credits shall be
3 in accounting and auditing, business law, finance or tax
4 subjects of a content satisfactory to the board, not necessarily
5 as part of his undergraduate or graduate work;

6 (3) within two years of the effective date of this clause,
7 graduated with a baccalaureate degree, Master's Degree or other
8 post-graduate degree from a college or university approved at
9 the time of graduation by the Department of Education with
10 subjects of a content satisfactory to the board which meet or
11 exceed the education requirement for licensure as of January 1,
12 1996; or

13 (4) graduated with a baccalaureate or higher degree from a
14 college or university approved at the time of graduation by the
15 Department of Education and completed a total of one hundred
16 fifty semester credits of post-secondary education, including at
17 least a total of twenty-four semester credits of accounting and
18 auditing, business law, finance or tax subjects of a content
19 satisfactory to the board, and an additional twelve semester
20 credits in accounting, auditing and tax subjects of a content
21 satisfactory to the board, not necessarily as part of his
22 undergraduate or graduate work.

23 (g) The board shall permit an applicant taking the
24 examination for the first time within one year after the
25 effective date of this subsection to take the examination during
26 the final term, semester or quarter of the school year in which
27 he will graduate, if it is reasonably expected that he will
28 fulfill the educational requirements of subsection (a) and
29 receive the required degree within ninety days after the date of
30 the examination.]

1 Section 3. Section 4.1 of the act, added December 4, 1996
2 (P.L.851, No.140), is repealed:

3 [Section 4.1. Experience Requirements.--(a) An individual
4 shall be issued the certificate of certified public accountant
5 under section 3.1(e) of this act after the individual has
6 complied with the following experience requirements:

7 (1) An individual taking the examination on the basis of
8 having satisfied the education requirements in section 4(a)(1)
9 of this act shall have completed at least two years of
10 experience.

11 (2) An individual taking the examination on the basis of
12 having satisfied the education required in section 4(a)(2) of
13 this act shall need only one year of qualifying experience.

14 (3) Beginning on January 1, 2000, an individual taking the
15 examination on the basis of having satisfied the education
16 required in section 4(a)(4) of this act shall need only one year
17 of qualifying experience.

18 (b) The experience required under subsection (a) must:

19 (1) Be in public accounting or as an internal auditor or an
20 auditor with a unit of Federal, State or local government.

21 (2) Be of a caliber satisfactory to the board.

22 (3) Satisfy the requirements of subsection (d).

23 (4) Have been supervised by an individual who is currently
24 licensed to practice public accounting as a certified public
25 accountant or public accountant in this Commonwealth or another
26 state.

27 (c) Individuals taking the examination for the first time
28 after January 1, 2000, must complete the experience required by
29 this section within one hundred twenty months preceding the date
30 of application for a certificate of certified public accountant

1 under section 3.1(e) of this act. Individuals taking the
2 examination before January 1, 2000, need not attain the
3 experience required by this section within any particular period
4 of time.

5 (d) The experience required under subsection (a)(1) must
6 include not less than eight hundred hours of attest activity,
7 and the experience required under subsection (a)(2) or (4) must
8 include not less than four hundred hours of attest activity.]

9 Section 4. The act is amended by adding a section to read:

10 Section 4.2. Requirements for Issuance of Certificate.--(a)
11 The board shall issue a certificate upon application by an
12 individual who has passed the examination and meets the
13 education and experience requirements in this section.

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

16 (1) has attained eighteen years of age;

17 (2) is of good moral character; and

18 (3) has graduated with:

19 (i) a baccalaureate or higher degree from a college or
20 university approved at the time of graduation by the Department
21 of Education and completed a total of one hundred fifty semester
22 credits of post-secondary education, including at least a total
23 of twenty-four semester credits of accounting and auditing,
24 business law, finance or tax subjects of a content satisfactory
25 to the board, and an additional twelve semester credits in
26 accounting, auditing and tax subjects of a content satisfactory
27 to the board, not necessarily as part of the individual's
28 undergraduate or graduate work;

29 (ii) a baccalaureate degree from a college or university
30 approved at the time of graduation by the Department of

1 Education and also completed at least a total of twenty-four
2 semester credits, which credits shall be in accounting and
3 auditing, business law, finance or tax subjects of a content
4 satisfactory to the board, not necessarily as a part of his
5 undergraduate work; or

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

13 (c) Before an individual who takes the examination under
14 subsection (b)(3)(ii) or (iii) may be issued a certificate, the
15 individual must also satisfy the education requirement in
16 subsection (b)(3)(i).

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

20 (1) completed within sixty months preceding the date of
21 application for a certificate;

22 (2) in one of the following:

23 (i) public accounting;

24 (ii) as an internal auditor, if the internal audit function
25 reports to an independent board or similar body responsible for
26 oversight of the financial reporting process; or

27 (iii) as an auditor with a unit of Federal, State or local
28 government;

29 (3) of a caliber satisfactory to the board and included not
30 less than four hundred hours of attest activity; and

1 (4) supervised by an individual with a current license to
2 practice public accounting as a certified public accountant or
3 public accountant in this Commonwealth or another state.

4 (e) The following requirements may be complied with instead
5 of the otherwise applicable provisions of subsections (b), (c)
6 and (d):

7 (1) An individual who takes the examination before December
8 31, 2011, but does not pass at least one part taken before that
9 date, may not be issued a certificate until the individual:

10 (i) has satisfied the education requirement in subsection
11 (c), if applicable; and

12 (ii) has completed at least one year of experience described
13 in subsection (d)(2), (3) and (4) within one hundred twenty
14 months preceding the date of application for a certificate.

15 (2) An individual who passes at least one part of the
16 examination taken before December 31, 2011, pursuant to
17 subsection (b)(3)(ii), may be issued a certificate before or
18 after December 31, 2011, without satisfying the education
19 requirement in subsection (c), but not until the individual has
20 completed at least two years of experience that satisfies the
21 requirements in subsection (d)(3) and (4), except that the
22 experience must include at least eight hundred hours of attest
23 activity. The experience may be completed within one hundred-
24 twenty months preceding the date of application for a
25 certificate.

26 (3) An individual who passes at least one part of the
27 examination taken before December 31, 2011, pursuant to
28 subsection (b)(3)(iii), may be issued a certificate before or
29 after December 31, 2011, without satisfying the education
30 requirement in subsection (c) and may complete the one year of

1 experience required by subsection (d) within one hundred twenty
2 months preceding the date of application for a certificate.

3 Section 5. Sections 5 and 5.1 of the act, amended or added
4 December 4, 1996 (P.L.851, No.140), are amended to read:

5 Section 5. Certificates Issued by Domestic Reciprocity.--(a)
6 Without requiring the examination otherwise required under
7 section [3.1(e)] 4.2 of this act, the board may, in its
8 discretion, issue a certificate of certified public accountant
9 to a holder of a certificate of certified public accountant then
10 in full force and effect issued by any other state following
11 passage of [a written] an examination if the applicant shall
12 submit evidence satisfactory to the board that he:

13 (1) possesses the general qualifications specified in
14 section [3.1(a)] 4.2(b)(1) and (2) of this act, has passed the
15 [written] examination required to practice as a certified public
16 accountant under the laws of the other state, meets the
17 continuing education requirements specified in section 8.2(b) of
18 this act and has the experience required under section [4.1]
19 4.2(d) of this act to receive the certificate in this
20 Commonwealth; or

21 (2) has passed the [written] examination required to
22 practice as a certified public accountant under the laws of the
23 other state and has held a certificate and license to practice
24 public accounting for the immediately preceding five years in
25 another state.

26 (b) An applicant for a certificate under this section shall
27 list in the application all states and foreign jurisdictions in
28 which the applicant has applied for or holds a designation or
29 certificate to practice public accounting.

30 (c) Each holder of a certificate issued under this section

1 shall notify the board in writing within thirty days after its
2 occurrence of any issuance, denial, revocation or suspension of
3 his designation, certificate or license to practice public
4 accounting or the commencement of a disciplinary or enforcement
5 action against him or his firm by any state or foreign
6 jurisdiction.

7 Section 5.1. Certificates Issued by Foreign Reciprocity.--

8 (a) Without requiring the examination otherwise required under
9 section [3.1(e)] 4.2 of this act, the board may in its
10 discretion issue a certificate of certified public accountant to
11 a holder of a foreign designation, granted and then in full
12 force in a foreign country or other jurisdiction that is not a
13 state, entitling the holder thereof to engage in the practice of
14 public accounting if all of the following conditions are
15 satisfied:

16 (1) Pursuant to a duly enacted free trade agreement, the
17 foreign jurisdiction that granted the designation makes similar
18 provision to allow an individual who holds a valid certificate
19 of certified public accountant issued by this Commonwealth to
20 obtain such foreign jurisdiction's comparable designation.

21 (2) The foreign designation:

22 (i) Was duly issued by a duly constituted authority within
23 the foreign jurisdiction that regulates the practice of public
24 accounting, and the foreign designation has not expired or been
25 revoked or suspended.

26 (ii) Entitles the holder to issue reports.

27 (iii) Was issued upon the basis of educational, examination
28 and experience requirements established by the foreign authority
29 or by law.

30 (3) The applicant:

1 (i) Received the designation based on educational and
2 examination standards substantially equivalent to those in
3 effect in this Commonwealth at the time the foreign designation
4 was granted.

5 (ii) Completed an experience requirement substantially
6 equivalent to the requirements set forth in section [4.1] 4.2(d)
7 of this act in the jurisdiction that granted the foreign
8 designation or has completed five years of experience in the
9 practice of public accounting in this Commonwealth or meets such
10 other requirements as may be prescribed by the board by rule
11 within the ten years immediately preceding the application.

12 (iii) Passed a uniform qualifying examination in national
13 standards.

14 (b) An applicant for a certificate under this section shall
15 list in the application all states and foreign jurisdictions in
16 which the applicant has applied for or holds a designation or
17 certificate to practice public accounting.

18 (c) Each holder of a certificate issued under this section
19 shall notify the board in writing within thirty days after its
20 occurrence of any issuance, denial, revocation or suspension of
21 his designation, certificate or license to practice public
22 accounting or the commencement of a disciplinary or enforcement
23 action against him or his firm by any state or foreign
24 jurisdiction.

25 Section 6. The act is amended by adding sections to read:

26 Section 5.2. Practice in this Commonwealth by Individuals
27 under Substantial Equivalency.--(a) The board shall grant the <—
28 right to persons to practice public accounting under substantial
29 equivalency as provided in this section and section 5.4 of this
30 act and shall adopt regulations relating to substantial

1 ~~equivalency and establishing procedures for determining whether:~~

2 ~~(1) a state provides substantial equivalency; and~~

3 ~~(2) substantial equivalency exists with respect to an~~

4 ~~individual.~~ A PERSON MAY PRACTICE PUBLIC ACCOUNTING IN THIS <—

5 COMMONWEALTH UNDER SUBSTANTIAL EQUIVALENCY AS PROVIDED IN THIS

6 SECTION AND SECTION 5.4. ANY DETERMINATION AS TO WHETHER

7 SUBSTANTIAL EQUIVALENCY EXISTS WITH RESPECT TO A STATE OR

8 INDIVIDUAL FOR PURPOSES OF THIS ACT SHALL BE CONSISTENT WITH ANY

9 DETERMINATION AS TO SUBSTANTIAL EQUIVALENCY WITH RESPECT TO THAT

10 STATE OR INDIVIDUAL MADE BY THE NATIONAL ASSOCIATION OF STATE

11 BOARDS OF ACCOUNTANCY NATIONAL QUALIFICATION APPRAISAL SERVICE.

12 (b) The following apply to practice in this Commonwealth

13 under substantial equivalency:

14 (1) Notwithstanding any other provision of this act, an

15 individual whose principal place of business ~~is~~ IS not in this <—

16 Commonwealth and who has a valid certificate ~~and license~~ OR <—

17 RIGHT to practice public accounting from a state that ~~provides~~ <—

18 ~~substantial equivalency~~ IS SUBSTANTIALLY EQUIVALENT shall be <—

19 presumed to have qualifications substantially equivalent to the

20 Commonwealth's requirements and shall have all the privileges

21 and obligations of a licensee of the Commonwealth without the

22 need to obtain a certificate or license under this act.

23 (2) Notwithstanding any other provision of this act, an

24 individual whose principal place of business is not in this

25 Commonwealth and who has a valid certificate ~~and license~~ OR <—

26 RIGHT to practice public accounting from a state that ~~does not~~ <—

27 ~~provide substantial equivalency~~ IS NOT SUBSTANTIALLY EQUIVALENT <—

28 shall be presumed to have qualifications substantially

29 equivalent to the Commonwealth's requirements and shall have all

30 the privileges and obligations of a licensee of the Commonwealth

1 without the need to obtain a certificate or license if there is
2 substantial equivalency as to the individual. In determining
3 whether substantial equivalency exists as to an individual, the ←
4 board shall make its determination without regard to the order
5 in which the individual satisfied the experience, education and
6 examination requirements SHALL BE DISREGARDED. ←

7 (3) The exercise by an individual of the right to practice
8 in this Commonwealth under this section constitutes:

9 (i) sufficient contact with this Commonwealth for the
10 exercise of personal jurisdiction by the board and the courts of
11 this Commonwealth over the individual in any action or
12 proceeding arising out of acts or omissions by the individual;

13 (ii) consent by the individual to the personal and subject
14 matter jurisdiction and disciplinary authority of the board;

15 (iii) an agreement by the individual to comply with the
16 provisions of this act and regulations promulgated by the board;
17 and

18 (iv) consent by the individual to the appointment of the
19 board of accountancy or other regulatory authority of the state
20 in which the principal place of business of the individual is
21 located as the agent upon which process may be served in any
22 action or proceeding by the board against the individual.

23 (4) An individual who exercises the right to practice under
24 this section shall be subject to disciplinary action in this
25 Commonwealth for any act or omission that would subject the
26 holder of a Pennsylvania certificate or license to disciplinary
27 action.

28 (5) An individual who passed the Uniform CPA Examination and
29 holds a valid license to practice public accounting issued by
30 any other state on or before December 31, 2011, shall be exempt

1 from the education requirements in section 4.2(b)(3)(i) and (c)
2 of this act for purposes of this section.

3 (6) If the board imposes discipline on an individual
4 exercising the right to practice under this section, the board
5 shall as soon as practicable notify the board of accountancy or
6 other regulatory authority in each state where the board has
7 learned during the disciplinary process that the individual has
8 been granted a certificate or license to practice public
9 accounting of the imposition of the discipline. If the order
10 imposing discipline is appealed or stayed, the board shall send
11 a subsequent notice to each regulatory authority advising of the
12 filing of the appeal or entry of the stay. As an alternative to
13 sending the notices to each regulatory authority, the board may
14 send the notices instead to a multistate enforcement information
15 network maintained at the time by AICPA or NASBA. The board may
16 furnish investigative information and the hearing record
17 relating to the disciplinary proceeding to such other regulatory
18 authorities upon request.

19 (7) An individual exercising the right to practice under
20 this section may identify the fact that the individual practices
21 with a partnership, corporation or other association and may use
22 its name even if the partnership, corporation or other
23 association is not a licensee.

24 (8) AN INDIVIDUAL PRACTICING UNDER THIS SECTION OR A FIRM OR ←
25 QUALIFIED UNLICENSED ENTITY PRACTICING UNDER SECTION 5.4 MAY
26 PROVIDE PROFESSIONAL SERVICES IN THIS COMMONWEALTH IN THE SAME
27 MANNER AS A LICENSEE, INCLUDING WITHOUT LIMITATION, IN PERSON OR
28 BY MAIL, TELEPHONE OR ELECTRONIC MEANS.

29 (9) THE BOARD SHALL NOT REQUIRE A FILING OR PAYMENT OF A FEE
30 BY AN INDIVIDUAL, FIRM OR QUALIFIED UNLICENSED ENTITY IN

1 CONNECTION WITH PRACTICING UNDER THIS SECTION OR SECTION 5.4.

2 Section 5.3. Practice outside this Commonwealth under
3 Substantial Equivalency.--(a) A licensee who practices public
4 accounting in another jurisdiction under substantial equivalency
5 shall be subject to disciplinary action in this Commonwealth for
6 an act or omission in the other jurisdiction if the act or
7 omission:

8 (1) subjects the licensee to discipline in the other
9 jurisdiction; or

10 (2) would subject the licensee to discipline in this
11 Commonwealth.

12 (b) The board shall investigate any complaint made by the
13 board of accountancy or other regulatory authority of another
14 state against a licensee.

15 Section 5.4. Practice by Firms and Unlicensed Entities under
16 Substantial Equivalency.--(a) A firm may practice public
17 accounting in this Commonwealth through an individual who is not
18 a licensee if the individual has the right to practice in this
19 Commonwealth under section 5.2 of this act. The exercise by a
20 firm of the right to practice through such individuals under
21 this subsection constitutes an agreement by the firm:

22 (1) to be subject to the jurisdiction and disciplinary
23 authority of the board with respect to acts or omissions of the
24 individuals through whom it practices under this subsection;

25 (2) to accept service of process from the board on behalf of
26 the individuals through whom it practices under this subsection;
27 and

28 (3) to cooperate in any investigation by the board involving
29 an individual through which the firm has practiced under this
30 subsection even if the individual is no longer an owner of or

1 employed by the firm.

2 (b) A qualified unlicensed entity may practice public
3 accounting in this Commonwealth through an individual who:

4 (1) has the right to practice in this Commonwealth under
5 section 5.2 of this act; or

6 (2) is a licensee.

7 (c) The exercise by a qualified unlicensed entity of the
8 right to practice in this Commonwealth under subsection (b)
9 constitutes:

10 (1) sufficient contact with this Commonwealth for the
11 exercise of personal jurisdiction by the board and the courts of
12 this Commonwealth over the qualified unlicensed entity in any
13 action or proceeding arising out of acts or omissions by an
14 individual associated with the qualified unlicensed entity in
15 any capacity;

16 (2) consent by the qualified unlicensed entity to the
17 personal and subject matter jurisdiction and disciplinary
18 authority of the board;

19 (3) an agreement by the qualified unlicensed entity to
20 comply with the provisions of this act and regulations
21 promulgated by the board; and

22 (4) consent by the qualified unlicensed entity to the
23 appointment of the board of accountancy or other regulatory
24 authority of the state in which the principal place of business
25 of the qualified unlicensed entity is located as the agent upon
26 which process may be served in any action or proceeding by the
27 board against the qualified unlicensed entity.

28 (d) As used in this section "qualified unlicensed entity"
29 means a partnership, corporation or other association that:

30 (1) is not a licensee;

1 (2) does not have an office in this Commonwealth; and
2 (3) may lawfully practice public accounting in another
3 state.

4 Section 7. Sections ~~8.2, 8.8, 8.9(a), (b), (d) and (g)~~ and <—
5 ~~9.1(a)~~ AND 8.8 of the act, amended or added December 4, 1996 <—
6 (P.L.851, No.140), are amended to read:

7 Section 8.2. Licenses to Practice.--(a) Biennial licenses
8 to engage in the practice of public accounting in this
9 Commonwealth shall be issued by the Department of State upon
10 payment of the biennial licensing fee to (i) holders of the
11 certificate of certified public accountant issued by this
12 Commonwealth and public accountants registered in this
13 Commonwealth who [shall have furnished evidence satisfactory to
14 the board of compliance] have certified to the board that they
15 have complied with the requirements of subsection (b) of this
16 section and (ii) qualified associations licensed under section
17 8.8 of this act. Licenses to practice shall expire on the last
18 day of [April of even-numbered] December of odd-numbered years
19 or on such other biennial expiration dates as the department may
20 fix. The renewal application of a certified public accountant or
21 public accountant does not need to list the continuing education
22 courses taken by the applicant except as provided by the rules
23 and regulations of the board.

24 (a.1) A certified public accountant or public accountant who
25 is not engaged in the practice of public accounting may request
26 the board, in writing, to place his name on the inactive roll
27 and thus protect his right to obtain a license at such time as
28 he may become engaged in the practice of public accounting.

29 (b) Each certified public accountant and public accountant
30 filing an application for a license or a renewal thereof to

1 engage in the practice of public accounting in this Commonwealth
2 must, during the reporting period immediately preceding the
3 current biennial period, complete eighty hours of continuing
4 education, in programs approved by the board. The reporting
5 period for licensees shall be January 1 of even-numbered years
6 to December 31 of odd-numbered years. No carry-over of credits
7 shall be permitted from one biennial license period to another.
8 The continuing education requirement shall not apply to firms
9 but shall apply to all natural persons who apply for a license
10 or a renewal thereof under this section.

11 (c) Failure by a licensed certified public accountant or
12 public accountant applying for renewal of his biennial license
13 to furnish [evidence] a certification of completion of the
14 required number of hours of acceptable continuing education
15 shall constitute grounds for denial or refusal to renew such
16 license, unless the board, in its discretion, shall determine
17 [such failure to have been] that the failure to complete the
18 required continuing education was due to reasonable cause, in
19 which case the board shall grant an extension.

20 (d) In issuing rules, regulations and individual orders with
21 respect to requirements of continuing education, the board may
22 rely upon guidelines and pronouncements of recognized
23 educational and professional organizations; may prescribe for
24 content, duration and organization of courses; shall take into
25 account the accessibility of such continuing education as it may
26 require, and any impediments to interstate practice of public
27 accounting which may result from differences in such
28 requirements in other states; and may provide for relaxation or
29 suspension of such requirements in instances of individual
30 hardship such as for reasons of health, military service or

1 other good cause.

2 (e) A certified public accountant or public accountant who
3 is also certified, registered or licensed to practice public
4 accounting in any other state or foreign jurisdiction shall
5 report this information to the board on the biennial renewal
6 application. Any disciplinary action taken in any other state or
7 foreign jurisdiction shall be reported to the board on the
8 biennial renewal application or within thirty days of
9 disposition, whichever is sooner. Multiple certification,
10 registration or licensure shall be noted by the board on the
11 record of the certified public accountant or public accountant,
12 and the other state or foreign jurisdiction shall be notified by
13 the board within thirty days after any disciplinary action is
14 taken against the certified public accountant or public
15 accountant in this Commonwealth.

16 (f) An initial or renewal license shall not be issued after
17 April 30, 2000, to a certified public accountant or public
18 accountant practicing as a sole practitioner unless he complies
19 with the requirements of section 8.9 of this act.

20 Section 8.8. Licensing of Firms.--(a) [An association] A
21 person other than an individual shall not practice public
22 accounting in this Commonwealth unless it is a qualified
23 association, has been granted a license to practice and
24 satisfies the requirements of this section at all times while it
25 is a licensee. A new firm shall apply for its initial license
26 within thirty days after its formation; thereafter, the firm's
27 license shall be subject to renewal in accordance with section
28 8.2 of this act.

29 (b) The initial and all renewal license applications by a
30 firm shall:

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

5 (2) List the name and home address of each qualified
6 nonlicensee who owns an equity interest in the firm if the
7 principal residence or the office out of which the individual
8 principally practices is located in this Commonwealth.

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

11 (c) An initial or renewal license shall not be issued to a
12 firm after April 30, 2000, unless the firm complies with the
13 requirements of section 8.9 of this act.

14 (d) A firm shall satisfy all of the following requirements:

15 (1) At least one general partner if the firm is a
16 partnership, one record and beneficial owner of common shares if
17 the firm is a corporation or one owner of a similar equity
18 interest if the firm is any other form of qualified association
19 shall be a certified public accountant or public accountant who
20 is a licensee.

21 (2) Except as provided in subsections (e) and (f), each
22 shareholder, partner, member or other owner of an equity
23 interest in the firm must be the holder of a current license to
24 practice public accounting as a certified public accountant or
25 public accountant under the laws of this Commonwealth or another
26 jurisdiction. This clause shall not:

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

30 (ii) prohibit payments by a firm to a former equity owner or

1 his estate in connection with his withdrawal from the firm.

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

6 (4) The principal executive officer of the firm shall be a
7 certified public accountant or public accountant who holds a
8 current license to practice public accounting in this
9 Commonwealth or another state.

10 (5) An individual who does not hold a current license to
11 practice public accounting as a certified public accountant or
12 public accountant in this Commonwealth or another state or
13 foreign jurisdiction shall not assume ultimate responsibility
14 for any attest activity.

15 (e) Notwithstanding any other provision of law, a qualified
16 nonlicensee may own an equity interest in a firm if all of the
17 following conditions are met:

18 (1) All of the qualified nonlicensees owning equity
19 interests in the firm shall not:

20 (i) own in the aggregate equity interests in the firm
21 entitling them to cast more than [one-third] forty-nine percent
22 of the votes on any issue or to receive more than [one-third]
23 forty-nine percent of any dividend or other distribution of
24 profits or assets of the firm; or

25 (ii) constitute more than [one-third] forty-nine percent in
26 number of the owners of equity interests in the firm.

27 (2) The qualified nonlicensee shall not hold himself out as
28 a certified public accountant or public accountant.

29 (3) The qualified nonlicensee shall be permitted to
30 designate or refer to himself as a principal, owner, officer,

1 member or shareholder of the firm. The qualified nonlicensee may
2 also use such other titles as may be authorized by the
3 regulations of the board.

4 (4) The qualified nonlicensee shall not:

5 (i) have pleaded guilty to, entered a plea of nolo
6 contendere to or been found guilty or been convicted of a felony
7 under the laws of this Commonwealth or any other jurisdiction;
8 or

9 (ii) be in violation of any regulation of the board
10 regarding the character or conduct of a qualified nonlicensee
11 who is the owner of an equity interest in a firm.

12 (5) The participation of the qualified nonlicensee in the
13 business of the firm must be the principal occupation of the
14 individual and shall be in the nature of providing services to
15 the firm or clients of the firm and not solely as an investor or
16 in another commercial or passive capacity.

17 (6) The qualified nonlicensee has graduated with a
18 baccalaureate or higher degree from a college or university
19 approved at the time of graduation by the Department of
20 Education.

21 (7) The qualified nonlicensee shall comply with all
22 applicable provisions of this act and the regulations of the
23 board.

24 (f) An equity interest in a firm may be owned indirectly but
25 only if all of the ultimate, indirect beneficial owners of the
26 equity interest are licensees.

27 (g) In accordance with the procedure referred to in section
28 9 of this act, the board may revoke the license to practice of a
29 firm if at any time it is in violation of any of the provisions
30 of this section.

1 SECTION 7.1. SECTION 8.9(A), (B), (D) AND (G) OF THE ACT,
2 ADDED DECEMBER 4, 1996 (P.L.851, NO.140), ARE AMENDED AND THE
3 SECTION IS AMENDED BY ADDING A SUBSECTION TO READ:

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

25 (b) A firm with less than three licensees shall not be
26 required to undergo a peer review more frequently than once
27 every five years and a firm with three or more licensees shall
28 not be required to undergo a peer review more frequently than
29 once every three years, except that:

30 (1) The board may order a firm that has been disciplined

1 under section 9.1 of this act or that has been ordered to take
2 remedial action under subsection (e) to undergo a peer review
3 more frequently.

4 (2) A new firm that is not subject to subsection (j) shall
5 undergo its first peer review within eighteen months after it is
6 granted its initial license.

7 (2.2) A firm that was not previously required to undergo a
8 peer review must notify the board within thirty days after
9 accepting an engagement to perform an attest activity other than
10 a compilation and shall undergo a peer review within eighteen
11 months after commencing the engagement.

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

17 * * *

18 (d) (1) The peer review of a firm that performs one or more
19 audits of historical financial statements or examinations of
20 prospective financial information shall [include an onsite] be a
21 system review, including a study and evaluation of a
22 representative selection of audit, examination, review and
23 compilation reports, the financial information upon which those
24 reports were based and the associated working papers. The
25 [onsite] system review shall include additional procedures
26 relating to the firm's system of quality control sufficient to
27 provide the reviewer with a reasonable basis upon which to issue
28 a peer review report.

29 (2) The peer review of a firm that performs no audit or
30 examination engagements but does perform one or more review

1 engagements shall be required only to be an [offsite] engagement
2 review, including a study and evaluation of a representative
3 selection of reports issued by the firm and the financial
4 information upon which those reports were based; but, if such a
5 firm elects to have [an onsite] a system review, that review
6 shall also be acceptable. The [offsite] engagement review shall
7 [not be required to] include a study of the associated working
8 papers [but shall include] and procedures and inquiries
9 sufficient to provide the reviewer with a reasonable basis upon
10 which to issue a peer review report.

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

15 * * *

16 (g) A firm shall be exempt from the requirement to undergo a
17 peer review if all of the following apply:

18 (1) Within three years before the date of application for
19 initial or renewal licensure, the firm has undergone a peer
20 review conducted in another state or foreign jurisdiction which
21 meets the requirements of subsection (c)(1) and (2). The firm
22 shall submit to the board a letter from the organization
23 administering the firm's most recent peer review stating the
24 date on which the peer review was completed.

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

26 (i) During the preceding two years, the firm has not
27 accepted or performed any audit or review engagement.

28 (ii) Within the next two years, the firm does not intend to
29 accept or perform any audit or review engagement.

30 [(iii) The firm agrees to notify the board within thirty

1 days of accepting an audit or review engagement and to undergo a
2 peer review within eighteen months of commencing such
3 activities.]

4 (3) For reasons of personal health, military service or
5 other good cause, the board determines that the firm is entitled
6 to an exemption for a period of time not to exceed twelve
7 months.

8 * * *

9 (M) THE FEES CHARGED BY AN ADMINISTERING ORGANIZATION UNDER ←
10 THIS SECTION SHALL NOT VARY DEPENDING ON WHETHER OR NOT A FIRM
11 OR SOME OR ALL OF ITS OWNERS OR EMPLOYEES ARE MEMBERS OF THE
12 ADMINISTERING ORGANIZATION.

13 SECTION 7.2. SECTIONS 9 AND 9.1(A) OF THE ACT, AMENDED
14 DECEMBER 4, 1996 (P.L.851, NO.140), ARE AMENDED TO READ:

15 SECTION 9. DISCIPLINARY PROCEDURE; APPEALS.--(A) EXCEPT AS
16 PROVIDED IN SECTION 2.3(C) OF THIS ACT, THE PROCEDURE TO BE
17 FOLLOWED IN THE REVOCATION OF A FIRM'S LICENSE UNDER SECTION
18 8.8(G) OF THIS ACT OR THE IMPOSITION OF DISCIPLINE UNDER SECTION
19 9.1 OF THIS ACT AND IN APPEALS TAKEN FROM DISCIPLINARY ACTIONS
20 OF THE BOARD SHALL BE THAT PRESCRIBED UNDER 2 PA.C.S. CH. 5
21 SUBCH. A (RELATING TO PRACTICE AND PROCEDURE OF COMMONWEALTH
22 AGENCIES) AND CH. 7 SUBCH. A (RELATING TO JUDICIAL REVIEW OF
23 COMMONWEALTH AGENCY ACTION), 1 PA. CODE PART II (RELATING TO
24 GENERAL RULES OF ADMINISTRATIVE PRACTICE AND PROCEDURE) AND
25 APPLICABLE REGULATIONS PROMULGATED BY THE BOARD.

26 (B) THE BOARD SHALL REQUIRE AN INDIVIDUAL WHOSE
27 CERTIFICATION HAS BEEN SUSPENDED OR REVOKED TO RETURN HIS
28 CERTIFICATE OR TO CERTIFY IN SUCH MANNER AS THE BOARD DIRECTS
29 THAT IT WAS LOST, STOLEN OR DESTROYED. FAILURE TO COMPLY WITH
30 THE BOARD'S DIRECTIONS SHALL BE A MISDEMEANOR OF THE THIRD

1 DEGREE.

2 (C) THE BOARD MAY ASSESS AGAINST THE RESPONDENT IN A
3 DISCIPLINARY ACTION UNDER THIS ACT, AS PART OF THE SANCTION, THE
4 COSTS OF INVESTIGATION UNDERLYING THAT DISCIPLINARY ACTION.

5 Section 9.1. Grounds for Discipline.--(a) In accordance
6 with the procedure provided in section 9 of this act, the board
7 may revoke, suspend, limit or otherwise restrict the certificate
8 of a certified public accountant or the registration of a public
9 accountant, may revoke, suspend, limit or otherwise restrict any
10 license issued under this act, may censure or publicly reprimand
11 the holder of any certificate, registration or license, may
12 require completion of general or a specific number of continuing
13 professional education courses or may require more frequent peer
14 review or other remedial action, or may revoke, suspend or limit
15 the right of an individual to practice under section 5.2 of this
16 act or censure or publicly reprimand an individual practicing
17 under section 5.2 of this act for any one or any combination of
18 the following causes:

19 (1) Fraud or deceit in obtaining:

20 (i) a certificate of certified public accountant [or in
21 obtaining];

22 (ii) registration under this act [or in obtaining];

23 (iii) a license to practice under this act[.]; or

24 (iv) a determination that substantial equivalency exists
25 with respect to an individual.

26 (2) Dishonesty, fraud or gross negligence in the [practice
27 of public accounting.] provision of professional services.

28 (3) Violation of any of the provisions of section 12 of this
29 act.

30 (4) Violation of a rule of professional conduct promulgated

1 by the board under the authority granted by this act.

2 (5) Pleading guilty to, entering a plea of nolo contendere
3 to or being found guilty of a felony under any Federal or State
4 law or the laws of any foreign jurisdiction.

5 (6) Pleading guilty to, entering a plea of nolo contendere
6 to or being found guilty of any crime, an element of which is
7 dishonesty or fraud under any Federal or State law or the laws
8 of any foreign jurisdiction.

9 (6.1) Pleading guilty to, entering a plea of nolo contendere
10 to or being found guilty of violating any Federal or State
11 revenue law or the revenue laws of any foreign jurisdiction.

12 (7) Cancellation, revocation, suspension or refusal to renew
13 [his authority to practice] authority to provide professional
14 services as a certified public accountant or public accountant
15 by any other state or foreign jurisdiction for any cause other
16 than failure to pay a registration or other fee in such other
17 state or foreign jurisdiction.

18 (8) Suspension or revocation of the right to [practice]
19 provide professional services before any Federal or State
20 governmental agency.

21 (10) Failure of certified public accountant or public
22 accountant filing an application for a license or renewal
23 thereof to furnish evidence of completion of the requirements
24 for continuing education under section 8.2 of this act or to
25 meet any conditions with respect to continuing education that
26 the board may have ordered in respect to such certified public
27 accountant or public accountant under that section.

28 (12) Failure of a firm or sole proprietorship to satisfy the
29 peer review requirements in section 8.9 of this act.

30 (13) Failure of a firm to satisfy any of the organizational

1 requirements in section 8.8(d) of this act.

2 (14) Conduct that brings the profession of public accounting
3 into disrepute or that lowers public esteem for the profession.

4 (15) Violation of an order of the board.

5 (16) Engaging in unprofessional conduct. Discipline may be
6 imposed under this clause whether or not actual injury or loss
7 to a client is established.

8 (17) An act or omission by a licensee in another
9 jurisdiction under substantial equivalency that subjects the
10 licensee to discipline in the other jurisdiction.

11 * * *

12 Section 8. Section 9.2 of the act, amended December 4, 1996
13 (P.L.851, No.140) and May 9, 1997 (P.L.145, No.9), is amended to
14 read:

15 Section 9.2. Reinstatement.--(a) Except as provided in
16 subsection (b), upon application in writing and after hearing
17 pursuant to notice, the board may reinstate or modify the
18 suspension of any license to practice which has been suspended.
19 Reinstatement shall not be granted under this subsection:

20 (1) To an individual unless he demonstrates that he has
21 completed the biennial continuing education requirements that he
22 would have been required to complete during the immediately
23 preceding reporting period if his license had not been
24 suspended.

25 (2) Unless the person seeking reinstatement pays the current
26 biennial licensing fee plus a reinstatement fee.

27 (b) An individual whose license has been suspended for more
28 than five years shall not be eligible to apply for reinstatement
29 of the license, but instead must take the examination and apply
30 for a certificate of certified public accountant in accordance

1 with section [3.1] 4.2 of this act.

2 (c) Unless ordered to do so by a court, the board shall not
3 reinstate the certificate of a person to practice as a certified
4 public accountant or the registration of a person to practice as
5 a public accountant which has been revoked. A person whose
6 certification or registration has been revoked may take the
7 examination and apply for a certificate in accordance with
8 section [3.1] 4.2 of this act not earlier than five years after
9 his certificate or registration was revoked if he desires to
10 resume the practice of public accounting.

11 (d) A person whose license to practice has expired for
12 failure to make biennial registration or who has been on the
13 inactive roll under section 8.2(a.1) of this act may have the
14 license reinstated upon compliance with the following:

15 (1) In the case of an individual, presentation to the board
16 of satisfactory evidence of having completed eighty hours of
17 continuing education in programs approved by the board under
18 section 8.2(d) of this act within two years preceding the date
19 of the application for reinstatement.

20 (2) Payment of the current biennial licensing fee plus a
21 reinstatement fee.

22 (e) Upon application in writing and after hearing pursuant to
23 notice, the board may reinstate or modify the suspension of an
24 individual's right to practice under section 5.2 of this act
25 which has been revoked or suspended.

26 Section 9. Sections 12, 13 and 16(c) of the act, amended
27 December 4, 1996 (P.L.851, No.140), are amended to read:

28 Section 12. Unlawful Acts.--(a) [It] Except as provided in
29 sections 5.2 and 5.4 of this act, it is unlawful for any person
30 to hold himself out as or otherwise use the title or designation

1 "certified public accountant," or the abbreviation "CPA," or any
2 other title, designation, words, letters or abbreviation tending
3 to indicate that the person is a certified public accountant or
4 engaged in the practice of public accounting unless the person
5 has received or has been notified in writing by the board that
6 he has qualified to receive a certificate of certified public
7 accountant issued by this Commonwealth, which is not revoked or
8 suspended.

9 (b) It is unlawful for any person to hold himself out or
10 otherwise use the title "certified public accountant," "public
11 accountant" or any abbreviation thereof, or the letters "CPA" or
12 "PA" by virtue of any certificate, registration or license
13 illegally or fraudulently obtained by the person, or issued
14 unlawfully or through any fraudulent representation or deceit,
15 or misstatement of material fact or fraudulent concealment of a
16 material fact made or induced or aided or abetted by the person.

17 (c) [It] Except as provided in sections 5.2 and 5.4 of this
18 act, it is unlawful for any partnership, corporation or other
19 association to hold itself out as or otherwise use the title or
20 designation "certified public accountant" or "public accountant"
21 or the abbreviation "CPA" or "PA," or any other title,
22 designation, words, letters or abbreviation tending to indicate
23 that the partnership, corporation or other association is
24 composed of or includes certified public accountants or public
25 accountants unless the partnership, corporation or other
26 association holds a current license under section 8.8 of this
27 act.

28 (f) Except as provided in this subsection, in sections 5.2
29 and 5.4 of this act or in subsections (a) and (c), it is
30 unlawful for any person to use a title that includes the word

1 "certified" as a part thereof, or any other title or designation
2 likely to be confused with "certified public accountant," or any
3 title or designation implying or connoting accreditation by any
4 jurisdiction for the practice of any type of bookkeeping,
5 accounting, auditing, tax or other professional practice related
6 thereto, or to use any abbreviation of such title or
7 designation. It is not a violation of this subsection for an
8 individual:

9 (1) except as provided in clause (2), to use a title or
10 designation that includes the word "accredited" or "certified"
11 or an abbreviation of such a title or designation if the title
12 or designation has been conferred by a private organization
13 after evaluation of the individual's credentials or
14 qualifications and if when the title or designation is used on
15 the individual's stationery it is accompanied by a statement
16 that it has been conferred by an organization not affiliated
17 with the Federal or any State government; or

18 (2) to use the designation "certified financial planner" or
19 an abbreviation of that designation if the designation has been
20 conferred by a private organization after evaluation of the
21 individual's credentials or qualifications.

22 (j) It is unlawful for any person to hold himself out as or
23 otherwise use the title or designation "public accountant" or
24 the abbreviation "PA" or any other title, designation, words,
25 letters or abbreviation tending to indicate that the person is a
26 public accountant, unless such person is registered as a public
27 accountant and is a licensee, or unless such person has
28 received, or has been notified in writing by the board that he
29 has qualified to receive a certificate as certified public
30 accountant issued by this Commonwealth.

1 (1) It is unlawful for any person, partnership or
2 corporation to hold himself or itself out as or otherwise use
3 the title or designation "certified accountant," "chartered
4 accountant," "enrolled accountant," "licensed accountant,"
5 "registered accountant," "licensed public accountant,"
6 "registered public accountant" or "accredited accountant" or any
7 other title or designation likely to be confused with "certified
8 public accountant" or "public accountant," or any abbreviation
9 of any of those prohibited titles or designations or similar
10 abbreviations likely to be confused with "CPA," except that a
11 person who is a licensee may hold himself out to the public as
12 an "accountant," "auditor" or "accountant and auditor." It is
13 not a violation of this clause for an individual designated by
14 the Internal Revenue Service as an enrolled agent to use that
15 title or the abbreviation "EA."

16 (1.1) It is unlawful for any person to sell or offer to sell
17 or fraudulently obtain, furnish or procure any certificate,
18 registration [or license], license or determination of
19 substantial equivalency under the provisions of this act or
20 cause or aid or abet another person to do so.

21 (1.2) [It] Except as provided in sections 5.2 and 5.4 of
22 this act, it is unlawful for any person that is not a licensee
23 to sign, affix a firm name to or otherwise issue any:

24 (1) report; or

25 (2) opinion, certificate or other communication respecting
26 compliance with conditions established by law or contract,
27 including, but not limited to, statutes, ordinances,
28 regulations, grants, loans and appropriations, together with any
29 wording, accompanying or contained in such opinion [or
30 certificate], certificate or other communication that indicates

1 that the person is composed of or employs:

2 (i) accountants or auditors; or

3 (ii) persons having expert knowledge in accounting or
4 auditing.

5 (1.3) It is unlawful for a licensee to use a professional or
6 firm name that the licensee is prohibited from using by other
7 applicable provision of law or that is misleading as to the
8 persons who are partners, officers, members, directors,
9 employees or shareholders of the firm or as to any other matter,
10 except that the names of one or more former partners,
11 shareholders or members may be included in the name of a firm or
12 its successor.

13 (m) [It] Except as provided in sections 5.2 and 5.4 of this
14 act, it is unlawful for any [person] individual who is not a
15 licensee to sign or affix his name or any trade or assumed name
16 used by him in his profession or business to or otherwise issue
17 any:

18 (1) report; or

19 (2) opinion, certificate or other communication respecting
20 compliance with conditions established by law or contract,
21 including, but not limited to, statutes, ordinances,
22 regulations, grants, loans and appropriations, together with any
23 wording accompanying or contained in such [report] opinion,
24 certificate or other communication, which indicates:

25 (i) that he is an accountant or auditor; or

26 (ii) that he has expert knowledge in accounting or auditing.

27 The provisions of this subsection shall not prohibit any
28 officer, employe, partner, or principal of any organization from
29 affixing his signature to any [report or other] communication in
30 reference to the affairs of the organization with any wording

1 designating the position, title, or office which he holds in the
2 organization, nor shall the provisions of this subsection
3 prohibit any act of a public official or public employe in the
4 performance of his duties as such.

5 (n) [It] Except as provided in sections 5.2 and 5.4 of this
6 act, it is unlawful for any person not a licensee to hold
7 himself or itself out to the public as an "auditor" or as an
8 "accountant and auditor". employe, partner, or principal of any
9 organization from describing himself by the position, title or
10 office he holds in the organization, nor shall this subsection
11 prohibit any action of a public official or public employe in
12 the performance of his duties as such.

13 (o) It is unlawful for any person to hold himself or itself
14 out as a member of any society, association or organization of
15 certified public accountants or public accountants, unless such
16 person holds a valid certificate of certified public accountant
17 issued by this Commonwealth or by some state or is registered as
18 a public accountant in this Commonwealth or, in the case of a
19 firm, is licensed under section 8.8 of this act.

20 (p) Commissions and referral fees shall comply with the
21 following:

22 (1) A [licensee in public practice] person practicing public
23 accounting in this Commonwealth shall not for a commission
24 recommend or refer to a client any product or service, or for a
25 commission recommend or refer any product or service to be
26 supplied by a client, or receive a commission when the [licensee
27 or the licensee's] person or the person's firm also performs for
28 that client any of the following:

29 (i) An audit or review of a financial statement.

30 (ii) A compilation of a financial statement when the

1 [licensee] person expects, or reasonably might expect, that a
2 third party will use the financial statement and the
3 [licensee's] person's compilation report does not disclose a
4 lack of independence.

5 (iii) An examination of prospective financial information.
6 This prohibition applies during the period in which the
7 [licensee] person is engaged to perform any of the services
8 listed in this clause and the period covered by any historical
9 financial statements involved in such listed services.

10 (2) A [licensee in public practice] person practicing public
11 accounting in this Commonwealth who is not prohibited by this
12 act from performing services for or receiving a commission and
13 who is paid or expects to be paid commission shall disclose that
14 fact to any person to whom the [licensee] person recommends or
15 refers a product or service to which the commission relates.

16 (3) Any [licensee] person who accepts a referral fee or who
17 pays a referral fee shall disclose such acceptance or payment to
18 the client.

19 (4) The board shall promulgate regulations specifying the
20 terms of the disclosures required by clause (2) or (3), the
21 manner in which the disclosures shall be made and such other
22 matters regarding the disclosures as the board shall deem
23 appropriate. The regulations shall require, at a minimum, that a
24 disclosure shall comply with all of the following:

25 (i) Be in writing and be clear and conspicuous.

26 (ii) State the amount of the commission or referral fee or
27 the basis on which it will be computed.

28 (iii) Be made at or prior to the time:

29 (A) the recommendation or referral of the product or service
30 is made in the case of a commission; or

1 (B) the client retains the [licensee] person to whom the
2 client has been referred in the case of a referral fee.

3 (5) This subsection does not apply to:

4 (i) Payments for the purchase of all or part of an
5 accounting practice.

6 (ii) Retirement or similar payments to persons formerly
7 engaged in the practice of public accounting.

8 (iii) Payments to the heirs or estates of persons formerly
9 engaged in the practice of public accounting.

10 (iv) Incentive or bonus payments to a [licensee] person by a
11 firm employing the [licensee] person.

12 (q) [It] Except as provided in sections 5.2 and 5.4 of this
13 act, it is unlawful for any person not a licensee to engage in
14 the practice of public accounting in this Commonwealth.

15 (r) Except as provided in sections 5.2 and 5.4 of this act,
16 it is unlawful for any person not a licensee to prepare
17 financial information that is accompanied by a letter or other
18 text that does not comply with section 13(c) of this act.

19 Section 13. Acts Not Unlawful.--(a) Nothing contained in
20 this act shall prohibit any person not a certified public
21 accountant or a public accountant from serving as an employe of
22 or an assistant to a certified public accountant, a public
23 accountant or firm, but an employe or assistant shall not issue
24 any report or accounting or financial statement over his name or
25 signature.

26 (b) Nothing contained in this act shall prohibit a certified
27 public accountant, or association composed of certified public
28 accountants, of another state who is concurrently engaged in
29 public practice in such state from temporarily practicing in
30 this Commonwealth on professional business if the practice is

1 conducted in conformity with the regulations and rules governing
2 temporary practice promulgated by the board.

3 (c) Nothing contained in this act shall prohibit a person
4 while not holding himself out as a certified public accountant,
5 public accountant or licensee from offering and rendering
6 bookkeeping and similar technical services or other services
7 involving the use of accounting skills, including the
8 preparation of tax returns and the preparation of financial
9 information without issuing a report or other communication that
10 expresses an opinion or assurance on the statements. A letter or
11 other text that accompanies financial information prepared under
12 this subsection shall not constitute a report or other
13 communication that expresses an opinion or assurance only if it
14 contains and is limited to the following wording:

15 The accompanying financial information of (company) as of
16 (date and year), and for the year then ended have been
17 prepared by (me/us).

18 This financial information is the representation of the
19 management (owners) of (company).

20 A person who prepares financial information as permitted by this
21 subsection may use the title or designation "accountant" or
22 "accountants" and may refer to the services being provided as
23 "accounting" only if the person includes in any letter or other
24 text accompanying the financial information the following
25 statement:

26 I am not a certified public accountant or public
27 accountant.

28 We are not certified public accountants or public
29 accountants.

30 Section 16. Penalties.--* * *

1 (c) In addition to any other civil remedy, criminal penalty
2 or discipline provided for in this act, the board may levy a
3 civil penalty of up to one thousand dollars (\$1,000) on any
4 person for a violation of any provision of this act. The board
5 shall levy a civil penalty only after affording the accused
6 party the opportunity for a hearing, as provided in Title 2 of
7 the Pennsylvania Consolidated Statutes (relating to
8 administrative law and procedure). The maximum civil penalty
9 that may be levied by the board shall not be more than two
10 hundred thousand dollars (\$200,000) for any related series of
11 violations. The board may not levy a civil penalty with respect
12 to a violation for which the person has been fined or assessed a
13 civil penalty in another jurisdiction.

14 * * *

15 Section 10. This act shall take effect in 60 days.