

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2354 Session of 2012

INTRODUCED BY DENLINGER, ADOLPH, MAHER, PEIFER, DUNBAR, BOYD, CALTAGIRONE, CLYMER, CUTLER, DALEY, FARRY, FLECK, GINGRICH, GRELL, GROVE, HARRIS, HICKERNELL, M. K. KELLER, KILLION, MILLARD, MILLER, MURT, PETRARCA AND RAPP, MAY 8, 2012

REFERRED TO COMMITTEE ON PROFESSIONAL LICENSURE, MAY 8, 2012

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 certificate requirements, for equivalency practice for
17 individuals and for equivalency practice for firms and
18 entities.

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

21 Section 1. The definition of "attest activity" in section 2
22 of the act of May 26, 1947 (P.L.318, No.140), known as the CPA
23 Law, reenacted and amended December 8, 1976 (P.L.1280, No.286)
24 and amended July 9, 2008 (P.L.954, No.73), is amended and the
25 section is amended by adding definitions to read:

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

* * *

"Attest activity." The provision of any of the following financial statement services together with the issuance of a report expressing or disclaiming an opinion or other assurance on the information:

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

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

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

[(4) an audit or other engagement performed in accordance with government auditing standards issued by the Comptroller General of the United States; or]

(5) any other engagement performed in accordance with attestation standards established by an organization granted authority by statute or regulation to establish attestation standards, such as the American Institute of Certified Public Accountants (AICPA) [or], the Public Company Accounting Oversight Board (PCAOB), the Financial Accounting Standards Board (FASB) or the International Accounting Standards Board (IASB).

* * *

"FASB." The Financial Accounting Standards Board.

* * *

"IASB." The International Accounting Standards Board.

1 * * *

2 Section 2. Sections 4.2, 5.2 and 5.4 of the act, amended or
3 added July 9, 2008 (P.L.954, No.73), are amended to read:

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

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

10 (1) has attained eighteen years of age;

11 (2) is of good moral character; and

12 (3) has graduated with:

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

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

1 tax subjects of a content satisfactory to the board, not
2 necessarily as a part of his undergraduate work; or

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

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

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

18 (1) was completed within sixty months preceding the date of
19 application for a certificate;

20 (2) included [not less than four hundred hours of attest
21 activity in any of the following:

22 (i) public accounting;

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

26 (iii) as an auditor with a unit of Federal, State or local
27 government] providing any type of service or advice involving
28 the use of accounting, attest, compilation, management advisory,
29 financial advisory, tax or consulting skills, which were gained
30 through employment in government, industry, academia or public

1 practice;

2 (3) was of a caliber satisfactory to the board; and

3 (4) was [supervised] verified by an individual with a
4 current license to practice public accounting as a certified
5 public accountant or public accountant in this Commonwealth or
6 another state.

7 (e) The following requirements may be complied with instead
8 of the otherwise applicable provisions of subsections (b), (c)
9 and (d):

10 (1) An individual who [takes] took the examination before
11 December 31, 2011, but [does] did not pass at least one part
12 taken before that date, may not be issued a certificate until
13 the individual:

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

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

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

30 (3) An individual who [passes] passed at least one part of

1 the examination taken before December 31, 2011, pursuant to
2 subsection (b) (3) (iii), may be issued a certificate before or
3 after December 31, 2011, without satisfying the education
4 requirement in subsection (c) and may complete the one year of
5 experience required by subsection (d) within one hundred twenty
6 months preceding the date of application for a certificate.

7 Section 5.2. Practice in this Commonwealth by Individuals
8 under Substantial Equivalency.--(a) A person may practice
9 public accounting in this Commonwealth under substantial
10 equivalency as provided in this section and section 5.4 [if the
11 state the person is licensed in has also adopted into law a
12 provision allowing for practice under substantial equivalency
13 that includes no notice and no fee as provided for in subsection
14 (b) (9)]. Any determination as to whether substantial equivalency
15 exists with respect to a state or individual for purposes of
16 this act shall be consistent with any determination as to
17 substantial equivalency with respect to that state or individual
18 made by the National Association of State Boards of Accountancy
19 National Qualification Appraisal Service.

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

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

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

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

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

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

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

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

30 (4) An individual who exercises the right to practice under

1 this section shall be subject to disciplinary action in this
2 Commonwealth for any act or omission that would subject the
3 holder of a Pennsylvania certificate or license to disciplinary
4 action.

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

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

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

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

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

9 Section 5.4. Practice by Firms and Unlicensed Entities under
10 Substantial Equivalency.--(a) A firm may practice public
11 accounting in this Commonwealth through an individual who is not
12 a licensee if the individual has the right to practice in this
13 Commonwealth under section 5.2 of this act [and if the state the
14 firm is licensed in has also adopted into law a provision
15 allowing for practice under substantial equivalency that
16 includes no notice and no fee as provided for in section 5.2(b)
17 (9) of this act]. The exercise by a firm of the right to
18 practice through such individuals under this subsection
19 constitutes an agreement by the firm:

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

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

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

30 (b) A qualified unlicensed entity may practice public

1 accounting in this Commonwealth through an individual who:

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

4 (2) is a licensee.

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

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

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

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

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

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

28 (1) is not a licensee;

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

30 (3) may lawfully practice public accounting in another

1 state.

2 Section 3. This act shall take effect in 60 days.