
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2288 Session of
2020

INTRODUCED BY PEIFER, GREINER, MILLARD, RYAN, WHEELAND, SANCHEZ,
PICKETT, DUNBAR, DeLUCA, STAATS, SCHLEGEL CULVER, CIRESI,
MOUL, GLEIM AND ROEBUCK, FEBRUARY 18, 2020

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 18, 2020

AN ACT

1 Amending the act of May 26, 1947 (P.L.318, No.140), entitled "An
2 act relating to the practice of public accounting; providing
3 for the examination, education and experience requirements
4 for certification of certified public accountants and for the
5 licensing of certified public accountants, public accountants
6 and firms; requiring continuing education and peer review;
7 providing for the organization and ownership of firms and for
8 the procedures and grounds for discipline and reinstatement
9 of licensees; prescribing the powers and duties of the State
10 Board of Accountancy and the Department of State; providing
11 for ownership of working papers and confidentiality;
12 regulating the professional responsibility of licensees;
13 defining unlawful acts and acts not unlawful; providing
14 penalties; and repealing existing laws," further providing
15 for general powers of the board, for requirements for
16 issuance of certificate, for peer review and for unlawful
17 acts.

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

20 Section 1. Sections 3(a)(11), 4.2(b)(3) and (d)(4), 8.9 and
21 12(f)(2) of the act of May 26, 1947 (P.L.318, No.140), known as
22 the CPA Law, are amended to read:

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

25 * * *

1 (11) To promulgate and amend rules [of professional
2 conduct], including adoption of AICPA's Code of Professional
3 Conduct, uniformly applicable to certified public accountants
4 and public accountants, appropriate to establish and maintain a
5 high standard of integrity, objectivity and dignity by certified
6 public accountants, public accountants and firms.

7 * * *

8 Section 4.2. Requirements for Issuance of Certificate.--* *
9 *

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

12 * * *

13 (3) has graduated with:

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

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

1 shall be in accounting and auditing, business law, economics,
2 finance or tax subjects of a content satisfactory to the board,
3 not necessarily as a part of his undergraduate work; or

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

13 * * *

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

17 * * *

18 (4) was verified by an individual with a current license to
19 practice public accounting as a certified public accountant or
20 public accountant in this Commonwealth or another state or a
21 substantially equivalent licensed individual from a foreign
22 country.

23 * * *

24 Section 8.9. Peer Review.--(a) As a condition for granting
25 a firm a renewal license, or an initial license in the case of a
26 firm that has previously been engaged in practice in another
27 jurisdiction, the board shall require that the firm undergo a
28 peer review in accordance with this section unless the firm
29 meets one of the exemptions in subsection (g). The initial or
30 renewal license application of a firm that does not meet one of

1 those exemptions shall include a certification that the firm is
2 in compliance with this section and shall state the name of the
3 organization administering the firm's most recent peer review,
4 the date of acceptance of that peer review and the period
5 covered by that peer review. The board shall not require
6 submittal of the letter of acceptance, peer review report,
7 letter of comment, letter of response or working papers related
8 to the peer review process[, but the board may require the
9 organization administering the firm's most recent peer review to
10 confirm the date of acceptance and the period covered by that
11 peer review. As used in this section, the term "firm" includes,
12 but is not limited to, a sole practitioner.]. The board shall
13 verify the date of acceptance through the Facilitated State
14 Board Access.

15 (b) A firm [with less than three licensees] shall not be
16 required to undergo a peer review more frequently than once
17 every [five years and a firm with three or more licensees shall
18 not be required to undergo a peer review more frequently than
19 once every] three years, except that:

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

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

27 (2.2) A firm that was not previously required to undergo a
28 peer review must notify the board within thirty days after
29 accepting an engagement to perform an attest activity other than
30 a compilation and shall undergo a peer review within eighteen

1 months after commencing the engagement.

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

7 (4) Firms with fewer than three licensees that were
8 previously not required to undergo a peer review more frequently
9 than once every five years shall be permitted to maintain that
10 five-year peer review cycle until their next peer review is
11 completed.

12 (c) The board shall adopt regulations establishing
13 guidelines for peer reviews which shall:

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

19 (2) Require that a peer review be conducted by a reviewer
20 that is independent of the firm reviewed, qualified pursuant to
21 board rules and approved by the organization administering the
22 peer review program.

23 (3) Other than in the peer review process, prohibit the use
24 or public disclosure of information obtained by the reviewer,
25 any organization administering an approved peer review program
26 or the board during or in connection with the peer review
27 process. The requirement that information not be publicly
28 disclosed shall not apply to a hearing before the board that the
29 firm requests be public under subsection (e) or to the
30 information described in subsection (h) (3).

1 (d) (1) The peer review of a firm that performs one or more
2 audits of historical financial statements or examinations [of
3 prospective financial information] in accordance with the
4 Statements on Standards for Attestation Engagements (SSAE) shall
5 be a system review, including a study and evaluation of a
6 representative selection of [audit, examination, review and
7 compilation] attestation engagement reports, the financial
8 information upon which those reports were based and the
9 associated working papers. The system review shall include
10 additional procedures relating to the firm's system of quality
11 control sufficient to provide the reviewer with a reasonable
12 basis upon which to issue a peer review report.

13 (2) The peer review of a firm that performs no audit or
14 examination engagements in accordance with the Statements on
15 Standards for Attestation Engagements (SSAE) but does perform
16 one or more review engagements in accordance with the Statements
17 on Standards for Attestation Engagements (SSAE) other than
18 examinations shall be required only to be an engagement review,
19 including a study and evaluation of a representative selection
20 of reports issued by the firm and the financial information upon
21 which those reports were based; but, if such a firm elects to
22 have a system review, that review shall also be acceptable. The
23 engagement review shall include a study of the associated
24 working papers and procedures and inquiries sufficient to
25 provide the reviewer with a reasonable basis upon which to issue
26 a peer review report.

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

1 (e) If a firm does not comply with any remedial actions
2 determined appropriate by the administering organization, the
3 administering organization shall refer the matter to the board
4 to determine if further action under this subsection is
5 warranted. The board may at its discretion or shall upon
6 submission of a written application by the firm hold a hearing
7 to determine whether the firm complies with the appropriate
8 professional standards and practices. The hearing shall be
9 confidential and shall not be open to the public unless
10 requested by the firm. If [the board after conducting a hearing
11 determines that the firm complies with the appropriate
12 professional standards and practices, it shall issue an order
13 requiring the reviewer and the administering organization to
14 take any necessary action to record and implement the board's
15 determination and to restore the status of compliance of the
16 firm. However, if] the board after conducting the hearing
17 determines that the firm does not comply with the appropriate
18 professional standards and practices, it may issue an order that
19 requires both of the following:

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

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

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

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

27 (2) An affidavit from the firm submitted within the time
28 specified by the board indicating completion of the required
29 remedial actions.

30 (f) The firm reviewed shall pay for any peer review

1 performed.

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

4 (1) Within three years before the date of application for
5 initial or renewal licensure, the firm has undergone a peer
6 review conducted in another state or foreign jurisdiction which
7 meets the requirements of subsection (c)(1) and (2). [The firm
8 shall submit to the board a letter from the organization
9 administering the firm's most recent peer review stating the
10 date on which the peer review was completed.] The board shall
11 verify the date of acceptance through the Facilitated State
12 Board Access.

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

14 (i) During the preceding two years, the firm has not
15 accepted or performed any [audit or review engagement]
16 attestation engagements other than a compilation.

17 (ii) [Within the next two years, the firm does not intend to
18 accept or perform any audit or review engagement.] (Reserved).

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

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

26 (1) The proceedings, records (including, without limitation,
27 letters of acceptance, peer review reports, letters of comment
28 and letters of response) and working papers related to the peer
29 review process of any reviewer, administering organization or
30 board member are privileged and not subject to discovery,

1 subpoena or other means of legal process and may not be
2 introduced into evidence.

3 (2) No employe, member or agent of an administering
4 organization, reviewer or board member shall be permitted or
5 required to testify as to any matters produced, presented,
6 disclosed or discussed during or in connection with the peer
7 review process or be required to testify to any finding,
8 recommendation, evaluation, opinion or other actions of any
9 person in connection with the peer review process.

10 (3) No privilege exists under this subsection:

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

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

16 (iii) In connection with an administrative proceeding or
17 related civil action brought for the purpose of enforcing this
18 section.

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

1 (j) In the event the practices of two or more firms are
2 merged or otherwise combined, the surviving firm shall retain
3 the peer review year of the largest firm, as determined by the
4 number of accounting and auditing hours of each of the
5 practices. In the event that the practice of a firm is divided
6 or a portion of its practice is sold or otherwise transferred,
7 any firm acquiring some or all of the practice that does not
8 already have its own review year shall retain the review year of
9 the former firm. In the event that the first peer review of a
10 firm that would otherwise be required by this subsection would
11 be less than twelve months after its previous review, a review
12 year shall be assigned by the administering organization so that
13 the firm's next peer review occurs after not less than twelve
14 months of operation, but not later than eighteen months of
15 operation.

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

21 (i) reviewers;

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

25 (iii) board members.

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

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

29 (1) Except as provided in clause (2), this section shall
30 take effect on February 3, 1997. This clause includes without

1 limitation effectiveness for the purposes of permitting the
2 board to promulgate the regulations under subsection (c) and of
3 applying subsections (h) and (k).

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

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

14 Section 12. Unlawful Acts.--* * *

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

26 * * *

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

1 credentials or qualifications.

2 * * *

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