

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

AS REPORTED FROM COMMITTEE ON PROFESSIONAL LICENSURE, HOUSE OF
REPRESENTATIVES, AS AMENDED, JUNE 25, 2008

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 OWNERSHIP OF WORKING PAPERS, for unlawful
28 acts and for acts not unlawful. ←

29 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) AN AUDIT OR OTHER ENGAGEMENT PERFORMED IN ACCORDANCE <—
27 WITH GOVERNMENT AUDITING STANDARDS ISSUED BY THE COMPTROLLER
28 GENERAL OF THE UNITED STATES; OR

29 ~~(4)~~ (5) any other engagement performed in accordance with <—
30 attestation standards established by an organization granted

1 authority by statute or regulation to establish attestation
2 standards, such as the American Institute of Certified Public
3 Accountants (AICPA) or the Public Company Accounting Oversight
4 Board (PCAOB).

5 "Board." The State Board of Accountancy.

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

8 "Certificate." A certificate as "certified public
9 accountant" issued under this act or a corresponding right to
10 practice as certified public accountant issued after examination
11 under the law of another jurisdiction.

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

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

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

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

27 "Department." The Department of State acting through the
28 Commissioner of Professional and Occupational Affairs.

29 "Engagement review." A peer review process which provides
30 the reviewer with a reasonable basis for expressing limited

1 assurance that:

2 (1) the financial statements or information and the related
3 accountant's report on the accounting, review and attestation
4 engagements submitted for review conform with the requirements
5 of professional standards in all material respects; and

6 (2) the reviewed firm's documentation conforms with the
7 requirements of Statements on Standards for Accounting and
8 Review Services (SSARS) and Statements on Standards for
9 Attestation Engagements (SSAE) applicable to those engagements
10 in all material respects.

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

15 "Examination." The examination for the certificate of
16 certified public accountant provided for in section 3.1(b) of
17 this act.

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

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

1 "Internal auditor." An individual within a governmental or
2 private entity who performs an audit function that requires the
3 individual to be independent of the activities being audited.
4 The independence required of an internal auditor does not need
5 to meet the standard of independence required of a certified
6 public accountant or public accountant.

7 "Licensee." An individual certified by or registered with
8 the board and holding a current license to practice under
9 section 8.2 of this act or a qualified association holding a
10 current license to practice under section 8.8 of this act. The
11 term does not include a person on inactive status under section
12 8.2(a.1) of this act or otherwise not holding a current license.

13 "NASBA." The National Association of State Boards of
14 Accountancy.

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

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

25 "Principal place of business." The location of the principal
26 office where a certified public accountant practices public
27 accounting.

28 "Professional services." Services performed by a certified
29 public accountant, public accountant or firm:

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

1 (2) that would be part of the practice of public accounting
2 except that the individual performing the services does not hold
3 out as a certified public accountant or public accountant.

4 "Public accountant." An individual who was qualified and
5 accepted for registration in accordance with former section 8.7
6 of this act.

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

9 (1) Attest activity.

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

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

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

30 "Referral fee." Compensation paid to a licensee for

1 recommending another licensee to, or referring to another
2 licensee, any person for the performance by the other licensee
3 of public accounting.

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

23 "Statements on Auditing Standards (SAS)." The Statements on
24 Auditing Standards or any similar professional standard which
25 supersedes such statements.

26 "Statements on Standards for Attestation Engagements (SSAE)."
27 The Statements on Standards for Attestation Engagements or any
28 similar professional standard which supersedes such statements.

29 "Statements on Standards for Accounting and Review Services
30 (SSARS)." The Statements on Standards for Accounting and Review

1 Services or any similar professional standard which supersedes
2 such statements.

3 "Substantial equivalency." The fact that:

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

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

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

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

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

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

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

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

16 (3) [~~Two members shall be public accountants who are~~
17 licensees engaged in the practice of public accounting as their
18 principal occupation at the time of their appointment. The
19 number of public accountant members shall be reduced by one and
20 the number of certified public accountant members increased by
21 one when the number of public accountants who are licensees
22 falls below five hundred for the first time.] One member shall
23 be a public accountant who is a licensee engaged in the practice
24 of public accounting as his or her principal occupation at the
25 time of appointment. The [~~remaining~~] public accountant member
26 shall be eliminated and the number of certified public
27 accountant members increased by one when the number of public
28 accountants who are licensees falls below fifty for the first
29 time. [A decrease in the number of members of the board who are
30 required to be public accountants] The elimination of the public

1 accountant member as provided in this clause shall not have the
2 effect of shortening the term of [an incumbent] the incumbent
3 public accountant member of the board.

4 * * *

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

7 (1) To provide for, regulate and approve the issuance of a
8 certificate of certified public accountant to any person (a) who
9 meets the requirements for the issuance of a certificate in
10 [section 3.1(e) of] this act; or (b) who meets the requirements
11 for the issuance of a certificate by reciprocity in section 5 or
12 5.1 of this act.

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

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

27 (5) To:

28 (i) revoke, suspend, limit or otherwise restrict the
29 certificate or license of any certified public accountant or the
30 registration or license of any public accountant or the license

1 of any firm under this act[, to];

2 (ii) censure or publicly reprimand the holder of any
3 certificate, registration or license[, to];

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

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

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

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

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

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

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

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

30 (9) To become a member of [the National Association of State

1 Boards of Accountancy] NASBA, or a similar organization, and pay
2 such dues as said association shall establish and to send
3 members of the board and staff as delegates to the meetings of
4 that association and defray their expenses.

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

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

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

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

1 previously submitted to the department.

2 (16) To engage consultants as may be deemed necessary to
3 carry out and enforce the provisions of this act.

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

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

9 (1) At the time the individual first sits for the
10 examination:

11 (i) is a resident of this Commonwealth;

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

14 (iii) is employed in this Commonwealth under the supervision
15 of a licensee.

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

17 (3) Is of good moral character.

18 (4) Meets the education requirements of section 4 of this
19 act.] Examination.--

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

1 be administered in either written or computerized form. The
2 board may use all parts of the Uniform Certified Public
3 Accountants' examination and [Advisory Grading Service of the
4 American Institute of Certified Public Accountants] designated
5 grading service of the AICPA to assist in performing its duties
6 hereunder.

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

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

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

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

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

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

1 (2) graduated with a Master's Degree or other post-graduate
2 degree from a college or university approved at the time of
3 graduation by the Department of Education and completed at least
4 a total of twenty-four semester credits, which credits shall be
5 in accounting and auditing, business law, finance or tax
6 subjects of a content satisfactory to the board, not necessarily
7 as part of his undergraduate or graduate work;

8 (3) within two years of the effective date of this clause,
9 graduated with a baccalaureate degree, Master's Degree or other
10 post-graduate degree from a college or university approved at
11 the time of graduation by the Department of Education with
12 subjects of a content satisfactory to the board which meet or
13 exceed the education requirement for licensure as of January 1,
14 1996; or

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

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

1 receive the required degree within ninety days after the date of
2 the examination.]

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

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

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

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

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

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

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

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

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

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

29 (c) Individuals taking the examination for the first time
30 after January 1, 2000, must complete the experience required by

1 this section within one hundred twenty months preceding the date
2 of application for a certificate of certified public accountant
3 under section 3.1(e) of this act. Individuals taking the
4 examination before January 1, 2000, need not attain the
5 experience required by this section within any particular period
6 of time.

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

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

12 Section 4.2. Requirements for Issuance of Certificate.--(a)

13 The board shall issue a certificate upon application by an
14 individual who has passed the examination and meets the
15 education and experience requirements in this section.

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

18 (1) has attained eighteen years of age;

19 (2) is of good moral character; and

20 (3) has graduated with:

21 (i) a baccalaureate or higher degree from a college or

22 university approved at the time of graduation by the Department <—

23 of Education ACCREDITED BY A NATIONALLY RECOGNIZED ACCREDITING <—

24 AGENCY RECOGNIZED BY THE UNITED STATES DEPARTMENT OF EDUCATION,

25 OR A COLLEGE OR UNIVERSITY APPROVED BY THE BOARD, and completed

26 a total of one hundred fifty semester credits of post-secondary

27 education, including at least a total of twenty-four semester

28 credits of accounting and auditing, business law, finance or tax

29 subjects of a content satisfactory to the board, and an

30 additional twelve semester credits in accounting, auditing and

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

4 (ii) a baccalaureate degree from a college or university
5 ~~approved at the time of graduation by the Department of~~ <—
6 ~~Education~~ ACCREDITED BY A NATIONALLY RECOGNIZED ACCREDITING <—
7 AGENCY RECOGNIZED BY THE UNITED STATES DEPARTMENT OF EDUCATION,
8 OR A COLLEGE OR UNIVERSITY APPROVED BY THE BOARD, and also <—
9 completed at least a total of twenty-four semester credits,
10 which credits shall be in accounting and auditing, business law,
11 finance or tax subjects of a content satisfactory to the board,
12 not necessarily as a part of his undergraduate work; or

13 (iii) a Master's Degree or other post-graduate degree from a
14 college or university ~~approved at the time of graduation by the~~ <—
15 ~~Department of Education~~ ACCREDITED BY A NATIONALLY RECOGNIZED <—
16 ACCREDITING AGENCY RECOGNIZED BY THE UNITED STATES DEPARTMENT OF
17 EDUCATION, OR A COLLEGE OR UNIVERSITY APPROVED BY THE BOARD, and
18 completed at least a total of twenty-four semester credits,
19 which credits shall be in accounting and auditing, business law,
20 finance or tax subjects of a content satisfactory to the board,
21 not necessarily as part of his undergraduate or graduate work.

22 (c) Before an individual who takes the examination under
23 subsection (b)(3)(ii) or (iii) may be issued a certificate, the
24 individual must also satisfy the education requirement in
25 subsection (b)(3)(i).

26 (d) Before an individual may be issued a certificate, the
27 board shall be satisfied that the individual has completed at
28 least one year of experience that was: <—

29 (1) WAS completed within sixty months preceding the date of <—
30 application for a certificate;

<—

1 (2) ~~in one~~ INCLUDED NOT LESS THAN FOUR HUNDRED HOURS OF
2 ATTEST ACTIVITY IN ANY of the following:

3 (i) public accounting;

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

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

<—

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

<—

11 (4) WAS supervised by an individual with a current license
12 to practice public accounting as a certified public accountant
13 or public accountant in this Commonwealth or another state.

14 (e) The following requirements may be complied with instead
15 of the otherwise applicable provisions of subsections (b), (c)
16 and (d):

17 (1) An individual who takes the examination before December
18 31, 2011, but does not pass at least one part taken before that
19 date, may not be issued a certificate until the individual:

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

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

25 (2) An individual who passes at least one part of the
26 examination taken before December 31, 2011, pursuant to
27 subsection (b)(3)(ii), may be issued a certificate before or
28 after December 31, 2011, without satisfying the education
29 requirement in subsection (c), but not until the individual has
30 completed at least two years of experience that satisfies the

1 requirements in subsection (d)(3) and (4), except that the
2 experience must include at least eight hundred hours of attest
3 activity. The experience may be completed within one hundred-
4 twenty months preceding the date of application for a
5 certificate.

6 (3) An individual who passes at least one part of the
7 examination taken before December 31, 2011, pursuant to
8 subsection (b)(3)(iii), may be issued a certificate before or
9 after December 31, 2011, without satisfying the education
10 requirement in subsection (c) and may complete the one year of
11 experience required by subsection (d) within one hundred twenty
12 months preceding the date of application for a certificate.

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

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

23 (1) possesses the general qualifications specified in
24 section [3.1(a)] 4.2(b)(1) and (2) of this act, has passed the
25 [written] examination required to practice as a certified public
26 accountant under the laws of the other state, meets the
27 continuing education requirements specified in section 8.2(b) of
28 this act and has the experience required under section [4.1]
29 4.2(d) of this act to receive the certificate in this
30 Commonwealth; or

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

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

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

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

18 (a) Without requiring the examination otherwise required under
19 section [3.1(e)] 4.2 of this act, the board may in its
20 discretion issue a certificate of certified public accountant to
21 a holder of a foreign designation, granted and then in full
22 force in a foreign country or other jurisdiction that is not a
23 state, entitling the holder thereof to engage in the practice of
24 public accounting if all of the following conditions are
25 satisfied:

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

1 (2) The foreign designation:

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

6 (ii) Entitles the holder to issue reports.

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

10 (3) The applicant:

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

15 (ii) Completed an experience requirement substantially
16 equivalent to the requirements set forth in section [4.1] 4.2(d)
17 of this act in the jurisdiction that granted the foreign
18 designation or has completed five years of experience in the
19 practice of public accounting in this Commonwealth or meets such
20 other requirements as may be prescribed by the board by rule
21 within the ten years immediately preceding the application.

22 (iii) Passed a uniform qualifying examination in national
23 standards.

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

28 (c) Each holder of a certificate issued under this section
29 shall notify the board in writing within thirty days after its
30 occurrence of any issuance, denial, revocation or suspension of

1 his designation, certificate or license to practice public
2 accounting or the commencement of a disciplinary or enforcement
3 action against him or his firm by any state or foreign
4 jurisdiction.

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

6 Section 5.2. Practice in this Commonwealth by Individuals
7 under Substantial Equivalency.--(a) A person may practice
8 public accounting in this Commonwealth under substantial
9 equivalency as provided in this section and section 5.4 IF THE ←
10 STATE THE PERSON IS LICENSED IN HAS ALSO ADOPTED INTO LAW A
11 PROVISION ALLOWING FOR PRACTICE UNDER SUBSTANTIAL EQUIVALENCY
12 THAT INCLUDES NO NOTICE AND NO FEE AS PROVIDED FOR IN SUBSECTION
13 (B)(9). Any determination as to whether substantial equivalency
14 exists with respect to a state or individual for purposes of
15 this act shall be consistent with any determination as to
16 substantial equivalency with respect to that state or individual
17 made by the National Association of State Boards of Accountancy
18 National Qualification Appraisal Service.

19 (b) The following apply to practice in this Commonwealth
20 under substantial equivalency:

21 (1) Notwithstanding any other provision of this act, an
22 individual whose principal place of business is not in this
23 Commonwealth and who has a valid certificate or right to
24 practice public accounting from a state that is substantially
25 equivalent shall be presumed to have qualifications
26 substantially equivalent to the Commonwealth's requirements and
27 shall have all the privileges and obligations of a licensee of
28 the Commonwealth without the need to obtain a certificate or
29 license under this act.

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

1 individual whose principal place of business is not in this
2 Commonwealth and who has a valid certificate or right to
3 practice public accounting from a state that is not
4 substantially equivalent shall be presumed to have
5 qualifications substantially equivalent to the Commonwealth's
6 requirements and shall have all the privileges and obligations
7 of a licensee of the Commonwealth without the need to obtain a
8 certificate or license if there is substantial equivalency as to
9 the individual. In determining whether substantial equivalency
10 exists as to an individual, the order in which the individual
11 satisfied the experience, education and examination requirements
12 shall be disregarded.

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

15 (i) sufficient contact with this Commonwealth for the
16 exercise of personal jurisdiction by the board and the courts of
17 this Commonwealth over the individual in any action or
18 proceeding arising out of acts or omissions by the individual;

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

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

23 and

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

29 (4) An individual who exercises the right to practice under
30 this section shall be subject to disciplinary action in this

1 Commonwealth for any act or omission that would subject the
2 holder of a Pennsylvania certificate or license to disciplinary
3 action.

4 (5) An individual who passed the Uniform CPA Examination and
5 holds a valid license to practice public accounting issued by
6 any other state on or before December 31, 2011, shall MAY be ←
7 exempt from the education requirements in section 4.2(b)(3)(i)
8 and (c) of this act for purposes of this section.

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

25 (7) An individual exercising the right to practice under
26 this section may identify the fact that the individual practices
27 with a partnership, corporation or other association and may use
28 its name even if the partnership, corporation or other
29 association is not a licensee.

30 (8) An individual practicing under this section or a firm or

1 qualified unlicensed entity practicing under section 5.4 may
2 provide professional services in this Commonwealth in the same
3 manner as a licensee, including without limitation, in person or
4 by mail, telephone or electronic means.

5 (9) The board shall not require a filing or payment of a fee
6 by an individual, firm or qualified unlicensed entity in
7 connection with practicing under this section or section 5.4.

8 Section 5.3. Practice outside this Commonwealth under
9 Substantial Equivalency.--(a) A licensee who practices public
10 accounting in another jurisdiction under substantial equivalency
11 shall be subject to disciplinary action in this Commonwealth for
12 an act or omission in the other jurisdiction if the act or
13 omission:

14 (1) subjects the licensee to discipline in the other
15 jurisdiction; or

16 (2) would subject the licensee to discipline in this
17 Commonwealth.

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

21 Section 5.4. Practice by Firms and Unlicensed Entities under
22 Substantial Equivalency.--(a) A firm may practice public
23 accounting in this Commonwealth through an individual who is not
24 a licensee if the individual has the right to practice in this
25 Commonwealth under section 5.2 of this act AND IF THE STATE THE ←
26 FIRM IS LICENSED IN HAS ALSO ADOPTED INTO LAW A PROVISION
27 ALLOWING FOR PRACTICE UNDER SUBSTANTIAL EQUIVALENCY THAT
28 INCLUDES NO NOTICE AND NO FEE AS PROVIDED FOR IN SECTION
29 5.2(B)(9) OF THIS ACT. The exercise by a firm of the right to
30 practice through such individuals under this subsection

1 constitutes an agreement by the firm:

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

5 (2) to accept service of process from the board on behalf of
6 the individuals through whom it practices under this subsection;
7 and

8 (3) to cooperate in any investigation by the board involving
9 an individual through which the firm has practiced under this
10 subsection even if the individual is no longer an owner of or
11 employed by the firm.

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

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

16 (2) is a licensee.

17 (c) The exercise by a qualified unlicensed entity of the
18 right to practice in this Commonwealth under subsection (b)
19 constitutes:

20 (1) sufficient contact with this Commonwealth for the
21 exercise of personal jurisdiction by the board and the courts of
22 this Commonwealth over the qualified unlicensed entity in any
23 action or proceeding arising out of acts or omissions by an
24 individual associated with the qualified unlicensed entity in
25 any capacity;

26 (2) consent by the qualified unlicensed entity to the
27 personal and subject matter jurisdiction and disciplinary
28 authority of the board;

29 (3) an agreement by the qualified unlicensed entity to
30 comply with the provisions of this act and regulations

1 promulgated by the board; and

2 (4) consent by the qualified unlicensed entity to the
3 appointment of the board of accountancy or other regulatory
4 authority of the state in which the principal place of business
5 of the qualified unlicensed entity is located as the agent upon
6 which process may be served in any action or proceeding by the
7 board against the qualified unlicensed entity.

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

10 (1) is not a licensee;

11 (2) does not have an office in this Commonwealth; and

12 (3) may lawfully practice public accounting in another
13 state.

14 Section 7. Sections 8.2 and 8.8 of the act, amended or added
15 December 4, 1996 (P.L.851, No.140), are amended to read:

16 Section 8.2. Licenses to Practice.--(a) Biennial licenses
17 to engage in the practice of public accounting in this
18 Commonwealth shall be issued by the Department of State upon
19 payment of the biennial licensing fee to (i) holders of the
20 certificate of certified public accountant issued by this
21 Commonwealth and public accountants registered in this
22 Commonwealth who [shall have furnished evidence satisfactory to
23 the board of compliance] have certified to the board that they
24 have complied with the requirements of subsection (b) of this
25 section and (ii) qualified associations licensed under section
26 8.8 of this act. Licenses to practice shall expire on the last
27 day of [April of even-numbered] December of odd-numbered years
28 or on such other biennial expiration dates as the department may
29 fix. The renewal application of a certified public accountant or
30 public accountant does not need to list the continuing education

1 courses taken by the applicant except as provided by the rules
2 and regulations of the board.

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

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

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

29 (d) In issuing rules, regulations and individual orders with
30 respect to requirements of continuing education, the board may

1 rely upon guidelines and pronouncements of recognized
2 educational and professional organizations; may prescribe for
3 content, duration and organization of courses; shall take into
4 account the accessibility of such continuing education as it may
5 require, and any impediments to interstate practice of public
6 accounting which may result from differences in such
7 requirements in other states; and may provide for relaxation or
8 suspension of such requirements in instances of individual
9 hardship such as for reasons of health, military service or
10 other good cause.

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

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

29 Section 8.8. Licensing of Firms.--(a) [An association] A
30 person other than an individual shall not practice public

1 accounting in this Commonwealth unless it is a qualified
2 association, has been granted a license to practice and
3 satisfies the requirements of this section at all times while it
4 is a licensee. A new firm shall apply for its initial license
5 within thirty days after its formation; thereafter, the firm's
6 license shall be subject to renewal in accordance with section
7 8.2 of this act.

8 (b) The initial and all renewal license applications by a
9 firm shall:

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

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

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

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

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

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

30 (2) Except as provided in subsections (e) and (f), each

1 shareholder, partner, member or other owner of an equity
2 interest in the firm must be the holder of a current license to
3 practice public accounting as a certified public accountant or
4 public accountant under the laws of this Commonwealth or another
5 jurisdiction. This clause shall not:

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

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

11 (3) Each individual in charge of an office that performs any
12 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 a
16 certified public accountant or public accountant who holds a
17 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 or
21 public accountant in this Commonwealth or another state or
22 foreign jurisdiction shall not assume ultimate responsibility
23 for any attest activity.

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

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

29 (i) own in the aggregate equity interests in the firm
30 entitling them to cast more than [one-third] forty-nine percent

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

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

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

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

13 (4) The qualified nonlicensee shall not:

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

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

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

26 (6) The qualified nonlicensee has graduated with a
27 baccalaureate or higher degree from a college or university
28 approved at the time of graduation by the Department of
29 Education.

30 (7) The qualified nonlicensee shall comply with all

1 applicable provisions of this act and the regulations of the
2 board.

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

6 (g) In accordance with the procedure referred to in section
7 9 of this act, the board may revoke the license to practice of a
8 firm if at any time it is in violation of any of the provisions
9 of this section.

10 Section 7.1. Section 8.9(a), (b), (d) and (g) of the act,
11 added December 4, 1996 (P.L.851, No.140), are amended and the
12 section is amended by adding a subsection to read:

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

1 review to confirm the date of acceptance and the period covered
2 by that peer review. As used in this section, the term "firm"
3 includes, but is not limited to, a sole practitioner.

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

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

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

16 (2.2) A firm that was not previously required to undergo a
17 peer review must notify the board within thirty days after
18 accepting an engagement to perform an attest activity other than
19 a compilation and shall undergo a peer review within eighteen
20 months after commencing the engagement.

21 (3) The regulations of the board may lengthen any of the
22 periods between required peer reviews prescribed in this
23 subsection in such manner, under such circumstances or with
24 respect to such firms as the board in its discretion may
25 consider appropriate.

26 * * *

27 (d) (1) The peer review of a firm that performs one or more
28 audits of historical financial statements or examinations of
29 prospective financial information shall [include an onsite] be a
30 system review, including a study and evaluation of a

1 representative selection of audit, examination, review and
2 compilation reports, the financial information upon which those
3 reports were based and the associated working papers. The
4 [onsite] system review shall include additional procedures
5 relating to the firm's system of quality control sufficient to
6 provide the reviewer with a reasonable basis upon which to issue
7 a peer review report.

8 (2) The peer review of a firm that performs no audit or
9 examination engagements but does perform one or more review
10 engagements shall be required only to be an [offsite] engagement
11 review, including a study and evaluation of a representative
12 selection of reports issued by the firm and the financial
13 information upon which those reports were based; but, if such a
14 firm elects to have [an onsite] a system review, that review
15 shall also be acceptable. The [offsite] engagement review shall
16 [not be required to] include a study of the associated working
17 papers [but shall include] and procedures and inquiries
18 sufficient to provide the reviewer with a reasonable basis upon
19 which to issue a peer review report.

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

24 * * *

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

27 (1) Within three years before the date of application for
28 initial or renewal licensure, the firm has undergone a peer
29 review conducted in another state or foreign jurisdiction which
30 meets the requirements of subsection (c)(1) and (2). The firm

1 shall submit to the board a letter from the organization
2 administering the firm's most recent peer review stating the
3 date on which the peer review was completed.

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

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

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

9 [(iii) The firm agrees to notify the board within thirty
10 days of accepting an audit or review engagement and to undergo a
11 peer review within eighteen months of commencing such
12 activities.]

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

17 * * *

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

22 Section 7.2. Sections 9 and 9.1(a) of the act, amended
23 December 4, 1996 (P.L.851, No.140), are amended to read:

24 Section 9. Disciplinary Procedure; Appeals.--(a) Except as
25 provided in section 2.3(c) of this act, the procedure to be
26 followed in the revocation of a firm's license under section
27 8.8(g) of this act or the imposition of discipline under section
28 9.1 of this act and in appeals taken from disciplinary actions
29 of the board shall be that prescribed under 2 Pa.C.S. Ch. 5
30 Subch. A (relating to practice and procedure of Commonwealth

1 agencies) and Ch. 7 Subch. A (relating to judicial review of
2 Commonwealth agency action), 1 Pa. Code Part II (relating to
3 general rules of administrative practice and procedure) and
4 applicable regulations promulgated by the board.

5 (b) The board shall require an individual whose
6 certification has been suspended or revoked to return his
7 certificate or to certify in such manner as the board directs
8 that it was lost, stolen or destroyed. Failure to comply with
9 the board's directions shall be a misdemeanor of the third
10 degree.

11 (c) The board may assess against the respondent in a
12 disciplinary action under this act, as part of the sanction, the
13 costs of investigation underlying that disciplinary action.

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

28 (1) Fraud or deceit in obtaining:

29 (i) a certificate of certified public accountant [or in
30 obtaining];

1 (ii) registration under this act [or in obtaining];
2 (iii) a license to practice under this act[.]; or
3 (iv) a determination that substantial equivalency exists
4 with respect to an individual.

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

7 (3) Violation of any of the provisions of section 12 of this
8 act.

9 (4) Violation of a rule of professional conduct promulgated
10 by the board under the authority granted by this act.

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

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

18 (6.1) Pleading guilty to, entering a plea of nolo contendere
19 to or being found guilty of violating any Federal or State
20 revenue law or the revenue laws of any foreign jurisdiction.

21 (7) Cancellation, revocation, suspension or refusal to renew
22 [his authority to practice] authority to provide professional
23 services as a certified public accountant or public accountant
24 by any other state or foreign jurisdiction for any cause other
25 than failure to pay a registration or other fee in such other
26 state or foreign jurisdiction.

27 (8) Suspension or revocation of the right to {practice} <—
28 ~~provide professional services~~ before any Federal or State
29 governmental agency.

30 (10) Failure of certified public accountant or public

1 accountant filing an application for a license or renewal
2 thereof to furnish evidence of completion of the requirements
3 for continuing education under section 8.2 of this act or to
4 meet any conditions with respect to continuing education that
5 the board may have ordered in respect to such certified public
6 accountant or public accountant under that section.

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

9 (13) Failure of a firm to satisfy any of the organizational
10 requirements in section 8.8(d) of this act.

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

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

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

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

20 * * *

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

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

29 (1) To an individual unless he demonstrates that he has
30 completed the biennial continuing education requirements that he

1 would have been required to complete during the immediately
2 preceding reporting period if his license had not been
3 suspended.

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

6 (b) An individual whose license has been suspended for more
7 than five years shall not be eligible to apply for reinstatement
8 of the license, but instead must take the examination and apply
9 for a certificate of certified public accountant in accordance
10 with section [3.1] 4.2 of this act.

11 (c) Unless ordered to do so by a court, the board shall not
12 reinstate the certificate of a person to practice as a certified
13 public accountant or the registration of a person to practice as
14 a public accountant which has been revoked. A person whose
15 certification or registration has been revoked may take the
16 examination and apply for a certificate in accordance with
17 section [3.1] 4.2 of this act not earlier than five years after
18 his certificate or registration was revoked if he desires to
19 resume the practice of public accounting.

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

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

29 (2) Payment of the current biennial licensing fee plus a
30 reinstatement fee.

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

5 SECTION 8.1. SECTION 11 OF THE ACT IS AMENDED BY ADDING A <—
6 SUBSECTION TO READ:

7 SECTION 11. OWNERSHIP OF WORKING PAPERS.--* * *

8 (C) EXCEPT AS PROVIDED BY LAW OTHER THAN THIS ACT, A
9 LICENSEE SHALL KEEP WORKING PAPERS AND OTHER MATERIALS DESCRIBED
10 IN THIS SECTION FOR SEVEN YEARS.

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

13 Section 12. Unlawful Acts.--(a) [It] Except as provided in
14 sections 5.2 and 5.4 of this act, it is unlawful for any person
15 to hold himself out as or otherwise use the title or designation
16 "certified public accountant," or the abbreviation "CPA," or any
17 other title, designation, words, letters or abbreviation tending
18 to indicate that the person is a certified public accountant or
19 engaged in the practice of public accounting unless the person
20 has received or has been notified in writing by the board that
21 he has qualified to receive a certificate of certified public
22 accountant issued by this Commonwealth, which is not revoked or
23 suspended.

24 (b) It is unlawful for any person to hold himself out or
25 otherwise use the title "certified public accountant," "public
26 accountant" or any abbreviation thereof, or the letters "CPA" or
27 "PA" by virtue of any certificate, registration or license
28 illegally or fraudulently obtained by the person, or issued
29 unlawfully or through any fraudulent representation or deceit,
30 or misstatement of material fact or fraudulent concealment of a

1 material fact made or induced or aided or abetted by the person.

2 (c) [It] Except as provided in sections 5.2 and 5.4 of this
3 act, it is unlawful for any partnership, corporation or other
4 association to hold itself out as or otherwise use the title or
5 designation "certified public accountant" or "public accountant"
6 or the abbreviation "CPA" or "PA," or any other title,
7 designation, words, letters or abbreviation tending to indicate
8 that the partnership, corporation or other association is
9 composed of or includes certified public accountants or public
10 accountants unless the partnership, corporation or other
11 association holds a current license under section 8.8 of this
12 act.

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

24 (1) except as provided in clause (2), to use a title or
25 designation that includes the word "accredited" or "certified"
26 or an abbreviation of such a title or designation if the title
27 or designation has been conferred by a private organization
28 after evaluation of the individual's credentials or
29 qualifications and if when the title or designation is used on
30 the individual's stationery it is accompanied by a statement

1 that it has been conferred by an organization not affiliated
2 with the Federal or any State government; or

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

7 (j) It is unlawful for any person to hold himself out as or
8 otherwise use the title or designation "public accountant" or
9 the abbreviation "PA" or any other title, designation, words,
10 letters or abbreviation tending to indicate that the person is a
11 public accountant, unless such person is registered as a public
12 accountant and is a licensee, or unless such person has
13 received, or has been notified in writing by the board that he
14 has qualified to receive a certificate as certified public
15 accountant issued by this Commonwealth.

16 (l) It is unlawful for any person, partnership or
17 corporation to hold himself or itself out as or otherwise use
18 the title or designation "certified accountant," "chartered
19 accountant," "enrolled accountant," "licensed accountant,"
20 "registered accountant," "licensed public accountant,"
21 "registered public accountant" or "accredited accountant" or any
22 other title or designation likely to be confused with "certified
23 public accountant" or "public accountant," or any abbreviation
24 of any of those prohibited titles or designations or similar
25 abbreviations likely to be confused with "CPA," except that a
26 person who is a licensee may hold himself out to the public as
27 an "accountant," "auditor" or "accountant and auditor." It is
28 not a violation of this clause for an individual designated by
29 the Internal Revenue Service as an enrolled agent to use that
30 title or the abbreviation "EA."

1 (1.1) It is unlawful for any person to sell or offer to sell
2 or fraudulently obtain, furnish or procure any certificate,
3 registration [or license], license or determination of
4 substantial equivalency under the provisions of this act or
5 cause or aid or abet another person to do so.

6 (1.2) [It] Except as provided in sections 5.2 and 5.4 of
7 this act, it is unlawful for any person that is not a licensee
8 to sign, affix a firm name to or otherwise issue any:

9 (1) report; or

10 (2) opinion, certificate or other communication respecting
11 compliance with conditions established by law or contract,
12 including, but not limited to, statutes, ordinances,
13 regulations, grants, loans and appropriations, together with any
14 wording, accompanying or contained in such opinion [or
15 certificate], certificate or other communication that indicates
16 that the person is composed of or employs:

17 (i) accountants or auditors; or

18 (ii) persons having expert knowledge in accounting or
19 auditing.

20 (1.3) It is unlawful for a licensee to use a professional or
21 firm name that the licensee is prohibited from using by other
22 applicable provision of law or that is misleading as to the
23 persons who are partners, officers, members, directors,
24 employees or shareholders of the firm or as to any other matter,
25 except that the names of one or more former partners,
26 shareholders or members may be included in the name of a firm or
27 its successor.

28 (m) [It] Except as provided in sections 5.2 and 5.4 of this
29 act, it is unlawful for any [person] individual who is not a
30 licensee to sign or affix his name or any trade or assumed name

1 used by him in his profession or business to or otherwise issue
2 any:

3 (1) report; or

4 (2) opinion, certificate or other communication respecting
5 compliance with conditions established by law or contract,
6 including, but not limited to, statutes, ordinances,
7 regulations, grants, loans and appropriations, together with any
8 wording accompanying or contained in such [report] opinion,
9 certificate or other communication, which indicates:

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

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

12 The provisions of this subsection shall not prohibit any
13 officer, employe, partner, or principal of any organization from
14 affixing his signature to any [report or other] communication in
15 reference to the affairs of the organization with any wording
16 designating the position, title, or office which he holds in the
17 organization, nor shall the provisions of this subsection
18 prohibit any act of a public official or public employe in the
19 performance of his duties as such.

20 (n) [It] Except as provided in sections 5.2 and 5.4 of this
21 act, it is unlawful for any person not a licensee to hold
22 himself or itself out to the public as an "auditor" or as an
23 "accountant and auditor". employe, partner, or principal of any
24 organization from describing himself by the position, title or
25 office he holds in the organization, nor shall this subsection
26 prohibit any action of a public official or public employe in
27 the performance of his duties as such.

28 (o) It is unlawful for any person to hold himself or itself
29 out as a member of any society, association or organization of
30 certified public accountants or public accountants, unless such

1 person holds a valid certificate of certified public accountant
2 issued by this Commonwealth or by some state or is registered as
3 a public accountant in this Commonwealth or, in the case of a
4 firm, is licensed under section 8.8 of this act.

5 (p) Commissions and referral fees shall comply with the
6 following:

7 (1) A [licensee in public practice] person practicing public
8 accounting in this Commonwealth shall not for a commission
9 recommend or refer to a client any product or service, or for a
10 commission recommend or refer any product or service to be
11 supplied by a client, or receive a commission when the [licensee
12 or the licensee's] person or the person's firm also performs for
13 that client any of the following:

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

15 (ii) A compilation of a financial statement when the
16 [licensee] person expects, or reasonably might expect, that a
17 third party will use the financial statement and the
18 [licensee's] person's compilation report does not disclose a
19 lack of independence.

20 (iii) An examination of prospective financial information.
21 This prohibition applies during the period in which the
22 [licensee] person is engaged to perform any of the services
23 listed in this clause and the period covered by any historical
24 financial statements involved in such listed services.

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

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

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

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

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

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

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

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

18 (5) This subsection does not apply to:

19 (i) Payments for the purchase of all or part of an
20 accounting practice.

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

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

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

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

30 (r) Except as provided in sections 5.2 and 5.4 of this act,

1 it is unlawful for any person not a licensee to prepare
2 financial information that is accompanied by a letter or other
3 text that does not comply with section 13(c) of this act.

4 Section 13. Acts Not Unlawful.--(a) Nothing contained in
5 this act shall prohibit any person not a certified public
6 accountant or a public accountant from serving as an employe of
7 or an assistant to a certified public accountant, a public
8 accountant or firm, but an employe or assistant shall not issue
9 any report or accounting or financial statement over his name or
10 signature.

11 (b) Nothing contained in this act shall prohibit a certified
12 public accountant, or association composed of certified public
13 accountants, of another state who is concurrently engaged in
14 public practice in such state from temporarily practicing in
15 this Commonwealth on professional business if the practice is
16 conducted in conformity with the regulations and rules governing
17 temporary practice promulgated by the board.

18 (c) Nothing contained in this act shall prohibit a person
19 while not holding himself out as a certified public accountant,
20 public accountant or licensee from offering and rendering
21 bookkeeping and similar technical services or other services
22 involving the use of accounting skills, including the
23 preparation of tax returns and the preparation of financial
24 information without issuing a report or other communication that
25 expresses an opinion or assurance on the statements. A letter or
26 other text that accompanies financial information prepared under
27 this subsection shall not constitute a report or other
28 communication that expresses an opinion or assurance only if it
29 contains and is limited to the following wording:

30 The accompanying financial information of (company) as of

1 (date and year), and for the year then ended have been
2 prepared by (me/us).

3 This financial information is the representation of the
4 management (owners) of (company).

5 A person who prepares financial information as permitted by this
6 subsection may use the title or designation "accountant" or
7 "accountants" and may refer to the services being provided as
8 "accounting" only if the person includes in any letter or other
9 text accompanying the financial information the following
10 statement:

11 I am not a certified public accountant or public
12 accountant.

13 We are not certified public accountants or public
14 accountants.

15 Section 16. Penalties.--* * *

16 (c) In addition to any other civil remedy, criminal penalty
17 or discipline provided for in this act, the board may levy a
18 civil penalty of up to [one thousand dollars (\$1,000)] TEN ←
19 THOUSAND DOLLARS (\$10,000) on any person for a violation of any
20 provision of this act. The board shall levy a civil penalty only
21 after affording the accused party the opportunity for a hearing,
22 as provided in Title 2 of the Pennsylvania Consolidated Statutes
23 (relating to administrative law and procedure). The maximum
24 civil penalty that may be levied by the board shall not be more
25 than two hundred thousand dollars (\$200,000) for any related
26 series of violations. The board may not levy a civil penalty
27 with respect to a violation for which the person has been fined
28 or assessed a civil penalty in another jurisdiction. BY THE ←
29 ACCOUNTANCY REGULATORY AUTHORITY OF ANOTHER STATE.

30 * * *

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