

# **Taskforce to Examine Experience for CPA Licensure (Taskforce)**

**TASKFORCE-RELATED RESOURCE MATERIALS**



## **Membership**

***Manuel Ramirez, CPA, Chair***

***Sally Anderson, CPA***

***Dan Dustin, CPA***

***Larry Kaplan***

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***Gary McBride, CPA***

***Marshal Oldman, Esq.***

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**Relevant Business and Professions  
Code Sections and California Board  
of Accountancy Regulations  
Relating to Experience  
Requirements for Licensure**

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Appendix 1

**CALIFORNIA BUSINESS AND PROFESSIONS CODE  
SECTION 5092**

**Pathway 1.**

(a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements specified in subdivisions (b), (c), and (d), or otherwise prescribed pursuant to this article.

The board may adopt regulations as necessary to implement this section.

(b) An applicant for the certified public accountant license shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects and 24 semester units in business related subjects. This evidence shall be provided prior to admission to the examination for the certified public accountant license, except that an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board pursuant to this article.

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had two years of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

(e) This section shall become inoperative on January 1, 2014, but shall become or remain operative if the educational requirements in ethics study and accounting study established by subdivision (b) of Section 5094, Section 5094.5, and Section 5094.6 are reduced or eliminated.

**CALIFORNIA BUSINESS AND PROFESSIONS CODE  
SECTION 5093**

**Pathway 2.**

(a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements specified in subdivisions (b), (c), and (d), or otherwise prescribed pursuant to this article.

The board may adopt regulations as necessary to implement this section.

(b)(1) An applicant for admission to the certified public accountant examination under the provisions of this section shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a degree-granting university, college, or other institution of learning accredited by a regional or national accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001 et seq.), or meeting, at a minimum, the standards described in subdivision (c) of Section 5094. The total educational program shall include a minimum of 24 semester units in accounting subjects and 24 semester units in business-related subjects. This evidence shall be provided at the time of application for admission to the examination, except that an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(2) An applicant for issuance of the certified public accountant license under the provisions of this section shall present satisfactory evidence that the applicant has completed at least 150 semester units of college education including a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects, 24 semester units in business-related subjects, and, after December 31, 2013, shall also include a minimum of 10 units of ethics study consistent with the requirements set forth in Section 5094.3 and 20 units of accounting study consistent with the regulations promulgated under subdivision (c) of Section 5094.6. This evidence shall be presented at the time of application for the certified public accountant license. Nothing herein shall be deemed inconsistent with Section 5094 or 5094.6. Nothing herein shall be construed to be inconsistent with prevailing academic practice regarding the completion of units.

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board.

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory tax, or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

(e) Applicants completing education at a college or university located outside of this state, meeting, at a minimum, the standards described in Section 5094, shall be deemed to meet the educational requirements of this section if the board determines

**CALIFORNIA BUSINESS AND PROFESSIONS CODE  
SECTION 5093**

that the education is substantially equivalent to the standards of education specified under this chapter.



**CALIFORNIA BUSINESS AND PROFESSIONS CODE  
SECTION 5095**

**Minimum Number of Attest Service Hours; Attest Experience.**

(a) To be authorized to sign reports on attest engagements, a licensee shall complete a minimum of 500 hours of experience, satisfactory to the board, in attest services.

(b) To qualify under this section, attest experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy and provide attest services, and this experience shall be verified. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy and perform attest services, and this experience shall be verified. An applicant may be required to present work papers or other evidence substantiating that the applicant has met the requirements of this section and any applicable regulations.

(c) An individual who qualified for licensure by meeting the requirements of Section 5083 shall be deemed to have satisfied the requirements of this section.

(d) The board shall adopt regulations to implement this section, including, but not limited to, a procedure for applicants under Section 5092 or Section 5093 to qualify under this section.

**CALIFORNIA CODE OF REGULATIONS  
SECTION 12**

**General Experience Required Under Business and Professions Code Sections 5092 and 5093.**

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3) (A) All verifications shall be submitted to the Board on Form 11A-29 (5/11) for public accounting experience or Form 11A-29A (5/11) for private industry and governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (a)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (a)(3)(A).

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying under Section 5092 or Section 5093 of the Business and Professions Code with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include general accounting, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.

**NOTE:** Authority cited: Sections 5010, 5092 and 5093, Business and Professions Code. Reference: Sections 5092 and 5093, Business and Professions Code.

**CALIFORNIA CODE OF REGULATIONS  
SECTION 12.5**

**Attest Experience Required Under Business and Professions Code Section 5095.**

(a) To be authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095, an applicant for a California Certified Public Accountant license pursuant to Business and Professions Code Sections 5087, 5092, or 5093 or holder of an unexpired California Certified Public Accountant license issued pursuant to Business and Professions Code Sections 5087, 5092, or 5093 shall show to the satisfaction of the Board that he or she meets the requirements of this section and Business and Professions Code Section 5095.

(1) Some or all of the experience required by Section 5095 and this section may be completed prior to issuance of the California Certified Public Accountant license. Any experience that would be qualifying for purposes of Section 5095 and this section may also serve as qualifying experience for purposes of Sections 5092 or 5093. To be qualifying for purposes of Section 5095 and this section, any experience obtained after issuance of the California Certified Public Accountant license must be obtained while the license is held in active status.

(2) A holder of an active California Certified Public Accountant license may commence signing reports on attest engagements upon receipt of notification from the Board that he or she has met the requirements of this section and Business and Professions Code Section 5095. A holder of an inactive California Certified Public Accountant license may apply under this section, but must convert the license to active status before commencing to sign reports on attest engagements.

(3) An applicant for the California Certified Public Accountant license who has met the requirements of this section and Business and Professions Code Section 5095 may commence signing reports on attest engagements upon license issuance.

(b) In order to meet the attest experience requirements of Section 5095 an applicant for or holder of a California Certified Public Accountant license shall show to the satisfaction of the Board that the applicant has completed a minimum of 500 hours of attest experience.

This experience shall include all of the following:

(1) Experience in the planning of the audit including the selection of the procedures to be performed.

(2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.

(3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.

(4) Experience in the preparation of written explanations and comments on the work performed and its findings.

(5) Experience in the preparation of and reporting on full disclosure financial statements.

(c) Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(d) In order to be qualifying, experience obtained pursuant to Section 5095 of the Business and Professions Code must be supervised by a person holding a valid license or comparable authority to provide attest services as specified in subdivision (b) of Business and Professions Code Section 5095. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying

work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3) (A) All verifications shall be submitted to the Board on Form 11A-6A (5/11) for public accounting experience or on Form 11A-6 (5/11) for private industry or governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (d)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (d)(3)(A).

(e) In order to demonstrate the completion of qualifying experience, an applicant for or holder of a California Certified Public Accountant license may be required to appear before the Qualifications Committee to present work papers, or other evidence, substantiating that his or her experience meets the requirements of Section 5095 of the Business and Professions Code and of subsection (b) of this section.

(f) The applicant who is applying with attest experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of subsection (b) and generally accepted auditing standards. Alternatively, the applicant may acquire a minimum of 500 hours of United States experience which meets the requirements of Business and Professions Code Section 5095 and subsection (b).

(g) The applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include financial accounting standards, auditing standards, compilation and review and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.

(h) The experience required by Sections 5092, 5093, or 5095 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

**Note:** Authority cited: Sections 5010 and 5095, Business and Professions Code.  
Reference: Sections 5023, 5092, 5093 and 5095, Business and Professions Code.

**CALIFORNIA CODE OF REGULATIONS  
SECTION 21**

**Out of State Licensee.**

(a) The Board will consider applications filed under Section 5087 from holders of valid unrevoked Certified Public Accountant licenses issued under the laws of any state. The Board may deny an application when the facts indicate that the applicant has been a California resident before, during or after having obtained a CPA license in another state and when the facts indicate that the applicant's CPA license was obtained in another state to evade otherwise applicable California statutes and rules.

(b) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the education, examination, and experience requirements for issuance of the California license if the applicant shows, to the satisfaction of the Board, that he or she has engaged in the practice of public accounting as a licensed Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

(c) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the attest experience requirement of Section 5095 if the applicant shows to the satisfaction of the Board that he or she has been authorized to provide attest services and engaged in the practice of public accounting as a Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

Note: Authority cited: Section 5010 and 5018, Business and Professions Code.  
Reference: Section 5082, 5087 and 5095, Business and Professions Code.

**CALIFORNIA CODE OF REGULATIONS  
SECTION 69**

**Certification of Applicant's Experience**

(a) Any licensee who shall have been requested by an applicant to prepare and submit to the board certification of the applicant's experience and shall have refused to prepare and submit said certification shall, when requested by the board, explain in writing, or, when so requested by the board, explain in person, the basis for refusal to complete and submit said certification.

(b) Any licensee who shall have signed a certification of experience shall, when requested by the board, explain in writing, or, when so requested by the board, explain in person, the information provided on any said certification of experience, in any situation including, but not limited to, the following:

(1) Where there is an alleged disagreement between an applicant and any licensee as to dates and/or type of work performed;

(2) Where there is satisfactorily answered certification of experience submitted to the board, but the period of experience appears to be unduly short;

(3) Where the board seeks to verify on a sample basis information submitted by an applicant or attested thereto on a certification of experience; or

(4) Where the board reasonably believes that the information in the certification of experience may be false or incorrect.

(c) Any false or misleading statement, made by a licensee as to material matters in the certification of an applicant's experience, shall constitute a violation of Section 5100(g) of the Accountancy Act.

(d) Inspection by the board or its representatives of documentation relating to an applicant's fulfillment of the experience requirements set forth in Sections 5092, 5093, and 5095 of the Accountancy Act and Sections 12 and 12.5 herein above may be made at any of the board's offices or at such other places as the board may designate.

(e) The failure or refusal, by any licensee to complete and submit a certification of experience or to comply with a request for explanation of said certification or inspection of documentation as set forth in this rule constitutes a violation of Section 5100(g) of the Accountancy Act.

(f) Any unreasonable act or failure to act which jeopardizes an applicant's chances for obtaining a certificate, shall constitute a violation of Section 5100(g) of the Accountancy Act.

**NOTE:** Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Sections 5018 and 5100, Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

# **Certificate of Accounting Experience Forms**

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Appendix 2

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>

**Certificate of General Experience – Public Accounting  
Form 11A-29 (Revised 5/11)**

**Purpose:** To provide evidence of an applicant's public accounting general experience.

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**Applicability:** Type A, B, C, and E applicants and F licensees (see reverse.)

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**Who Completes:** The licensed CPA holding a valid license to practice public accounting who supervises the applicant's performance of services provided. A second licensee with a higher level of responsibility in the firm must also verify the applicant's experience. If the licensee who supervises the applicant is a sole proprietor, partner, or shareholder, no second signature is required.

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**Required Action:** Complete and verify your supervision of the applicant's general experience.

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**When:** Upon the applicant's request. Failure to submit the Certificate of General Experience – Public Accounting is viewed by the Board as an attempt to impede the applicant's certification and may result in disciplinary action.

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**Submit To:** California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

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**Authority:** Business and Professions Code Sections 5092, 5093 and 5095, and Sections 12 and 12.5 of Title 16 of the California Code of Regulations.



## TYPES OF LICENSURE APPLICANTS

- Type A            An applicant who **passed the Uniform CPA Exam in California** and is applying for licensure as a CPA in California for the first time.
- Type B            An applicant who **passed the Uniform CPA Exam in a state other than California** and has not been issued a valid license to practice public accounting in any state and is applying for licensure as a CPA in California for the first time.
- Type C            An applicant who **passed the Uniform CPA Exam in a state other than California** and was issued a valid license to practice public accounting in a state other than California.
- Type D            An applicant who **previously was licensed as a CPA in California** and the certificate was cancelled after five years for nonpayment of license renewal fees.
- Type E            An applicant who **passed the** Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination (**CAQEX**) of the American Institute of Certified Public Accountants (AICPA) **or** the International Uniform Certified Public Accountant Qualification Examination (**IQEX**) of the AICPA and the National Association of State Boards of Accountancy (NASBA).
- Type F            A California licensee originally issued a license to perform general accounting services who has now completed attest experience.



**DEPARTMENT OF CONSUMER AFFAIRS**  
 CALIFORNIA BOARD OF ACCOUNTANCY  
 2000 EVERGREEN STREET, SUITE 250  
 SACRAMENTO, CA 95815-3832  
 TELEPHONE: (916) 263-3680  
 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>



## CERTIFICATE OF GENERAL EXPERIENCE (PUBLIC ACCOUNTING)

**This form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA)**

PRINT OR TYPE

FULL NAME OF APPLICANT: (No Initials) (First) (Middle) (Last)			SOCIAL SECURITY # (Last 4 only) XXX-XX-____			
<b>PERIOD OF EMPLOYMENT</b>						
<b>List the dates applicant was under your supervision and obtained qualifying general accounting experience, as defined below.</b>						
FULL TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	PART-TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	TOTAL-PART-TIME HOURS
	/ /	/ /		/ /	/ /	

General accounting experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. To qualify, experience shall have been performed in accordance with applicable professional standards.

If an applicant is performing attest services as part of the general experience, it must be performed under the supervision of a licensee who has satisfied the attest experience requirement.

**An applicant who obtains licensure without satisfying the attest experience requirement (Section 12.5 of the CBA Regulations) cannot sign reports on attest engagements of any kind until the attest experience requirement is completed and authorization is given by the CBA.**

BUSINESS NAME:	BUSINESS TELEPHONE:	Area Code ( )
ADDRESS: (Include City, State, and Zip Code)		

Section 12 of the CBA Regulations requires that public accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm. The second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm signing the verification is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

*I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant has (1) been supervised or employed by me or my firm for the period indicated herein, and (2) has completed general accounting experience.*

SIGNATURE #1 (Supervisor) <b>(DO NOT USE BLACK INK)</b>	SOLE PROPRIETOR <input type="checkbox"/>
PRINTED NAME	PARTNER <input type="checkbox"/>
	SHAREHOLDER <input type="checkbox"/>
DATE	OTHER CPA <b>(Second signature required)</b> <input type="checkbox"/>
	CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
SIGNATURE #2 <b>(DO NOT USE BLACK INK)</b>	U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____
	SOLE PROPRIETOR <input type="checkbox"/>
PRINTED NAME	PARTNER <input type="checkbox"/>
	SHAREHOLDER <input type="checkbox"/>
DATE	CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
	U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____

## **PERSONAL INFORMATION COLLECTION AND ACCESS**

The information provided in this form will be used by the California Board of Accountancy, to determine qualifications for a Certified Public Accountant License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24.

Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act.

The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>

**Certificate of General Experience – Non-Public Accounting  
Form 11A-29A (Revised 5/11)**

**Purpose:** To provide evidence of an applicant's nonpublic accounting general experience.

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**Applicability:** Type A, B, C, and E applicants and F licensees (see reverse.)

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**Who Completes:** The licensed CPA holding a valid license to practice public accounting who supervises the applicant's performance of services provided. A second person with a higher level of responsibility in the nonpublic accounting business must also verify the applicant's experience. If the licensee who supervises the applicant is the owner of the business, no second signature is required.

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**Required Action:** Complete and verify your supervision of the applicant's general experience.

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**When:** Upon the applicant's request. Failure to submit the Certificate of General Experience – Nonpublic Accounting is viewed by the Board as an attempt to impede the applicant's certification and may result in disciplinary action.

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**Submit To:** California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

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**Authority:** Business and Professions Code, Sections 5092, 5093 and 5095, and Sections 12 and 12.5 of Title 16 of the California Code of Regulations.

## TYPES OF LICENSURE APPLICANTS

- Type A            An applicant who **passed the Uniform CPA Exam in California** and is applying for licensure as a CPA in California for the first time.
- Type B            An applicant who **passed the Uniform CPA Exam in a state other than California** and has not been issued a valid license to practice public accounting in any state and is applying for licensure as a CPA in California for the first time.
- Type C            An applicant who **passed the Uniform CPA Exam in a state other than California** and was issued a valid license to practice public accounting in a state other than California.
- Type D            An applicant who **previously was licensed as a CPA in California** and the certificate was cancelled after five years for nonpayment of license renewal fees.
- Type E            An applicant who **passed the** Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination (**CAQEX**) of the American Institute of Certified Public Accountants (AICPA) **or** the International Uniform Certified Public Accountant Qualification Examination (**IQEX**) of the AICPA and the National Association of State Boards of Accountancy (NASBA).
- Type F            A California licensee originally issued a license to perform general accounting services who has now completed attest experience.



**DEPARTMENT OF CONSUMER AFFAIRS**  
 CALIFORNIA BOARD OF ACCOUNTANCY  
 2000 EVERGREEN STREET, SUITE 250  
 SACRAMENTO, CA 95815-3832  
 TELEPHONE: (916) 263-3680  
 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>



## CERTIFICATE OF GENERAL EXPERIENCE (PRIVATE INDUSTRY OR GOVERNMENT)

This form is to be **COMPLETED** and **MAILED** directly to the California Board of Accountancy (CBA)

PRINT OR TYPE

FULL NAME OF APPLICANT: (No Initials) (First) _____ (Middle) _____ (Last) _____			SOCIAL SECURITY # (Last 4 only) XXX-XX-____			
<b>PERIOD OF EMPLOYMENT</b>						
List the dates applicant was under your supervision and obtained qualifying general accounting experience, as defined below.						
<b>FULL TIME DATES</b>	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	<b>PART-TIME DATES</b>	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	TOTAL PART-TIME HOURS
	/ /	/ /		/ /	/ /	

General accounting experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. To qualify, experience shall have been performed in accordance with applicable professional standards.

If an applicant is performing attest services as part of the general experience, it must be performed under the supervision of a licensee who has satisfied the attest experience requirement.

**An applicant who obtains licensure without satisfying the attest experience requirement (Section 12.5 of the CBA Regulations) cannot sign reports on attest engagements of any kind until the attest experience requirement is completed and authorization is given by the CBA.**

BUSINESS NAME: _____	BUSINESS TELEPHONE: _____	Area Code ( ) _____
ADDRESS: (Include City, State, and Zip Code) _____		

Section 12 of the CBA Regulations requires that private industry or government accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the private industry company or government agency. If the owner of the private industry company is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

*I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant (1) has been supervised or employed by me or my business/agency for the period indicated herein, and (2) has completed general accounting experience.*

SIGNATURE #1 (Supervisor) ( <b>DO NOT USE BLACK INK</b> )	LICENSEE SUPERVISOR – (Must be a licensee who supervised applicant)
PRINTED NAME	CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
DATE	U.S. STATE OF ISSUANCE _____ ARE YOU THE OWNER? YES <input type="checkbox"/> NO <input type="checkbox"/> <b>If you are not the owner, Signature #2 section must be completed.</b>
SIGNATURE #2 ( <b>DO NOT USE BLACK INK</b> )	<b>Must have a higher level of responsibility in the business/agency than signer #1.</b>
PRINTED NAME	CERTIFICATE NO. (if applicable) _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
TITLE	U.S. STATE OF ISSUANCE _____
DATE	

## **PERSONAL INFORMATION COLLECTION AND ACCESS**

The information provided in this form will be used by the California Board of Accountancy, to determine qualifications for a Certified Public Accountant License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24.

Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act.

The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.



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**Certificate of Attest Experience – Public Accounting  
Form 11A-6A (Revised 5/11)**

**Purpose:** To provide evidence of an applicant's public accounting attest experience.

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**Applicability:** Type A, B, C, and E applicants and F licensees (see reverse.)

---

**Who Completes:** The CPA holding a valid license to practice public accounting and authorized to sign reports on attest engagements who supervises the applicant's performance of attest services provided. A second licensee with a higher level of responsibility in the firm must also verify the applicant's experience. If the licensee who supervises the applicant is a sole proprietor, partner, or shareholder, no second signature is required.

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**Required Action:** Complete and verify your supervision of the applicant's experience.

---

**When:** Upon the applicant's request. Failure to submit the Certificate of Attest Experience (Public Accounting) is viewed by the Board as an attempt to impede the applicant's certification and may result in disciplinary action.

---

**Submit To:** California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

---

**Authority:** Business and Professions Code Sections 5092, 5093, 5095, and Sections 12 and 12.5 of Title 16 of the California Code of Regulations.



## TYPES OF LICENSURE APPLICANTS

- Type A            An applicant who **passed the Uniform CPA Exam in California** and is applying for licensure as a CPA in California for the first time.
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- Type C            An applicant who **passed the Uniform CPA Exam in a state other than California** and was issued a valid license to practice public accounting in a state other than California.
- Type D            An applicant who **previously was licensed as a CPA in California** and the certificate was cancelled after five years for nonpayment of license renewal fees.
- Type E            An applicant who **passed the** Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination (**CAQEX**) of the American Institute of Certified Public Accountants (AICPA) **or** the International Uniform Certified Public Accountant Qualification Examination (**IQEX**) of the AICPA and the National Association of State Boards of Accountancy (NASBA).
- Type F            A California licensee originally issued a license to perform general accounting services who has now completed attest experience.



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## CERTIFICATE OF ATTEST EXPERIENCE (PUBLIC ACCOUNTING)

**This Form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA) by the Employer**

PRINT OR TYPE

FULL NAME OF APPLICANT: (No Initials) (First) _____ (Middle) _____ (Last) _____	SOCIAL SECURITY # (Last 4 only) XXX-XX-____
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### PERIOD OF EMPLOYMENT

**List the dates applicant was under your supervision and obtained qualifying experience, as defined below.**

FULL TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	PART-TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	TOTAL PART-TIME HOURS
	/ /	/ /		/ /	/ /	

The experience required by Section 5095 of the California Accountancy Act (Accountancy Act) should be fulfilled primarily by financial statement audits and, secondarily, by other attest services (see Instructions, Section 2). Section 12.5 of the CBA Regulations establishes the attest experience requirement. **To be considered as qualifying, experience is that which enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements (see Instructions, Sections 1 and 2).**

Check either yes or no for each of the following items (A and B) to identify the experience of the applicant, while under your supervision, for purposes of qualifying the applicant for a CPA license.

### QUALIFYING EXPERIENCE

Yes No

I.	A.	Does the applicant have experience in the planning of the audit, including the selection of the procedures to be performed?		
	B.	In your opinion, did such experience demonstrate a satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession?		
II.	A.	Does the applicant have experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements?		
	B.	In your opinion, did the application of the above-described procedures demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
III.	A.	Does the applicant have experience in the preparation of working papers in connection with the various elements of I and II, above?		
	B.	In your opinion, do the working papers demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
IV.	A.	Does the applicant have experience in the preparation of written explanations and comments on the work performed and its findings?		
	B.	In your opinion, do the written explanations and comments demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
V.	A.	Does the applicant have experience in the preparation of and reporting on full disclosure financial statements?		
	B.	In your opinion, did such participation demonstrate satisfactory knowledge of current professional standards?		

### NUMBER OF HOURS

VI. SUMMARY OF ATTEST EXPERIENCE HOURS (see Instructions, Section 3).	Audit	Other Attest	Review Services	Compilation
Experience in <b>Planning</b> the Audit or Other Attest Services (I. above)				
Experience in <b>Applying a Variety of Audit Procedures and Techniques on the</b> Audit or Other Attest Services Procedures (II. above)				
Experience in the <b>Preparation of Working Papers</b> on the Audit or Other Attest Services (III. above)				
Experience in the <b>Preparation of Written Explanations</b> on the Audit or Other Attest Services (IV. above)				
Experience in the <b>Preparation of Full Disclosure Financial Statements</b> (V. above)				
Compilation Hours <b>Obtained Prior</b> to January 1, 2008				
<b>Total</b>				

VII. Is the applicant related to anyone in your firm? Yes  No  (If yes, explain relationship) \_\_\_\_\_

**NOTES TO EMPLOYER COMPLETING Certificate of Attest Experience (Public Accounting).**

**See Instructions Sections 1, 2, and 3.**

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500** hours of qualifying attest experience.

Section 69 of the CBA Regulations provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Public Accounting) and/or may inspect the documentation relating to the applicant's fulfillment of the experience requirement.

Section 12.5 of the CBA Regulations requires that public accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm. The second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm signing the verification is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

*I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant (1) has been employed by me or my firm for the period indicated herein, and (2) in the course of such employment has obtained the experience indicated on this Certificate of Attest Experience (Public Accounting).*

FIRM NAME	BUSINESS TELEPHONE:	Area Code (    )
ADDRESS (INCLUDING City, State and Zip Code)		

SIGNATURE #1 (Supervisor) <b>(DO NOT USE BLACK INK)</b>	SOLE PROPRIETOR <input type="checkbox"/> PARTNER <input type="checkbox"/> SHAREHOLDER <input type="checkbox"/> OTHER <b>(Second signature required)</b> <input type="checkbox"/>
PRINTED NAME	CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
DATE	U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____
SIGNATURE #2 <b>(DO NOT USE BLACK INK)</b>	SOLE PROPRIETOR <input type="checkbox"/> PARTNER <input type="checkbox"/> SHAREHOLDER <input type="checkbox"/> OTHER <b>(Second signature required)</b> <input type="checkbox"/>
PRINTED NAME	CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
DATE	U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____

OFFICE USE ONLY
Date of last Section 69 Review _____
_____ APPROVED
_____ REAPPEARANCE
_____ NO RECORD
Verified by: _____
Date: _____

OFFICE USE ONLY
Date of last Section 69 Review _____
_____ APPROVED
_____ REAPPEARANCE
_____ NO RECORD
Verified by: _____
Date: _____

## INSTRUCTIONS FOR COMPLETING CERTIFICATE OF ATTEST EXPERIENCE (PUBLIC ACCOUNTING)

The Certificate of Attest Experience (Public Accounting) is used by licensees to communicate to the CBA the experience an applicant has obtained while under their supervision in order for the CBA to determine whether the experience meets the requirements of CBA Regulation, Section 12.5.

Public accounting experience should be of a character and variety that enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements.

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500 hours of attest experience**. It is important that very early in the applicant's employment the licensee and applicant formulate a plan tailored to demonstrate a variety of experience in audit services. A contemporaneous time record should be prepared and monitored by the licensee and the applicant.

### 1. **Qualifying Experience.**

Experience required under Items I, II, and III on the Certificate of Attest Experience (Public Accounting), it is expected the applicant will have gained attest experience in applying the procedures normally applied in a variety of situations. The applicant is expected to have experience in planning audits. It is unnecessary for an applicant to have performed all the procedures below or any single procedure any particular number of times. This experience may be obtained in one or more engagements, in one or more industries. Typical audit planning and procedures include, but are not limited to, the following:

- a. Obtaining sufficient understanding of the components of internal control (control environment, risk assessment, control activities, information and communications, and monitoring) to plan the audit. Procedures are usually performed to ascertain whether such components were in effect and operating effectively.
- b. Assessing risks embodied in the account balance, transaction class, and disclosure components of the financial statements and determining materiality.
- c. Applying appropriate analytical review procedures in performing an attestation engagement.
- d. Applying appropriate testing procedures to determine the existence and reasonableness of asset account balances such as cash, accounts receivable, inventory, property, plant and equipment, and other assets such as prepaids, intangible assets, and other deferred charges.
- e. Understanding and determining the valuation of accounts such as inventories, accounts receivable, marketable securities, real estate investments, and the appropriate accounting and applicable disclosures. These include costing and pricing concepts such as LIFO, FIFO, lower of cost or market, and excess and obsolete inventory, etc.
- f. Applying appropriate testing procedures to determine the reasonableness of liability account balances, such as accounts payable, accrued liabilities, income taxes, and notes and contracts payable, and the reasonableness of capital accounts and revenue and expense accounts.
- g. Testing of revenue and profit recognition, cut off of sales, purchases, cash receipts and disbursements, subsequent events review, and examination of pertinent documentation.
- h. Determining the existence of related party transactions, commitments and contingent liabilities, and appropriate financial statement disclosures.

Under Item IV on the Certificate of Attest Experience (Public Accounting), it is expected the applicant has written comments, observations, and conclusions resulting from the work performed.

Under Item V on the Certificate of Attest Experience (Public Accounting), it is expected the applicant has participated in the preparation of and reporting on full disclosure financial statements. The experience required under this item may be fulfilled partially by review services, if adequately supported by workpapers.

## 2. Experience Discussion.

The performance of financial statement audits should primarily fulfill the experience requirement. In addition, attest experience may include a combination of:

- a. Review services **to the extent they comply with the documentation of analytical procedures and the development of expectations as required by the Statements on Standards for Accounting and Review Services**. Frequently, only analytical review procedures qualify; however, the scope of work may be extended in selected areas and, thereby, may qualify. Examples include performing analytical review procedures or extending the scope of work in selected areas. Experience obtained in other areas (such as accounting write-up, tax compliance, consultations, forecasting and projections) is not considered qualifying under CBA Regulation, Section 12.5.
- b. Other attest services including, but not limited to:
  - Statements on Standards for Attestation Engagements (SSAE) No. 16.
  - Agreed-upon procedures.
  - Compliance audits.
- c. Compilation services **only to the extent preparation of full disclosure financial statements is supported by work papers. Compilation hours obtained after December 31, 2007, are no longer accepted as qualifying attest experience for licensure.**

The most frequent problems encountered by applicants with public accounting experience are:

- a. Failure to demonstrate and/or document participation in the audit planning process.
- b. Limited experience in applying audit procedures and participating in preparing and reporting on full disclosure financial statements. As a result, an applicant has difficulty demonstrating experience with disclosure requirements, financial statement preparation, and Generally Accepted Accounting Principles and Generally Accepted Auditing Standards requirements.
- c. Failure to demonstrate a reasonable awareness and understanding of current professional standards.

## 3. Other Sections of the Certificate of Attest Experience (Public Accounting).

- a. Summary of Attest Experience Hours (Part VI of Certificate of Attest Experience [Public Accounting]).

This summary should reflect only hours the applicant spent performing audit procedures pursuant to CBA Regulation, Section 12.5.

Experience in areas such as controllership functions, accounting write-up, tax compliance, consultations, forecasting, and projections, are **not** considered qualifying under CBA Regulation, Section 12.5.

The specific categories of experience should be completed as follows:

Audit Hours: This section should reflect only those hours spent in the planning and performing of audit procedures or other attest services in an audit engagement, and the hours spent on financial statement preparation.

Review Hours: This section should reflect only those hours spent in the performance of audit-type procedures or other attest services in a review engagement, and the hours spent on financial statement preparation. Frequently, analytical review is the only audit-type procedure performed, unless the scope in selected areas has been expanded, and audit-type procedures have been performed and documented.

Other Attest Hours: This section should reflect only those hours spent in the performance of operational audits, compliance audits, and other audits, as well as performance of agreed-upon procedures of an audit nature. If the predominant qualifying experience is shown in this section, it is probable it will be reviewed by the Qualifications Committee of the CBA.

Compilation Hours: Compilation services **only to the extent preparation of full disclosure financial statements is supported by work papers.** Compilation hours obtained after December 31, 2007, are no longer accepted as qualifying attest experience for licensure.

b. Certifying an Applicant's Experience if Obtained in More Than One Office.

If a single Certificate of Attest Experience (Public Accounting) is submitted for an applicant who has obtained experience in more than one office of the same firm, a cover letter also must be submitted furnishing information as to the basis for completing the Certificate of Attest Experience (Public Accounting) for multiple offices. Alternatively, separate Certificates of Attest Experience (Public Accounting) should be submitted by the separate offices. **A separate Certificate of Attest Experience (Public Accounting) must be submitted for experience obtained outside the United States regardless of whether it was obtained from the same firm as that obtained in the United States.**

c. Responsibility Associated with Signing the Certificate of Attest Experience (Public Accounting).

All California licensees in public practice signing the Certificate of Attest Experience (Public Accounting) are subject to the provisions of the CBA Regulations, Section 69. The signers must carefully review the Certificate of Attest Experience (Public Accounting), evaluate, and judge each applicant's experience. The signer is certifying, under penalty of perjury, whether in his or her opinion, the applicant has met the attest experience requirements of the CBA for licensure.

If additional information would be helpful in evaluating the applicant's experience, the CBA encourages an employer to attach an explanatory letter.

CBA Regulation, Section 69 provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Public Accounting) and/or may inspect the documentation relating to an applicant's fulfillment of the experience requirement.

Under CBA Regulation, Section 69, the CBA expects the documentation in support of affirmative answers on the Certificate of Attest Experience (Public Accounting) to consist of a record of engagements on which an applicant actually performed the attest procedures, the amount of time spent by the applicant on the procedures, and the aggregate amount of time spent on such engagements. Upon request, actual financial statements and supporting workpapers are required to be furnished to the CBA.

d. Current Experience.

In evaluating the experience of an applicant, emphasis is given to recent activities that demonstrate the applicant's knowledge and application of applicable professional standards. In determining currency, generally the CBA considers experience gained in the last five years. If the experience was gained prior to that time, the CBA will require the applicant to furnish evidence that he or she is knowledgeable of current practice standards and pronouncements of the profession.

e. Worksheet.

The Worksheet for Substantiation of Qualifying Experience Under CBA Regulation, Section 12.5 has been included to assist the applicant and the employer in accumulating information to support the opinions expressed on the Certificate of Attest Experience (Public Accounting). **It is not necessary to submit this worksheet with the Certificate of Attest Experience (Public Accounting).**

## WORKSHEET FOR SUBSTANTIATION OF QUALIFYING EXPERIENCE UNDER CBA REGULATION, SECTION 12.5

EMPLOYER \_\_\_\_\_ APPLICANT \_\_\_\_\_

Indicate by working paper reference procedures performed by applicant.

ENGAGEMENT TYPE \_\_\_\_\_

YEAR-END \_\_\_\_\_

- I. Planning of the audit, including preparation of related working papers.
  1. Obtaining an understanding of the components of internal control, and performing procedures to determine such components are in effect.
  2. Assessing risks.
  3. Determining materiality and selecting procedures to be performed.
- II. Performing a variety of auditing procedures and techniques to transactions and balances in the financial statements that address the relevant assertions. Preparing working papers documenting the work performed, including explanations and comments on the work performed and findings.
  1. Applying appropriate analytical review procedures.
  2. Applying appropriate testing procedures to determine the existence and amounts of:
    - a. Cash.
    - b. Accounts and notes receivable.
    - c. Inventories.
    - d. Prepaids, intangibles, and deferred charges.
    - e. Property, plant, and equipment.
    - f. Notes and contracts payable and long-term debt.
    - g. Accounts payable, accrued liabilities, and deferred credits.
    - h. Commitments and contingencies.
    - i. Income taxes.
    - j. Capital and retained earnings.
    - k. Revenue recognition, purchases cutoff, other income and expenses, and subsequent events review (including unrecorded liabilities).
    - l. Related party transactions, commitments, and contingencies.
- III. Preparing working papers in connection with the various elements of I and II, above.
- IV. Preparing written explanations and comments on the work performed and its findings.
- V. Preparing full disclosure financial statements including, but not limited to:
  1. Accounting principles and policies for significant accounts.
  2. Analyses of accounts and related accounting and disclosures.
  3. Capital accounts and leases.
  4. Income taxes and employee benefits.
  5. Related party transactions, commitments and contingencies, and subsequent events.

Hours spent by applicant on engagement.

*(If review, only note CBA Regulation, Section 12.5 audit and financial statement hours.)*

Total Hours for engagement.

*(If review, only note CBA Regulation, Section 12.5 audit and financial statement hours.)*

I.				
1.				
2.				
3.				
II.				
1.				
2.				
a.				
b.				
c.				
d.				
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
III.				
IV.				
V.				
1.				
2.				
3.				
4.				
5.				
Hours				
Total				

## **PERSONAL INFORMATION COLLECTION AND ACCESS**

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**Certificate of Attest Experience (Non-Public Accounting)  
Form 11A-6 (Revised 5/11)**

**Purpose:** To provide evidence of an applicant's non-public accounting attest experience.

---

**Applicability:** Type A, B, C, and E applicants and F licensees (see reverse.)

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**Who Completes:** The CPA holding a valid license to practice public accounting and authorized to sign reports on attest engagements who supervises the applicant's performance of attest services provided. A second person with a higher level of responsibility in the business/agency also must verify the applicant's experience. If the licensee who supervises the applicant is the owner of the business/agency, no second signature is required.

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**Required Action:** Complete and verify your supervision of the applicant's experience.

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**When:** Upon the applicant's request. Failure to submit the Certificate of Attest Experience (Non-Public Accounting) is viewed by the Board as an attempt to impede the applicant's certification and may result in disciplinary action.

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**Submit To:** California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

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**Authority:** Business and Professions Code Sections 5092, 5093, 5095, and Sections 12, and 12.5 of Title 16 of the California Code of Regulations.

## TYPES OF LICENSURE APPLICANTS

- Type A            An applicant who **passed the Uniform CPA Exam in California** and is applying for licensure as a CPA in California for the first time.
- Type B            An applicant who **passed the Uniform CPA Exam in a state other than California**, has not been issued a valid license to practice public accounting in any other state and is applying for licensure as a CPA in California for the first time.
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- Type D            An applicant who **previously was licensed as a CPA in California** and the certificate was cancelled after five years for non-payment of license renewal fees.
- Type E            An applicant who **passed the** Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination (**CAQEX**) of the American Institute of Certified Public Accountants (AICPA) **or** the International Uniform Certified Public Accountant Qualification Examination (**IQEX**) of the AICPA and the National Association of State Boards of Accountancy (NASBA).
- Type F            A California licensee originally issued a license to perform general accounting services who has now completed attest experience.



**DEPARTMENT OF CONSUMER AFFAIRS**  
 CALIFORNIA BOARD OF ACCOUNTANCY  
 2000 EVERGREEN STREET, SUITE 250  
 SACRAMENTO, CA 95815-3832  
 TELEPHONE: (916) 263-3680  
 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>



## CERTIFICATE OF ATTEST EXPERIENCE (PRIVATE INDUSTRY OR GOVERNMENT)

This Form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA) by the Employer

PRINT OR TYPE

FULL NAME OF APPLICANT: (No Initials) (First)	(Middle)	(Last)	SOCIAL SECURITY # (Last 4 only) XXX-XX-____
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### PERIOD OF EMPLOYMENT

List the dates applicant was under your supervision and obtained qualifying experience, as defined below.

FULL TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	PART-TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	TOTAL PART-TIME HOURS
	/ /	/ /		/ /	/ /	

The experience required by Section 5095 of the California Accountancy Act (Accountancy Act) should be fulfilled primarily by financial statement audits and, secondarily, by other attest services (see Instructions, Section 2). Section 12.5 of the CBA Regulations establishes the attest experience requirement. **To be considered as qualifying, experience is that which enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements (see Instructions, Sections 1 and 2).**

Check either yes or no for each of the following items (A and B) to identify the experience of the applicant, while under your supervision, for purposes of qualifying the applicant for a CPA license.

### QUALIFYING EXPERIENCE

Yes No

I.	A.	Does the applicant have experience in the planning of the audit, including the selection of the procedures to be performed?		
	B.	In your opinion, did such experience demonstrate a satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession?		
II.	A.	Does the applicant have experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements?		
	B.	In your opinion, did the application of the above-described procedures demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
III.	A.	Does the applicant have experience in the preparation of working papers in connection with the various elements of I and II, above?		
	B.	In your opinion, do the working papers demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
IV.	A.	Does the applicant have experience in the preparation of written explanations and comments on the work performed and its findings?		
	B.	In your opinion, do the written explanations and comments demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
V.	A.	Does the applicant have experience in the preparation of and reporting on full disclosure financial statements?		
	B.	In your opinion, did such participation demonstrate satisfactory knowledge of current professional standards?		

### NUMBER OF HOURS

VI. SUMMARY OF ATTEST EXPERIENCE HOURS (see Instructions, Section 3).	Audit	Other Attest	Review Services	Compilation
Experience in <b>Planning</b> the Audit or Other Attest Services ( <b>I. above</b> )				
Experience in <b>Applying a Variety of Audit Procedures and Techniques on the Audit or Other Attest Services Procedures</b> ( <b>II. above</b> )				
Experience in the <b>Preparation of Working Papers</b> on the Audit or Other Attest Services ( <b>III. above</b> )				
Experience in the <b>Preparation of Written Explanations</b> on the Audit or Other Attest Services ( <b>IV. above</b> )				
Experience in the <b>Preparation of Full Disclosure Financial Statements</b> ( <b>V. above</b> )				
Compilation Hours <b>Obtained Prior</b> to January 1, 2008				
Total				

VII. Is the applicant related to anyone in your firm? Yes  No  (If yes, explain relationship) \_\_\_\_\_

**NOTES TO EMPLOYER COMPLETING Certificate of Attest Experience (Private Industry or Government).  
See Instructions Sections 1, 2, and 3.**

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500** hours of qualifying attest experience.

Section 69 of CBA Regulations provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Private Industry or Government) and/or may inspect the documentation relating to the applicant's fulfillment of the experience requirement.

Section 12.5 of the California Code of Regulations requires that private industry or government accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the private industry company or government agency. If the owner of the private industry company signing the verification is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

*I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant (1) has been employed by me or my business/agency for the period indicated herein, and (2) in the course of such employment has obtained the experience indicated on this Certificate of Attest Experience (Private Industry or Government).*

BUSINESS/AGENCY NAME	BUSINESS TELEPHONE:	Area Code (     )
ADDRESS (INCLUDING CITY, STATE AND ZIP CODE)		

SIGNATURE #1 (Supervisor) <b>(DO NOT USE BLACK INK)</b>	<b>LICENSEE SUPERVISOR – (Must be a licensee who supervised applicant)</b> CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
PRINTED NAME	U.S. STATE OF ISSUANCE _____
DATE	ARE YOU THE OWNER?      YES <input type="checkbox"/> NO <input type="checkbox"/>  <b>If you are not the owner, Signature #2 section must be completed.</b>
SIGNATURE #2 <b>(DO NOT USE BLACK INK)</b>	<b>Must have a higher level of responsibility in the business/agency than signer #1.</b>  CERTIFICATE NO. (if applicable) _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
PRINTED NAME	U.S. STATE OF ISSUANCE _____
TITLE	
DATE	

## **INSTRUCTIONS FOR COMPLETING THE CERTIFICATE OF ATTEST EXPERIENCE (PRIVATE INDUSTRY OR GOVERNMENT)**

The Certificate of Attest Experience (Private Industry or Government) is used by licensees to communicate to the CBA the experience an applicant has obtained while under their supervision in order for the CBA to determine whether the experience meets the requirements of CBA Regulation, Section 12.5.

Private industry and government accounting experience should be of a character and variety that enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements.

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500 hours of attest experience**. It is important that very early in the applicant's employment the licensee and applicant formulate a plan tailored to demonstrate a variety of experience in audit services. A contemporaneous time record should be prepared and monitored by the licensee and the applicant.

### **1. Qualifying Experience.**

Under Items I, II, and III on the Certificate of Attest Experience (Private Industry or Government), it is expected the applicant will have gained attest experience in applying the procedures normally applied in a variety of situations. The applicant is expected to have experience in planning audits. It is unnecessary for an applicant to have performed all the procedures below or any single procedure any particular number of times. This experience may be obtained in one or more engagements, in one or more industries. Typical audit planning and procedures include, but are not limited to, the following:

- a. Obtaining sufficient understanding of the components of internal control (control environment, risk assessment, control activities, information and communications, and monitoring) to plan the audit. Procedures are usually performed to ascertain whether such components were in effect and operating effectively.
- b. Assessing risks embodied in the account balance, transaction class, and disclosure components of the financial statements and determining materiality.
- c. Applying appropriate analytical review procedures in performing an attestation engagement.
- d. Applying appropriate testing procedures to determine the existence and reasonableness of asset account balances such as cash, accounts receivable, inventory, property, plant and equipment, and other assets such as prepaids, intangible assets, and other deferred charges.
- e. Understanding and determining the valuation of accounts such as inventories, accounts receivable, marketable securities, real estate investments, and the appropriate accounting and applicable disclosures. These include costing and pricing concepts such as LIFO, FIFO, lower of cost or market, and excess and obsolete inventory, etc.
- f. Applying appropriate testing procedures to determine the reasonableness of liability account balances, such as accounts payable, accrued liabilities, income taxes, and notes and contracts payable, and the reasonableness of capital accounts and revenue and expense accounts.
- g. Testing of revenue and profit recognition, cut off of sales, purchases, cash receipts and disbursements, subsequent events review, and examination of pertinent documentation.
- h. Determining the existence of related party transactions, commitments and contingent liabilities, and appropriate financial statement disclosures.

Under Item IV on the Certificate of Attest Experience (Private Industry or Government), it is expected the applicant has written comments, observations, and conclusions resulting from the work performed.

Under Item V on the Certificate of Attest Experience (Private Industry or Government), it is expected the applicant has participated in the preparation of and reporting on full disclosure financial statements. The experience required under this item may be fulfilled partially by review services, if adequately supported by workpapers.

## 2. Experience Discussion.

The performance of financial statement audits should primarily fulfill the experience requirement. In addition, attest experience may include a combination of:

- a. Review services **to the extent they comply with the documentation of analytical procedures and the development of expectations as required by the Statements on Standards for Accounting and Review Services.** Frequently, only analytical review procedures qualify; however, the scope of work may be extended in selected areas and, thereby, may qualify. Examples include performing analytical review procedures or extending the scope of work in selected areas. Experience obtained in other areas (such as accounting write-up, tax compliance, consultations, forecasting and projections) is not considered qualifying under CBA Regulation, Section 12.5.
- b. Other attest services including, but not limited to:
  - Statements on Standards for Attestation Engagements (SSAE) No. 16.
  - Agreed-upon procedures.
  - Compliance audits.
- c. Compilation services **only to the extent preparation of full disclosure financial statements is supported by work papers. Compilation hours obtained after December 31, 2007, are no longer accepted as qualifying attest experience for licensure.**

The most frequent problems encountered by applicants with private industry or government experience are:

- a. Limited experience in applying audit procedures and participating in preparing and reporting on full disclosure financial statements. As a result, an applicant has difficulty demonstrating experience with disclosure requirements, financial statement preparation, and U.S. Generally Accepted Accounting Principles and U.S. Generally Accepted Auditing Standards requirements.
- b. Claiming credit for general accounting work which does not qualify under Section 12.5.
- c. Claiming credit under Section 5095 for experience that has not been gained under the supervision of an individual currently licensed to practice public accounting (e.g., licensed without continuing education).
- d. Failure to demonstrate a reasonable awareness and understanding of current professional standards.
- e. Failure to demonstrate and/or document participation in the audit planning process.

## 3. Other Sections of the Certificate of Attest Experience (Private Industry or Government).

- a. Summary of Attest Experience Hours (Part VI of Certificate of Attest Experience [Private Industry or Government]).

This summary should reflect only hours the applicant spent performing audit procedures pursuant to CBA Regulation, Section 12.5.

Experience in areas such as controllership functions, accounting write-up, tax compliance, consultations, forecasting, and projections are **not** considered qualifying under CBA Regulation, Section 12.5.

The specific categories of experience should be completed as follows:

Audit Hours: This section should reflect only those hours spent in the planning and performing of audit procedures or other attest services in an audit engagement, and the hours spent on financial statement preparation.

Review Hours: This section should reflect only those hours spent in the performance of audit-type procedures or other attest services in a review engagement, and the hours spent on financial statement preparation. Frequently, analytical review is the only audit-type procedure performed, unless the scope in selected areas has been expanded, and audit-type procedures have been performed and documented.

Other Attest Hours: This section should reflect only those hours spent in the performance of operational audits, compliance audits, and other audits, as well as performance of agreed-upon procedures of an audit nature. If the predominant qualifying experience is shown in this section, it is probable it will be reviewed by the Qualifications Committee of the CBA.

Compilation Hours: Compilation services **only to the extent preparation of full disclosure financial statements is supported by work papers**. Compilation hours obtained after December 31, 2007, are no longer accepted as qualifying attest experience for licensure.

b. Responsibility Associated with Signing the Certificate of Attest Experience (Private Industry or Government).

All California licensees signing the Certificate of Attest Experience (Private Industry or Government) are subject to the provisions of the CBA Regulations, Section 69. The signers must carefully review the Certificate of Attest Experience (Private Industry or Government), evaluate, and judge each applicant's experience. The signer is certifying, under penalty of perjury, whether in his or her opinion, the applicant has met the attest experience requirements of the CBA for licensure.

If additional information would be helpful in evaluating the applicant's experience, the CBA encourages an employer to attach an explanatory letter.

CBA Regulation, Section 69 provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Private Industry or Government) and/or may inspect the documentation relating to an applicant's fulfillment of the experience requirement.

Under CBA Regulation, Section 69, the CBA expects the documentation in support of affirmative answers on the Certificate of Attest Experience (Private Industry or Government) to consist of a record of engagements on which an applicant actually performed the attest procedures, the amount of time spent by the applicant on the procedures, and the aggregate amount of time spent on such engagements. Upon request, actual financial statements and supporting workpapers are required to be furnished to the CBA.

c. Current Experience.

In evaluating the experience of an applicant, emphasis is given to recent activities that demonstrate the applicant's knowledge and application of applicable professional standards. In determining currency, generally the CBA considers experience gained in the last five years. If the experience was gained prior to that time, the CBA will require the applicant to furnish evidence that he or she is knowledgeable of current practice standards and pronouncements of the profession.

d. Worksheet.

The Worksheet for Substantiation of Qualifying Experience Under CBA Regulation, Section 12.5 has been included to assist the applicant and the employer in accumulating information to support the opinions expressed on the Certificate of Attest Experience (Private Industry or Government). **It is not necessary to submit this worksheet with the Certificate of Attest Experience (Private Industry or Government).**

# WORKSHEET FOR SUBSTANTIATION OF QUALIFYING EXPERIENCE UNDER CBA REGULATION SECTION 12.5

EMPLOYER \_\_\_\_\_ APPLICANT \_\_\_\_\_

Indicate by working paper reference procedures performed by applicant.

ENGAGEMENT TYPE \_\_\_\_\_  
YEAR-END \_\_\_\_\_

- I. Planning of the audit, including preparation of related working papers.
  - 1. Obtaining an understanding of the components of internal control, and performing procedures to determine such components are in effect.
  - 2. Assessing risks.
  - 3. Determining materiality and selecting procedures to be performed.
  
- II. Performing a variety of auditing procedures and techniques to transactions and balances in the financial statements that address the relevant assertions. Preparing working papers documenting the work performed, including explanations and comments on the work performed and findings.
  - 1. Applying appropriate analytical review procedures.
  - 2. Applying appropriate testing procedures to determine the existence and amounts of:
    - a. Cash.
    - b. Accounts and notes receivable.
    - c. Inventories.
    - d. Prepaids, intangibles, and deferred charges.
    - e. Property, plant, and equipment.
    - f. Notes and contracts payable and long-term debt.
    - g. Accounts payable, accrued liabilities, and deferred credits.
    - h. Commitments and contingencies.
    - i. Income taxes.
    - j. Capital and retained earnings.
    - k. Revenue recognition, purchases cutoff, other income and expenses, and subsequent events review (including unrecorded liabilities).
    - l. Related party transactions, commitments, and contingencies.
  
- III. Preparing working papers in connection with the various elements of I and II, above.
  
- IV. Preparing written explanations and comments on the work performed and its findings.
  
- V. Preparing full disclosure financial statements including, but not limited to:
  - 1. Accounting principles and policies for significant accounts.
  - 2. Analyses of accounts and related accounting and disclosures.
  - 3. Capital accounts and leases.
  - 4. Income taxes and employee benefits.
  - 5. Related party transactions, commitments and contingencies, and subsequent events.

Hours spent by applicant on engagement.  
(If review, only note CBA Regulation Section 12.5 audit and financial statement hours.)

Total Hours for engagement.  
(If review, only note CBA Regulation Section 12.5 audit and financial statement hours.)




## **PERSONAL INFORMATION COLLECTION AND ACCESS**

The information provided in this form will be used by the California Board of Accountancy, to determine qualifications for a Certified Public Accountant License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24.

Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act.

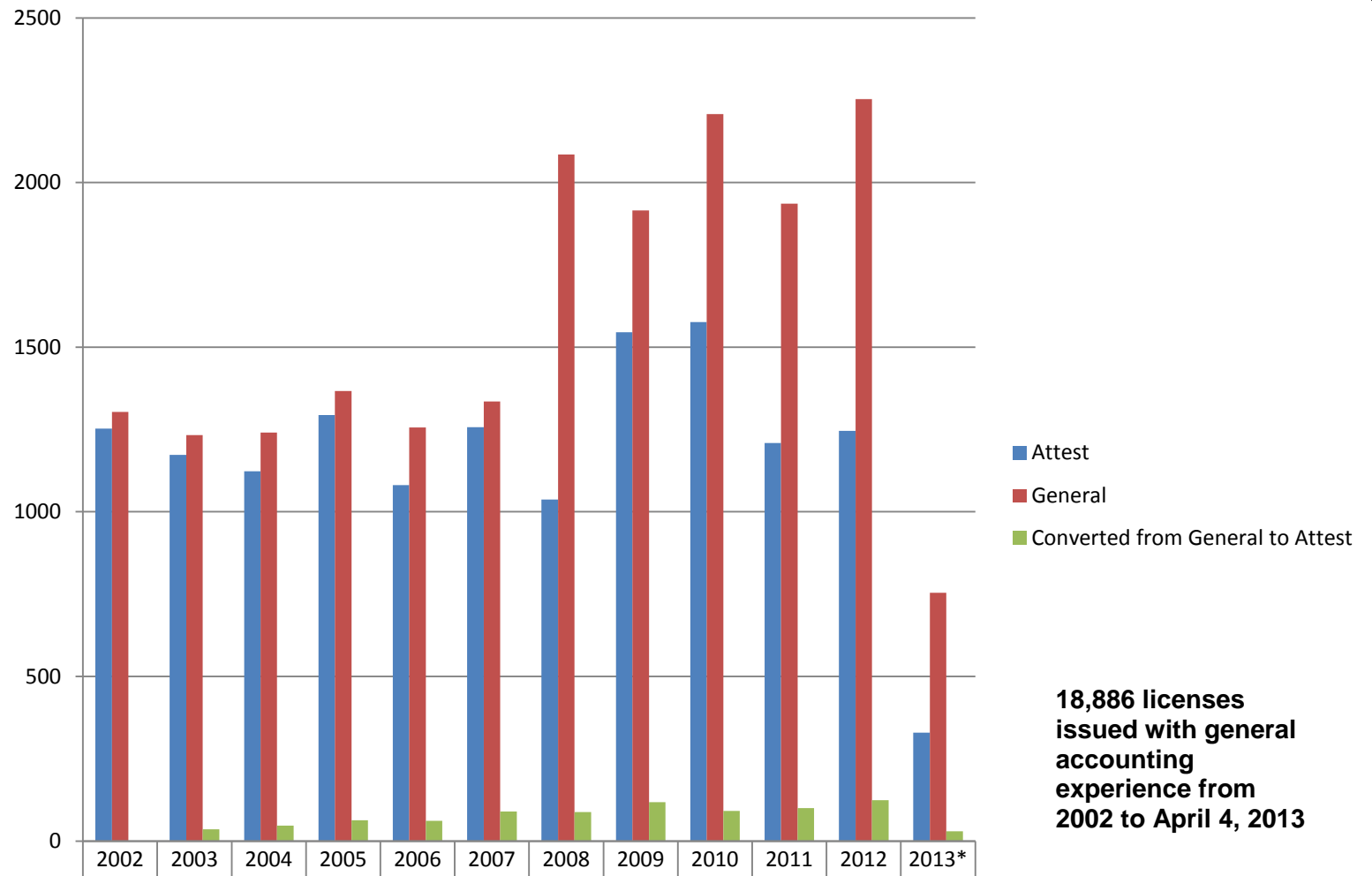
The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

# **CBA Licenses Issued Since the Establishment of General Accounting Experience**

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Appendix 3

# Licenses Issued With Attest and General Experience



**18,886 licenses issued with general accounting experience from 2002 to April 4, 2013**

\*2013 data reflects licenses issued through April 4, 2013

CALIFORNIA BOARD OF ACCOUNTANCY

# **Education and Experience Requirements by State**

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Appendix 4

## ABOUT US

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The Accountancy Licensing Library is a service of the National Association of State Boards of Accountancy, Inc. (NASBA), which serves as a forum for the 55 boards of accountancy.

### NASBA'S MISSION

- Enhance the effectiveness of state boards of accountancy

### GOALS

- Provide high quality, effective programs and services
- Identify, research and analyze major current and emerging issues affecting state boards of accountancy
- Strengthen and maintain communications with member boards to facilitate the exchange of ideas and opinions
- Develop and foster relationships with organizations that impact the regulation of public accounting

### CORE VALUES

- Preserve the public trust and confidence in the CPA license and credential
- Support the licensing of individuals who demonstrate and maintain competence through education, examination and experience requirements
- Ensure that integrity, objectivity, and independence of licensees are not compromised
- Foster compliance with ethical and all professional standards
- Promote the rights of boards of accountancy to regulate licensees in all their professional activities

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The following pages printed from ALL contain initial licensure information for states and jurisdictions.

The following states require some form of attest experience as described below:

- **Alaska:** Only option to be licensed with attest. Experience requires supervisor's opinion.
- **California:** Option to be licensed with or without attest. Experience requires supervisor's opinion.
- **Iowa:** Option to be licensed with or without attest. Experience does not require supervisor's opinion.
- **Maine:** Only option to be licensed with attest. Experience does not require supervisor's opinion.
- **Massachusetts:** Option to be licensed with or without attest. Experience does not require supervisor's opinion.
- **Mississippi:** Only option to be licensed with attest. Experience requires supervisor's opinion.
- **Montana:** Only option to be licensed with attest. Experience does not require supervisor's opinion.
- **Nevada:** Only option to be licensed with attest. Experience requires supervisor's opinion.
- **Pennsylvania:** Only option to be licensed with attest. Experience does not require supervisor's opinion.

## alabama

Alabama offers the following types of accounting licenses and privileges. Click on the tabs above to learn more about the requirements and procedures for each type of license.

### initial certificate/registration/initial permit to practice

#### Initial License

*Initial Certificate/Registration/Permit to Practice/Transfer of Grades.* Applicants who have passed the Uniform CPA Exam and are not licensed to practice public accounting in any jurisdiction may apply for an Initial Certificate/Registration/Permit to Practice in Alabama.

The Alabama Board automatically issues a certificate number to Alabama exam candidates upon successful completion of all parts of the Uniform CPA Examination. The certificate holder must register the certificate annually with the Board and declare a status of Active, Inactive, or Retired. However, if a certificate holder has elected Retired status, annual registration is not required. The certificate alone does not allow the applicant the ability to practice public accountancy in Alabama. Applicants who wish to practice public accountancy must submit proof of experience to the Board and apply for a Permit to Practice.

Applicants who passed the exam in a state other than Alabama and are not licensed in any state may apply for an Initial Certificate/Registration/Permit to Practice by transfer of grades.

Initial registration for "New CPAs" must be manual; however, subsequent renewals/registrations may be accomplished on-line from the Board's website.

**NOTE:** CPAs and PAs who are on inactive status must place the word "inactive" adjacent to their CPA or PA title on any business card, letterhead, or any other document or device, except for their CPA or PA certificate, on which their CPA or PA title appears.

Click *Initial Licensure* in the menu bar at the top of this page for additional information.

### reciprocal certificate/permit

#### Reciprocal License

*Reciprocal Certificate/Permit to Practice.* An applicant having a valid unrevoked license to practice as a CPA from any jurisdiction may apply for a Reciprocal Certificate and Permit to Practice. Applicants who hold foreign designations may also apply through reciprocity, including Chartered Canadian Accountants.

Click *Reciprocal Licensure* in the menu bar at the top of this page for additional information.

### practice privilege

#### Practice Privilege / Mobility / Interstate Practice

*Practice Privilege.* Effective October 1, 2009, practice privileges became available in Alabama. Practice privileges were created by Act No. 2009-620 during the 2009 legislative session. The details of Act No. 2009-620 are provided below.

Beginning October 1, 2009, a CPA whose principal place of business is outside of Alabama may exercise all the privileges of Alabama CPAs without the need to obtain a license or pay a fee, if the individual holds an active permit, certificate or license which allows the person to engage in the practice of public accountancy as a CPA in another state. [Click here](#) to go to the Alabama State Board of Public Accountancy Mobility information page.

Practice Privileges extend to professional services offered or rendered, whether in person or by mail, telephone or electronic means, and no notice, fee or other submission shall be provided by any such individual.

#### *Consent to Jurisdiction*

Bylaw, a CPA of another state exercising practice privileges in Alabama and the entity which employs the CPA consent, as a condition to the exercise of this privilege, to the following:

The personal and subject matter jurisdiction and disciplinary authority of this Board and the courts of Alabama.

Compliance with the provisions of the Alabama Accountancy Law and the rules and regulations adopted by the Board.

In the event the certificate from the state of the individual's principal place of business is no longer valid, the individual shall cease offering or rendering professional services in this state individually and on behalf of the CPA firm.

The appointment of the board of accountancy which issued the individual or firm license as his agent upon whom process may be served in any action or proceeding by the Alabama Board against the licensee.

Out-of-state firms with no office in Alabama will **not** be subject to Alabama's firm registration requirements, which is consistent with current law.

Out-of-state firms with no office in Alabama will **not** be subject to Alabama's firm registration requirements, which is consistent with current law.

Click *Practice Privilege* in the menu bar at the top of this page for additional information.

## firms and firms with non-licensee owners

### Firm Registration

*Firm Registration.* Any firm or office thereof established or maintained for the practice of public accounting in the state of Alabama must register with the Alabama State Board. Non-licensee Owners of firms must register with the Alabama State Board in addition to the Firm Registration.

Click *Firm Registration* in the menu bar at the top of this page for additional information.

## relinquish a license

### Relinquish a License

*License Relinquishment:* Any individual CPA licensed in Alabama who no longer wishes to hold said license/permit to practice may voluntarily relinquish such to the Alabama Board.

Click *Relinquish a License* in the menu bar at the top of this page for additional information.

[Privacy Policy](#) | [Terms of Use](#) | [About Us](#) | [Contact Us](#) | [NASBA](#)

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## alaska

### Initial License Requirements

#### Initial Certification

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.  
Applicant must be at least 19 years of age.

#### Education Requirement

Applicant shall show that they have a baccalaureate degree or its equivalent conferred by a college or university acceptable to the Alaska Board and additional semester hours or post-baccalaureate study so that the total educational program includes at least 150 hours, with an **accounting concentration** consisting of not less than:

24 semester hours or 36 quarter hours in subjects such as accounting principles, intermediate accounting, income tax, cost accounting, auditing, advanced accounting, accounting theory, governmental accounting or detection of fraud;  
three semester hours or five quarter hours of business law;  
three semester hours or five quarter hours of economics; and  
three semester hours or five quarter hours of statistics, computer science, or algebra, calculus, or mathematics.

The Alaska Board may grant a license to an Applicant who has not completed the 150-hour educational program required above if the Applicant meets one of the following requirements:

Has not completed the 150 hour educational program but has received a baccalaureate degree, or its equivalent, **before January 1, 2001**, from a college or university acceptable to the Alaska Board, and the Applicant satisfies the other criteria established by the Alaska Board; OR  
Has completed a baccalaureate degree, or its equivalent, before January 1, 2008, from a college or university acceptable to the Alaska Board, and additional semester hours of post-baccalaureate study so that the total educational program includes at least 150 hours, and the Applicant has three years of accounting experience satisfactory to the Alaska Board.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.  
Applicant must pass the AICPA Professional Ethics Examination.

#### Experience Requirement

Applicant's background must include experience in providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

An Initial Applicant who has a baccalaureate degree with an accounting concentration as listed above must have 4 experience points.

An Initial Applicant who does NOT have a baccalaureate degree with an accounting concentration as listed above must have 6 experience points.

An applicant can earn experience points as follows:

one year of experience in public accounting under the direct supervision of a CPA who held a current active license at the time of the supervision equals **two experience points**; or

one year of experience in private accounting or government accounting under the direct supervision of a CPA who held a current active license at the time of the supervision equals one and one-third experience points.

Applicant's experience must include a minimum of 500 hours of work performing the attest function under the direct supervision of a certified public accountant. (Compilation hours will not be accepted to satisfy this requirement.)



## arizona

### Initial License Requirements

#### Initial Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be at least 18 years old.

Applicant must be of good moral character.

All registrants must complete the Arizona Statement of Citizenship & Alien Status document. Pursuant to A.R.S. Section 1-501, an individual applying for licensure with the State of Arizona must provide documentation that the applicant is lawfully present in the United States.

#### Education Requirement

Applicant must have:

A baccalaureate degree from an accredited college or university

150 semester hours

36 semester hours of accounting, of which at least 30 semester hours are upper level courses

30 semester hours of [related courses](#): business administration, statistics, computer science (including information systems or data processing), economics, finance, management, business law, college algebra or more advanced mathematics, advanced written communication, advanced oral communication, ethics and other courses closely related to the subject of accounting and satisfactory to the board.

#### Exam Requirement

Applicant must have passed all four parts of the Uniform CPA Examination.

Applicant must have passed the AICPA Ethics Exam with grade of 90 or better within the two years prior to submitting the application.

#### Experience Requirement

Applicant must have at least one year of full-time, or equivalent part-time, experience. Part-time experience (less than 30 hours per week) can count toward the requirement as long as it equals the total time of experience required (1,500 hours).

Experience must be in the office of a certified public accountant or public accountant, in private industry or in a government agency that has exposed the Applicant to and provided the Applicant with experience in the practice of accounting.

Experience is verified on a Certificate of Experience (COE) form completed by your supervisor. If the supervisor is a CPA in a state other than Arizona, a Supervisor Verification form must be completed. Any person signing a COE who is not a CPA must have education and experience similar to that of a CPA. If the signer is not a CPA, they must attach a resume and a job description to verify they have the education and experience to oversee a potential CPA candidate.

## arkansas

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant's license must be obtained within 3 years of completing the CPA Exam.

Applicant must be of good moral character. Applicant may be required to submit to a state and national background check to determine good moral character.

#### Education Requirement

**Applicants who first sit for the examination prior to January 1, 2008:** Applicant can qualify under any one of the following:

A graduate degree with a concentration in accounting from a program or department with Level 1 accreditation.

A graduate degree from an business school or college of business with Level 2 accreditation and 30 semester hours in accounting at the undergraduate or graduate level, including coverage of but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not-for-profit accounting.

A baccalaureate degree from an institution with Level 2 accreditation and 150 semester hours, with 30 semester hours in accounting at the undergraduate or graduate level, including coverage of but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not-for-profit accounting.

A baccalaureate degree or higher degree from an institution with Level 3 accreditation with at least 150 semester hours, including 30 semester hours in accounting at the graduate or undergraduate level, including coverage of but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not-for-profit accounting, and 24 semester hours in business courses other than accounting, at the graduate or undergraduate level.

**Applicants who first sit for the examination on or after January 1, 2008:** Applicants must meet one of the following education requirements, each of which requires a minimum 150 semester hours:

A graduate degree with a concentration in accounting from an accounting program or department that meets the criteria for Level 1 accreditation. Applicants in this category are deemed to have met the business and education requirements for the examination.

A graduate degree with at least 30 upper-level or 20 graduate hours in accounting (or a combination) from a Level 2 college or university. Applicants in this category are deemed to have met the business education requirements for the examination.

An undergraduate degree, including 150 semester hours with at least 30 upper-level or 20 graduate hours in accounting (or a combination) from a college or university that meets the criteria for Level 1 accreditation or Level 2 accreditation. Applicants in this category are deemed to have met the business education requirements for the examination.

A graduate or an undergraduate degree either of which includes 150 hours with at least 30 hours in business and at least 30 upper-level or 20 graduate hours in accounting (or a combination) from a college or university that meets the criteria for Level 3 accreditation. Applicants in this category must meet the accounting and business education requirements for the examination.

**The Accounting Concentration:** must include at least 30 semester credit hours (SCH) of undergraduate accounting courses above the principles level or 20 SCH of graduate-level accounting courses, or a combination including courses in financial accounting, management accounting, governmental and not-for-profit accounting, federal taxation, auditing and attestation, and accounting information systems with a grade of "C" or better in each course.

**The Business Concentration:** must include at least 30 SCH of undergraduate courses in business, other than accounting, or 20 SCH of graduate business courses other than accounting (or a combination) with a grade of "C" or better in each course.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

#### Experience Requirement

Applicant must have one year of full or part-time experience.

Applicant's experience must extend over a period of no less than a year and no more than 3 years, with no fewer than 2,000 hours.

Applicant's experience may have been earned in government, industry, academia or public practice.

Applicant's experience must include providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills.

## california

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must have a valid Social Security Number. [Click here to read the Board policy regarding the collection of a Social Security Number \(SSN\) which is required by Section 30 of the California Business and Professions Code -- the Code prohibits the issuance of a license if the applicant fails to disclose or is unable to provide a SSN.](#)

Applicant must not have committed acts or crimes constituting grounds for denial of a license.

#### Education/Experience Requirement

Applicant may meet the education requirements through **one** of the following:

**Pathway 1 :** Applicant must have a baccalaureate degree from an accredited institution with 24 semester units in accounting and 24 semester units of business related subjects. Courses in excess of the required 24 semester units in accounting may be counted toward the business related subject unit requirement. See the [Information Handbook](#) and [Board Rule 9.2\(b\) and \(c\)](#) for specific required courses. Two years of general experience are required, including a minimum of 500 attest hours for those who want to sign attest reports.

**Pathway 2 :** Applicant must have a baccalaureate degree from an accredited institution with 150 semester hours, including 24 semester units in accounting and 24 semester units of business related subjects. See the [Information Handbook](#) and [Board Rule 9.2\(b\) and \(c\)](#) for specific required courses. Due to the passage of Senate Bill 819 in the 2009 legislative session, the 150 semester hours must also include 10 semester hours of ethics study and 20 additional semester hours of accounting study. Two alternative routes to satisfying Pathway 2 are: (1) successful passages of the Canadian Chartered Accountant Uniform CPA exam (CAQEX) by the AICPA; or (2) successful passage of the International Uniform CPA Qualification exam (IQEX) by the AICPA and NASBA. One year of general experience is required, including a minimum of 500 attest hours for those who want to sign attest reports.

**Effective January 1, 2014, Pathway 1 will be eliminated pursuant to [California SB819](#).** Individuals who did not complete any qualifying work experience prior to January 1, 2012 will not be allowed to use Pathway 1 to qualify.

[Click here to see the new Educational Requirements for CPA Licensure beginning January 14, 2014.](#)

[Click here to view the \*Frequently Asked Questions\* relating to the new licensure requirements.](#)

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must pass the California Professional Ethics for CPAs Exam no sooner than 2 years prior to application.

#### Experience Requirement

General experience includes providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. **NOTE:** Compilation hours are no longer be accepted as qualifying attest experience for licensure.

All experience must be obtained and performed under the supervision of an individual with a valid active license to practice public accountancy.

Experience may be gained in public practice, industry, or government. **Academic experience is not qualifying.**

Applicants applying under Pathway 1 or 2 have the option of obtaining a license without satisfying the attest experience requirement. See California [Business and Professions Code 5095](#) and [Board Rule 12](#) and [Board Rule 12.5](#) for further information on attest experience requirements.

If Applicant's experience was obtained 5 or more years prior to application, then the California Board may require 48 hours of CPE courses in specific areas.

## colorado

### Initial License Requirements

#### Initial CPA Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### Education Requirement

Applicant must have a bachelor's degree from a college or university accredited by one of the six accrediting agencies. The Colorado Board itself may also determine acceptable colleges or universities by using the accrediting criteria of the six accrediting agencies. [Click here to review Colorado's rules related to accreditation \(see Chapter 2\)](#).

**Prior to June 30, 1993:** Applicant must have a concentration in accounting that includes:

- 27 semester hours in accounting, with a minimum of 3 hours in auditing that covers Generally Accepted Auditing Standards (GAAS);
- A maximum of 3 semester hours in accounting related computer and information systems;
- 21 semester hours in other areas of business administration such as business law, management, marketing, statistics, business communication, economics and finance with no more than 6 semester hours in each subject.

**After June 30, 1993:** Applicant must have a concentration in accounting or the equivalent that includes:

- 27 hours in accounting courses such as cost accounting, tax, intermediate accounting, accounting theory and advanced cost accounting;
- 3 of the 27 hours must be in auditing that covers Generally Accepted Auditing Standards (GAAS);
- A minimum of 21 semester hours in general business courses such as business law, management, marketing, statistics, business communication, economics and finance with no more than 6 semester hours in each subject.

**NOTE:** Effective July 1, 2015, any applicant for CPA licensure will be required to obtain a baccalaureate degree and 150 hours of education.

#### Foreign Applicants

If Applicant is a Chartered Accountant from a country in which Colorado has an existing Mutual Recognition Agreement (MRA), then he/she may use his/her certificate to satisfy the education requirements set forth above. Applicant does not need to have his/her university transcripts evaluated. Chartered Accountants holding a certificate from other countries and Applicants who earned degrees from foreign institutions must have their educational credentials evaluated by a generally accepted evaluation service which is a member of [NACES](#).

**Following is a list of current MRA Countries:**

- Australia (Institute of Chartered Accountants in Australia)
- Australia (CPA Australia)
- Canada (Canadian Institute of Chartered Accountants)
- Ireland (Institute of Chartered Accountants in Ireland)
- Mexico (Instituto Mexicano de Contadores Publico)
- New Zealand (New Zealand Institute of Chartered Accountants)

#### Exam Requirement

Applicant must have passed the Uniform CPA Examination  
Applicant must have passed the AICPA ethics exam within two (2) years immediately preceding the date of application. The Colorado Board will also accept the California Professional Ethics Examination.  
Completion of two (2) hours of Colorado Rules and Regulations course within two (2) years immediately preceding the date of application.

#### Experience Requirement

Applicant must have 12 months of full-time work experience in public accounting or the equivalent.  
The experience must include 1,800 hours of qualifying experience under the supervision of an active CPA in good standing or a Chartered Accountant in good standing.  
The experience must be obtained within five years immediately preceding the date the application for licensure is received by the Board or its designee.  
NOTE: The Experience requirement allows a CPA candidate to gain the one year in any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills, which may be gained through employment in government, industry, academia, or public practice. The experience is required to be verified by an CPA licensed in a jurisdiction of the US or a chartered accountant recognized by the IQAB through a current Mutual Recognition Agreement.

**Applicants who do not meet this experience requirement may qualify for the *Education in Lieu of Experience* if the Applicant meets the following requirements:**

- Obtains a baccalaureate degree plus an additional 30 semester hours of non-duplicative study or obtains a Master's Degree or other higher degree.
- Completes at least 45 semester hours in accounting subjects in such areas as elementary accounting, accounting theory, accounting practice, managerial accounting, cost accounting, tax accounting, not-for-profit accounting, auditing, governmental accounting and accounting related computer and information semesters. At least 6 of these hours must be in auditing.
- Completes at least 36 semester hours in business administration courses which may be in the areas of upper division economics, the legal and social environment of business, business law, marketing, finance, management, organizational, group and individual behavior, quantitative applications in business and upper division communications. No more than 9 semester hours may be taken in each area.

**NOTE:** Effective June 30, 2015, the option for education in lieu of experience will be repealed.

*All Foreign Applicants applying for certification via Education in Lieu of Experience are required to have their credentials evaluated regardless of whether they are members of the Institute of Chartered Accountants or the Association of Chartered Certified Accountants.* Foreign Applicants should also inform the evaluator that the review should be conducted for qualification under Colorado's Education in Lieu of Experience Rule (2.5).

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## commonwealth of the northern mariana islands

### Initial License Requirements

#### Transfer of Grades Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Education Requirement

Applicant must complete at least 150 semester hours of college education including a bachelor's or higher degree, the total educational program to include an accounting concentration or equivalent as determined by CNMI Board rule.

Applicant will be deemed to have met the education requirement if he/she has met any one of the following four conditions:

A graduate degree with a concentration in accounting from an accounting program or department that is accredited (to a level three accreditation) by an accrediting agency recognized by the CNMI Board;

A graduate degree from a business school or college of business that is accredited (to a level two accreditation) by an accrediting agency recognized by the CNMI Board and completed at least 24 semester hours in accounting at the undergraduate level or 15 semester hours at the graduate level, or an equivalent combination thereof, including coverage of, but not necessarily separate courses in, the subject of financial accounting, auditing, taxation, and management accounting;

A baccalaureate degree from a business school or college of business that is accredited (to a level two accreditation) by an accrediting agency recognized by the CNMI Board and completed at least 24 semester hours in accounting at the undergraduate or graduate level, including coverage of, but not necessarily separate courses in, the subject of financial accounting, auditing, taxation, and management accounting; and completed at least 24 semester hours in business courses (other than accounting) at the undergraduate or graduate level; OR

A baccalaureate or higher degree from an accredited educational institution (to a level one accreditation) including: (i) at least 24 semester hours of accounting at the upper division or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting. Upper division is normally defined as junior or senior level. In accounting, this would normally be all courses taken beyond the elementary level; and

(ii) at least 24 semester hours in business courses (other than accounting) at the undergraduate or graduate level.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

#### Experience Requirement

Applicant must have two years of experience in the practice of public accounting.

One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services.

Experience may consist of providing a service or advice using accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.

Acceptable experience shall include employment in industry, government, academia or public practice.

## connecticut

### Initial License Requirements

#### Initial Certificate, Registration, License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

Applicants must meet all of the following requirements whether applying for an Initial Certificate, Certificate and Registration or Certificate and License.

#### General Requirement

Applicant shall possess good character. Good character means lack of a history of dishonest or felonious acts.  
Applicant must meet experience and education requirements.

#### Education

An Applicant must have a bachelors degree with a minimum of 150 semester hours of college education which includes;  
A baccalaureate degree from a four-year college or university accredited by one of the six regional accrediting bodies (Middle States, New England, North Central, Northwest, Southern, and Western), or equivalent to that status as determined by the board. Only two schools are currently considered equivalent; Bob Jones University and Everest University.  
A minimum of 36 semester hours in accounting (which may include basic or an introductory accounting course, and 30 semester hours in economics and business administration, and  
At least 60 semester hours in general education.

#### Examination

Applicant shall pass all sections of the Uniform CPA Examination.  
The education requirement must be completed prior to taking the Uniform CPA examination.  
Connecticut requires the passage of the AICPA Professional Ethics for CPAs Self Study Course with a score of 90% or higher on the exam.

#### Experience

Applicants for an initial certificate shall have the following experience:

Three years of experience if the applicant first took the examination prior to January 1, 2000 and possesses a bachelors degree as set forth in section 20-280-23 of the regulations of Connecticut State Agencies but does not possess the 150 semester hour educational qualification as set forth in section 20-280-22 of the regulations of Connecticut State Agencies.

In all other cases, two years of experience.

For experience to be credited toward the satisfaction of the requirements of this section, such experience shall have been obtained no earlier than 10 years prior to the date of receipt by the Connecticut State Board of Accountancy of a complete application for initial certification.

#### Qualifying Experience

Applicants shall demonstrate to the satisfaction of the Board, experience consisting of having provided services or advice involving the use of accounting, attest, management advisory, tax or consulting skills, supervised by a licensed certified public accountant or public accountant unless otherwise specified. Such experience shall be obtained in the public practice, government practice, industry or any combination thereof.

## delaware

### Initial License Requirements

#### Initial Certificate and Permit to Practice and Public Accountant

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### Initial Certificate and Permit to Practice

##### General

Applicant must be of good moral character. "Good character", for purposes of this section, means that an Applicant has not been convicted of a crime that is substantially related to the practice of accountancy. The Delaware Board may waive the prohibition against convictions under certain circumstances.

##### Education

Applicant must have completed at least 150 semester hours of college education including a baccalaureate or higher degree conferred by an accredited college or university acceptable to the Delaware Board, the total educational program to include an accounting concentration or equivalent.

A concentration in accounting must consist of a **minimum of 24 semester hours** in courses such as financial accounting and reporting, auditing and attestation services, managerial or cost accounting, taxation, fraud examination, internal controls and risk assessment, financial statement analysis, accounting research and analysis, tax research and analysis, accounting information systems, ethics [accounting course], business law and other courses included in the CSO, or as approved by the Board.

A degree granted by a college or university not so accredited at the time of Applicant's graduation WILL NOT be accepted.

If Applicant's Delaware Certificate was issued more than four years prior to the application for issuance of a Delaware Permit to Practice, then the Applicant, in the two years immediately preceding such application, must have completed not less than 80 hours of CPE.

##### Examination

Applicant shall have successfully passed the Uniform CPA Examination.

Applicant may not sit for the exam until Applicant has successfully completed at least 120 semester hours of college education by an accredited college or university, including an accounting concentration or equivalent.

Applicant must pass AICPA Ethics Examination with a minimum score of 90 percent. The AICPA ethics course **MUST** be passed within 10 years of applying for licensure.

##### Experience

Applicant must have one year of experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills all of which must be verified by a CPA as required by Board rules. The experience would be acceptable if gained through employment in government, industry, academia or public practice.

##### NOTE:

*Only experience obtained **after** the conferring of the degree under which the candidate applies and within ten years before applying shall be accepted. Qualifying experience shall be verified by a certified public accountant who holds a valid permit to practice from Delaware or another state, US territory or District of Columbia. The verification shall be notarized.*

*A "year" of qualifying experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services.*

*Each applicant, regardless of educational level, must submit an affidavit from each employer with whom qualifying experience is claimed, setting forth the dates of employment, describing the nature of applicant's duties by area and affirming that the applicant discharged his or her duties in a competent and professional manner. The affidavit must be signed by the supervising certified public accountant(s) and include a statement indicating the jurisdiction of his or her license. If the applicant has worked for multiple certified public accountants, the signature of a qualifying certified public accountant is sufficient. However, the applicant must be able to furnish information concerning permits of other supervising certified public accountants as requested by the Board.*

#### Continuing Professional Education (CPE)

Applicant's whose Delaware Certificate was issued more than four years prior to applying for issuance of a Delaware Permit to Practice, must submit proof of 80 hours of CPE completed in the two years immediately before filing the CPA Permit to Practice application.

#### Public Accountant Permit to Practice

##### General Requirements

Applicant must be of good moral character.

Applicant must complete 80 hours of continuing professional education within a two-year reporting period.

##### Education

Applicant must hold, at a minimum, an Associates degree from an accredited college or university, or a degree from an accredited two-year college with a concentration in accounting or what the Delaware Board determines to be substantially equivalent to an accounting concentration.

##### Examination

Applicant must pass all parts of the exam recognized by the National Society of Public Accountants or pass both the Accounting and Reporting and Reporting and Auditing portions of the Uniform CPA Examination.

Applicant must pass the AICPA Ethics Examination with a score of 90 percent or higher.





## district of columbia

### Initial License Requirements

#### CPA License by Examination

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

Applicants for a certified public accountant's license in the District of Columbia who were **educated in the United States** shall meet the following requirements:

#### General Requirement

- Applicant must be at least 18 years of age;
- Applicant must not have been convicted of a crime or moral turpitude which bears directly on Applicant's fitness to be licensed;
- Applicant must be of good character; and
- Applicant must be a resident of the District of Columbia, or have been regularly employed in the District for the immediate 6 months prior to the final date for accepting applications for the written examinations, or, in the case of an employee of a CPA or a firm of CPAs registered to practice in the District, have been a resident of a foreign country for not less than 18 months preceding the date of filing an application.

#### Education Requirement

- A baccalaureate degree conferred by a four-year degree granting college or university recognized by the District of Columbia Board; and
  - A concentration in accounting or the equivalent (generally considered as being constituted of a minimum of three semester hours in commercial law and a minimum of twenty-four (24) semester hours in accounting subjects). These accounting subjects shall include, but are not limited to, courses in Financial Accounting, Auditing, Cost Accounting and Federal Income Taxes.
- If the baccalaureate degree was received after **January 1, 2000**, then at least 150 semester hours of education are necessary.

#### Examination Requirement

- Applicant must have passed all parts of the Uniform CPA Examination with a score of 75 or greater.

#### Experience

- Applicant shall have at least one year experience that consists of full-time or part-time experience that extends over a period of no less than one year and no more than three years and includes no fewer than 2000 hours.
- Acceptable experience includes experience in business services or advice using accounting, attest services, compilation, management advisory, financial advisory, tax or consulting skills.
- Experience can be gained in government, industry, academia or public practice.
- Experience must be verified by a CPA who is licensed in DC or in another state.

Applicants for a certified public accountant's license in the District of Columbia who were **educated outside of the United States** shall meet all of the above requirements for those educated in the United States; and

- Must have their transcripts evaluated by a foreign academic credential evaluation agency. Currently, the District of Columbia Board uses Foreign Academic Credential Service for this service. Applicants can contact FACS at PO Box 400, Glen Carbon, IL 62034.

If the transcript is in a foreign language, then it must be accompanied by an official English translation.

- Must have completed a course in Federal Income Taxes (minimum of three semester hours) from an accredited university or college in the United States.

**NOTE:** All application requirements must be completed within 90 days, or you must submit a new application and pay the required fee again.

If you have any questions, then call the Board Office at 202-442-4320 or Pearson VUE's **toll-free** Customer Service line at 1-877-672-2173 between 8:00 a.m. and 5:00 p.m. EST Monday through Friday.

## florida

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirements

##### Initial License

Applicant must be of good moral character.

Examination grades expire three (3) years after receiving notification from NASBA of passing the last part of the CPA exam. If an Applicant does not apply for licensure within this three-year period, then his/her CPA examination grades expire. The Applicant must then reapply and retake the CPA examination. Furthermore, Applicants will be required to meet the education requirements in effect at the time of the new application.

##### Transfer of Grades

An Applicant may apply for Licensure by Endorsement - Transfer of Grades who is not licensed and has not been licensed in another state or territory and who has:

- Met the requirements of Florida for education, work experience and good moral character, and
- Passed a national, regional, state or territorial licensing examination that is substantially equivalent to the examination required by Florida.

#### Education Requirement

There are two sets of educational requirements:

**Under the Old Rule:** Applicants who were accepted for the CPA exam *prior to 1983* must have a bachelor's degree from an accredited college or university, plus 18 semester hours of accounting courses above the elementary level and 27 semester hours in business courses.

**Under the Current Rule:** Applicants must have at least 150 semester hours of college education, including a baccalaureate or higher degree conferred by an accredited university, with a concentration in accounting and business in the total educational program that includes:

- 36 semester hours of upper division accounting to include coverage of taxation, auditing, accounting information systems, financial, and cost/managerial accounting; and
- 39 semester hours of upper division general business with at least 6 semester hours of business law to include coverage of contracts, torts, and the uniform commercial code.

These educational concentrations are specified by the Florida Board in the [Education Rules](#).

#### Exam Requirement

Applicant must pass the Uniform CPA Examination.

#### Experience Requirements

##### Under Old Education Rule

Applicant must have met one of the following:

- One year of public accounting experience; or
- One year of governmental experience; or
- One year of graduate school (12 semester hours in accounting and 15 business hours, with a total of 30 hours).

##### Under Current Education Rule (150 semester hours)

Applicant must show that he/she has had 1 year of work experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills, all of which must be verified by a CPA who is licensed by a state or territory of the US. This experience is acceptable if it was gained through employment in government, industry, academia, or public practice; constituted a substantial part of the applicant's duties; and was verified by a CPA licensed by a state or territory of the US.

The experience must either average at least 20 hours a week over no more than 104 weeks or average no more than 40 hours a week over no more than 52 weeks.

The required experience can commence after the completion of 120 semester or 160 quarter hours from an accredited college or university with a concentration in accounting and business courses or after the applicant has passed the licensure examination in another state or territory of the United States and has been licensed as a certified public accountant or has met licensing requirements for that state or territory.

**NOTE for Endorsement - Transfer of Credit Applicants:** Evidence Work Experience – NOT required if 150 hour licensure education met by December 31, 2008 and CPA examination passed by June 30, 2010

#### CPE Requirement

Transfer of Grade Applicants Only: If more than two years since CPA examination was passed, then you must evidence completion of 80 hours of CPE. The CPE must include 20 hours in accounting and auditing and no more than 20 hours in behavioral subjects.

## georgia

### Initial License Requirements

#### Initial Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

Applicant must be 18 years of age.

Georgia law requires all applicants for licensure to submit secure and verifiable documentation with their application. A list of the approved Secure and Verifiable Documents may be found on the [Attorney General's website](#).

#### Education Requirement

**Prior to January 1, 1998:** Applicant must present evidence to the Georgia State Board that they have received a baccalaureate degree or completed the requirements therefore, conferred by a college or university accredited by a national or regional accrediting organization recognized by the Georgia State Board, with a concentration in accounting or what the Georgia State Board determines to be the substantial equivalent of an accounting concentration, or with a non-accounting concentration supplemented by what the Georgia State Board determines to be the substantial equivalent of an accounting concentration, including related courses in other areas of business administration.

**After January 1, 1998:** Applicants must have completed a total of 150 semester hours or 225 quarter hours of college education, including a baccalaureate degree awarded by a college or university accredited by either a national or regional accrediting organization recognized by the Georgia State Board. The total educational program must include an undergraduate accounting concentration and related courses in other areas of business administration or the substantial equivalent. An applicant who has completed 45 quarter hours or 30 semester hours in accounting subjects above the elementary level and 35 quarter hours or 24 semester hours in general business subjects at a four year accredited college or university which offers a baccalaureate degree will be deemed to have satisfied the accounting concentration and related business course requirements.

Education requirements must be met through academic coursework completed at a college or university accredited by a national or regional accrediting organization recognized by the Georgia State Board. Professional training is not acceptable toward these requirements. Coursework completed as part of a Chartered Accountant program is considered professional training and is, therefore, not accepted toward the education requirements for the U.S. Uniform CPA License.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

#### Experience Requirement

**Prior to July 1, 2009:** Applicant must have attained two years, including 4,000 hours, of continuous experience in public accounting, under the supervision of a person licensed to practice public accounting, immediately preceding the date of application for the certificate.

*In lieu of meeting the two (2) year-experience requirement* in public accounting, applicants can have five years, including 10,000 hours, of continuous employment in the accounting field in industry, business, government or college teaching, under the supervision of a person licensed to practice public accounting.

If experience is in government or college teaching, then applicant is required to be supervised, but not by someone licensed.

For qualifying experience in business or industry, the applicant must have been employed by a person or entity in the performance of duties primarily involving the use of financial accounting and auditing skills that follow GAAP.

For qualifying experience in government, the Applicant must have been employed by a federal, state or local government agency which is appropriated public funds and whose employees are considered public employees and which is recognized by the Georgia State Board as having the responsibility and organizational structure for performing auditing and accounting functions.

For qualifying teaching experience, the applicant must have taught courses primarily in the accounting discipline for academic credit as an accredited four year college or university in at least two different areas of accounting above the introductory or elementary level. Part-time experience is permitted if it is continuous.

[Click here to see Georgia's rules on acceptable breaks in employment history.](#)

**Beginning July 1, 2009:** Applicant must have one year of continuous experience in public accountancy immediately preceding the date of application for the certificate or within a reasonable time prior to the date of such application as determined by the Georgia Board. The Board may accept, in lieu of such year of experience in public accounting, evidence satisfactory to the board of one year of continuous employment in the accounting field in industry, business, government or academia.

All work experience must have been supervised by a person who holds a live permit as a CPA in good standing.

One year must include a minimum of 2000 hours.

Public accounting work shall mean the performance of any combination of services involving the use of accounting, auditing or attestation skills, one or more types of consulting services, the preparation of tax returns or the furnishing of advice on tax matters.

If experience is in government and teaching, 2,000 hours of continuous experience and one year of experience. The qualifying experience in government or college requires the applicant to be supervised but not by someone licensed. Qualifying experience in government requires that the applicant must have been employed by a federal, state, or local government agency which has appropriated public funds and whose employees are considered public employees and which is recognized by the Board as having the responsibility and organizational structure for performing auditing and accounting functions. For qualifying teaching experience, the applicant must have taught courses primarily in the accounting discipline for academic credit at an accredited four year college or university in at least two different areas of accounting above the introductory or elementary level.

accredited four year college or university in at least two different areas of accounting above the introductory or elementary level.  
The work must involve the application of appropriate technical and behavioral standards such as standards contained in the Code of Professional Conduct, GAAS, SSAE, SSARS, the Statement on Standards for Tax Services (AICPA), the Statements on Standards for Management Consulting Services (AICPA), International Financial Reporting Standards (IASB) or other such standards as designated by policy statements of the Board.  
[Click here to view Georgia's rules on acceptable experience.](#)

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## guam

### Initial License Requirements

#### Initial License/Initial Certification/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must have good moral character.

#### Education Requirement

Applicant must meet one of the four educational requirements below:

A graduate degree with a concentration in accounting from an accounting program or department that is accredited (Level 3) by an accrediting agency recognized by the Guam Board;

A graduate degree from a business school or college of business that is accredited (Level 2) by an accrediting agency recognized by the Guam Board and completion of at least twenty-four (24) semester hours in accounting at the upper division or graduate level, or an equivalent combination thereof, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting;

A baccalaureate degree from a business school or college of business that is accredited (Level 2) by an accrediting agency recognized by the Guam Board and completion of one hundred fifty (150) semester hours including: (A) at least twenty-four (24) semester hours in accounting at the upper division or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting; and (B) at least twenty-four (24) semester hours in business courses (which shall include six (6) semester hours in economics, three (3) semester hours in business law, three (3) semester hours in finance and can include accounting courses beyond the elementary level in excess of those included to meet the twenty-four (24) semester hour requirement at the upper division level or graduate level); OR

A baccalaureate or higher degree from an accredited (Level 1) educational institution and completion of one hundred fifty (150) semester hours including: (A) At least twenty-four (24) semester hours in accounting at the upper division or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting; and (B) At least twenty-four (24) semester hours in business courses (which shall include 6 semester hours in economics, three (3) semester hours in business law, three (3) semester hours in finance and can include accounting courses beyond the elementary level in excess of those included to meet the twenty-four (24) semester hour requirement at the upper division level or graduate level).

An upper division course is normally defined as a course taken at the junior or senior level. In accounting, this would normally be all courses taken beyond the elementary level.

#### Examination Requirement

Applicant must have passed all sections of the Uniform CPA Examination.

#### Experience Requirement

An Applicant shall have two years of experience; or if the applicant's educational qualifications comprise a baccalaureate degree with an accounting concentration or the equivalent, and not less than thirty semester hours of additional study in the field of business or related subjects, then the Applicant shall have one year of experience.

An Applicant who **first sat for the exam as a Guam candidate in May 2000 or prior**, shall have (A) two years of experience in the practice of public accountancy, OR (B) if Applicant's educational qualifications comprise a baccalaureate degree with an accounting concentration, or equivalent, as determined by the Guam Board to be appropriate, and not less than thirty semester hours of additional study in the field of business or related subjects, then such Applicant shall have one year of experience in public accountancy.

An Applicant who **first sat for the exam as a Guam candidate in November 2000 or after, but before October 2005** shall have one year of experience in the practice of public accountancy.

One year of experience is defined as a minimum of 2,000 hours obtained over a period of not less than one year nor more than three years of full-time or part-time employment. Experience may be gained via employment in government, industry, academia or public practice, and shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. The type of experience currently acceptable can be applied retroactively.

#### Transfer of Grades Experience Requirement

An Applicant who first sat for the exam as other than a Guam candidate and **did not** meet Guam's current one hundred fifty hour educational requirements at the time of first sitting shall have had two years of acceptable experience in the practice of public accountancy.

An Applicant who first sat for the exam as other than a Guam candidate and **did** meet Guam's current one hundred fifty hour educational requirements at the time of first sitting shall have had one year of acceptable experience in the practice of public accountancy.

#### Notice to Transfer of Grades Applicants

The Guam Board will only recognize CPA exam grades transferred from any other licensing jurisdiction if, and only if, such grades were earned by a candidate meeting Guam's qualifications and requirements to sit for the CPA exam as stated in the Guam Accountancy Act statute and rules, as amended, as of July 31, 2010. Please note that substantial equivalency or reciprocity applications do not provide for the transfer of CPA exam grades from another jurisdiction, but depend upon another jurisdiction's granting or an actual license or certificate to such applicant. [Click here to view this notice](#) dated "6/22/2010" in its entirety on the Guam web site.



## hawaii

### Initial License Requirements

#### Initial Certificate/Initial Permit to Practice

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement for Certificate

Applicant must be at least eighteen years of age.

Applicant must possess a history of competence, trustworthiness and fair dealing.

All Applicants are required to be either a United States citizen, a United States national, or an alien authorized to work in the United States. The Hawaii Board will issue the Applicant a conditional approval that will allow a two-year window for the Applicant to obtain authorization to work in the United States by contacting the U.S. Bureau of Citizenship and Immigration Services. This approval does not constitute a license to engage in the accountancy profession.

#### Education Requirement

**Applicants who passed the Uniform CPA Examination prior to December 31, 2000, or held conditional credits before December 31, 2000, may continue to meet the following education requirements:**

a baccalaureate degree conferred by a college/university recognized by the Hawaii Board;

thirty (30) semester hours of upper division/graduate level business-related courses in addition to the baccalaureate. (You also have the option to substitute 30 months of professional experience with a public accounting firm for the 30 additional semester hours. These 30 months of experience may not also be utilized to satisfy the experience requirement.); and

eighteen (18) semester hours of upper division/graduate level accounting/auditing courses, within the first two requirements.

**Applicants who passed the examination after December 31, 2000, must have:**

150 semester hours of college education which must, at minimum, include:

a baccalaureate or higher degree; and

24 semester hours in accounting courses, of which **at least 18 semester hours must be in upper division or graduate level** accounting courses including, without limitation, courses in financial accounting, auditing, taxation, and managerial accounting; and

24 semester hours in upper division or graduate level accounting or non-accounting business-related courses including, without limitation, courses in accounting and auditing; taxation; management services; computer science; economics; business law; legal and social environment of business; functional fields of business (finance, production, marketing, personnel relations, and business management); organization, group, and individual behavior; quantitative applications in business; communication skills; business ethics; globalization; total-quality management; and other business-type courses.

**Applicants who obtained their education outside the United States must have their transcripts evaluated by a foreign credential evaluation service. Such Board approved services are listed in the procedures section.**

#### Examination Requirement for Certificate

Applicant must have passed the Uniform Certified Public Accountant Examination.

Foreign applicants must furnish evidence that the applicant passed an examination similar to the Uniform CPA Examination.

#### Experience Requirement for Certificate

Applicant must have 1,500 chargeable hours in performance of audits involving generally accepted accounting principles and auditing standards earned while in public accounting practice; *OR*

Applicant must have two (2) years of professional experience in public accounting practice, private industry, government, or education.

This experience must include (1) the issuance of reports on financial statements involving the use of accounting or auditing skills, or both, and the application of generally accepted accounting principles or another comprehensive basis of accounting of the US; (2) management advisory or consulting services involving the use of accounting or auditing skills, or both; or (3) the preparation of tax returns or furnishing of advice on tax matters in accordance with applicable tax laws of the US.

Applicant must have gained this experience while employed on a full-time basis under the supervision of an individual who holds or has held a license in this State, or the equivalent in another jurisdiction, during the period of supervision; provided that an applicant may be immediately supervised by a non-licensee as long as the applicant ultimately reports to, is instructed by, is reviewed by, and is evaluated directly by an individual who holds or has held a license in Hawaii, or the equivalent in another jurisdiction, during the period of supervision.

The individual or supervisor described above shall hold or have held both a license and permit to practice in Hawaii or the equivalent of such in another jurisdiction, during the period of supervision.

Applicant's experience must have been of a full-time nature, measured in terms of weeks.

Full time employment means working at least 35 hours per week.

#### CPE Requirement for Permit to Practice

Applicant shall obtain 80 hours of continuing professional education. A licensee shall be credited with 80 hours of CPE for passing the Uniform CPA Examination, provided an application for the permit to practice is filed within two years of the notification date for passing the exam. Forty hours of CPE will be credited for passing the Uniform CPA Examination if the application for the permit is filed within three years of the notification date for passing the exam.

All CPE sponsors must be pre-approved by the Hawaii Board or NASBA or another state accountancy board.





## idaho

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be eighteen (18) years of age or older.

Applicant must be of good moral character. Criminal History background check required.

Applicant must be a resident, have been a resident or intend to immediately become a resident of the state of Idaho.

#### Education Requirement

Applicant must have completed a Bachelor's degree from a regionally accredited college or university acceptable to the Board and 150 semester credits which includes at least 24 semester credits in business and 24 semester credits in accounting. The accounting credits must have covered the subjects of financial, audit, management and tax accounting.

An Applicant for licensure who was accepted for the May 2000 CPA exam or prior examination does not have to fulfill additional educational requirements beyond those required at the time of acceptance to sit for the CPA examination.

#### ***There are four options in which an Applicant can meet the 150-semester hour requirement. These options are listed below.***

Earned a graduate degree with a concentration in accounting from a program that is accredited in accounting by an accrediting agency approved by the Idaho Board.

Earned a graduate degree from a program that is accredited in business by an accrediting agency approved by the Idaho Board and completed at least twenty-four (24) semester hours in accounting at the undergraduate or fifteen (15) semester hours at the graduate level, or an equivalent combination thereof, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting.

Earned a baccalaureate degree from a program that is accredited in business by an accrediting agency approved by the Idaho Board and completed twenty-four (24) semester hours in accounting at the undergraduate or graduate level including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting; and completed at least twenty-four (24) semester hours in business courses (other than accounting courses) at the undergraduate or graduate level.

Earned a baccalaureate or higher degree and completed at least twenty-four (24) semester hours in accounting at the upper division or graduate level at an institution approved by the Idaho Board and including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting; and completed at least twenty-four (24) semester hours in business courses (other than accounting courses) at the undergraduate or graduate level.

#### Exam Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must pass the AICPA Ethics Exam or any ethics exam the Idaho Board will deem equivalent. *(Applicants approved to sit for the Uniform CPA Examination prior to May 2000 are not required to take an ethics exam.)*

#### Experience Requirement

Applicant must have one year of experience, either full time or part time, that extends over a period of no less than 12 months and no more than 36 months.

Applicants experience must be verified by a CPA or LPA who was actively licensed to practice during the experience.

The experience must include no fewer than 2,000 hours.

Applicant's experience must be obtained within the 10 year period immediately preceding the application for license.

Applicant's experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.

Experience may be gained through employment in government, industry, academia or public practice.

## Illinois

### Initial License Requirements

#### Initial Certificate/Acceptance of Examination

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant shall be at least 18 years of age or older.

#### Education Requirement Through June 30, 2013

Applicants must present proof of the successful completion of 150 college or university semester hours of study or the quarter-hour or other academic credit unit equivalent.

Applicant must meet one of the following four (4) options to meet the 150-semester hour requirement:

Applicant can earn a graduate degree with a concentration in accounting from an accredited institution recognized by the board.

Applicant can earn a graduate degree from a program accredited in business by a board-approved accreditation body and the completion of at least 24 additional hours of accounting courses at the undergraduate level or 15 hours of accounting courses at the graduate level or equivalent combination. The additional courses should cover the subject areas of financial accounting, auditing, taxation and management accounting.

Applicant can earn a bachelor's degree from a program accredited in business by a board approved accreditation body with 24 hours in accounting at the graduate or undergraduate level including courses that cover financial accounting, auditing, taxation and management accounting and 24 additional semester hours of business courses or substantially equivalent courses (other than accounting) at the graduate or undergraduate level.

Applicant can earn a bachelor's or higher degree from an accredited education or institution recognized by the board including 24 hours of accounting courses at the undergraduate and/or graduate level with **at least one course each** in financial accounting, auditing, taxation and management accounting and at least 24 additional semester hours in business courses or substantially equivalent courses (other than accounting).

All education requirements must be satisfied at the time the application for examination is submitted.

#### Transitional Provisions for New Educational Requirements:

In order to qualify under the current educational requirements, all documentation, including final official transcripts must be received in the Board office no later than close of business on Friday, June 28, 2013. A detailed description of the eligibility of candidates who have previously qualified to take the exam or have already taken the first section of the exam can be found on the [Illinois Board's home page](#).

#### Education Requirements Beginning July 1, 2013:

Beginning July 1, 2013, an applicant must provide proof of successful completion of:

150 semester credit hours, as defined, of college or university study that includes an accounting concentration or equivalent; and a baccalaureate or higher degree; and

meet one of the following three (3) options

Earned a graduate degree from an accounting program that is accredited in accounting by an accrediting agency recognized by the Board;

Earned a graduate degree from a business or accounting program that is accredited in business by an accrediting agency recognized by the Board and completed at least 30 SCH in accounting;

Earned a baccalaureate or higher degree from an accredited education institution recognized by the Board with 30 SCH in accounting and at least 24 SCH in business other than accounting.

#### Examination Requirement

Applicant must score 75 or better on all sections of the Uniform CPA Examination. All four parts must be passed within 18 months of passing the first part.

Applicant must pass the AICPA Ethics Examination with a score of 90 percent.

An applicant provisionally approved to take the exam will receive his or her exam scores only after the Board of Examiners has received a final transcript. Provisionally approved means in order to meet the educational requirements, the applicant had course work in progress at the time he or she took the exam. The Board needs proof that the applicant completed these courses; therefore, transcripts showing posted credit for these courses are required. The final transcripts must be received in the Board office within 120 days of taking the first section of the exam, or scores for all exam sections authorized with provisional approval will be voided.

#### Experience Requirement

Applicant shall have at least one year of full-time experience, or its equivalent, providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax, or consulting skills, which may be gained through employment in government, industry, academia, or public practice.

#### Continuing Professional Education (CPE) Requirement

Applicants must have completed at least 90 hours CPE in the 3 years immediately preceding the application, if more than 4 years have elapsed since the applicant has been awarded the C.P.A. certificate.

#### Transfer of Credits by Candidate Who Has Passed the Examination in Another State

A candidate who has passed the entire examination in another jurisdiction, or has passed a portion of the examination equivalent to the entire Illinois examination, but who is ineligible to obtain a certificate from such other jurisdiction may transfer the credits and receive a certificate in Illinois provided:

the educational requirements of Illinois have been met; and

the Applicant would be entitled to an Illinois certificate if the examination had been written under the Illinois statute and rules.

the Applicant would be entitled to an Illinois certificate if the examination had been written under the Illinois statute and rules.

The fee in force must accompany the application for a transfer of credits for the entire examination.

Transfer of credits shall be accepted if the Applicant wrote all subjects on the initial examination, and (A) passed all subjects, or (B) before May, 1994, passed Practice or any two subjects, obtained a grade of at least 50 in each subject failed, and passed the failed sections within the next 6 succeeding examinations, or (C) after May, 1994, passed any 2 subjects, obtained a grade of at least 50 in each subject failed, and passed the failed sections within the next 6 succeeding examinations.

You must have been fully qualified educationally to take the CPA examination as though you were sitting as an Illinois candidate in order for partial (conditional) credit or full pass credit to transfer to Illinois. This means that the coursework must have been completed prior to the first day of the exam at which you earned conditional or pass credit.

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## indiana

### Initial License Requirements

#### Initial Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must demonstrate good moral character through a lack of a history of dishonest or felonious acts.

#### Education Requirement

*Before January 1, 2000*, Applicants must have graduated with a baccalaureate degree from a college or university recognized by the Indiana State Board.  
*After December 31, 1999*, Applicants must have at least 150 semester hours of college education, including a baccalaureate or higher degree conferred by a college or university acceptable to the Indiana State Board.

**Option 1 for meeting the 150-semester hour rule:** Applicant must have earned a graduate degree from an accredited college or university and completed: (A) a minimum of 24 semester hours in accounting at the undergraduate level or 15 semester hours in accounting at the graduate level or an equivalent combination of undergraduate and graduate hours **and** (B) at least 24 hours in business administration and economics courses (other than accounting courses). The business courses can include 6 hours of business and tax law courses and 6 hours of computer science courses. The accounting hours must cover the subjects of financial accounting, taxation and managerial accounting. If the accounting hours are a mixture of undergraduate and graduate hours, then the higher number of hours applies.

**Option 2 for meeting the 150-semester hour rule:** Applicant must have earned a baccalaureate degree from an accredited college or university and completed: (A) 24 semester hours in accounting at the undergraduate or graduate level including courses covering the subject areas of financial accounting, auditing, taxation and managerial accounting **and** (B) at least 24 hours in business administration and economics courses other than accounting courses. The business administration courses may include up to six (6) hours of computer science.

College hours with substantial duplication of content may be counted only one time towards meeting the educational requirements.

#### Exam Requirement

Applicant must have successfully passed the Uniform CPA Examination with a passing grade of 75% or higher.

#### Experience Requirement

Applicants must have two years of experience that constitutes the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. The experience can be gained through employment in government, industry, academia or public practice.

**Education in lieu of Experience:** An advanced degree in accounting or business administration from a college or university recognized by the Board and satisfactory completion of related subjects that the Board determines are appropriate may be substituted as the Board determines appropriate for experience required for a certificate. This option is further defined in 872 IAC 1-1-8.4 as follows:

A master's degree in accounting or business administration from a college or university recognized by the Board may be substituted for 12 months of accounting experience for any person who was a first time exam candidate prior to January 1, 2000.

A doctorate degree in accounting or business administration from a college or university recognized by the Board may be substituted for 12 months of accounting experience.

An applicant may not receive experience credit for more than one advanced degree.

## iowa

### Initial License Requirements

#### Initial Certificate, Transfer of Exam Scores, LPA

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

##### *Initial Certificate for Certified Public Accountants*

###### **General Requirement**

Applicant must be of good moral character.

###### **Education Requirement**

Applicant shall complete at least 150 semester hours, or the trimester or quarter equivalent of 150 semester hours, of college education, and receive a baccalaureate or higher degree conferred by a college or university recognized by the Iowa State Board, the total educational program to include a concentration in accounting or what the Iowa State Board determines to be substantially equivalent.

###### **Examination Requirement**

Applicant shall have passed the Uniform CPA Examination.

Applicant also shall have passed an examination covering the code of ethical conduct prior to issuance of the certificate.

###### **Experience Requirement**

Experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Experience may be gained through employment in government, industry, academia, or public practice.

Applicant shall have one year of experience that shall consist of full or part-time employment extending over a period of no less than one year and no more than three years, and includes no fewer than 2,000 hours of performance of applicable services. Experience may be gained in more than one employment situation, including an internship.

An applicant seeking qualification as an attest CPA shall have, at a minimum, two years of experience. Experience must extend over a period of no less than two years and include no fewer than 4,000 hours, at least 2,000 of which must be providing attest services under the supervision of one or more CPAs responsible for supervising attest services on behalf of a CPA firm that holds a permit to practice in Iowa or an equivalent form of CPA firm licensure in another jurisdiction.

All experience shall be verified by a licensee with direct supervisory control over the Applicant, or by a licensee who can attest that the experience gained by the Applicant meets the requirements above if the Applicant is not supervised by a licensee.

Teaching experience shall be in the employment of an institution of higher education and shall include teaching a minimum of 24 semester hours of accounting courses for which the course participants receive credit on an official transcript. Teaching of noncredit continuing education courses shall not qualify.

##### *Initial License for Licensed Public Accountants*

###### **General Requirements**

Applicant must be of good moral character.

Applicant must pass the AICPA Ethics Examination.

Applicant must complete seven (7) continuing professional education hours in the Statement on Standards for Accounting and review Services prior to obtaining an LPA license.

###### **Education Requirement**

The Applicant must meet one of the following requirements:

Applicant holds a license as an accounting practitioner issued under the laws of Iowa in full force and effect on July 1, 2002, and has completed additional educational requirements as prescribed by the board; or

The Applicant submits evidence satisfactory to the Iowa State Board that the Applicant is a graduate of a four-year college or university accredited by the North Central Accreditation Association or other regional accreditation association having equivalent standards, with a major in accounting; or the Applicant is a graduate in accountancy from a business or correspondence school accredited by the accrediting commission for business schools or the accrediting commission of the national home study council; or

The Applicant submits evidence of at least five years of continuous experience engaged in performing any of the following services on a full-time basis:

- Records financial transactions in books of record.
- Makes adjustments of financial transactions in books of record.
- Makes trial balances from books of record.
- Prepares internal verification and analysis of books or accounts of original entry.
- Prepares financial statements, schedules, or reports.
- Devises and installs systems or methods of bookkeeping, internal controls of financial data, or the recording of financial data.
- Prepares compilations; or

The Applicant has had two or more years' actual experience in practice as an accountant as an employee of a certified public accountant, an accounting practitioner, or a licensed public accountant.

###### **Examination Requirement**

Applicant must successfully complete an examination prepared by the Accreditation Council for Accountancy and Taxation or successfully pass the Financial Accounting and Reporting - Business Enterprises and Accounting and Reporting - Taxation, Managerial, Governmental and Not-for-Profit

Financial Accounting and Reporting - Business Enterprises and Accounting and Reporting - Taxation, Managerial, Governmental and Not-for-Profit portions of the Uniform CPA Examination.

**Experience Requirement**

Applicant for initial license must have no less than one year experience.

Qualifying experience is providing any type of service or advice involving the use of accounting, compilation, management advisory, financial advisory, tax or consulting skills. Experience may be gained through employment in government, industry, academia or public practice.

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## kansas

### Initial License Requirements

#### Initial Certificate/Initial Permit

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.  
Applicant must be a resident of Kansas or have a place of business or be employed in Kansas.

#### Education Requirement

Applicant must have successfully completed course work consisting of at least 150 semester hours, with a concentration in accounting, at a college or university recognized by the Kansas State Board and be the holder of a baccalaureate or higher academic degree.

The "concentration in accounting" must consist of:

- (a) At least 42 semester credit hours in business and general education courses, including the following: (1) macro- and micro-economics plus one upper division economics course; (2) at least two courses in the legal aspects of business or business law ([click here for details of acceptable Business Law courses](#)); (3) college algebra or higher level course; (4) statistics and probability theory; (5) computer systems and applications; (6) finance; (7) management and administration; (8) marketing; and (9) production, operations research, or applications of quantitative techniques to business problems;
  - (b) at least 11 semester credit hours in written and oral communications; and
  - (c) at least 30 semester credit hours in accounting theory and practice including: (1) financial accounting; (2) managerial accounting beyond an introductory course; (3) auditing; (4) income tax; and (5) accounting systems beyond an introductory computer course.
  - (d) Not to exceed a total of six hours, up to three hours of course requirements in each of subsections (a), (b), and (c) above may be waived by the Kansas Board upon receipt of satisfactory verification that the Applicant has otherwise met the requirements.
- Credits earned for an accounting internship may be used toward the 150-hour requirement, but are not acceptable toward the Accounting Concentration.

**Foreign Transcripts.** Transcripts received from foreign universities must be evaluated by a Kansas Board approved credentialing evaluation service.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.  
Applicant must have passed the AICPA ethics examination.

#### Experience Requirement (*applicable for Initial Permit to Practice only*)

Applicant must submit evidence satisfactory to the Kansas State Board of having completed one year of accounting experience. This experience shall include providing any type of service or advice involving the use of attest or non-attest skills all of which was verified by a certified public accountant holding an active license to practice.

Experience is acceptable if it was gained through employment in government, industry, academia or public practice.

Any individual permit holder who is responsible for supervising attest or compilation services, and signs or authorizes someone to sign the accountant's report on any audit, review, compilation or the examination of prospective financial information on behalf of the firm, shall meet the experience or competency requirements, as adopted by the Kansas State Board.



## kentucky

### Initial License Requirements

#### Initial CPA License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be 18 years old.

Applicant must be of good moral character.

An examination candidate who passes all sections of the exam after January 1, 2011, shall apply for a license within five (5) years from the last day of the testing window during which the candidate successfully completed the exam.

#### Education Requirement

**Prior to 2000:** Applicant must have a baccalaureate degree or master's degree conferred by a Kentucky Board approved college or university with a major or concentration program in accounting or Kentucky Board determined equivalent.

**Beginning in 2000:** New CPA examination candidates must have completed 150-semester hours that include a baccalaureate or master's degree conferred by a Kentucky Board approved college or university with a concentration in accounting or equivalent as defined by the Kentucky Board.

A concentration in accounting means a minimum of 39 semester hours in business-related subjects, of which at least 27 semester hours consists of accounting courses.

An accounting course is one that contains in the course prefix or title the word "accounting" or some variation thereof.

Business-related subjects means courses that contain in the course prefix or title an indication that the course subject matter is one of the following: business, finance, marketing, management, economics, computers, statistics or accounting.

A transcript from a post-secondary educational institution located outside the United States shall be certified by the Foreign Academic Credential Services ("FACS") or similar credentialing agency that is a member of the National Association of Credential Evaluation Services, Inc.

#### Examination Requirement

Applicant must successfully pass the Uniform CPA Examination.

#### Experience Requirement

Applicants that passed the Uniform CPA Examination as a Kentucky candidate must complete one (1) year of experience in an accounting or auditing position in public practice, academia, industry or government.

Experience must be verified by an actively licensed CPA of any state.

One year of experience is defined as 2,000 hours in a period of not less than 12 months earned after completion of the education requirements. The hours can not include any leave or holiday time.

Experience must be earned within five (5) years from the last day of the testing window during which the candidate successfully completed the examination.

Experience can also be obtained by teaching one (1) year at an institution of higher learning. One (1) year is defined as teaching 24 semester hours of accounting courses in which the course participants received semester credit on an official transcript. [View Kentucky rule 201 KAR 1:064 for the complete rule](#) .

[Click here to review more information on Kentucky's experience requirements.](#)

#### Residency Requirement

At the time of applying for a license, Applicant must be (1) a United States citizen, (2) a citizen of a foreign country who is legally residing in the United States, or (3) an employee of a public accounting firm, company, or an institution of post-secondary education located outside the United States, but which has an office or campus located in the United States.

## Louisiana

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must have good moral character.  
Applicant must have maintained continuous physical presence in Louisiana for a period of not less than 120 days within the one-year period preceding the date of initial examination.

#### Exam Requirement

Applicant must successfully complete the Uniform CPA examination.

#### Educational Requirement

**Prior to January 1, 1997**, Applicant must have a baccalaureate degree conferred by a Louisiana college or university approved by the Louisiana Board and have an adequate concentration in accounting. If the degree does not reflect a concentration in accounting, then the Louisiana Board may require Applicant to complete additional course work.

**After January 1, 1997**, Applicant must have 150 semester hours of college credit with an accounting concentration or Louisiana Board determined equivalent and a baccalaureate or higher degree conferred by a college or university approved by the Louisiana Board.

The accounting concentration consists of 24 hours of specific accounting and 24 hours of business courses (including 3 semester hours of commercial law as it affects accountancy). [Click here to see the specific accounting and business course requirements within the 150 hour requirement](#) OR [see Rule 503 for more details regarding "accounting concentration."](#)

**Transfer of Grades Applicant.** Applicant must have completed the educational requirements *prior* to sitting for the examination in another state. An exception will be allowed for a bona fide resident of another state who took the exam in his/her state of residency, which did not have the 150 hour requirement at the time Louisiana's was in effect. Such applicants may complete their education requirements after sitting for the exam, but prior to applying for the transfer of grades. In addition, the Applicant must have completed at least 120 days of residency in Louisiana within the year prior to applying for a transfer of grades.

#### Experience Requirement

Applicant must demonstrate proof of one year of experience.

Experience may consist of providing any type of services or advice using accounting, attest, management advisory, financial advisory, tax or consulting skills. Such experience shall be of sufficient depth and quality and have been supervised by an active certificate holder or one from another state who has significant exposure to and review of the Applicant's work.

One year of experience may consist of full-time (40 hours per week) or part-time employment that extends over a period of no less than one year and no more than four years. Experience shall be obtained within the immediate four-year period preceding the application. Part-time employment shall consist of no fewer than 2,000 hours of performance of services as described above.

Experience may be obtained in government, industry, academia or public practice.

## maine

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Education Requirement

Applicant must have at least 150 semester hours, including a 4 year baccalaureate or higher degree conferred by a college or university acceptable to the Maine Board, that shall consist of at least 15 hours of accounting, auditing, and ethics, including at least three (3) hours of auditing and three (3) hours of accounting.

#### Exam Requirement

Applicant must have passed all four parts of the Uniform CPA Examination.

#### Experience Requirement

Applicant must have two years of acceptable experience and must include a minimum of 400 hours of experience in audit, review, or compilation procedures and a minimum of 200 hours of experience in at least one of the following: the provision of management advisory, financial advisory or consulting services, the preparation of tax returns, or the furnishing of advice on tax matters. One year of experience consists of 2,080 hours of work experience.

Experience must include the use of accounting or auditing skills including the issuance of reports on financial statements and at least one of the following: the provision of management advisory services, financial advisory services or consulting services, the preparation of tax returns, the furnishing of advice on tax matters or equivalent activities as determined by the Maine Board.

Applicant must have experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in accounting records in accordance with Generally Accepted Accounting Principles; preparation of audit working papers covering the examination of the accounts usually found in accounting records; in the preparation of written explanations and comments on the findings of the examination and on the content of the accounting records; personal involvement in the preparation of audited financial statements in accordance with Generally Accepted Accounting Principles together with explanations and notes thereon and such as to acquaint the individual with the preparation of the compilation and review of financial statements in accordance with generally accepted professional standards such as Statements on Standards for Accounting and Review Services; and involvement in the planning process of an audit.

The Maine Board has specific laws on experience as a revenue agent or similar position. [Click here to review those laws](#).

#### CPE Requirement

If Applicant's certificate was issued more than four years prior to this application for issuance of an initial permit, then he/she must have fulfilled the requirements of continuing professional education which consist of not less than 40 hours in each one-year period ending on September 30th. Applicant must obtain 4 hours of professional ethics CPE every three years.

## maryland

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good character and reputation.  
Applicant must be 18 years of age.

#### Education Requirement

Applicants must have satisfactorily completed 150 semester hours or the equivalent, obtained a baccalaureate or higher degree and the education hours must include the following:

A minimum of 27 undergraduate semester hours or 41 undergraduate quarter hours of accounting courses to include each of the following subjects:

- Auditing of at least 3 undergraduate semester hours or 4 undergraduate quarter hours;
- Financial accounting of at least 9 undergraduate semester hours or 12 undergraduate quarter hours;
- Managerial cost accounting of at least 3 undergraduate semester hours or 4 undergraduate quarter hours; and
- U.S. federal income tax of at least 3 undergraduate semester hours or 4 undergraduate quarter hours; and

At least 3 undergraduate semester hours or 4 undergraduate quarter hours in:

- Business ethics;
- Accounting ethics;
- Philosophy of ethics; or
- A course that examines the framework for modern ethical decision making.

A minimum of 21 undergraduate semester hours or 32 Undergraduate quarter hours in the following business-related subjects, including 3 undergraduate semester hours or 4 undergraduate quarter hours in at least five of the following subjects:

- Statistics;
- Economics;
- Corporation or business finance;
- Management;
- U.S. business law;
- Marketing;
- Business Communication;
- Information technology/systems; and/or
- Quantitative methods.

[Click here to review information on board approved accounting curriculum.](#)

#### Examination Requirement

Applicant must pass all sections of the Uniform CPA Examination.  
Applicant must successfully pass the AICPA Professional Ethics examination.

#### Experience Requirement

The Applicant shall demonstrate a minimum of 2,000 hours of practical work experience (1 full year). This practical work experience must have been completed within 3 years immediately preceding the date of the individual's initial license application.

Practical Experience includes providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax, or consulting skills. Such practical experience may be obtained through employment in government, industry, academia, or public practice.

Work experience must be endorsed by a licensed active CPA.

#### CPE Requirements

Maryland licensure candidates who apply for licensure 4 or more years after passing the exam are required to document 80 hours of CPE. This includes four hours of professional ethics, in addition to the experience requirements and successful completion of the AICPA's comprehensive ethics course.

#### Transfer of Grades:

An individual who has passed all parts of the Uniform CPA Examination in another state may receive a Maryland license without retaking the examination, if:

#### General Requirement

The applicant is of good character and reputation.  
The applicant is 18 years of age or older.  
The applicant has never been licensed as a certified public accountant in any state.

#### Education and Experience Requirements

The applicant either:

- Met the requirements of education and experience at the time of initially applying to take the examination in the other state; or
- Meets the current Maryland requirements of education and experience.

#### CPE Requirements

**CPE Requirements**

An applicant who passed the examination more than 4 years prior to applying for transfer of grades must complete 80 hours of continuing education.

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## massachusetts

### Initial License Requirements

#### Original License/Certificate to Practice as a CPA

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be at least 18 years of age.

Applicant must have good moral character and fitness.

**IMPORTANT NOTICE:** Applicants who sat for and passed the CBT with only 120 hours: Failure to meet the 150 education requirements within three years of the date on which the applicant receives notice that he or she has passed all parts of the CBT shall result in the expiration of the applicant's credit for passing all parts of the CBT, and all parts of the CBT must be retaken and passed before becoming eligible again for a Certificate as a Certified Public Accountant.

#### Education Requirement

Applicants must have completed 150 semester hours (225-quarter hours) of college or university education, to include a bachelor's degree from a nationally or regionally accredited institution, in accordance with one of the following four provisions:

**Option #1:** Earned a graduate degree in accounting from a program at a nationally or regionally accredited college or university that is further accredited by the Association to Advance Collegiate Schools of Business (AACSB). Programs not accredited by AACSB must be approved by the Board as having substantially equivalent educational program requirements;

**Option #2:** Earned a graduate degree in accounting, business administration or law from a nationally or regionally accredited college or university including 30 semester hours (45-quarter hours) of accounting at the undergraduate level, or 18 semester hours (27 quarter hours) of accounting at the graduate level. The accounting credits shall include coverage in financial accounting, auditing, taxation, and management accounting. In addition, the degree must include or be supplemented by, 24 semester hours (36 quarter hours) of business courses (other than accounting courses) at the undergraduate level or 18 semester hours (27 quarter hours) at the graduate level, or an equivalent combination thereof;

**Option #3:** Earned at least a bachelor's degree in business from a nationally or regionally accredited college or university including 30 semester hours (45-quarter hours) of accounting courses. The accounting credits shall include coverage in financial accounting, auditing, taxation, and management accounting. In addition, the degree must include, or be supplemented by, 24 semester hours (36-quarter hours) of business courses other than accounting courses. These business courses shall include coverage in the areas of business law, information systems, finance, and coverage in at least one of the areas of economics, business organizations, professional ethics, and/or business communication; or

**Option #4:** Earned a bachelor's degree from a nationally or regionally accredited college or university. This degree must include, or be supplemented by, 30 semester hours (45-quarter hours) in accounting courses at the undergraduate level. The accounting credits shall include at least three semester hours in each of the subject areas of financial accounting, auditing, taxation, and management accounting. In addition, the degree must include, or be supplemented by, 24 semester hours (36-quarter hours) of business courses at the undergraduate level, to include at least three semester hours in the subject areas of business law, business information systems, professional ethics and finance. Courses in business management of organizations, economics, and/or business communication may be included for the business course requirements.

**NOTICE:** Associate Degree/Junior College courses will be accepted only if transferred into a four year bachelor's degree program.

#### Examination Requirement

Applicant shall have passed the Uniform CPA Examination.

#### Experience Requirement

*If Applicant meets the education requirements of **Option 1 or 2**, then Applicant must have 1000 hours and at least one full year of employment in the public accounting report function on full disclosure financial statements, of which not more than 300 hours may consist of full disclosure compilations. Failure to comply with this 1 yr/1000 hour requirement or the requirements of [252 CMR 3.02\(5\)](#) shall restrict the privilege of the license to providing all public accounting services except issuing reports on financial statements.*

*If Applicant meets the education requirements of **Option 3 or 4**, then applicant must have at least one year of experience in the full time practice of public accounting (1820 total hours required). The experience shall have been in public practice or its governmental/non-public accounting equivalent.*

## michigan

### Initial License Requirements

#### Initial CPA Certificate, Registration and License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Exam Requirement

Applicant must pass the Uniform CPA Examination administered by CPA Examination Services. All four parts of the examination must be passed to obtain certification.

#### Education Requirement

Applicant must have completed 150 semester hours, including a baccalaureate or higher degree, with an concentration in accounting. The accounting concentration must include 30 semester hours of accounting subjects, including not more than 6 semester hours of taxation; and 39 semester hours, including a minimum of 3 semester hours, but not more than 12 semester hours, in at least 5 of the following areas: business law, economics, ethics, finance, management, marketing, taxation, statistics, and business policy.

Applicants are considered to have met this requirement if they have a masters degree in accounting or a master of business administration (MBA) that includes not less than 12 semester hours of graduate level accounting. These 12 semester hours shall **not** include tax or information system courses.

#### Experience Requirement

Applicants are required to have completed 1 year (2,000 hours) of qualifying experience in government, industry, academia, or public practice within a period of not less than one calendar year or more than five calendar years.

The experience must be verified by a CPA of this state, any other state, or any jurisdiction of the U.S.

Experience must be gained in 1 or more of the following areas:

- Audits of financial statements in accordance with the applicable standards at the time of engagement.
- Reviews of financial statements in accordance with the applicable standards at the time of engagement.
- Compilations of financial statements with complete disclosure in accordance with the applicable standards at the time of engagement.
- Attestation engagements in accordance with the applicable standards at the time of engagement.
- Other auditing in accordance with applicable standards at the time of engagement that leads to an expression of a written opinion including any of the following:
  - Reviews regarding internal control.
  - Operational audits.
  - Compliance audits.
  - Expressions of an opinion on financial forecasts and projections.
- Performance of an independent internal audit function.
- Compliance audits of government contracts performed on behalf of a government agency that result in the issuance of an opinion or report.
- Audits performed on behalf of a government audit agency that result in the issuance of an opinion or report.
- Preparation of income and nonprofit tax returns for any taxing jurisdiction.
- Properly documented tax research.
- Representation of a client before a government agency on a tax matter.
- Financial forecasts, analysis, and projections.
- Management advisory services including, but not limited to, business valuation, forensic accounting, and fraud examination services that meet applicable standards.
- Management and supervision of accounting functions and preparing financial statements for profit or nonprofit entities.
- Professional accounting-related work in a public accounting firm.
- Other work generally associated with the profession of public accounting.

## minnesota

### Initial License Requirements

#### Initial Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Education Requirement

All Applicants must meet one of the following conditions in satisfaction of the 150 semester hour requirement.

Applicant must have earned a graduate degree with a concentration in accounting from an accounting program or department that is accredited (level three accreditation) by an accrediting agency listed with the United States Department of Education;

Applicant must have earned a graduate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency recognized by the board and completed at least 24 semester hours in accounting at the undergraduate level or 15 semester hours at the graduate level, or an equivalent combination thereof, including coverage of, but not necessarily separate courses in, the subject of financial accounting, auditing, taxation, and management accounting;

Applicant must have earned a baccalaureate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency listed with the United States Department of Education and completed at least 24 semester hours in accounting at the undergraduate or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting; and completed at least an additional 24 semester hours in business-related or accounting courses at the undergraduate or graduate level; or

Applicant must have earned a baccalaureate or higher degree from an accredited educational institution (level one accreditation) that included or is supplemented by at least 24 semester hours of accounting at the upper division or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting that is earned at an accredited educational institution. Upper division is normally defined as junior or senior level. In accounting, this would be all courses taken beyond the elementary level. Graduate level is defined as courses that apply towards an advanced degree offered by an accredited educational institution offering bachelor's and graduate degrees in business or accounting.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must pass the AICPA Professional Ethics Examination with a 75% score.

#### Experience Requirement

The experience required to be demonstrated for issuance of an Initial Certificate must be at least one year and must comply with the items listed below.

Experience consists of providing any type of services or advice using accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

Applicant's experience must be verified to the Minnesota Board by a licensee from Minnesota or from another state. Acceptable experience includes employment in industry, government, academia, or public practice. The Minnesota Board will consider such factors as the complexity and diversity of the work appropriate for an Applicant receiving an Initial Certificate.

Experience as an auditor in the Office of the Legislative Auditor or State Auditor, as verified by a licensee, is acceptable experience.

One year of experience consists of full-time or part-time employment that extends over a period of no less than one year and no more than three years and includes no fewer than 2,000 hours of experience.

#### CPE Requirement

If the application for initial issuance of a certificate is received by the Minnesota Board more than four years after Applicant received notice of passing the CPA exam, then Applicant must submit proof of at least 120 hours of CPE received during the three year period preceding the application.



## mississippi

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be a resident of the state of Mississippi or have a place of business in Mississippi.  
Applicant must be of good moral character.

#### Education Requirement

Applicant must have completed 150 semester hours including a baccalaureate or higher degree conferred by a regionally accredited four (4) year college or university or equivalent with an accounting concentration. The accounting concentration must include:  
A minimum of 48 semester hours in upper division or graduate level accounting and business related courses.  
A minimum of 24 hours of the accounting concentration hours must be Accounting courses including a minimum of three semester hours in each of the following subjects: Financial Accounting, Auditing, Taxation, Management /Cost Accounting, and Government/Not for Profit Accounting.

#### Exam Requirement

Applicant must pass the Uniform CPA Examination.  
Applicant must make application for licensure within 5 years of passing the CPA examination.

#### Experience Requirement

Applicant must have a minimum of one year of experience gained by full time employment within five years immediately preceding the application and must have occurred under the supervision and direction of a licensed CPA.  
Acceptable experience includes the use of accounting or auditing skills that include but are not limited to the issuance of reports on financial statements, or one or more kinds of management advisory, financial advisory or consulting services or the preparation of tax returns or the furnishing of advice on tax matters or equivalent experience determined by the Mississippi Board.  
The Mississippi Board as a whole may consider experience that does not meet the above requirements.

#### CPE Requirement

Mississippi CPAs are required to obtain a minimum of 40 hours with each 12-month compliance period ending in June. Only 20 of the 40 hours may be from carry-over hours.  
A minimum of 3 hours must be earned in a Mississippi Board-approved Ethics and Professional Conduct course(s) every three (3) years.  
A minimum of one CPE credit must be earned in Public Accounting Law & Regulations during each triennial reporting period. No carry-over may be used to satisfy this requirement.  
Initial Applicants are exempt from earning CPE credit hours during the compliance period in which they complete the Uniform CPA Examination. Initial Applicants are also exempt from the Ethics, Professional Conduct, Public Accounting Law and Regulations CPE requirement for the remaining of that triennial compliance period. Any CPE hours earned during this time period can be carried forward provided the carry forward hours do not exceed the limit of 20 carry forward hours.

#### Firm Requirement

The issuance of the certificate of licensure does not automatically qualify an individual to practice public accounting in Mississippi unless such license holder is associated with a CPA firm that has been issued a Mississippi firm permit. However a sole proprietor not acting as a practice unit as defined by the Mississippi Board may practice as a licensee.

## missouri

### Initial License Requirements

#### Initial License/License by Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be a resident of Missouri or have a place of business in Missouri, or as an employee is regularly employed in Missouri.  
Applicant must be at least 21 years of age.  
Applicant must be of good moral character.

#### Education Requirement

**Applicants that applied for the initial CPA examination prior to June 30, 1999**, must hold a baccalaureate or higher degree conferred by an accredited college or university recognized by the Missouri Board with a concentration or major in accounting or the substantial equivalent of a concentration in accounting as determined by the Missouri Board; or

**Applicants that applied for the initial CPA examination after June 30, 1999**, must have at least one hundred fifty (150) semester hours of college education including a baccalaureate or higher degree conferred by an accredited college or university recognized by the Missouri Board, with a concentration or major in accounting or the equivalent as determined by the Missouri Board.

***The equivalent of a concentration in accounting shall be determined in the following manner:***

Applicant must have at least sixty (60) semester hours or ninety (90) quarter hours of accounting and other related courses.

At least thirty-three (33) semester hours or fifty (50) quarter hours shall be accounting courses with at least one (1) course in auditing.

At least eighteen (18) semester hours or twenty-seven (27) quarter hours shall be in accounting courses taken at the upper division level.

Introductory accounting courses will not be credited toward the required number of hours of accounting courses, but may be credited toward the other related courses.

#### Exam Requirement

Applicant must have successfully passed the Uniform CPA Examination.  
Applicant must satisfactorily complete a written examination in professional ethics acceptable to the Missouri Board.

#### Experience Requirement

Applicant must have one (1) year of accounting experience consisting of full-time employment that is no less than one (1) year and no fewer than two thousand (2,000) hours or in the case of part-time employment, experience that extends over a period of no less than one (1) year and no more than three (3) years and includes no fewer than two thousand (2,000) hours.

Applicant must have acceptable experience, which may include employment in industry, government, academia or public practice. The board may look at such factors as the complexity and diversity of the work as set forth in the experience verification section of the initial application form.

## montana

### Initial License Requirements

#### Initial Certificate/Permit to Practice/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Education Requirement

Applicant must have graduated from an accredited college or university with a baccalaureate degree and have successfully completed at least 150 semester hours of credit, with at least 24 semester hours of accounting courses above the introductory level, to include at least one course in each of the following areas: financial accounting; auditing; taxation; and management accounting, and 24 semester hours in non-accounting, general business courses.

#### Examination Requirement

Applicant must pass all sections of the Uniform CPA Examination  
Applicant must pass the open book ethics examination provided by the AICPA.

#### Experience Requirement

*Applicant may obtain an Initial CPA Certificate without meeting the experience requirement.*  
**To obtain a Permit to Practice**, Applicant must have at least one year (2,000 hours) of accounting experience of private, governmental, academic, or public accounting experience that is acceptable to the Montana State Board.  
Experience must take place within three (3) years prior to the date of the initial application for Permit to Practice.  
Experience must be attested to by a holder of a permit/license to practice public accounting in one of the 55 board jurisdictions.

#### CPE Requirement

To obtain a permit to practice, Applicant must show completion of 120 hours of CPE with at least 24 hours in subjects related to the reporting on financial statements and 2 hours of ethics. The 120 hours should be completed within the last three years.

## nebraska

### Initial License Requirements

#### CPA Certificate - Permit to Practice

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be a resident of Nebraska or have a place of business in Nebraska or, as an employee, be regularly employed in Nebraska.  
Applicant must meet the Character and Fitness Standards per [Title 288 Chapter 6 Section 002](#).

#### Education Requirement

Applicant must have completed a baccalaureate degree from an accredited college or university. If sitting for the CPA exam *after January 1, 1998*, then Applicant shall have completed at least one hundred fifty (150) semester hours or two hundred twenty-five (225) quarter hours of post secondary academic credit and have earned a baccalaureate or higher degree from a college or university accredited by the North Central Association of Colleges and Universities or a similar agency as determined to be acceptable by the Nebraska State Board.

Within the 30 semester or 45 quarter hours of accounting courses beyond principles, courses must include the following subjects:

- financial accounting theory and problems
- cost and managerial accounting
- tax preparation and planning
- auditing
- accounting information systems
- governmental and not-for-profit accounting

Within the 36 semester or 54 quarter hours in general business courses, courses must include the following subjects:

- macroeconomics
- microeconomics
- business law
- marketing
- management
- finance
- business communication
- business ethics
- quantitative applications in business
- principles of accounting

Within the 60 semester or 90 quarter hours in general education, courses must include the following subjects:

- oral and written communication skills
- mathematics
- arts, natural sciences, social sciences and humanities
- statistics

The remaining 24 semester or 36 quarter hours would be in electives.

Any person making initial application to take the Uniform CPA examination shall be deemed to have met the educational requirement if the applicant has earned a graduate degree in accounting from an accounting program or department that is accredited in accounting by the AACSB.

#### Examination Requirement

Applicant must pass all sections of the Uniform CPA Examination.  
Applicant must demonstrate successful completion of the AICPA's Professional Ethics self-study examination.

#### Experience Requirement

The CPA certificate holder must have obtained 4,000 hours of public accounting experience satisfactory to the Nebraska State Board, in a period of not less than two years, within a licensed/registered CPA firm and under the direct supervision of a CPA with an active Permit to Practice, in practice as a certified public accountant or in employment as a staff accountant by anyone engaging in the practice of public accountancy, or in any combination of the aforementioned types of experience; or

Three years of auditing experience satisfactory to the Nebraska Board in the office of the Auditor of Public Accounts or in the Department of Revenue; or  
Experience gained through employment by the federal government as a special agent or an internal revenue agent in the Internal Revenue Service, a degree from a college or university of recognized standing, and certification by a District Director of Internal Revenue that such person has had at least three and one-half years of field experience as a special agent or internal revenue agent.

## nevada

### Initial License Requirements

#### Original Certification/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.  
Applicant must be a resident of Nevada or have a resident agent that resides in Nevada.  
The Board of Accountancy is now mandated to conduct an Investigation of Criminal History on all applicants for CPA Certification.

#### Exam Requirement

Applicant must pass all four parts of the Uniform CPA Examination.  
Applicant must have passed an ethics exam within the past 3 years.

#### Education Requirement

Applicant must have a bachelor's degree that includes 150 hours of accounting education. Applicant must have the following hours included in the 150 hours:

30 semester hours or 45 quarter hours in accounting courses above the introductory level. Subjects to be covered include:

- Financial Accounting - 9 Hours
- Cost Accounting - 3 Hours
- Auditing - 3 Hours
- Federal Income Tax - 3 Hours
- Accounting Electives - 12 Hours

3 semester hours or 4.5 quarter hours of business law

24 semester hours or 36 quarter hours in business at the undergraduate or graduate level. The courses must be in areas other than accounting and courses already provided above.

**All foreign transcripts must be evaluated providing a detailed listing of each course indicating the U.S. equivalency of the semester hours and course descriptions in order to apply the 150 hour requirement accurately.**

#### Experience

Applicants must have two years of public accounting experience including 1,000 hours in the attest function, of which 700 hours must be in audit. The 4 year programs of the Internal Revenue Service, State Gaming Control Board, and the Legislative Counsel Bureau are also approved methods of gaining experience. Please refer to [NAC Chapter 628.064 -.068](#) for more specific information.  
If your experience deviates from the above, please [contact the Board office](#) to discuss your experience and other options that may be available.

#### Transfer of Grades

Applicant will be held to Nevada's current requirements for licensure **OR** the requirements in effect in Nevada on the date Applicant passed the CPA examination.

## new hampshire

### Initial License Requirements

#### Initial Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be a person of good moral character.

#### Education Requirement

**For applicants who first sat for the exam prior to January 1, 1996:** the applicant shall have had at least a baccalaureate degree from an accredited educational institution;

**For applicants who first sat for the exam on or after January 1, 1996 but before January 1, 2005:** the applicant shall have had at least a baccalaureate degree from an accredited educational institution with at least 12 semester hours in business and 12 semester hours in accounting; and

**For applicants who first sat for the exam on or after January 1, 2005:** the applicant shall have had at least a baccalaureate degree from an accredited educational institution, at least 120 semester hours of education with at least 12 semester hours in business and 12 semester hours in accounting.

**For applicants for certification on or after July 1, 2014:** the applicant shall have at least a baccalaureate degree that includes at least 150 hours from an accredited educational institution. The total required semester hours of education shall consist of not less than 48 hours in accounting and 24 hours in business courses

"Accredited institution" is defined as:

Approved by a member of a regional or national accrediting agency that is recognized by the U.S. Department of Education; or

Approved by the American Assembly of Collegiate Schools (AACSB).

**International Education is required to be evaluated by one of the following:**

[Association of International Credential Evaluators \(AICE\)](#)

[Education Records Evaluation Service \(ERES\)](#)

[Education Credential Evaluators \(ECE\)](#)

[Educational Perspectives](#)

[Foreign Academic Credential Service \(FACS\)](#)

[Josef Silny and Associates](#)

[International Education Research Foundation \(IERF\)](#)

[NASBA International Evaluation Services](#)

#### Examination Requirement

Applicant shall have passed the Uniform CPA Examination.

#### Experience Requirement

The experience requirement shall consist of public accounting experience in providing one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements, or one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters, or the equivalent, all of which was under the direction of a licensee in any state in practice as a certified public accountant or as a public accountant, or in any state in employment as a staff accountant by a certified public accountant or anyone practicing public accounting, or a combination of either of such types of experience and for the following periods of time:

Until June 30, 2014, two years for a candidate with a 4-year college degree, or the equivalent, and one year for a candidate holding a master's degree in accounting, taxation, finance or business administration.

On or after July 1, 2014, one year.

See [Rule AC 302.04](#) to view the details of the Board's experience requirements.

Experience must be earned prior to the date that the applicant applies for certification in New Hampshire.

Experience obtained in the employment of a governmental agency for the periods of time provided above in the following areas shall be accepted by the New Hampshire Board as qualifying experience:

In auditing the tax returns or books and accounts of non-governmental entities in three or more distinct lines of commercial or industrial business in accordance with generally accepted auditing standards under the direction of a licensee; or

In auditing the books and accounts or activities of three or more governmental agencies or distinct organizational units in accordance with generally accepted auditing standards under the direction of a licensee and reporting on their operations to a third party, to the Congress or to a state legislature; or

In reviewing financial statements and supporting material covering the financial condition and operations of nongovernmental entities engaged in three or more distinct lines of commercial or industrial business under the direction of a licensee to determine the reliability and fairness of the financial reporting and compliance with generally accepted accounting principles and applicable government regulations for the protection of investors and consumers.

The New Hampshire Board shall by rule prescribe other kinds of experience that meet the experience requirement, provided that minimum requirements shall include at least one year of experience in providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills, all of which shall be under the general direction of a licensee or other appropriately qualified professional acceptable to the New Hampshire Board. The Board only accepts or recognizes the following designations: CPA from the U.S., CPA from Hong Kong, Chartered Accountant from Australia, New Zealand, Canada, or Ireland, and Contadores Publicos Certificado from Mexico.

For full-time accounting employees, each year's experience shall consist of 12 calendar months as an employee under the direction of a licensed CPA, CA, CPC or other equivalent foreign designation holder, and shall include at least 1,500 hours of service solely involving the use of accounting or auditing skills as defined above.

skills as defined above.

In the case of non-full time employment, a year, for the purpose of accumulating the required experience, means 2,080 hours of accounting practice under the supervisions of a licensed CPA, CA, CPC or other equivalent foreign designation holder, and shall include at least 1,500 hours of service solely involving the use of accounting or auditing skills as defined above.

For purposes of determining the amount of experience, the New Hampshire Board shall accept only accounting and auditing services rendered in the six years immediately preceding the application if the Applicant has a baccalaureate degree and five years immediately preceding the application if the Applicant has a master's degree.

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## new jersey

### Initial License Requirements

#### Initial Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be at least 18 years of age.  
Applicant must be of good moral character.

#### Education Requirement

**Applicants who complete their education/degree prior to July 1, 2000:** must have a baccalaureate degree or equivalent with a minimum of 60 semester hours in general liberal arts courses and 60 semester hours from professional courses, including 24 hours in accounting that includes municipal and governmental accounting, at least 6 semester hours in business law, at least 6 semester hours in finance, at least 6 semester hours in economics and 18 semester hours in business related subjects.

**Applicants who complete their education/degree as of July 1, 2000:** must have at least 150 semester hours of education or its equivalent, including a baccalaureate or higher degree, from an institution of higher education accredited by a regional accrediting agency recognized by the Commission on Higher Education. The educational program shall include a concentration in accounting or its equivalent and related professional courses as determined by regulation of the New Jersey Board. [Click here to view the New Jersey Board's current regulations \(particularly 13:29-1A dealing with education details\)](#).

The 150 hours of education may be satisfied by any one of the following four conditions:

A graduate degree with a concentration in accounting from an accounting program or department which has been granted level three accreditation by the AACSB, the ACBSP or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB or the ACBSP;

A graduate degree from a business school or college of business which has been granted level two accreditation by the AACSB, ACBSP or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB or the ACBSP, and completed either (1) at least 24 semester hours in accounting at the undergraduate level or (2) at least 15 semester hours in accounting at the graduate level which included coursework in financial accounting, auditing, taxation and management accounting. An Applicant may complete an equivalent combination of undergraduate and graduate level coursework based upon a 3:2 ratio such that three credit hours at the undergraduate level are equivalent to two credit hours at the graduate level;

A baccalaureate degree from a business school or college of business which has been granted level two accreditation by AACSB, ACBSP or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB or the ACBSP, and completed the following: (1) at least 24 semester hours in accounting at the undergraduate level or the graduate level, which included coursework in financial accounting, auditing, taxation and management accounting; and (2) at least 24 semester hours in business courses (other than accounting courses) at the undergraduate level; OR

A baccalaureate or higher degree from an educational institution which has been granted level one accreditation from the Middle States Assoc. of Colleges and Schools, Commission on Higher Education or any other regional accrediting agency with standards that are substantially similar to the standards utilized by the Middle States Association of Colleges and Schools, Commission on Higher Education. Applicants shall have completed the following: (1) At least 30 semester hours in accounting, which included coursework in financial accounting, auditing, taxation and management accounting; and (2) at least 24 semester hours in business courses (other than accounting courses) at the undergraduate or graduate level.

#### Examination Requirement

Applicant must pass the Uniform CPA Examination.

#### Experience Requirement

Applicant must have one year of experience in the practice of public accountancy or its equivalent, under the direct supervision of a licensee meeting requirements prescribed by the New Jersey Board; and

The experience includes evidence of intensive and diversified experience in auditing or accounting as determined by regulation of the New Jersey Board. Experience must be obtained in full-time regular employment based on a minimum of 1,750 hours per year. Part-time experience will be considered equivalent if acquired within two consecutive years and in no less than the same amount of hours required for full-time experience.

All experience must be obtained after completion of baccalaureate degree.

#### Experience Exemptions

If an individual obtains four years of government, industry or education experience prior to the effective date of the Accountancy Act (April 8, 1998), then the New Jersey Board will accept that experience until April 8, 2004.

If the individual was working in government, industry or education, without the supervision of a licensee, as of the effective date of the Accountancy Act, then four years of experience will be accepted until April 8, 2002.



## new mexico

### Initial License Requirements

#### Initial CPA Certificate/License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character and lack a history of dishonest or felonious acts.

All applicants are required to provide the Board with fingerprints and other information necessary for a state and national criminal background check. See this document for more information: [Description of Criminal History Background Check Program](#).

Applicants that passed the Uniform CPA Exam as a New Mexico candidate have no residency requirement for licensure. You may reside outside the state and apply for a New Mexico license BY EXAMINATION.

Applicants seeking initial licensure BY GRADE TRANSFER are subject to a residency requirement. If you passed the Uniform CPA Exam in another state and now wish to have your scores transferred to New Mexico for the purpose of licensure, then you will be required to provide proof of New Mexico residency or intended residency.

New Mexico candidates must apply for an initial license within 10 years of passing the final section of the CPA examination, or the scores will no longer be valid and the candidate will be required to register for and pass the examination again as a first-time candidate.

#### Education Requirement

Applicant must have 150 semester hours of college education including a baccalaureate or higher degree equivalent granted by an educational institution approved by the New Mexico Board. The total education program must include a minimum of 30 semester hours in accounting, auditing and auditing related courses (3 semester hours may be in business law). All courses must appear on an official college transcript and 15 of the 30 semester hours in accounting, auditing and auditing related courses must be taken by physically attending courses on the campus. Any course for which credit has been awarded by the university will be accepted toward meeting the 150-semester-hour requirement.

An examination applicant who has completed a baccalaureate degree and 30 semester hours of credit in accounting and applied to take the examination prior to July 1, 2004 and had been found eligible will not be required to attain 150 semester hours of credit unless all four parts of the computer-based examination are not passed within an 18-month period.

A prospective CPA examination or CPA certificate candidate is considered as graduating from an accredited college or university acceptable to the New Mexico Board if, at the time the educational institution grants the Applicant's degree, it was accredited at the appropriate level as required by the New Mexico Board. [Please click here to view the rules on accreditation levels](#).

#### Examination Requirement

Applicant must pass all sections of the Uniform CPA Examination.

Applicant must pass the AICPA Ethics Examination with a minimum score of 90.

#### Experience Requirement

Applicant shall have at least one year of experience. This experience shall include providing service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills.

One year of experience shall consist of full or part-time employment that extends over a period of no less than one year and no more than three years and includes no fewer than 2000 hours of performance of services described above.

Applicant must have experience verified by an active, licensed CPA in New Mexico or another state.

The CPA verifying an applicant's experience must be employed by, or a consultant to, or provide professional services to, the same organization as the applicant.

The experience is acceptable if it was gained through employment in government, industry, academia or public practice.

## new york

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.  
Applicant must be at least 21 years of age.

#### Education Requirement

To fulfill the education requirement for licensure, Applicant must complete the following  
An accounting program registered by the Board as licensure-qualifying; or  
A program determined by the Department, after review of your transcripts, to be equivalent to a registered program, or  
15 years of public accounting experience acceptable to the State Board for Public Accountancy

#### OPTION 1

A bachelor's or higher degree from a program that is registered by the Department as meeting New York's 150 semester hour education requirements; or a Masters degree in accounting from an AACSB accredited accounting program; or a bachelors or higher degree from a regionally accredited college or university and completion of 150 semester hours in the following content areas, including the following:

33 semester hours in accounting with at least one course in each of the following content areas: financial accounting and reporting, cost or managerial accounting, taxation, auditing and attestation  
36 semester hours in general business electives; and  
The curriculum must also include as standalone course work or content integrated in other courses the study of business/accounting communications, ethics/professional responsibility and accounting research.

[Click here to see the Board's 150-hours education requirement chart.](#)

#### OPTION 2

Fifteen years of experience acceptable to the State Board for Public Accountancy may be substituted for education for admission to the examination and licensure. This experience must be earned under the direct supervision of a U.S. certified public accountant (CPA) or a New York State public accountant (PA).

#### Examination Requirement

Applicant shall have passed the Uniform CPA Examination. Applicant must successfully pass all parts of the examination within eighteen (18) months. Applicant may sit parts individually, once during each calendar quarter.

#### Experience Requirement

Applicant must present evidence, satisfactory to the State Board, of experience using the skills and competencies of a professional accountant in the area(s) of accounting, tax, finance and/or management advisory services.  
Applicants who meet the grandfathering provisions for licensure under New York's 120 semester hour education requirements must document at least **two full years** of qualifying experience for licensure. Applicants who meet New York's 150 semester hour education requirements for licensure are eligible to request a waiver of **one year** of experience.  
Full time employment is considered to be a 5-day, 35-40 hour week, excluding overtime. Acceptable part-time (no less than 20 hours per week) experience will be considered on the basis of one week of experience for every two weeks worked.

## north carolina

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

- Applicant must be, or declare the intention to become, a citizen of the United States or must be a resident alien.
- Applicant must be eighteen (18) years of age or older.
- Applicant must be of good moral character.

#### Education Requirement

Applicant must have satisfactorily completed at least 150 semester hours of college level coursework including a bachelor's degree with a concentration in accounting.

The North Carolina rules define an accounting concentration below:

At least 30 semester hours, or the equivalent in quarter hours, of undergraduate accountancy courses which shall include no more than six semester hours of accounting principles and no more than three semester hours of business law; or

At least 20 semester hours or the equivalent in quarter hours, of graduate accounting courses that are open exclusively to graduate students; or

A combination of undergraduate and graduate courses which would be equivalent to (1) and (2) above.

In recognition of differences in the level of graduate and undergraduate courses, one semester (or quarter) hour of graduate study in accounting shall be considered the equivalent of one and one-half semester (or quarter) hours of undergraduate study in accounting.

Up to four semester hours, or the equivalent in quarter hours, of graduate income tax courses completed in law schools may count toward the 150 semester hour requirement.

Where, in the Board's discretion, an accounting course duplicates another course previously taken, only the semester (or quarter) hours of one of the courses shall be counted in determining if the applicant has a concentration in accounting.

Accounting courses include such courses as principles courses at the elementary, intermediate and advanced levels; managerial accounting; business law; cost accounting; fund accounting; governmental accounting; not for profit accounting; international accounting; auditing; and taxation. There are many college courses offered that would be helpful in the practice of accountancy, but are not included in the definition of a concentration in accounting. Such courses include business finance, business management, computer science, economics, writing skills, accounting internships, and CPA exam review.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Within one year prior to applying for certification, all candidates for original or reciprocal licensure must pass an open book examination on the North Carolina Accountancy Statutes and Rules, including the Rules of Professional Ethics and Conduct.

In lieu of taking the examination, a candidate may complete an eight-hour course on the subject of the examination within one year prior to applying for the CPA certificate. This course may count toward the candidate's annual CPE requirement.

#### Experience Requirement

One year of experience *in the public practice of accountancy* under the direct supervision of an active licensed CPA or one year experience *in the field of accountancy* under the direct supervision of an active licensed CPA.

One year of experience means 52 weeks of full-time employment. A 30-hour week is considered full-time.

*If Applicant does not meet the one year requirement, then Applicant must meet the following four year requirement:*

- Four years experience in the field of accounting;
- Four years experience of teaching accounting full-time in an accredited college or university; or
- Four years experience self-employed in accounting.

#### Foreign Reciprocity Applicants

##### General Requirement

North Carolina has established mutual findings of substantial equivalence with the following jurisdictions:

- Institute of Chartered Accountants of Ontario
- Nova Scotia
- Manitoba
- New Brunswick
- British Columbia
- Saskatchewan

Foreign applicants from the jurisdictions listed above must apply for an original North Carolina CPA Certificate via the IQEX Application. Click *Initial Licensure* in the menu bar at the top of this page for additional information.

**Please Note:** Foreign applicants from jurisdictions not listed above must apply for an original North Carolina CPA Certificate via the Initial Application process. Click *Initial Licensure* in the menu bar at the top of this page for additional information.

#### Education/ Examination Requirement

Applicant must hold an active valid CPA license issued by one of the jurisdictions listed above.

Applicant must have passed the Uniform CPA Examination or the International Qualification Examination (IQEX).

Applicant must have passed the Uniform CPA Examination or the International Qualification Examination (IQEX).

**Experience Requirement**

Applicant must have one year of experience in the public practice of accountancy or in the field of accounting verified by a certified public accountant who was the applicant's direct supervisor and must otherwise comply with North Carolina rules; or  
Applicant must have four years of experience in the field of accounting, or four years of experience teaching accounting as defined and calculated in North Carolina rules, or any combination of such experience.

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## north dakota

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Education Requirement

After December 31, 1999, Applicant must have 150 semester hours of college education, including a baccalaureate or higher degree or their equivalent conferred by a college or university acceptable to the North Dakota Board.

Applicant's total educational program must include an accounting concentration. "Accounting concentration" is defined as follows:

Through December 31, 1999, 30 semester credits or equivalent of accounting and business law education; and

After December 31, 1999, 24 semester credits of equivalent of accounting education, plus 24 credits of other business courses.

After December 31, 2004, 24 semester credits or equivalent of accounting education (not including principles or accounting or equivalent classes), plus 24 credits of other business courses (which would include Principles of Accounting or equivalent courses).

After December 31, 2009, 24 semester credits or equivalent of accounting courses, plus 24 credits of other business courses. Principles of accounting or equivalent courses do not count toward the required accounting or business courses. Up to 3 credits of Economics courses may be included in the "other business" courses.

The North Dakota Board will allow you to sit for the exam if your education requirements will be completed within six months after the exam application date.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must successfully pass the AICPA Professional Ethics Examination.

#### Experience Requirement

The Applicant must have had one year of experience. This experience must include providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills.

This experience must be verified and must meet any other requirements prescribed by the North Dakota Board by rule.

This experience is acceptable if it was gained through employment in government, industry, academia or public accounting.

**The one-year experience requirement does not apply to those who received a certificate from the board prior to January 1, 2000.**

**An individual who met the earlier education requirements before December 31, 1999,** may be certified under those requirements if Applicant passed the exam before December 31, 2004. Those earlier educational requirements were:

4 years of appropriate experience; or

a baccalaureate degree or equivalent from a college or university acceptable to the North Dakota Board, with an accounting concentration or equivalent as determined by the North Dakota Board to be appropriate.

Please contact the North Dakota Board at 800-532-5904 for more information.

## ohio

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be at least 18 years of age.

Applicant must be of good moral character.

Applicant must meet education and experience requirements.

Applicant must be a resident of Ohio or has a place of business in this state or, as an employee, is regularly employed in this state. An individual shall be considered a resident of Ohio if: (1) the individual maintains a permanent place of residence in Ohio and actually is domiciled in Ohio; OR (2) the individual is a resident of another state but works full time in Ohio. A candidate who earns valid conditional credit on the CPA examination, while in compliance with the foregoing residency requirements, may continue to complete the examination as an Ohio candidate and file for an Ohio CPA certificate under the laws of Ohio, regardless of residence. *A person who is employed full time in another state and actually resides in that state will not be considered an Ohio resident.* The Ohio State Board may waive the residence requirement for just cause.

**[Requires a criminal records check for all CPA certificate applicants that apply.](#)**

#### Education Requirement

If the Applicant sat for the CPA Exam after January 1, 2000, then the Applicant must have a bachelor's degree or higher degree with at least 150 semester hours and 30 semester hours in accounting and 24 semester hours in general business courses.

As an alternative to the 150 hour requirement above, the Applicant may satisfy the educational requirement by obtaining an associate or baccalaureate degree with coursework that satisfies the Board's accounting and business requirements, and achieving a [minimum score of 620 on the GMAT](#).

If the Applicant sat for the CPA Exam before January 1, 2000, then the Applicant must have a bachelor's degree with 24 semester hours in Accounting.

#### Exam Requirement

Applicant must pass all four parts of the Uniform CPA Examination.

Applicant must pass a professional standards and responsibilities course that emphasizes the Ohio accountancy law and Board rules. If you hold a CPA certificate issued by another state, and passed an ethics examination or course required by that state, Ohio will accept that state's ethics examination or course in lieu of the Ohio Board's required course.

#### Experience Requirement

Experience must be verified by a CPA. Experience may be earned through employment in public accounting or employment outside public accounting (i.e. business, government, or academia). Self-employment experience also qualifies if it is properly verified. Part-time experience (fewer than 40 hours per week) is evaluated so that 2,000 hours equals one year. The amount of experience required is defined as follows:

Applicant must have one year experience if Applicant had a bachelor's degree and 150 semester hours of college credit prior to sitting for the CPA examination.

Applicant must have one year experience if Applicant does not need to meet the 150-hour requirement because the Applicant sat for the CPA examination prior to 2000.

Applicant must have two years if Applicant has a bachelor's degree but fewer than 150 semester hours of college credit prior to sitting for the CPA examination, but obtained the 150 semester hours of college credit prior to CPA certification.

Applicant must have four years if Applicant has obtained a partial waiver of the 150 semester hours by achieving a score of 620 on the GMAT.

## oklahoma

### Initial License Requirements

#### Initial Certificate/Registration/Permit to Practice

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.  
Applicant must be a resident of Oklahoma prior to making application.

#### Education Requirement

Applicant must have at least one hundred fifty (150) semester hours, or the equivalent thereof, of college education including a baccalaureate or higher degree from an accredited four-year college or university recognized by the Oklahoma Board. A minimum of seventy-six (76) semester hours must be earned at the upper-division level of college or above or the equivalent thereof as determined by the Oklahoma Board.

This education requirement shall have been completed prior to submitting an application to the Oklahoma Board.

The total educational program shall include an accounting concentration or its equivalent as determined acceptable by the Oklahoma Board which shall include not less than thirty (30) semester hours, or the equivalent thereof, in accounting courses above principles of accounting or introductory accounting, with at least one course in auditing or assurance. The auditing and assurance course must have a concentration on external auditing standards including but not limited to SAS. The remaining accounting courses shall be selected from financial accounting, accounting theory, cost/managing accounting, federal income tax, governmental, not for profit accounting, accounting information systems, accounting history and other accounting electives; at least nine (9) semester hours shall be from any or all of the subjects of economics, statistics, business law, finance, business management, marketing, business communication, risk management, insurance, management information systems or computer science at the upper-division level of college or above or the equivalent of such subjects as determined by the Oklahoma Board; all the remaining semester hours, if any, shall be elective but shall be at the upper-division level of college or above.

#### Continuing Education Requirement

Applicant must complete 40 hours of continuing professional education in order to obtain a Permit to Practice. All CPE credits must have been earned during the calendar year immediately preceding the date of application or within the 365-day period immediately preceding the date of application.

#### Examination Requirement

Applicant must have passed the Uniform Certified Public Accountant Examination.

Applicant must have passed the AICPA Ethics Exam with a score of 90% or better within the previous calendar year or within 365 days immediately preceding the permit application date.

Applicants for a certificate must apply for a certificate within 5 years of the date the Board notifies the candidate that he/she has successfully passed all sections of the CPA examination.

#### Experience Requirement

Applicant must provide documentation of a total of eighteen hundred (1,800) hours of part time or full time work experience in accounting.

Work experience must have been obtained within the four (4) years immediately prior to filing the application for certification.

The experience requirement may be satisfied through work experience in government, industry, academia, or public practice.

Acceptable work experience includes accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, and related services.

The qualifying Applicant may take the certified public accountant exam prior to earning the experience required but shall not be issued a certificate until the experience requirement has been met.

#### Witness Testimony

Any registrant practicing public accounting or providing expert witness testimony in any Oklahoma or Federal Court located in Oklahoma shall be required to have a valid permit.

Exceptions:

An Oklahoma CPA who is testifying in his or her capacity as an employee of other than a public accounting firm; or

Expert witness testimony from a CPA who is credentialed in another jurisdiction other than Oklahoma does not require the individual to obtain an Oklahoma CPA certificate provided the CPA clearly states to the Court that an Oklahoma CPA certificate, PA license or permit to practice public accounting is not held and the individual identified the jurisdiction(s) in which the CPA is credentialed.

## oregon

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must demonstrate competency in seven core areas.

[Click here to review the seven core areas.](#)

#### Education Requirement

**Applicants who qualified and sat for the CPA exam Prior to January 1, 2000**, Applicant must have a baccalaureate degree including completion of a minimum of 30 semester hours in accounting, business law, economics and finance. Of these required 30 hours, 20 hours must be in accounting.

**Applicants who qualified and sat for the CPA exam After January 1, 2000**, Applicant must have a total of 150 semester hours of education including a baccalaureate degree with 24 semester hours in accounting and 24 semester hours in accounting and/or related subjects.

Applicants who sat and received grades prior to January 1, 2000 without completion of 150 semester hours, may choose to complete the 150 hour requirement and meet the experience requirement with completion of 12 months qualifying experience under the direct supervision of a qualified supervisor licensee.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination within eight years of application for licensure.

Applicant must take and pass a written examination on the Code of Professional Ethics for accountants. The American Institute of Certified Public Accountants or the Oregon Society of CPAs both offer an examination that meets this requirement.

#### Experience Requirement

**Applicants who qualified and sat for the CPA exam Prior to January 1, 2000**, Applicant shall have 24 months of full-time experience or a total of 4,160 hours of part-time employment.

**Applicants who qualified and sat for the CPA exam After January 1, 2000**, Applicant shall have 12 months of full-time experience or a total of 2,080 hours of part-time employment.

All experience must be under the direct supervision of a CPA of any state, an active PA licensed in Oregon or a licensed Chartered Accountant from Canada, Mexico, Ireland, New Zealand or Australia who has held an active license recognized by the issuing state for at least five years prior to serving as a supervisor licensee and during the period of supervision.

A supervisor licensee must be actively licensed in the jurisdiction where the supervision takes place.

Qualifying part-time experience must be at least 20 hours per week. Overtime hours will not be credited toward the experience requirement.

All experience must be obtained within 8 years immediately preceding the date of certification application.

Qualifying experience may be obtained in the following categories: attest or assurance experience; experience based on other professional standards; or industry, government and other experience.

Experience used to qualify for the CPA examination may not be used to qualify for licensure.



## pennsylvania

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.  
Applicant must be at least 18 years of age.

#### Education Requirement

**Prior to January 1, 2012:** Applicant may qualify by meeting *one* of the following licensure options:

**Option A:** Graduated with a baccalaureate degree from a college or university accredited by a nationally recognized accrediting agency recognized by the U.S. Department of Education, or a college or university approved by the Pennsylvania Board, and completed at least a total of 24 semester hours, which shall be in accounting and auditing, business law, finance or tax subjects of a content satisfactory to the Pennsylvania Board, and not necessarily as a part of his/her undergraduate work; or

**Option B:** Graduated with a Master's Degree or other post-graduate degree from a college or university accredited by a nationally recognized accrediting agency recognized by the U.S. Department of Education, or a college or university approved by the Pennsylvania Board, and completed at least a total of 24 semester hours, which shall be in accounting and auditing, business law, finance or tax subjects of a content satisfactory to the Pennsylvania Board, not necessarily as a part of his/her undergraduate or graduate work.

**After January 1, 2012, Applicants for licensure must meet the following requirements:**

Graduated with a baccalaureate or higher degree from a college or university accredited by a nationally recognized accrediting agency recognized by the U.S. Department of Education, or a college or university approved by the Pennsylvania Board, and completed a total of 150 semester hours of post-secondary education, including at least a total of 24 semester hours of accounting and auditing, business law, finance or tax subjects of a content satisfactory to the Pennsylvania Board, and an additional 12 semester hours in accounting, auditing and tax subjects of a content satisfactory to the Pennsylvania State Board, and not necessarily as part of his/her undergraduate or graduate work. Candidates who passed at least one part of the Uniform CPA examination prior to December 31, 2011, may be eligible for licensure under one of the earlier pathways above.

Click here to view a [Special Notice](#) detailing the Board's interpretation of the 150 semester hour requirement.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

#### Experience Requirement

*Applicant who completed the education requirement under Option A* shall have completed at least **two years** of qualifying experience, of which not less than eight hundred hours must be in attest activity.

*Applicant who completed the education requirement under Option B* shall have completed **one year** of qualifying experience, of which not less than four hundred hours must be in attest activity.

*Applicant who completed the education requirement after January 1, 2012* shall have completed **one year** of qualifying experience, of which, not less than four hundred hours must be in attest activity.

Experience must have been supervised by an individual who is currently licensed to practice public accounting as a certified public accountant or public accountant in Pennsylvania or another state.

The experience required must be (i) in public accounting or as an internal auditor or an auditor with a unit of Federal, State or local government; and (ii) of a caliber satisfactory to the Pennsylvania State Board.

Each year of qualified experience shall be met by attaining 1,600 hours in not less than 12 months. An Applicant cannot receive credit for more than 1,600 hours in a 12-month period.

An Applicant for a CPA certificate who first sat for the exam before December 31, 2011, must have completed qualifying experience within 120 months preceding the date of application for the certificate. An Applicant for a CPA certificate who first sat for the exam on or after December 31, 2011, must have completed the qualifying experience within a 60-month period preceding the date of application for a certificate of certified public accountant.

## puerto rico

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be a citizen of the United States or have duly declared his/her intention of becoming a citizen of the United States. For those persons who, having declared their intention of becoming citizens of the United States of America, have not carried through the procedure for the final declaration of citizenship or whose applications for such citizenship have been finally denied, their licenses shall be *ipso facto* cancelled together with the rights obtained under Puerto Rico rule.

Applicant must be a resident of the Commonwealth of Puerto Rico or have a place of business or be employed therein.

Applicant must have attained legal age (21 years old).

Applicant must present a certificate of no penal record indicating that he/she has not been convicted of a felony or misdemeanor that implies moral turpitude.

Applicant must provide a Certificate of Compliance with ASUME.

#### Education Requirement

Applicant must meet the academic and experience requirements prescribed in **one** of the following clauses:

##### Graduated before December 31, 1999:

A bachelors degree in business administration with a major in accounting from a National or Regional Accredited college or university approved by the Board; OR

A bachelors degree from a national or regional Accredited college or university recognized by the Board and at least 58 semester (87 quarter) hours in business subjects, of which 32 semester (48 quarter) hours must be in accounting; OR

A bachelors degree from a national or regional accredited college or university recognized by the Board and, in the absence of having completed the required number of credit hours in business subjects, provide evidence of completing eight years of public accounting experience. (At its discretion, the Board may accept as an equivalent to the one year public accounting experience requirement: two years of private or government accounting experience or two years of university-level teaching in the discipline of accounting.)

##### Graduated after December 31, 1999:

An Applicant must complete 150 semester hours of general college education to include a bachelors degree with 38 semester hours (57 quarter hours) in accounting and 32 semester hours (48 quarter hours) in general business courses from a national or regional accredited college or university approved by the Board, with a minimum 2.0 GPA in accounting and business courses, as stipulated by the Board via regulation.

#### Examination Requirement

Applicant must pass the Uniform Certified Public Accountant Examination given by the Puerto Rico Board.

#### Experience Requirement

**Effective July 1, 2013:** One (1) year of full-time experience in the areas of public accounting, industry/private practice, or academia will be required for all applicants applying for a Puerto Rico CPA license.

Must include a minimum of 1,820 qualifying hours

Must be under the direct supervision of an active CPA in good standing

A minimum of three (3) years part-time experience is acceptable

## rhode island

### Initial License Requirements

#### Initial Certificate of Certified Public Accountant

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant's principal residence or primary place of employment must be in Rhode Island. This requirement may be waived by the Rhode Island State Board at its discretion.

Applicant must be of good moral character.

**TRANSFER OF GRADES:** Applicant must meet all current requirements in Rhode Island at the time application is made.

#### Education Requirement

Applicant must have completed 150 semester hours.

Applicants will be deemed to have met the education requirement if, as part of the 150 semester hours of education, he or she has met any one of the following conditions:

Earned a graduate degree with a concentration in accounting from a program that is accredited in accounting by an accrediting agency recognized by the Rhode Island State Board.

Earned a graduate degree from a program that is accredited in business by an accrediting agency recognized by the Rhode Island State Board and completed not less than twenty-four (24) semester hours in accounting at the undergraduate level or fifteen (15) semester hours at the graduate level, or an equivalent combination thereof.

Earned a baccalaureate or higher degree at an institution that is accredited by an accrediting agency recognized by the Rhode Island State Board and completed not less than twenty four (24) semester hours in accounting at the undergraduate or graduate level, and completed not less than 24 semester hours in business courses (other than accounting courses) at the undergraduate or graduate level.

#### Examination Requirement

Applicant shall have passed the Uniform CPA Examination.

Applicant must pass the AICPA Ethics Exam.

#### Experience Requirement

Applicant has complied with the longer of:

The experience requirement in the jurisdiction in which the Uniform CPA Examination was taken; or

The Rhode Island experience requirement (a minimum of one year work experience).

Applicant's experience must be under the direct supervision of a licensed CPA.

This experience shall include providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills all of which was verified and supervised by a licensee, meeting requirements prescribed by the Rhode Island State Board by rule.

Experience may be in public practice, government, industry, education or any combination thereof.

## south carolina

### Initial License Requirements

#### Certificate/License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be eighteen (18) years of age or older.  
Applicant must be of good moral character.

#### Education Requirement

Applicant must have at least one hundred fifty (150) semester hours of college education, including a baccalaureate or higher degree conferred by a college or university acceptable to the South Carolina State Board, and an accounting concentration or equivalent.

#### The 150-semester hours must include :

36 semester hours of accounting courses that cover financial accounting, managerial accounting, taxation and audit courses. A minimum of 24 of these hours must be taken at the junior or above level.

36 semester hours in business courses that may include macro and micro economics, finance, business law, management, computer science, marketing and accounting hours excluding those mentioned in the above paragraph.

The Board shall accept any college or university accredited by the Southern Association of Colleges and Schools or any other regional accrediting association having the equivalent standards, or any independent senior college in South Carolina certified by the State Department of Education for teaching training, and accounting and business programs accredited by the American Assembly of Collegiate Schools of Business (AACSB) or any other accrediting agency having equivalent standards.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must have a passing score on a professional ethics examination approved by the South Carolina State Board and submit a copy of the certificate of completion. The required course is *Professional Ethics: The AICPA's Comprehensive Course* and the passing score required is 90 or above.

#### Experience Requirement

Applicant must have at least one (1) year of accounting experience satisfactory to the South Carolina State Board in public, governmental or private employment under the direct supervision and review of a Certified Public Accountant or Public Accountant licensed to practice accounting in some state or territory of the United States or the District of Columbia; or

At least five (5) years experience teaching accounting in a college or university recognized by the South Carolina State Board; or

Any combination of experience determined by the South Carolina State Board to be substantially equivalent to the foregoing.

2000 part-time hours is equivalent to one year of experience.

Experience does not accrue prior to completing the basic 24 hours in accounting.

Teaching experience must not be granted for teaching subject areas outside the field of accounting. Subject areas outside accounting include but are not limited to business law, finance, computer applications, personnel management, economics and statistics.

Credit for teaching accounting principles courses or fundamental accounting may not exceed 2 full-time teaching years and the remaining 3 full-time teaching years' experience must be obtained in teaching courses above accounting principles.

## south dakota

### Initial License Requirements

#### Initial CPA Certificate/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must show evidence of good moral character.

Applicant is required to apply for a Certificate within three years from the time of passing the Uniform CPA Examination. After three years, the exam application expires and the exam grades are nullified, unless the Applicant can show the Board good cause for not applying during the time period.

#### Education Requirement

Applicant must have at least 150 semester hours of college education, including graduation from a regionally accredited college or university with a baccalaureate or a graduate degree in accounting; *OR*

The satisfactory completion of a course of study that the South Dakota Board has determined to be substantially the equivalent of an accounting degree, including related courses in other areas of business administration. Such courses of study may be in a college or university recognized by the South Dakota Board.

Both a major in accounting and a course of study substantially equivalent to a major in accounting must include 24 semester hours in accounting at the undergraduate or graduate level from an accredited college or university, including elementary principles of accounting and at least one course in each of the following: intermediate or advanced accounting, auditing, taxation, and cost accounting. They must also include at least 24 semester hours in business courses, other than accounting courses, at the undergraduate or graduate level. A course may not be audited, but must appear as semester or quarter hour credit on an official transcript.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must successfully pass the AICPA Professional Ethics Examination.

#### Experience Requirement

An Applicant must have acquired one year of experience. One year of experience shall consist of full or part-time employment that extends over a period of no less than one year and no more than three years and includes no fewer than 2,000 hours of performance of acceptable accounting services.

Experience must include providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills.

Experience must be verified by a licensee.

Acceptable experience may be gained through employment in government, industry, academia or public practice.

An Applicant responsible for the performance of attest services, who signs or authorizes someone to sign on behalf of the firm the accountant's report on the financial statements, shall have experience in auditing, compilation, or review, in any combination, which totals at least 375 hours. The Applicant's experience must be earned within a ten-year period immediately preceding the latest application for a certificate in South Dakota.

An individual employed by a licensed firm is required to pass the ethics exam and obtain a Certificate within 90 days of meeting the experience requirement.

## tennessee

### Initial License Requirements

#### Initial CPA Certificate/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Education Requirement

##### General Course Requirements

Applicant must obtain a baccalaureate degree including 150 semester or 225 quarter hours from an accredited college or university. Any individual who was not approved to take the examination prior to July 5, 2011 must complete a full 150 hours of college/university courses before CPA Exam Services (CPAES) will approve them to sit as a Tennessee candidate.

##### Specific Course Requirements

The 150 semester hour requirement must include 30 semester in accounting education and 24 semester hours in general business education.

Applicant must obtain 24 semester hours of accounting education and 12 semester hours of general business education **at the upper division level**, junior level courses or higher.

[Click here to review the educational requirements in detail.](#)

An Internship may count as 3 semester hours toward the 30 hour requirement .

##### Foreign Education Requirements

Applicants that have foreign degrees must have their transcripts evaluated from a Tennessee Board approved foreign academic credential agency.

[Click here to view the Tennessee Board's list of approved foreign academic credential agencies .](#)

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must pass an ethics examination such as the AICPA Professional Ethics Examination with a score of 90% or higher.

#### Experience Requirement

Applicant must have one year of experience in accounting acceptable to the Board.

Experience includes providing any type of services or advice using accounting, attest, management advisory, financial advisory, tax or consulting skills.

Employment in industry, government, academia or public practice is acceptable.

The experience requirement must be met through one year of full-time employment or no fewer than 2,000 part-time hours extended over a period not less than one year and no more than three years.

Experience must be earned within the ten (10) years immediately preceding the latest application for certification.

If the Applicant wishes to sign reports on financial statements on behalf of a firm, then Applicant will also need to meet the additional experience requirements set out in the professional standards approved by the Tennessee State Board, including no less than two years of experience satisfactory to the Tennessee Board in the preparation of financial statements or reports on financial statements.

## texas

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

Applicant must complete a [Texas Board approved four-hour ethics course](#) on the Texas Rules of Professional Conduct offered through a Texas Board approved provider. The course must be completed not more than six months prior to issuance of the CPA license.

Applicant must take an oath to support the laws and the Constitution of the United States and the State of Texas.

#### Education Requirement

Applicant must hold a baccalaureate or graduate degree, or its equivalent as determined by Texas Board rule, conferred by a Texas Board-recognized institution of higher education; and

Complete at least 150 semester hours or quarter-hour equivalents in Texas Board-recognized courses, including an accounting concentration or equivalent courses as determined by Texas Board rule.

Education must include not fewer than 30 semester hours or quarter-hour equivalents of accounting courses, of which at least 15 hours must result from physical attendance at classes meeting regularly on the campus of the transcript-issuing institution, and must include a minimum of two semester credit hours in accounting or taxation research and analysis; and not fewer than 24 semester hours or quarter-hour equivalents of related upper level business courses including a minimum of 2 semester credit hours in accounting communications or business communications. In addition, the board requires that 3 passing semester hours be earned in ethics. The course must be taken at a recognized educational institution and should provide a framework of ethical reasoning, professional values and attitudes for exercising professional skepticism and other behavior that is in the best interest of the public and profession. The ethics program should provide a foundation for ethical reasoning and include the core values of integrity, objectivity and independence.

[Click here to reference the Texas Board rule describing "recognized courses," "accounting concentration" and other educational requirements.](#)

Applicant must have a minimum of two semester credit hours in research and analysis relating to accounting research and analysis or tax research and analysis. The semester hours may be obtained through a discrete course or offered through an integrated approach. If the course content is offered through integration, the university must advise the board of the course(s) that contain the research and analysis content.

Applicant must have a minimum of 2 semester credit hours in accounting communication or business communication. The semester hours may be obtained through a discrete course or offered through an integrated approach. If the course content is offered through integration, the university must advise the board of the course(s) that contain the accounting communications or business communications content.

#### Examination Requirement

Applicant must have passed the Uniform Certified Public Accountant Examination.

Applicant must pass an examination on the Texas Rules of Professional Conduct with a grade of 85% or higher.

#### Experience Requirement

Applicant must complete:

At least two years of work experience under the supervision of a certified public accountant; or

At least one year of work experience acceptable to the Texas Board, including experience providing a service or advice involving accounting, attest services, management or financial advisory or consulting services, tax services, or other services the Texas Board considers appropriate for an accountant, if the person:

Has completed at least 150 semester hours of college credits; or

Holds a graduate degree.

All work experience must be under the supervision of a CPA experienced in the non-routine accounting area assigned to the candidate. The CPA must hold a current license issued by the Texas Board or by another state board of accountancy. The amount of work experience required depends on the educational qualifications of the Applicant.

Applicable work experience is defined as non-routine accounting involving the use of independent judgment, applying entry level professional accounting knowledge to select, correct, organize, interpret, and present real-world data as accounting entries, reports, statements, and analyses extending over a diverse range of tax, accounting, assurance and control situations.

Work experience must be gained in at least one of the following areas:

Attest and/or compilation services.

Preparation of financial statements and reports.

Preparation of tax returns and/or consultation on tax matters.

Consultation, design, and/or implementation of computer software when the consultation, design, and/or implementation imply the possession of accounting or auditing skills or expert knowledge in accounting or auditing.

Supervision of activities (2) and (3) above.

Work experience can be gained in the following categories:

Client practice of public accountancy

Industry

Government

Law firm

Education

Internship





## utah

### Initial License Requirements

#### Initial CPA License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must show evidence of good moral character.

Applicant must submit to an interview by the Utah State Board, if requested, for the purpose of examining the Applicant's competence and qualifications for licensure.

#### Education Requirement

Applicant must successfully complete a total of 150 semester hours or 225 quarter hours of collegiate level education with a concentration in accounting, auditing and business, including a baccalaureate degree or its equivalent at a college or university approved by the Board.

*Note: Refer to [R156-26a-302](#) for details of coursework requirements.*

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must have successfully passed the AICPA Professional Ethics Examination.

Applicant must provide an official letter from the DOPL's testing provider, PSI Examination Services, documenting passage of the Utah Law and Rules Examination.

#### Experience Requirement

Applicant must submit evidence of one year (2,000 hours) of accounting experience in a form prescribed by the Utah Board.

Accounting experience means applying accounting and auditing skills and principles that are taught as part of the professional education.

Experience must be obtained under the supervision of a licensed certified public accountant.

## vermont

### Initial License Requirements

#### Initial License/Transfer of Grades

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be of good moral character.

#### Education/Experience Requirement

Applicant must complete *one* of the following:

- (1) A baccalaureate degree, including a minimum of 30 semester hours of accounting, auditing and related subjects as the Vermont State Board determines to be appropriate and **two years** of experience in public accounting, meeting the requirements prescribed by Vermont State Board rule or other experience or employment which the Vermont State Board in its discretion considers substantially equivalent; or
- (2) One hundred-fifty (150) or more semester hours of college credit at a college or university recognized by the Vermont State Board, including a baccalaureate degree and a minimum of 42 semester hours of accounting, auditing and related subjects as the Vermont Board determines to be appropriate and **one year** of experience in public accounting, meeting the requirements prescribed by the Vermont State Board rule or other experience or employment which the Vermont State Board in its discretion considers substantially equivalent.

**NOTE: An applicant for licensure must meet the education/experience requirements of either (1) or (2) as described above, both requiring a baccalaureate degree from an institution recognized by the Vermont Board. Pathway (1) will terminate July 1, 2014; thereafter, all applicants must meet the 150 hour education/1 year experience requirement.**

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must obtain the Vermont CPA license within four (4) years after passing the examination.

#### Experience Requirement

The experience requirement varies depending on Applicant's education. Please see Education/Experience Requirement above for the various experience options.

One year of public accounting experience means 2,080 hours of employment.

Applicant shall show that he/she has obtained the required experience under the direct supervision of a certified public accountant, or registered public accountant, or other licensee deemed equal by the National Association of State Boards of Accountancy reciprocity agreements. Such employment shall include practical public accounting experience, or the equivalent of such experience, of reasonable variety and importance and requiring independent thought and judgment.

Public accounting experience shall consist of the application of United States generally accepted accounting principles (GAAP) and the application of one or more of the following:

- generally accepted auditing standards (GAAS),
- standards of accounting and review services (SSARS),
- standards for accountants' services on prospective financial information, financial forecasts and projections, and
- other services subject to comprehensive sets of generally accepted professional standards issued by an appropriate standard setting body which the Board determines is equivalent.

For non-Public Accounting experience, the Board shall consider whether:

- the applicant performed work resulting in opinions on financial statements or in reports on financial analyses or accounts;
- the applicant participated with an independent auditor who relied on the applicant's work, wholly or partially, in attesting to the entity's finances;
- the applicant performed substantial financial work, compliance work, systems design, or tax accounting;
- any limitations on scope, approach or work were imposed;
- significant proportions of work consisted of field work as opposed to desk or office work;
- there was exposure to two or more types of industries;
- the work was of sufficient duration to permit meaningful involvement in the process; and
- the applicant's accounting duties required fiduciary responsibilities, or does the applicant treat accounting related duties as a fiduciary to a third party.

Experience must have been attained within a period beginning four (4) years prior to completing the examination and ending not more than four (4) years after completing the examination.

**NOTE: Vermont requires first time licensees by examination or score transfer to complete an eight (8) hour ethics course.** Applicants must submit proof of successfully completing a course of study in Professional Ethics. The Vermont Board has approved the AICPA's "Professional Ethics for CPAs" course.

## virgin islands

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

- Applicant must have attained the age of twenty-one (21) years.
- Applicant must be of good moral character.
- Applicant must be a citizen or must have duly declared his/her intention of becoming a citizen, of the United States.
- Applicant must be a resident of, or employed in, or has a place of business in, the U.S. Virgin Islands.

#### Education/Experience Requirement

Applicant must meet **one** of the following criteria for licensure:

- Applicant must have a diploma from a four (4) year high school and six (6) years of public accounting experience preceding the date of application;
- Applicant must have a degree from a recognized college or university and three (3) years of experience immediately preceding application in public accounting or in governmental accounting as an auditor or internal revenue agent; OR
- Applicant must have a degree from a recognized college or university and complete thirty (30) or more semester hours of study in accounting, business law, economics, and finance (of which a minimum of twenty (20) semester hours are in accounting) and two (2) years of experience immediately preceding application in public accounting or in governmental accounting as an auditor or internal revenue agent;

#### Examination Requirement

- Applicant shall have passed the Uniform CPA Examination.
- Applicant shall have passed the Local CPA Examination.

## virginia

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General

Applicant must be a person of good character as defined by Virginia law.

Applicants must provide a United States social security number or control number issued by the Virginia Department of Motor Vehicles (DMV). Applicants without a U.S. social security number or control number issued by the Virginia DMV are not eligible for a Virginia CPA License.

#### Education

To obtain a Virginia CPA license, Applicants must have completed at least 150 semester hours of education including a baccalaureate or higher degree, and an accounting concentration as follows:

At least 24 semester hours in accounting including financial or intermediate accounting, management/cost accounting, taxation, and auditing. (These courses must be upper level accounting, not introductory level courses.); and

At least 24 semester hours in business courses ( no more than six semester hours of which could be considered accounting courses).

Virginia's education requirement for taking the CPA exam changed effective May 14, 2009, reducing the number of hours to sit for the examination from 150 semester hours to 120 semester hours. Virginia continues to require a baccalaureate or higher degree and an accounting concentration or equivalent to sit for the exam. The accounting concentration requirement is the same for the exam and for licensure. [Click here to view the text of the new examination education requirements](#).

#### Examination

Applicant must have passed the Uniform CPA Examination.

Applicant must pass the AICPA self-study *Professional Ethics: AICPA's Comprehensive Course* with a score of 90% or better

#### Experience

Applicant must have at least one year of acceptable experience in accounting or a related field. Experience means employment in academia, a firm, government, or industry in any capacity involving substantial use of accounting, financial, tax, or other skills that are relevant, as determined by the Board, to providing services to an employer using the CPA title or to the public using the CPA title.

Self-employment does not meet the definition of experience in the Code of Virginia.

#### CPE Requirement

If the Applicant has not held a CPA license and applies for a Virginia CPA license after the end of the calendar-year in which the applicant passed the CPA exam, then CPE must be obtained PRIOR to applying for their Virginia license. The minimum required number of hours of CPE to maintain a Virginia CPA License shall be:

40 hours if the applicant applies for licensure by the end of the first calendar-year after the calendar-year in which the applicant passed the CPA Exam.

80 hours if the applicant applies for licensure by the end of the second calendar-year after the calendar-year in which the applicant passed the CPA Exam.

120 hours if the applicant applies for licensure more than two calendar-years after the calendar-year in which the applicant passed the CPA Exam completed the most recent Ethics CPE course.

## washington

### Initial License Requirements

#### Initial License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must possess "good character" (lack a history of dishonest or felonious acts).

#### Education Requirement

Applicant must have at least 150 semester hours of college credits, and a baccalaureate or graduate degree from an accredited U.S. college or university.

Applicant must also possess a concentration in accounting, which means 24 semester hour credits (36 quarter hours) in accounting subjects, of which at least 15 semester hours must be at the upper division or graduate level (an upper division course is defined as a course that frequently carries completion of a lower level course(s) as a prerequisite and is usually designated as "upper division" by the school offering the course); and 24 semester hour credits (36 quarter hours) in business administration subjects at the undergraduate or graduate level.

*Transfer of Credit Applicants* must submit official college transcripts (bearing an official seal) showing that a degree was granted and showing completion of the education requirement in effect at the time when Applicant first sat for the CPA exam.

[Click here to view the Washington Board's web page providing links for the Education Handbook and Education Evaluation Worksheet](#).

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination. Transfer of Credit Applicants may request a transfer of conditional exam credit(s) earned from passing all or part of the CPA exam from another state to Washington providing the Applicant meets the Washington education requirements in effect when the Applicant *first* took the CPA examination in the state from which the credits are transferred.

Applicant must have completed an ethics course and document a passing grade of 90% on a course covering the complete content of the AICPA Code of Professional Conduct. One option to satisfy this requirement is the ethics exam entitled "[Professional Ethics: the AICPA's Comprehensive Course](#)".

#### Experience Requirement

Qualifying experience may be obtained through the practice of public accounting and/or employment in industry or government. In certain situations, employment in academia may also provide experience to obtain some or all of the competency requirements. Experience may be obtained through one or more employers, with or without compensation, and may consist of a combination of full-time and part-time employment.

Experience must:

Cover a minimum twelve month period (this time period does not need to be consecutive);

Consist of a minimum of 2,000 hours;

Provide the opportunity to utilize the skills generally used in business and accounting and auditing, including, but not limited to, accounting for transactions, budgeting, data analysis, internal auditing, preparation of reports to taxing authorities, controllership functions, financial analysis, performance auditing and similar skills;

Be verified by a licensed CPA who is licensed to practice public accounting in Washington or be qualified for practice privileges in Washington for a minimum of five years prior to verifying the candidate's experience, including the date of that the candidate's experience is verified; and

Be obtained no more than eight years prior to the date the Washington State Board receives your complete license application.

[Click here to view the Washington Board's web page providing links to Experience Requirements and definitions of Qualifying Experience](#).

*Applicant's experience should demonstrate that the work environment and tasks performed provided the applicant an opportunity to:*

Obtain knowledge of the Public Accountancy Act and related board rules applicable to licensed persons in the state of Washington;

Assess the achievement of an entity's objectives;

Develop documentation and sufficient data to support analysis and conclusions;

Understand transaction streams and information systems;

Assess risk and design appropriate procedures;

Make decisions, solve problems, and think critically in the context of analysis; and

Communicate scope of work, findings and conclusions effectively.

#### CPE Requirement

If it has been more than four years since you, the Applicant, passed the Uniform CPA Examination, then 120 CPE credit hours must be completed (limited to 24 CPE credit hours in nontechnical subject areas within the 36 month period immediately preceding submission of license application and must include four CPE credit hours in ethics which must be completed within the six month period immediately preceding submission of license application).

## west virginia

### Initial License Requirements

#### Initial Certificate/License

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

- Applicant must be a resident or work full-time in the state of West Virginia.
- Applicant must be of good moral character.
- Applicant must be over the age of 18.

#### Education Requirement

Applicant must complete 150 semester hours of college education including a baccalaureate or higher degree conferred by a college or university, the total education program to include an accounting concentration or equivalent as determined by the Board.

The 150 hours must include 27 semester hours in specific accounting courses, excluding introductory accounting courses covering the principles of accounting components, including the minimum requirements in each of the following subject area: 6 hours in financial accounting or intermediate accounting; 6 hours in auditing or accounting information systems with a minimum of 3 hours in auditing; 3 hours in taxation; 3 hours in cost, managerial, governmental or not-for-profit accounting; and 9 hours in accounting electives.

The 150 hours must include 6 semester hours in business law.

The 150 hours must include 27 hours in other specific business courses including 3 hours in economics; 3 hours in finance; 3 hours in marketing; 3 hours in statistics; 3 hours in management and 12 hours in business electives. Business-related courses include, but are not limited to, quantitative application in business, business ethics, business communication skills and organizational behavior.

**NOTE:** the 150 hours must include 3 credit hours in ethics to be counted as part of the 9 hours of accounting elective or 12 hours of business electives.

#### Examination Requirement

Applicant shall have passed the Uniform CPA Examination.

#### Experience Requirement

Applicant must demonstrate that he/she has one year of accounting experience in the four-year period immediately preceding the application in providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.

The experience requirement may be satisfied by employment in private practice, government, industry, not-for-profit organization, academia or public practice.

Experience must be verified by the holder of a West Virginia registered public accountant or out-of-state certificate.

**NOTE:** Individual practitioners, West Virginia accounting firms and out-of-state accounting firms that wish to perform attest or compilation services must complete the Authorization to Perform Attest or Compilation Services form and pay the additional fee.

## wisconsin

### Initial License Requirements

#### Initial Certified Public Accountant Credential

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be 18 years of age.  
Applicant must not have an arrest or conviction record. An arrest or conviction does not automatically disqualify an Applicant. Consideration of the record will be conducted by the Wisconsin Board.

#### Education Requirement

**Applicants who graduated before January 1, 2001:** Must have a bachelor's or higher degree, and include the following studies:

2 college-level courses in math or math at the level necessary for admission to the first course in calculus.

At least 4 of the following courses: statistics, marketing, business finance, management or organizational behavior, computer science or computers in business.

2 courses in principles of economics.

At least 1 course in each of the following subjects: Introductory or Principles of Accounting, Intermediate Accounting or Accounting Theory, Advanced Accounting, Cost Accounting, Auditing, Income Taxation, and Business Law.

Sealed copies of official transcripts must be presented and the Wisconsin Board will inform the candidate in writing of the educational equivalency or deficiency.

**Applicants who graduated after January 1, 2001:** Must have a bachelor's or higher degree with major in accounting or the reasonable equivalency of accounting major and have completed **150 semester hours** in education.

#### Options for Meeting the 150-semester hours

A bachelor's degree with a major in accounting, or the reasonable equivalent of an accounting concentration, that included at least:

24 semester hours in accounting courses at the undergraduate or graduate level covering financial accounting, auditing, taxation, and management accounting, and:

24 semester hours in business courses other than accounting courses at the undergraduate or graduate level.

A graduate degree that covered the subjects of financial accounting, auditing, taxation, and management accounting, in the following manner:

24 semester hours of undergraduate courses OR

15 semester hours of graduate courses OR

an equivalent combination.

A graduate degree with a concentration in accounting.

The institution must grant a baccalaureate or higher degree and be accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools, or its regional equivalent.

#### Examination Requirement

Applicant must have passed the Uniform Certified Public Accountant Examination.

**Transfer of Grade Applicants** must have passed the Uniform CPA Examination in accordance with rules applicable to Wisconsin Candidates.

**Transfer of Grade Applicants** who do not meet Wisconsin's educational requirements must do so prior to sitting for additional parts of the examination.

All applicants must complete and pass an on-line open book examination on the Wisconsin Statutes and Rules. The minimum passing score is 80%.

#### Experience Requirement

Applicant must have at least one year of public accounting experience or its equivalent. Experience must be obtained after receiving the degree.

#### Experience that may be considered equivalent includes:

Experience in accounting in industry and government may be considered equivalent to public accounting when it requires high levels of knowledge, competence and judgment.

Experience in teaching accounting may be considered equivalent to public accounting when it is at an advanced and specialized level of accounting. Courses taught in areas other than accounting do not qualify as public accounting experience.

Experience in law may be considered equivalent to public accounting when it is at a level with responsibility for independent accounting decisions and requires high levels of accounting knowledge, competence and judgment.

Accounting experience must be gained after completing education and before submitting an application for licensure.

**Expiration of applications.** If an Applicant for a certificate to practice as a certified public accountant does not comply with a request for information related to his or her application within one year from the date the first request for information was made, then the application expires. Applicant may then file a new application.

## wyoming

### Initial License Requirements

#### Original Certificate

To view a complete list of procedures and forms for applying for the Initial License [click here](#).

#### General Requirement

Applicant must be a resident of Wyoming or have a place of business in Wyoming or, as an employee, be regularly employed in Wyoming.  
Applicant must have attained the age of majority in Wyoming.  
Applicant must provide documentation of lawful presence in the United States.

#### Education Requirement

**Option 1 for Applicants who passed the CPA Examination Prior to January 1, 2012.** Applicant must have completed a baccalaureate degree with at least 24 semester hours of upper division or graduate level accounting courses covering the subjects of financial accounting, auditing, taxation and management accounting and at least 24 semester hours of business courses (other than accounting) at the undergraduate or graduate level.

**Option 2 for Applicants who passed CPA Examination after January 1, 2012.** Applicant must have 150 semester hours including a baccalaureate degree with a concentration in accounting with a minimum of 24 semester hours in upper division accounting course and 24 semester hours in business courses.

Transcripts that document a graduate degree with a concentration in accounting from a program that is accredited by the Association to Advance Collegiate Schools of Business is considered equivalent to Wyoming's educational requirements.

College courses must be taken through institutions of higher learning that are accredited with certain agencies.

#### Examination Requirement

Applicant must have passed the Uniform CPA Examination.

Applicant must have passed the AICPA Professional Ethics Examination at the time of the application.

**Transfer of Grade Applicants** must comply with Wyoming's conditional credit rules. Applicants who have passed any/all section(s) of the examination may transfer examination credit if the applicant has met the requirements imposed on Wyoming candidates.

#### Experience Requirement

**Option 1 -Applicants who do not have 150 semester hours.** Applicant must have completed at least 4 years of full-time experience in the last ten years in the practice of public accounting. The experience includes providing any type of service or advice involving the use of accounting skills; any auditing, review or compilation service; any management advisory or financial advisory service; or any tax or consulting service.

An applicant who qualified for the examination with less than 150 semester hours may complete the additional education requirements to satisfy the 150 hour pathway and the one year experience requirement described in Option 2 below to be eligible for licensure in lieu of the four year experience requirement.

**Option2 -Applicants who have completed 150 semester hours.** Applicant must have completed at least one year of full-time experience in the last five years in the practice of public accounting. The experience shall include providing: any type of service or advice involving the use of accounting skills; any auditing, review or compilation service; any management advisory or financial advisory service; or any tax or consulting service.

Experience must be verified by an active certified public accountant or the equivalent as determined by the Wyoming State Board, or by providing representative samples of work as determined by the Wyoming State Board.

Acceptable experience includes experience gained through employment in government, industry, academia or public accounting.

For equivalent experience, the Wyoming State Board may consider equivalent experience not verified by an active Certified Public Accountant.

Documentation verifying equivalent experience must specify the job title, employment period, provide a detailed description of the duties, and be affirmed by an appropriate supervisor or official.

One year of experience means a minimum of 2,000 working hours per year. Part-time experience may be considered at a rate of each hour worked to a maximum of 8 hours within any 24-hour period.

Older experience may be considered if Applicant demonstrates compliance with continuing education requirements at the time of application.



CALIFORNIA BOARD OF ACCOUNTANCY

# **Uniform Accountancy Act & Model Rules**

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Appendix 5

# **Uniform Accountancy Act**

**Sixth Edition  
August, 2011**

Standards for Regulation Including  
Substantial Equivalency

Published jointly by the  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas, New York, NY 10036-8775  
and  
National Association of State Boards of Accountancy  
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*August 2011*

August 2011

We are pleased to announce that the Uniform Accountancy Act (UAA), Sixth Edition, August 2011, is now available. As you may recall, in December 2010, the UAA exposure draft was released for comment by the AICPA/NASBA UAA Committee. The comment period ended June 1, 2011 with additional comments being received at the June NASBA Regional Meetings. After a careful review of all these comments, the committees involved agreed to the changes as shown in the accompanying document.

The revisions to Section 14(i) of the Uniform Accountancy Act (UAA) and conforming changes to Article 14 (Unlawful Acts) of the Model Rules give guidance to what CPA firm names may and may not be registered with a State Board. Uniform application of these rules will facilitate professional mobility.

These revisions to the Uniform Accountancy Act and Model Rules were approved by the NASBA Board of Directors on July 29, 2011, and the AICPA Board of Directors approved the changes to the Act on August 5, 2011, and thus they are now officially adopted. These will be reflected in the electronic version of the documents to be available on the AICPA ([www.aicpa.org](http://www.aicpa.org)) and NASBA ([www.nasba.org](http://www.nasba.org)) Web sites. The document will now be referenced as “Uniform Accountancy Act Sixth Edition, August, 2011” and “Uniform Accountancy Act Model Rules.”

In addition, Rule 3-1(c), which was developed by the AICPA/NASBA UAA Committee and approved by the NASBA Board earlier this year, is included in the revised Model Rules. This was developed in response to the AICPA’s moving “reporting on Controls at a Service Organization” from SAS 70 into SSAE 16. Rule 3-1 (c) maintains the status quo regarding the statutory definition of “attest.”

If you need additional assistance or have questions, please contact Mat Young at AICPA at 202-737-6600 or Louise Dratler Haberman at NASBA at 212-644-6469.

Thank you for your continued support and assistance.

Sincerely,

Kevin Currier, CPA  
AICPA UAA Committee Chair

Carlos E. Johnson, CPA  
NASBA UAA Committee Chair

## Foreword

This *Uniform Accountancy Act* was approved for publication by the Boards of Directors of the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA).

August 2011

If you have any questions concerning the Act, please contact the following:

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# **Uniform**

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# **Accountancy**

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# **Act**

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American Institute of Certified Public Accountants  
National Association of State Boards of Accountancy

*August 11*



## Preface

The modern public accounting profession originated in Great Britain during the latter half of the nineteenth century. In 1896 the New York state legislature passed the first law creating the title “certified public accountant,” thereby setting the pattern for state government regulation of the Public Accounting profession in the United States.

As with other professions, the public accounting profession is built upon a statutory foundation providing for the examination and licensing of members of the profession, and for the regulation of their professional conduct. All CPAs are examined, licensed, and regulated under state accountancy laws, and there is such a law in every American jurisdiction.

A model bill to regulate the practice of public accountancy was first published in 1916 by the American Institute of Accountants, the predecessor of the American Institute of Certified Public Accountants (AICPA), the national membership organization of certified public accountants. In 1984, the AICPA and the National Association of State Boards of Accountancy (NASBA) published the first joint model bill, later renamed the Uniform Accountancy Act (UAA). Ultimately, a substantial majority of the state accountancy laws followed, in their principal provisions, the example provided by earlier model accountancy bills and the Uniform Act.

A joint working group made up of representatives from the AICPA’s State Legislation Committee and from NASBA’s Uniform Accountancy Act Committee was formed to make changes which were incorporated into the 1992 Uniform Accountancy Act. That group has continued to develop the language for revisions to the UAA, including that found in this edition.

While past joint efforts at promoting high professional standards, protecting the public and increasing uniformity of regulation have been important, they have not produced the level of results either organization felt were satisfactory. This coupled with other significant factors occurring in the global marketplace for accounting services, led both AICPA and NASBA to begin to examine new ways to respond in this area. The AICPA, through the work of the Special Committee on Regulation and Structure and NASBA through its Reciprocity Committee and Future Licensing, Litigation and Legislation Committee, each began to explore new regulatory concepts and approaches that would be responsive to the challenges to the current regulatory system.

In March 1996, the Joint Committee on Regulation of the Profession (Joint Committee) was formed by AICPA and NASBA to share the concepts and ideas of each organization’s committees and to work to develop consensus on some significant new regulatory changes for the future. The members of the Joint Committee were leaders of AICPA and NASBA, as well as the state board Executive Directors group and the Certified Public Accountants’ Society Executives Association (CPA/SEA). After a year of meetings and discussions, the Joint Committee reached agreement on a new regulatory framework that it believed would: enhance interstate reciprocity and practice across state lines by CPAs, meet the future needs of the profession, respond to the marketplace and, most important, protect the public that the profession

serves. The Joint Committee's recommendations were approved by AICPA and NASBA leadership and were incorporated into the Third Edition of the Uniform Accountancy Act, in 1997.

Differing requirements for CPA certification, reciprocity, temporary practice, and other aspects of state accountancy legislation in the 55 American licensing jurisdictions (the 50 states, Puerto Rico, the District of Columbia, the U.S. Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands) constitute artificial barriers to the interstate practice and mobility of certified public accountants. The Uniform Act seeks to eliminate such differences and the barriers that they pose to effective practice of CPAs under modern conditions through the standard of "substantial equivalency" that was added to the Act in 1998. It is fitting that this latest edition of the UAA is being released in the year of the 100<sup>th</sup> anniversary of NASBA's founding. The mobility and enforcement enhancements that have been added can assure stronger and more efficient state board enforcement in the context of modern transborder and electronic commerce in which state lines are often blurred.

Many of the organizations requiring the professional services of certified public accountants transact business on an interstate, and even on an international, basis; as a result, the practice of CPAs typically extends across state lines and, often international boundaries as well. Thus, there is compelling need for the enactment of uniform state accountancy laws that foster rather than inhibit interstate professional practice and for laws that provide appropriately for international practice.

This Uniform Act is provided as a single comprehensive piece of legislation that could be adopted in place of existing state laws. Because there is an accountancy law now in effect in every jurisdiction, however, the Uniform Act is also designed to the extent possible with separable provisions, so that particular parts of this Act could, with appropriate amendments, be added to existing laws instead of replacing such laws entirely. In the interest of uniformity and to promote mobility through the substantial equivalency standard, the AICPA and NASBA strongly urge states to adopt the entire Act.

The Uniform Act reflects applicable AICPA and NASBA legislative policies. The principal AICPA legislative policy, as approved by its governing Council, is set out (in annotated form) in Appendix A. Appendix B now contains the new Statement on Standards for Continuing Professional Education (CPE) Programs approved by AICPA and NASBA. Appendix C sets out guidelines as to the substantial equivalency standard.

The Uniform Accountancy Act is designed to achieve several objectives. As the name of the Act suggests, the Act advances the goal of uniformity. In addition, the Act's provisions protect the public interest and promote high professional standards.

With respect to this edition, pages are dated so that in the future individual provisions can be revised without the necessity of reprinting the entire Act.

## Introductory Comments

### A Note About Format

Beginning with the 1992 edition, the Uniform Accountancy Act has been designed as an “evergreen” document. This edition makes revisions to Section 23 of the Uniform Accountancy Act (UAA) and conforming changes to Sections 7 and 14 to provide a comprehensive system for permitting licensee mobility while making explicit the boards’ authority to regulate all who offer or render professional services within their jurisdiction regardless of how those services are being provided. These changes achieve the goals of enhancing public protection, facilitating consumer choice and supporting the efficient operation of the capital markets.

The Uniform Act comprises the complete text of a statute (in boldface type) that could be adopted in place of any accountancy law now in effect, with explanatory comments (not intended to be enacted as part of the law) following some provisions printed in regular type. It may happen that a particular legislature will be interested in considering not a complete new law but only certain provisions, to be substituted for or added to provisions of the law already in effect.

An effort has been made to make the provisions of the Uniform Act readily adaptable for this purpose. However, in the event of piecemeal adoption, it is likely that changes in particular provisions will be required in order to tailor them to the terminology and structure of the existing legislation. The comments attempt to identify important matters that might need to be considered in such circumstances, but no effort has been made to identify every point regarding which adaptation might be required; that can better be done (and in any event would have to be done) when particular legislation is actually under consideration.

Whether the Uniform Act is considered for adoption wholly or only in part, adjustments may also be appropriate in light of other laws in effect in the particular state in question. Some provisions included in the Uniform Act may be unnecessary, for example, because they are covered by other laws of general applicability, such as a state administrative procedure act. Other provisions may be at odds with the way a particular matter is generally dealt with in the state—for example, the authority of licensing Boards, or their procedures, or their composition. Again, the comments attempt to identify the principal points requiring consideration in this regard. Provisions, such as the one related to the size of the Board (Section 4(a)) on which this Uniform Act presents specific choices, are flagged by brackets.

## **The Fundamental Principles That Should Govern the Regulation of Certified Public Accountants<sup>1</sup>**

The fundamental principles of the AICPA's and NASBA's legislative policies, and of the resulting Uniform Act, are few, and can be simply stated.

*First*, statutory regulation of CPAs, as of any other profession or occupation, is justified only by considerations of the public interest. The public interest must be a substantial one, since regulation necessarily involves restrictions on who can perform certain services and the manner in which they are performed. The conventional formulation is that regulatory legislation must be reasonably designed to protect the public health, safety, or welfare; the practice of CPAs has a significant impact on the public welfare.

*Second*, appropriately designed regulation of CPAs serves to protect the public welfare in two principal ways: (a) by providing reasonable assurance of competence on the part of persons and entities that perform those services that require a substantial degree of skill and competence for proper performance and regarding which the consequences of inadequate performance may be of serious dimension; and (b) by preventing deception of the public regarding the level of competence that may reasonably be expected of a given practitioner. A central element in the protection of the public welfare through the regulation of CPAs is prevention of circumstances in which persons who are not themselves in a position to judge the competence of a particular practitioner or the reliability of particular financial information may be induced to rely on assurances of such competence or reliability (explicit or implied) that are not reasonably supported in fact. Third-party reliance—reliance by persons not themselves clients of the certified public accountants whose professional work is relied on—is an example of the need for regulating CPAs in the public interest.

*Third*, although an expectation of some minimal level of competence is involved when a person or entity is engaged to perform services for hire, whatever the services may be, the degree to which such an expectation involves a substantial public interest and, in consequence, the degree to which it justifies legal regulation, varies significantly with both the level of skill required for adequate performance of the service, and the range and severity of adverse consequences that may derive from inadequate performance. Among the many different professional services that CPAs perform, one is, to a far greater degree than any other, affected by considerations of competence, namely, the expression of formal professional opinions upon financial statements.

Not only does the expression of opinions on financial statements call for the greatest breadth and most intense development of the professional skills employed by CPAs, but it invites the

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<sup>1</sup>Including licensed public accountants

highest degree of reliance by the widest segment of the public. When attest and compilation services are not competently and properly performed, the breadth and severity of the possible adverse consequences are far greater than those attendant upon other services performed by CPAs. For these reasons, the keystone of the Uniform Act reserves the issuance of reports in standard form on audited, reviewed and compiled financial statements to licensees who have demonstrated qualifications to perform attest and compilation services.

A professional service similar in nature to the audit function, although differing in the level of assurance implied, is the conduct of “reviews” of financial statements and the issuance of reports upon such reviews. Formal standards have been promulgated by the AICPA in a series of Statements on Standards for Accounting and Review Services (SSARS), and reviews conducted in accordance with such standards may call upon the same level of knowledge as does an audit. Although the degree of assurance (explicit and implied) in reports upon reviews purporting to comply with the AICPA’s formal standards is less than that expressed and implied by reports represented to be based upon an audit, the issuance of such reports is restricted to persons who have demonstrated the qualifications necessary to perform the audit function.

Still another professional service, founded on the same array of skills and the same level of knowledge as audits, but not involving any explicit assurance, is the issuance of reports on “compilations” of financial statements. Again, formal standards have been promulgated in the SSARS pronouncements for the conduct of such compilations and for reports thereon. A danger of innocent reliance on the implicit representations of skill and assurances of reliability of such reports exists if they are issued by persons not having the professional qualifications that such reports imply.

Included in attest services, because of the public’s reliance, is an important service defined in the Statements on Standards for Attestation Engagements (SSAE), examination of prospective financial information. The skills necessary to perform such a service are at least as demanding as the level of knowledge necessary to perform the audit process.

Accordingly, this Uniform Act extends the definition and reservation of attest and compilation services to include audits, reviews and compilations of financial statements and the examination of prospective financial information when the reports on those services are in standard form, and prescribed by authoritative pronouncements, so as to imply assurances and the professional qualifications underlying such assurances. And, because of the especially great need for public protection in connection with these services, only licensees (or individuals with practice privileges) may perform these services and must do so only through firms registered with a state board.

*Fourth*, the requirements for licensing persons to perform the professional services thus reserved should be designed to provide significant assurance that those who undertake to perform such services have at least a minimum level of professional qualification for adequate performance. Two means are commonly employed to provide this kind of assurance of

competence (not only with respect to the CPA profession, but other professions as well): (a) reserve the performance of the services in question to persons licensed to do so; and (b) require, as a condition of such licensing, demonstration of skill and knowledge, typically by means of examinations, education requirements and experience or competency requirements. Uniformity of the required demonstration of skill and competence among licensees within a given state and those of different states is obviously desirable from the public interest point of view. Nevertheless, in the interest of equity, legislatures of most jurisdictions have made provisions for “grandfathering” persons who, though they had not met the requirements for issuance of a certificate as certified public accountant, were nonetheless engaged in unregulated attest and compilation services when the licensing law became effective. Because relatively few jurisdictions exist without “grandfathering” provisions, this Uniform Act does not include a provision for a new “grandfathered” entitlement to perform attest and compilation services. It does, however, contain provisions to deal with such a class of public accountants where the prior law established such a class.

*Fifth*, an effective regulatory plan will also prohibit persons who have not met the licensing requirements from representing to the public that they have done so, thus protecting the public against incompetence and deception. Provisions should be designed to prevent would-be practitioners from representing to the public, directly or indirectly, that they have a higher degree of competence than they in fact command.

*Sixth*, the need to assure the public of reasonable competence and the need to protect the public against deception combine to support regulation of the conduct of all licensees, even in their performance of work which unlicensed persons may also perform. If a given person has demonstrated the high level of competence required for licensure, even though the license has its central justification and purpose in the performance of attest and compilation services, nonetheless the qualifications required to be demonstrated in order to merit such a license will reasonably support public expectations that the licensee has special competence and higher professional conduct in other areas of practice as well and that the licensee adheres to a higher level of professional conduct than unlicensed persons. Such a reasonable expectation of special competence in other areas than the one for which a license is specifically required calls for regulation of the professional conduct of all licensees who promote themselves to the public as such.

*Seventh*, the need to assure the public of reasonable competence supports the requirement that all licensees maintain professional competence in their area of responsibility through continuing professional education. The provisions for such education should provide for wide latitude in selection of continuing education and should prescribe full credit for any course that contributes to the general professional competence of the licensee.

*Eighth*, it is desirable that there be, to the maximum extent feasible, uniformity among jurisdictions with regard to those aspects of the regulatory structure that bear upon the qualifications required of licensees. Because many of the clients or employers of CPAs are multistate enterprises, much of the practice of CPAs has an interstate character; consequently,

CPAs must be able to move freely between states. The need for interstate mobility and maintenance of high minimum standards of competence in the public interest requires uniform licensing qualifications, insofar as possible, among the states.

*Ninth*, and finally, it is essential that mobility for CPAs be enhanced. With respect to the goal of portability of the CPA title and mobility of CPAs across state lines, the cornerstone of the approach recommended by this Act is the standard of “substantial equivalency” set out in Section 23. Under substantial equivalency, a CPA’s ability to obtain reciprocity would be simplified and they would have the right to practice in another state without the need to obtain an additional license in that state unless it is where their principal place of business is located, as determined by the licensee. Individuals would not be denied reciprocity or practice rights because of minor or immaterial differences in the requirements for CPA certification from state-to-state. However, individuals with practice privileges who wish to provide certain attest services for a client whose home office is in a state must do so only through a firm with a permit in the practice privilege state.

Substantial equivalency is a determination by the Board of Accountancy, or NASBA, that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination and experience requirements contained in the Uniform Accountancy Act. If the state of licensure does not meet the substantial equivalency standard, individual CPAs may demonstrate that they personally have education, examination and experience qualifications that are comparable to or exceed those in the Uniform Accountancy Act.

For purposes of practice rights, an applicant that has an active certificate as a certified public accountant from any jurisdiction that has obtained from the Board of Accountancy or NASBA a determination of substantial equivalency with the Uniform Accountancy Act’s CPA certificate requirements shall be presumed to have qualifications substantially equivalent to this jurisdiction’s. Individual CPAs from states that are not substantially equivalent may qualify under the substantial equivalency standard on an individual basis. Any CPA that wants to obtain a reciprocal certificate under substantial equivalency must personally possess qualifications that are substantially equivalent to, or exceed, the CPA licensure provisions in the Uniform Accountancy Act.

In the interest of obtaining maximum uniformity and interstate mobility, and assuring that CPAs are subject to only one type of regulatory scheme, the Uniform Act should be the standard of regulation for certificate holders in the U.S. and its jurisdictions. All states and jurisdictions should seek to adopt the Uniform Act to provide uniformity in accountancy regulation. Uniformity will become even more essential in the future as international trade agreements continue to be adopted causing the accounting profession to adopt a global focus.

## **Implementation of the Governing Principles in the Uniform Accountancy Act**

Reflecting the fundamental principles just discussed, following are the key features of the Uniform Act.

1. The only kinds of professional services for which licensing is required are attest services defined as (a) the audit function--the expression of opinions on financial statements; (b) the issuance of reports in standard form upon reviews of financial statements; and (c) the examination of prospective financial information. Licensure is also required to perform compilations of financial statements in accordance with SSARS. (See Section 3(p), defining the term "report;" and Section 14(a) prohibiting unlicensed persons or persons without practice privileges from issuing reports on audits, reviews, and compilations of financial statements.) These services are restricted to licensees under the Act. Other attestation services are not restricted to licensees, however, when licensees perform those services they are regulated by the state board of accountancy. Anyone, whether licensed or not, may offer and perform any other kind of accounting service, including tax services, management advisory services, and the preparation of financial statements as permitted under section 14(a).

2. In order to perform attest services, a CPA firm or sole practitioner must meet certification requirements (under Section 6) for individuals and permit requirements (under section 7) for firms. The Uniform Accountancy Act involves a regulatory system in which applicants obtain and renew a license. Certain attest services may only be rendered through firms holding permits from this state. All licensees who are responsible for supervising attest or compilation services and sign or authorize someone to sign reports on financial statements on behalf of their firm must meet the competency requirements contained in professional standards before they may perform attest or compilation services. All licensees, whether in private industry, education, government, or public practice, must meet the same continuing education requirement. Only licensed individuals may perform compilations of financial statements in accordance with SSARS, but they need not do so through a firm that holds a permit under Section 7.

3. In order to facilitate interstate practice and free movement of practitioners between states, a provision is made for reciprocal recognition of licenses issued by other states. Those individual licensees who meet the substantial equivalency standard may freely practice across state lines without the need for additional licensure. Under Section 23, they need not provide notice to the state board of the state in which they want to practice. However, if a firm provides certain services through substantially equivalent individuals with practice privileges, the firm must obtain a permit from the practice privilege state. In cases in which the requirements of the other state are not in compliance with the Uniform Accountancy Act and the individual does not personally meet its standard for education, the Act allows the individual to demonstrate professional experience as a substitute for the education qualifications (See Section 6(c)). Reciprocity for those CPAs who establish their principal place of business in another state requires an application process; however, upon a demonstration that the individual's qualifications for the other state's certificate were in compliance with the standards set out in this



Uniform Act, a reciprocal license will be issued (Sections 6, 23).

4. The Uniform Act includes provisions that would preserve a class of “grandfathered” practitioners licensed to use the title “public accountant” and to perform the audit function, where an existing accountancy law to be superseded by the Uniform Act has provided for such licensing (Section 8), but would not provide for the creation of any new such class where it had not existed under prior law. There are a few states where the accountancy law currently in effect, though providing for the issuance of CPA certificates, does not restrict unlicensed persons from performing any sort of professional accounting service, including the audit function so long as the unlicensed persons do not trade upon the CPA title. If those states should decide to change to a form of accountancy law that restricts the compilation and attest function to licensees, like all other American jurisdictions, the recommendation implicit in this Uniform Act is that they not create any second class of licensees, “grandfathered” or other. There are some states where a provision is currently made for a second class of licensees, given exclusive right to use a particular title but not the right to perform the audit function. Because no public interest is served by such a second class of licensees, this Uniform Act contains no such provision.

5. Licensees are subject to regulation of their professional conduct in their performance of any professional service including those services for which a license is not required and regarding which, in consequence, other persons are entirely unregulated under the Act.

6. In order to prevent misleading the public regarding the qualifications or licensure status of persons who are not licensed, the Uniform Act contains a series of prohibitions on the use by unlicensed persons or firms of titles restricted to licensees under the Act, or titles misleadingly similar to such titles (see Section 14(c)-(h)).

7. The Uniform Act contemplates that, as with most accountancy laws now in effect, responsibility for administration and implementation will be vested in a State Board of Accountancy (Section 4). The Board adopts and administers examinations and issues certificates (Sections 5 and 6); issues permits to firms (Section 7); promulgates rules that govern the conduct of licensees and that otherwise implement the Act (Section 4(h)); and has principal responsibility for disciplinary enforcement (Sections 10-13, 15) and prevention of unauthorized practice (Sections, 14, 15, 16 and 17).

8. The desirability of uniformity among jurisdictions, mentioned above as one of the fundamental principles of both the AICPA’s and NASBA’s legislative policies, is recognized in the Uniform Act provisions dealing with such matters as examinations, education and experience requirements for the initial granting of a certificate (Section 5), and the continuing professional education requirements for the renewal of certificates (Section 6). As mentioned in the comments following several of these provisions, they are framed in a substantially more detailed fashion than might otherwise be expected (dealing with matters that might often be addressed by regulation rather than statute) in order to encourage uniformity among the various states.

9. The proposal for regulatory change which is included in this Act seeks to accomplish the

broad objectives of mobility and uniformity and public protection within today's state-based regulatory model. It includes implementation of a "substantial equivalency" standard to simplify reciprocity and to provide a no notice, no fee, and no escape approach for granting practice privileges across state lines for CPAs from states meeting UAA standards as well as for CPAs who individually meet UAA standards.

**Uniform Accountancy Act**

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**SECTION 1**

**TITLE**

**This Act may be cited as the “Accountancy Act of 20\_\_.”**

1 **SECTION 2**  
2 **PURPOSE**

3  
4 **It is the policy of this State, and the purpose of this Act, to promote the reliability of**  
5 **information that is used for guidance in financial transactions or for accounting for or**  
6 **assessing the financial status or performance of commercial, noncommercial, and**  
7 **governmental enterprises. The public interest requires that persons professing special**  
8 **competence in accountancy or offering assurance as to the reliability or fairness of**  
9 **presentation of such information shall have demonstrated their qualifications to do so, and**  
10 **that persons who have not demonstrated and maintained such qualifications, not be**  
11 **permitted to represent themselves as having such special competence or to offer such**  
12 **assurance; that the conduct of persons licensed as having special competence in**  
13 **accountancy be regulated in all aspects of their professional work; that a public authority**  
14 **competent to prescribe and assess the qualifications and to regulate the conduct of licensees**  
15 **be established; and that the use of titles that have a capacity or tendency to deceive the**  
16 **public as to the status or competence of the persons using such titles be prohibited.**

17  
18 *COMMENT:* This statement of legislative purposes reflects the fundamental principles  
19 governing the regulation of holders of certificates as certified public accountants.

1 **SECTION 3**  
2 **DEFINITIONS**

3  
4 **When used in this Act, the following terms have the meanings indicated:**

- 5  
6 (a) **"AICPA" means the American Institute of Certified Public Accountants.**  
7  
8 (b) **“Attest” means providing the following financial statement services:**  
9  
10 (1) **any audit or other engagement to be performed in accordance with the**  
11 **Statements on Auditing Standards (SAS);**  
12  
13 (2) **any review of a financial statement to be performed in accordance with the**  
14 **Statements on Standards for Accounting and Review Services (SSARS);**  
15  
16 (3) **any examination of prospective financial information to be performed in**  
17 **accordance with the Statements on Standards for Attestation Engagements**  
18 **(SSAE); and**  
19  
20 (4) **any engagement to be performed in accordance with the standards of the**  
21 **PCAOB**

22  
23 **The standards specified in this definition shall be adopted by reference by the**  
24 **Board pursuant to rulemaking and shall be those developed for general**  
25 **application by recognized national accountancy organizations, such as the**  
26 **AICPA, and the PCAOB.**  
27

28 *COMMENT:* Subject to the exceptions set out in Section 7, 14, and 23 (a)(4), these services are  
29 restricted to licensees and CPA firms under the Act and licensees can only perform the attest  
30 services through a CPA firm. Individual licensees may perform the services described in Section  
31 3(f) as employees of firms that do not hold a permit under Section 7 of this Act, so long as they  
32 comply with the peer review requirements of Section 6(j). Other attestation services are not  
33 restricted to licensees or CPA firms; however, when licensees perform those services they are  
34 regulated by the state board of accountancy. See also the definition of Report. The definition  
35 also includes references to the Public Company Accounting Oversight Board (PCAOB) which  
36 make it clear that the PCAOB is a regulatory authority that sets professional standards applicable  
37 to engagements within its jurisdiction.  
38  
39

- 40 (c) **“Board” means the \_\_\_\_\_ Board of Accountancy established under Section 4 of**  
41 **this Act or its predecessor under prior law.**  
42

43 *COMMENT:* The general purpose of references to prior law, in this provision and others below,  
44 is to assure maximum continuity in the regulatory system, except where particular changes are  
45 specifically intended to be brought about by amendment of the law.

1  
2 **(d) “Certificate” means a certificate as “certified public accountant” issued under**  
3 **Section 6 of this Act or corresponding provisions of prior law, or a corresponding**  
4 **certificate as certified public accountant issued after examination under the law of**  
5 **any other state.**

6 *COMMENT:* The term here defined is used in section 3(o), defining the term “peer review”;  
7 section 4(a), regarding the composition of the Board of Accountancy; section 4(h)(6), regarding  
8 Board rules governing use of the titles “certified public accountant” and “CPA”; section 10(a),  
9 regarding enforcement proceedings; and section 14(c), prohibiting use of the titles “certified  
10 public accountant” and “CPA” by persons not holding certificates.

11  
12 In a few states the law allows for the issuance of “certificates” to certain practitioners who have  
13 not passed the examination ordinarily required (and provided for by section 5 of this Uniform  
14 Act). The definition of the term “certificate,” insofar as it has reference to those issued by other  
15 states, excludes any certificate for which an examination was not required.

16  
17 **(e) “Client” means a person or entity that agrees with a licensee or licensee's employer**  
18 **to receive any professional service.**

19  
20 *COMMENT:* This term is used in a number of Sections throughout this Act including the  
21 provisions related to acceptance of commissions and contingent fees, client records and  
22 confidential communications. For that reason it is useful to include a definition of the term.

23  
24 **(f) "Compilation" means providing a service to be performed in accordance with**  
25 **Statements on Standards for Accounting and Review Services (SSARS) that is**  
26 **presenting in the form of financial statements, information that is the representation**  
27 **of management (owners) without undertaking to express any assurance on the**  
28 **statements.**

29  
30 **(g) “CPA Firm” means a sole proprietorship, a corporation, a partnership or any other**  
31 **form of organization issued a permit under Section 7 of this Act.**

32  
33 *COMMENT:* This defined term is used in section 7, on permits to practice for firms, in such a  
34 way as to allow the Uniform Act, unlike some accountancy laws now in effect, to treat both  
35 partnerships and corporations in a single provision rather than in two separate but parallel  
36 provisions for the two different forms of organization. It is also used in section 12(j), on rights  
37 of appeal from an adverse Board decision in an enforcement proceeding; section 14(a),  
38 prohibiting issuance of reports on financial statements or attest services by unlicensed persons  
39 and firms; 14(d), (f), (g) and (h), regarding use of certain titles by unlicensed persons and firms;  
40 section 14(i), regarding misleading firm names; and section 14(j), defining certain rights of  
41 foreign licensees to serve foreign clients. The definition of “firm” is designed to be broad  
42 enough to include any type of business entity or combination of business entities, recognized by

1 the state.

2  
3 Inclusion of sole proprietorships in the definition of the term “firm” has the effect of requiring  
4 sole practitioners to secure both individual certificates under section 6 and firm permits to  
5 practice under section 7. This will assure that all practice units have firm permits. The Board  
6 would have the power to alleviate the burden of duplicate applications (where the same person  
7 must secure both an individual certificate and a firm permit) by providing for joint application  
8 forms.

9  
10 **(h) “Home office” is the location specified by the client as the address to which a service**  
11 **described in Section 23(a)(4) is directed.**

12  
13 *Comment:* Under this provision, as a practical matter, a firm must have a permit in the state  
14 specified by the client for Section 23(a)(4) services. Thus, for example, the client may specify  
15 that a Section 23(a)(4) service for a subpart or subsidiary of an entity be directed to the location  
16 of that subpart or subsidiary. It should also be remembered that, regardless of whether or not the  
17 firm has a permit in that state, under Section 23(a)(3), a state board has administrative  
18 jurisdiction over individual licensees as well as firms offering or rendering professional services  
19 in that state. It should also be noted that other terms such as “headquarters” and “principal place  
20 of business” were not used because of extant uses of both terms that might be confusing or defeat  
21 the purpose of the mobility revisions.

22  
23  
24 **(i) “License” means a certificate issued under Section 6 of this Act, a permit issued**  
25 **under Section 7 or a registration under Section 8; or, in each case, a certificate or**  
26 **permit issued under corresponding provisions of prior law.**

27  
28 *COMMENT:* See commentary to section 3(j) below.

29  
30 **(j) “Licensee” means the holder of a license as defined in Section 3(j).**

31  
32 *COMMENT:* This term is intended simply to allow for briefer references in provisions that  
33 apply to holders of certificates, holders of permits and holders of registrations: See section 4(h),  
34 regarding rules to be promulgated by the Board of Accountancy; section 5(b), regarding the  
35 meaning of “good moral character” in relation to the professional responsibility of a licensee;  
36 Sections 11(c) and (d), regarding Board investigations; Sections 12(a)-(c), (i), and (k), relating to  
37 hearings by the Board; section 18, relating to confidential communications; and Sections 19(a)  
38 and (b), regarding licensees’ working papers and clients’ records.

39  
40 **(k) “Manager” means a manager of a limited liability company.**

41  
42 **(l) “Member” means a member of a limited liability company.**

43  
44 *COMMENT:* The two defined terms “manager” and “member” assume that the state has adopted

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1 a limited liability company law, and that these terms are used in that law. If this is not the case,  
2 then these terms should not be included in the Act, either here, or in the substantive provisions of  
3 the Act: Sections 7(c), 7(f), 12(c), 14(h), 14(i), 19(a). The point is an important one, since the  
4 two terms are in general use in circumstances where their meaning is different from what is  
5 intended here.

6  
7 **(m) "NASBA" means the National Association of State Boards of Accountancy.**

8  
9 **(n) "PCAOB" means the Public Company Accounting Oversight Board.**

10  
11 **(o) "Peer Review" means a study, appraisal, or review of one or more aspects of the**  
12 **professional work of a certificate holder or CPA firm that issues attest or**  
13 **compilation reports, by a person or persons who hold certificates and who are not**  
14 **affiliated with the certificate holder or CPA firm being reviewed.**

15  
16 *COMMENT:* This defined term is employed in section 4(h)(7), which empowers the Board to  
17 issue rules prescribing how such reviews are to be performed; section 7(h), contemplating such  
18 reviews in connection with renewals of firm permits; section 10(b)(1), specifying that such  
19 reviews are available as remedies in enforcement proceedings; section 13(c), providing that the  
20 Board may require such reviews as a condition of reinstatement after a suspension or revocation  
21 of a certificate or permit; and section 18, on confidential communications, which recognizes an  
22 exception for peer review. The rules issued by the Board under section 4(h)(7) would  
23 presumably prescribe, among other things, how the requirement of independence, or non-  
24 affiliation, of the reviewer to the person or firm being reviewed is to be implemented. See also  
25 Sections 6(j), 14(k) and 14(l) with regard to certificate holders who perform compilations other  
26 than through a CPA firm.

27  
28 **(p) "Permit" means a permit to practice as a CPA firm issued under Section 7 of this**  
29 **Act or corresponding provisions of prior law or under corresponding provisions of**  
30 **the laws of other states.**

31  
32 **(q) "Principal place of business" means the office location designated by the licensee for**  
33 **purposes of substantial equivalency and reciprocity.**

34  
35 *COMMENT:* "Principal place of business" has been defined to assure consistency in the use of  
36 that term. Under substantial equivalency, a licensee must obtain a certificate from the state  
37 board in the state where the licensee has an office and establishes it as the principal place of  
38 business. Because states have adopted more than one statutory definition of "principal place of  
39 business," both AICPA and NASBA agree that the simple definition above will not only enhance  
40 mobility, but also be easier to implement and enforce.

41  
42 **(r) "Professional" means arising out of or related to the specialized knowledge or**  
43 **skills associated with CPAs.**



1 (s) **“Report,” when used with reference to financial statements, means an opinion,**  
2 **report, or other form of language that states or implies assurance as to the**  
3 **reliability of any financial statements and that also includes or is accompanied by**  
4 **any statement or implication that the person or firm issuing it has special knowledge**  
5 **or competence in accounting or auditing. Such a statement or implication of special**  
6 **knowledge or competence may arise from use by the issuer of the report of names or**  
7 **titles indicating that the person or firm is an accountant or auditor, or from the**  
8 **language of the report itself. The term “report” includes any form of language**  
9 **which disclaims an opinion when such form of language is conventionally**  
10 **understood to imply any positive assurance as to the reliability of the financial**  
11 **statements referred to and/or special competence on the part of the person or firm**  
12 **issuing such language; and it includes any other form of language that is**  
13 **conventionally understood to imply such assurance and/or such special knowledge**  
14 **or competence.**  
15

16 *COMMENT:* As has been explained in the introductory comments, the audit function, which this  
17 term is intended to define, is the principal kind of professional accounting service for which a  
18 license would be required under the Uniform Act. The term has its most important operative use  
19 in section 14(a) of the Act, which prohibits persons not licensed from performing that function as  
20 well as any attest or compilation services as defined above.  
21

22 It is a point of fundamental significance that the audit function is defined, not in terms of the  
23 work actually done, but rather in terms of the issuance of an opinion or a report--that is, the  
24 making of assertions, explicit or implied--about work that has been done. It is such reports, or  
25 assertions, upon which persons using financial statements (whether clients or third parties) rely,  
26 reliance being invited by the assertion, whether explicit or by implication, of expertise on the  
27 part of the person or firm issuing the opinion or report. Thus, this definition is sought to be  
28 drawn broadly enough to encompass all those cases where either the language of the report itself,  
29 or other language accompanying the report, carries both a positive assurance regarding the  
30 reliability of the financial information in question, and an implication (which may be drawn from  
31 the language of the report itself) that the person or firm issuing the report has special competence  
32 which gives substance to the assurance.  
33

34 The definition includes disclaimers of opinion when they are phrased in a fashion which is  
35 conventionally understood as implying some positive assurance, because authoritative  
36 accounting literature contemplates several circumstances in which a disclaimer of opinion in  
37 standard form implies just such assurances. The same reasoning that makes it appropriate to  
38 include disclaimers of opinion in conventional form within the definition of this term makes it  
39 appropriate to apply the prohibition on the issuance by unlicensed persons of reports, as so  
40 defined, on “reviews” and “compilations” and other communications with respect to  
41 “compilations” within the meaning of the AICPA’s Statements on Standards for Accounting and  
42 Review Services (SSARS), when the language in which the report or other compilation  
43 communication is phrased is that prescribed by SSARS. This is done in section 14(a). These  
44 prohibitions, again, do not apply to the services actually performed--which is to say that there is

1 no prohibition on the performance by unlicensed persons of either reviews or compilations, in  
2 the sense contemplated by SSARS, but only on the issuance of reports or other compilation  
3 communications asserting or implying that their author has complied or will comply with the  
4 SSARS standards for such reviews and compilations and has the demonstrated capabilities so to  
5 comply.

6  
7 **(t) “Rule” means any rule, regulation, or other written directive of general application**  
8 **duly adopted by the Board.**

9  
10 **(u) “State” means any state of the United States, the District of Columbia, Puerto**  
11 **Rico, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands,**  
12 **and Guam; except that “this State” means the State of \_\_\_\_\_.**

13  
14 **(v) “Substantial Equivalency” is a determination by the board of accountancy or its**  
15 **designee that the education, examination and experience requirements contained in**  
16 **the statutes and administrative rules of another jurisdiction are comparable to, or**  
17 **exceed the education, examination and experience requirements contained in the**  
18 **Uniform Accountancy Act or that an individual CPA’s education, examination and**  
19 **experience qualifications are comparable to or exceed the education, examination**  
20 **and experience requirements contained in the Uniform Accountancy Act. In**  
21 **ascertaining substantial equivalency as used in this act the Board shall take into**  
22 **account the qualifications without regard to the sequence in which experience,**  
23 **education, or examination requirements were attained.**

24  
25 *COMMENT:* For purposes of practice privileges, an applicant that has an active certificate as a  
26 certified public accountant from any jurisdiction that has obtained from the Board of  
27 Accountancy or NASBA a determination of substantial equivalency with the Uniform  
28 Accountancy Act’s CPA licensure requirements shall be presumed to have qualifications  
29 substantially equivalent to this jurisdiction’s. An individual who has obtained from the Board of  
30 Accountancy or NASBA a determination of substantial equivalency with the Uniform  
31 Accountancy Act’s CPA licensure requirements shall be entitled to reciprocity under the  
32 substantial equivalency standard.

1 **SECTION 4**  
2 **STATE BOARD OF ACCOUNTANCY**

3  
4 (a) **There is hereby created the \_\_\_\_\_ Board of Accountancy, which shall have**  
5 **responsibility for the administration and enforcement of this Act. The Board shall**  
6 **consist of \_\_\_ members, appointed by the Governor, all of whom shall be residents**  
7 **of this State. At least [a majority plus one] of such members shall be holders of**  
8 **currently valid certificates issued under Section 6 of this Act or corresponding**  
9 **provisions of prior law; and any members of the Board not having such**  
10 **qualifications shall have had professional or practical experience in the use of**  
11 **accounting services and financial statements, so as to be qualified to make**  
12 **judgments about the qualifications and conduct of persons and firms subject to**  
13 **regulation under this Act. The term of each member of the Board shall be \_\_\_ years,**  
14 **the term of each to be designated by the Governor. [Alternatively: except that**  
15 **members of the \_\_\_\_\_ Board of Accountancy appointed and serving as such**  
16 **under prior law at the effective date of this Act shall serve out the terms for which**  
17 **they were appointed, as members of the Board created by this Section.] Vacancies**  
18 **occurring during a term shall be filled by appointment by the Governor for the**  
19 **unexpired term. Upon the expiration of the member’s term of office, a member shall**  
20 **continue to serve until a successor shall have been appointed and taken office. Any**  
21 **member of the Board whose certificate under Section 6 of this Act is revoked or**  
22 **suspended shall automatically cease to be a member of the Board, and the Governor**  
23 **may, after a hearing, remove any member of the Board for neglect of duty or other**  
24 **just cause. No person who has served two successive complete terms shall be eligible**  
25 **for reappointment, but appointment to fill an unexpired term shall not be**  
26 **considered a complete term for this purpose.**

27  
28 *COMMENT:* A number of decisions have to be made with regard to the structure and  
29 composition of licensing bodies such as state boards of accountancy, and these decisions will  
30 vary from state to state according to the patterns prevailing in the different states with respect to  
31 other licensing Boards. This provision of the Uniform Act is intended to identify the principal  
32 decision points and to suggest, on the basis of general experience, what seem to be the preferable  
33 solutions.

34  
35 As respects the number of Board members, it is suggested that the appropriate range is from five  
36 to nine, and that the number should be an odd one, so as to minimize the likelihood of tie votes.

37  
38 This provision assumes that, as is ever more widely the case, one or more members of the Board  
39 will be other than licensees (sometimes called “public” members). It also reflects the view that,  
40 in light of the technical nature of much of the Board’s responsibilities, it is desirable that an  
41 effective majority of the Board be certificate holders: This would be achieved by the requirement  
42 that one more than a majority of the Board be certificate holders. As respects the terms of Board  
43 members, it is desirable that the terms be staggered; that they be long enough to allow effective  
44 service, though not so long that a Board member who proves ineffective remains in office any  
45 longer than necessary; and that they be renewable but that there be a limit on the number of times

1 they may be renewed. This provision reflects the view that the length of the term should be four  
2 years rather than three years, as is now more commonly the case. Although there seems to be an  
3 increasing trend toward not reappointing Board members for a second term, it takes any new  
4 Board member some time in office before he is fully effective. A somewhat longer term seems  
5 an appropriate way of balancing these two considerations.  
6

7 **(b) The Board shall elect annually from among its members a chairman and such other**  
8 **officers as the Board may determine to be appropriate. The Board shall meet at**  
9 **such times and places as may be fixed by the Board. Meetings of the Board shall be**  
10 **open to the public except insofar as they are concerned with investigations under**  
11 **Section 11 of this Act and except as may be necessary to protect information that is**  
12 **required to be kept confidential by Board rules or by the laws of this State. A**  
13 **majority of the Board members then in office shall constitute a quorum at any**  
14 **meeting duly called. The Board shall have a seal which shall be judicially noticed.**  
15 **The Board shall retain or arrange for the retention of all applications and all**  
16 **documents under oath that are filed with the Board and also records of its**  
17 **proceedings, and it shall maintain a registry of the names and addresses of all**  
18 **licensees under this Act. In any proceeding in court, civil or criminal, arising out of**  
19 **or founded upon any provision of this Act, copies of any of said records certified as**  
20 **true copies under the seal of the Board shall be admissible in evidence as tending to**  
21 **prove the contents of said records.**  
22

23 *COMMENT:* This subsection, like the preceding one, presents a number of decision points that  
24 may vary according to state practice, and it includes some provisions (notably the ones regarding  
25 open meetings and confidential information) that may be unnecessary in the accountancy law  
26 because they are covered by state laws of general application. Subject to such variances, the  
27 provisions recommended appear to be desirable ones in the light of general experience.  
28

29 **(c) Each member of the Board shall be paid an amount established by law for each day**  
30 **or portion thereof spent in the discharge of the member's official duties and shall be**  
31 **reimbursed for the member's actual and necessary expenses incurred in the**  
32 **discharge of the member's official duties.**  
33

34 **(d) All moneys collected by the Board from fees authorized to be charged by this Act**  
35 **shall be received and accounted for by the Board and shall be deposited in the State**  
36 **Treasury to the credit of the Board. Appropriation shall be made for the expenses of**  
37 **administering the provisions of this Act, which may include, but shall not be limited**  
38 **to, the costs of conducting investigations and of taking testimony and procuring the**  
39 **attendance of witnesses before the Board or its committees; all legal proceedings**  
40 **taken under this Act for the enforcement thereof; and educational programs for the**  
41 **benefit of the public and licensees and their employees.**  
42

43 *COMMENT:* A provision of this kind, effectively providing that at least a substantial portion of  
44 the revenues raised from fees required to be paid by applicants and licensees will be applied to

1 defraying the expenses of administering the law, has proved a desirable one in those jurisdictions  
2 where the statute contains such a provision. The typical pattern is that the regulation of public  
3 accountancy is, from the state's point of view, self-supporting. The extent to which the Board has  
4 adequate staff to assist it (as provided in subsection (f) below) and other resources necessary to  
5 do its job effectively may well depend on the extent to which such revenues are available for use  
6 in the administration of the Act.

7  
8 **(e) The Board shall file an annual report of its activities with the Governor and the**  
9 **legislature, which report shall include a statement of all receipts and disbursements**  
10 **and a listing of all current licensees under this Act. The Board shall mail a copy of**  
11 **the annual report to any person requesting it and paying a reasonable charge**  
12 **therefor.**

13  
14 **(f) The Board may employ an executive director and such other personnel as it deems**  
15 **necessary in its administration and enforcement of this Act. It may appoint such**  
16 **committees or persons, to advise or assist it in such administration and enforcement,**  
17 **as it may see fit. It may retain its own counsel to advise and assist it in addition to**  
18 **such advice and assistance as is provided by the Attorney General of this State.**

19  
20 *COMMENT:* Adequate staffing can be an important determinant of how effective a Board of  
21 Accountancy is in discharging its statutory obligations. The same is true of the ability of a Board  
22 to employ independent counsel from time to time for special purposes, in addition to the counsel  
23 normally provided to it by the state attorney general's office. With regard to the financing  
24 necessary to implement such provisions, see the comment following subsection (d).

25  
26 An additional way for a Board to increase its effectiveness, which does not involve significant  
27 expense, is the appointment of committees or individuals not on the Board or its staff, to advise  
28 and assist it in various ways, including disciplinary investigations (see section 11(b)).

29  
30 **(g)(1) The Board shall have the power to take all action that is necessary and proper to**  
31 **effectuate the purposes of this Act, including the power to sue and be sued in its**  
32 **official name as an agency of this State. The Board shall also have the power to**  
33 **issue subpoenas to compel the attendance of witnesses and the production of**  
34 **documents; to administer oaths; to take testimony, to cooperate with the PCAOB**  
35 **and the appropriate state and federal regulatory authorities having jurisdiction over**  
36 **the professional conduct in question in investigation and enforcement concerning**  
37 **violations of this Act and comparable acts of other states; to cooperate in**  
38 **enforcement with appropriate foreign regulatory authorities in instances which**  
39 **have or may result in criminal conviction, loss of license or suspension,**  
40 **admonishment or censure; and to receive evidence concerning all matters within the**  
41 **scope of this Act. In case of disobedience of a subpoena, the Board may invoke the**  
42 **aid of any court or other appropriate regulatory authority in requiring the**  
43 **attendance and testimony of witnesses and the production of documentary evidence.**  
44 **For purposes of this subsection, "appropriate foreign regulatory authorities" shall**

1           **be those foreign authorities granting substantially equivalent foreign designations in**  
2           **accordance with Section 6(g) of this Act.**

- 3  
4           **(2) The Board, its members, and its agents shall be immune from personal liability for**  
5           **actions taken in good faith in the discharge of the Board’s responsibilities, and the**  
6           **State shall hold the Board, its members, and its agents harmless from all costs,**  
7           **damages, and attorneys’ fees arising from claims and suits against them with**  
8           **respect to matters to which such immunity applies.**

9  
10          *COMMENT:* In many accountancy laws now in effect, the provisions regarding subpoenas and  
11          testimony that are included in this paragraph dealing with Board powers generally are found  
12          instead in the section dealing with hearings, which is section 12 in this Uniform Act, or are  
13          specified in the state’s administrative procedure act. Subsection 4(g)(1) has been strengthened to  
14          facilitate greater multistate enforcement cooperation.

- 15  
16  
17          **(h) The Board may adopt rules governing its administration and enforcement of this**  
18          **Act and the conduct of licensees, including but not limited to--**

- 19  
20               **(1) Rules governing the Board’s meetings and the conduct of its business;**  
21  
22               **(2) Rules of procedure governing the conduct of investigations and hearings by**  
23               **the Board;**  
24  
25               **(3) Rules specifying the educational and experience qualifications required for**  
26               **the issuance of certificates under Section 6 of this Act and the continuing**  
27               **professional education required for renewal of certificates under Section 6;**  
28  
29               **(4) Rules of professional conduct directed to controlling the quality and probity**  
30               **of services by licensees, and dealing among other things with independence,**  
31               **integrity, and objectivity; competence and technical standards;**  
32               **responsibilities to the public; and responsibilities to clients;**  
33  
34               **(5) Rules governing the professional standards applicable to licensees;**  
35  
36               **(6) Rules governing the manner and circumstances of use of the titles “certified**  
37               **public accountant” and “CPA”;**  
38  
39               **(7) Rules regarding peer review that may be required to be performed under**  
40               **provisions of this Act;**  
41  
42               **(8) Rules on substantial equivalence to implement Section 23; and**  
43  
44               **(9) Such other rules as the Board may deem necessary or appropriate for**

1 **implementing the provisions and the purposes of this Act.**

2  
3 *COMMENT:* See the comment following section 3(n) regarding paragraph (7). Some states may  
4 have laws requiring that state boards expressly adopt by reference the applicable professional  
5 standards.  
6

- 7 **(i) At least 60 days prior to the proposed effective date of any rule or amendment**  
8 **thereto under subsection (h) of this Section or any other provision of this Act, the**  
9 **Board shall publish notice of such proposed action and of a public hearing to be**  
10 **held no more than 30 days prior to such effective date, in [the State Register or**  
11 **equivalent official publication].**  
12

13 *COMMENT:* The provision for publication of proposed rules and amendments thereto in an  
14 official state register, and for public hearings thereon, may be covered in some states by a state  
15 statute of general application, such as an Administrative Procedure Act; but where this is not the  
16 case, it appears a desirable provision for a state accountancy law. Some existing laws also have a  
17 provision requiring separate notice by mail to all licensees of any proposed rule or amendment;  
18 but, no such provision is included here because the expense of notice by mail seems unjustified  
19 when adequate notice by publication is available.  
20

- 21 **(j) Records, papers, and other documents containing information collected or compiled**  
22 **by the Board, its members, employees, contractors or agents, including its legal**  
23 **counsel, as a result of a complaint, investigation, inquiry, or interview in connection**  
24 **with an application for examination, certification, or registration, or in connection**  
25 **with a licensee's professional ethics and conduct, shall not be considered public**  
26 **records within the meaning of this State's public records laws. Additionally, any**  
27 **record, paper, or other document received by the Board as a result of a self-**  
28 **reporting requirement shall not be considered public records within the meaning of**  
29 **this State's public records laws. When any such record, paper, or other document is**  
30 **admitted into evidence in a hearing held by the Board, it shall then be a public**  
31 **record within the meaning of this State's public records laws. However, upon a**  
32 **showing of good cause, the presiding officer at such a hearing may order that**  
33 **confidential or privileged information be redacted or admitted under seal.**  
34

- 35 **(1) Notwithstanding any other provision of this act, information protected by this**  
36 **confidentiality provision shall not be disclosed to other authorities unless the**  
37 **recipient confirms in writing that it will assure preservation of confidentiality**  
38 **and the licensee has been given reasonable notice that the information will be**  
39 **provided to another entity.**  
40

- 41 **(2) Notwithstanding any contrary provision in the State's Public Records law,**  
42 **disclosures to law enforcement and regulatory authorities and, only to the**  
43 **extent deemed necessary to conduct an investigation, to the subject of the**  
44 **investigation, persons whose complaints are being investigated and witnesses**

1           **questioned in the course of investigation, as provided in Section 11(b), shall not**  
2           **be considered public disclosures and shall not deprive such records of their**  
3           **confidential status.**

4  
5           **(3) Nothing in this subsection shall be construed as a waiver of any privilege, such**  
6           **as attorney-client privilege, which may also apply to any records covered by**  
7           **this subsection.**

8  
9           **(4) Nothing in this subsection shall confer confidential status on any record**  
10           **collected under this subsection which was a public record when collected or**  
11           **thereafter becomes a public record through other lawful means.**



1 **SECTION 5**  
2 **QUALIFICATIONS FOR A CERTIFICATE AS A CERTIFIED PUBLIC**  
3 **ACCOUNTANT**  
4

- 5 (a) **The certificate of “certified public accountant” shall be granted to persons of good**  
6 **moral character who meet the education, experience and examination requirements**  
7 **of the following subsections of this Section and rules adopted thereunder and who**  
8 **make application therefor pursuant to Section 6 of this Act.**  
9

10 *COMMENT:* As mentioned in the introductory comments, this Uniform Act, like many  
11 accountancy laws now in effect, involves a licensure system that eliminates questions as to who  
12 may use the CPA title. All individuals who wish to use the CPA title in a state must have a  
13 certificate from that state or have practice privileges pursuant to Section 23.  
14

15 It may be noted that this provision contemplates that there will be no certificate requirements  
16 with respect to citizenship, age, or residency. A citizenship requirement would not be  
17 constitutional; in view of the education requirement, a separate age requirement seems without  
18 utility; and in light of the desirability, explained in the introductory comments, of achieving  
19 maximum uniformity and reciprocity among the various states, a residency requirement seems  
20 not merely useless but counterproductive.  
21

- 22 (b) **Good moral character for purposes of this Section means the propensity to provide**  
23 **professional services in a fair, honest, and open manner. The Board may refuse to**  
24 **grant a certificate on the ground of failure to satisfy this requirement only if there is**  
25 **a substantial connection between the lack of good moral character of the applicant**  
26 **and the professional responsibilities of a licensee and if the finding by the Board of**  
27 **lack of good moral character is supported by clear and convincing evidence. When**  
28 **an applicant is found to be unqualified for a certificate because of a lack of good**  
29 **moral character, the Board shall furnish the applicant [a] statement containing the**  
30 **findings of the Board, a complete record of the evidence upon which the**  
31 **determination was based, and a notice of the applicant’s right of appeal.**  
32

33 *COMMENT:* The precise meaning of a “good moral character” is difficult to prescribe, but the  
34 definition offered in this section has been understood and sustained by courts. This provision is  
35 intended both to assure that the requirement of good moral character will be narrowly and  
36 precisely construed, avoiding problems of both vagueness and over breadth and to assure  
37 procedural fairness in any instance where a certificate is denied on the basis of lack of good  
38 moral character. The right of appeal referred to would presumably be prescribed by a statute of  
39 general application, such as an Administrative Procedure Act.  
40

- 41 (c) **The education requirement for a certificate, which must be met before an applicant**  
42 **is eligible to apply for the examination prescribed in subsection (d), shall be as**  
43 **follows:**  
44

1           **(1) During the five -year period immediately following the effective date of this**  
2           **Act, a baccalaureate degree or its equivalent conferred by a college or**  
3           **university acceptable to the Board, with an accounting concentration or**  
4           **equivalent as determined by Board rule to be appropriate;**  
5

6           **(2) After the expiration of the five -year period immediately following the effective**  
7           **date of this Act, at least 150 semester hours of college education including a**  
8           **baccalaureate or higher degree conferred by a college or university acceptable**  
9           **to the Board, the total educational program to include an accounting**  
10           **concentration or equivalent as determined by Board rule to be appropriate.**  
11

12 *COMMENT:* Paragraph (2) of this provision would, after the lapse of the specified number of  
13 years, put into effect a 150-hour education requirement. The report of the Commission on  
14 Professional Accounting Education (issued in August 1983) sets out the considerations that  
15 underlie the policies of both the AICPA and NASBA favoring establishment of such a  
16 requirement.  
17

18 **(d) The examination required to be passed as a condition for the granting of a**  
19 **certificate shall be held regularly throughout the year, and shall test the applicant's**  
20 **knowledge of the subjects of accounting and auditing, and such other related**  
21 **subjects as the Board may specify by rule, including but not limited to business law**  
22 **and taxation. The Board shall prescribe by rule the methods of applying for and**  
23 **conducting the examination, including methods for grading and determining a**  
24 **passing grade required of an applicant for a certificate provided, however, that the**  
25 **Board shall to the extent possible see to it that the examination itself, grading of the**  
26 **examination, and the passing grades, are uniform with those applicable in all other**  
27 **states. The Board may make such use of all or any part of the Uniform Certified**  
28 **Public Accountant Examination and Advisory Grading Service of the American**  
29 **Institute of Certified Public Accountants and may contract with third parties to**  
30 **perform such administrative services with respect to the examination as it deems**  
31 **appropriate to assist it in performing its duties hereunder.**  
32

33 *COMMENT:* The Uniform Certified Public Accountant Examination and Advisory Grading  
34 Service, referred to in this provision, has for some years been consistently used by the Board of  
35 Accountancy (or its equivalent) of every American jurisdiction. Although the grading provided  
36 by that service is, as the name implies, only advisory, with each state Board retaining ultimate  
37 authority to determine grades and passing requirements, it is obvious that uniformity among  
38 jurisdictions in these matters is a matter of considerable importance. Uniformity respecting the  
39 examination is essential to ensuring interstate mobility for the certificate holders of this state.  
40 Provisions related to conditioning are set out in the Uniform Accountancy Act Rules.  
41

42 **(e) The Board may charge, or provide for a third party administering the examination**  
43 **to charge, each applicant a fee, in an amount prescribed by the Board by rule.**  
44

1 (f) **An applicant for initial issuance of a certificate under this Section shall show that**  
2 **the applicant has had one year of experience. This experience shall include**  
3 **providing any type of service or advice involving the use of accounting, attest,**  
4 **compilation, management advisory, financial advisory, tax or consulting skills all of**  
5 **which was verified by a licensee, meeting requirements prescribed by the Board by**  
6 **rule. This experience would be acceptable if it was gained through employment in**  
7 **government, industry, academia or public practice.**  
8

9 *COMMENT:* Before an applicant may obtain a certificate, the applicant must obtain actual  
10 experience; however, that experience can be obtained in any area of employment involving the  
11 use of accounting or business skills. In addition, experience should be acceptable whether it is  
12 gained through employment in government, industry, academia or public practice. The  
13 experience may be supervised by a non-licensee but must be verified by a licensee.

1 **SECTION 6**  
2 **ISSUANCE AND RENEWAL OF CERTIFICATES, AND MAINTENANCE OF**  
3 **COMPETENCY**

- 4  
5 (a) **The Board shall grant or renew certificates to persons who make application and**  
6 **demonstrate (1) that their qualifications, including where applicable the**  
7 **qualifications prescribed by Section 5, are in accordance with the following**  
8 **subsections of this Section or (2) that they are eligible under the substantial**  
9 **equivalency standard set out in Section 23(a)(2) of the Act which requires licensure**  
10 **for those CPAs that establish their principal place of business in another state. The**  
11 **holder of a certificate issued under this Section may only provide attest services, as**  
12 **defined, in a CPA firm that holds a permit issued under Section 7 of this Act.**

13  
14 *COMMENT:* Section 5 sets out the requirements for initial issuance of a certificate; this section  
15 provides for the process of application for the initial certificate, as well as for renewal of  
16 certificates. It also outlines the process for the issuance of reciprocal certificates for applicants  
17 that do not meet the substantial equivalency standard. Applicants that meet the substantial  
18 equivalency standard set out in Section 23 receive reciprocity upon complying with the  
19 application procedure in Section 6(c)(2). This section also makes it clear that certificate holders  
20 may only provide attest services in licensed firms.

- 21  
22 (b) **Certificates shall be initially issued, and renewed, for periods of not more than three**  
23 **years but in any event shall expire on the [specified date] following issuance or**  
24 **renewal. Applications for such certificates shall be made in such form, and in the**  
25 **case of applications for renewal, between such dates, as the Board shall by rule**  
26 **specify, and the Board shall grant or deny any such application no later than**  
27 **\_\_\_\_\_ days after the application is filed in proper form. In any case where the**  
28 **applicant seeks the opportunity to show that issuance or renewal of a certificate was**  
29 **mistakenly denied, or where the Board is not able to determine whether it should be**  
30 **granted or denied, the Board may issue to the applicant a provisional certificate,**  
31 **which shall expire ninety days after its issuance or when the Board determines**  
32 **whether or not to issue or renew the certificate for which application was made,**  
33 **whichever shall first occur.**

34  
35 *COMMENT:* This provision reflects the pattern of some laws now in effect in contemplating a  
36 biennial or triennial rather than an annual renewal. The purpose of this is to make it possible to  
37 tie the renewal period to the period for completion of the maintenance of competency  
38 requirements, as provided by subsection (d) below.

- 39  
40 (c)(1) **With regard to applicants that do not qualify for reciprocity under the substantial**  
41 **equivalency standard set out in Section 23(a)(2) of this Act, the Board shall issue a**  
42 **certificate to a holder of a certificate, license, or permit issued by another state upon**  
43 **a showing that:**

- 44  
45 (A) **The applicant passed the uniform CPA examination;**  
46 (B) **The applicant had four years of experience of the type described in Section 5(f)**  
47 **or meets comparable requirements prescribed by the Board by rule, after**

1           **passing the examination upon which the applicant’s certificate was based and**  
2           **within the ten years immediately preceding the application; and**

3  
4           **(C) If the applicant’s certificate, license, or permit was issued more than four years**  
5           **prior to the application for issuance of an initial certificate under this Section,**  
6           **that the applicant has fulfilled the requirements of continuing professional**  
7           **education that would have been applicable under subsection (d) of this Section.**

8  
9           **(2) As an alternative to the requirements of Section 6(c)(1) of this Act, a certificate**  
10           **holder licensed by another state who establishes their principal place of business in**  
11           **this state shall request the issuance of a certificate from the Board prior to**  
12           **establishing such principal place of business. The Board shall issue a certificate to**  
13           **such person who obtains from the NASBA National Qualification Appraisal Service**  
14           **verification that such individual’s CPA qualifications are substantially equivalent to**  
15           **the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act.**

16  
17           **(3) An application under this Section may be made through the NASBA Qualification**  
18           **Appraisal Service.**

19  
20           *COMMENT:* Subsection 6(c)(1) of this section offers a means of providing for reciprocal  
21 recognition of licensees of other states who are not eligible under the substantial equivalency  
22 standard set out in Section 23 of this Act. Paragraph 6(c)(1)(B) requires a determination that the  
23 certificate of the other state has been issued on the basis of education and examination  
24 “conditioning” requirements comparable to those of this state, but makes allowance for an  
25 experience requirement as a substitute for these. The reciprocity so offered would be limited to  
26 CPAs-that is, it would exclude “grandfathered” PAs of other jurisdictions-since it rests upon the  
27 applicant having a certificate in the other jurisdiction, and, although there are a few jurisdictions  
28 where certificates have been issued to “grandfathered” public accountants, the term “certificate”  
29 is defined in section 3(d) to refer only to certificates issued after successful completion of the  
30 examination prescribed in section 5 of this Act.

31  
32           Subsection 6(c)(1)(C) is intended to assure that, where an extended period has passed between  
33 issuance of a certificate, license, or permit and the certificate holder’s first application for a  
34 certificate in this state, the applicant has fulfilled at least a substantial portion of the CPE  
35 requirements that were applicable to licensees practicing in this state during the same period.

36  
37           Subsection 6(c)(3) makes the NASBA Qualification Appraisal Service available to individuals  
38 who apply for reciprocity under Section 6(c).

39  
40           Subsection 6(c)(2) deals with reciprocity under the substantial equivalency standard. Under  
41 substantial equivalency, licensure is required where the CPA has their principal place of  
42 business. If a CPA relocates to another state and establishes a principal place of business in that  
43 state then they would be required to obtain a certificate in that state. With substantial  
44 equivalency established, however, this application process for an individual would essentially be  
45 routine and just a matter of filing an application and paying an appropriate fee.

46  
47           **(d) For renewal of a certificate under this Section each licensee shall participate in a**

1 program of learning designed to maintain professional competency. Such program  
2 of learning must comply with rules adopted by the Board. The Board may by rule  
3 create an exception to this requirement for certificate holders who do not perform  
4 or offer to perform for the public one or more kinds of services involving the use of  
5 accounting or auditing skills, including issuance of reports on financial statements  
6 or of one or more kinds of management advisory, financial advisory or consulting  
7 services, or the preparation of tax returns or the furnishing of advice on tax matters.  
8 Licensees granted such an exception by the Board must place the word “inactive”  
9 adjacent to their CPA title or PA title on any business card, letterhead or any other  
10 document or device, with the exception of their CPA certificate or PA registration,  
11 on which their CPA or PA title appears.  
12

13 *COMMENT:* A licensee is deemed competent to serve the public when he or she initially meets  
14 the requirements for licensure. However, a dynamic professional environment requires a  
15 licensee to continuously maintain and enhance his or her knowledge, skills and abilities. The  
16 board of accountancy may specify any reasonable approach to meeting this requirement using as  
17 a guideline the Statement on Standards for Continuing Professional Education (CPE) Programs  
18 jointly approved by the National Association of State Boards of Accountancy (NASBA) and the  
19 American Institute of Certified Public Accountants (AICPA).  
20

21 (e) **The Board shall charge a fee for each application for initial issuance or renewal of a**  
22 **certificate under this Section in an amount prescribed by the Board by rule.**  
23

24 (f) **Applicants for initial issuance or renewal of certificates under this Section shall in**  
25 **their applications list all states in which they have applied for or hold certificates,**  
26 **licenses, or permits and list any past denial, revocation or suspension of a certificate,**  
27 **license or permit, and each holder of or applicant for a certificate under this Section**  
28 **shall notify the Board in writing, within 30 days after its occurrence, of any**  
29 **issuance, denial, revocation, or suspension of a certificate, license or permit by**  
30 **another state.**  
31

32 (g) **The Board shall issue a certificate to a holder of a substantially equivalent foreign**  
33 **designation, provided that:**  
34

35 (1) **The foreign authority which granted the designation makes similar provision**  
36 **to allow a person who holds a valid certificate issued by this State to obtain**  
37 **such foreign authority’s comparable designation; and**

38 (2) **The foreign designation:**  
39

40 (A) **was duly issued by a foreign authority that regulates the practice of**  
41 **public accountancy and the foreign designation has not expired or been**  
42 **revoked or suspended;**  
43

44 (B) **entitles the holder to issue reports upon financial statements; and**  
45

46 (C) **was issued upon the basis of educational, examination, and experience**

1 requirements established by the foreign authority or by law; and

2  
3 **(3) The applicant:**

4  
5 **(A) received the designation, based on educational and examination**  
6 **standards substantially equivalent to those in effect in this State, at the**  
7 **time the foreign designation was granted;**

8  
9 **(B) completed an experience requirement, substantially equivalent to the**  
10 **requirement set out in Section 5(f), in the jurisdiction which granted the**  
11 **foreign designation or has completed four years of professional**  
12 **experience in this State; or meets equivalent requirements prescribed by**  
13 **the Board by rule, within the ten years immediately preceding the**  
14 **application; and**

15  
16 **(C) passed a uniform qualifying examination in national standards [and an**  
17 **examination on the laws, regulations and code of ethical conduct in effect**  
18 **in this State] acceptable to the Board.**

19  
20 **(h) An applicant under subsection (g) shall in the application list all jurisdictions,**  
21 **foreign and domestic, in which the applicant has applied for or holds a designation**  
22 **to practice public accountancy, and each holder of a certificate issued under this**  
23 **subsection shall notify the Board in writing, within thirty days after its occurrence,**  
24 **of any issuance, denial, revocation or suspension of a designation or commencement**  
25 **of a disciplinary or enforcement action by any jurisdiction.**

26  
27 **(i) The Board has the sole authority to interpret the application of the provisions of**  
28 **subsections (g) and (h).**

29  
30 *COMMENT:* Sections 6(g), 6(h) and 6(i) are designed to allow granting of reciprocal certificates  
31 as certified public accountants to foreign accountants who meet standards equivalent to those in  
32 this state. They are based on professional competence and its objective is to provide international  
33 reciprocity to qualified individuals without imposing arbitrary or unnecessary restrictions. The  
34 requirement set out in subsection 6(h) parallels the requirement set out in section 6(f) for  
35 applicants from other states.

36  
37 **(j) The Board shall by rule require as a condition for renewal of a certificate under this**  
38 **Section, by any certificate holder who issues compilation reports for the public other**  
39 **than through a CPA firm, that such individual undergo, no more frequently than**  
40 **once every three years, a peer review conducted in such manner as the Board shall**  
41 **by rule specify, and such review shall include verification that such individual has**  
42 **met the competency requirements set out in professional standards for such**  
43 **services.**

1 **SECTION 7**  
2 **FIRM PERMITS TO PRACTICE, ATTEST AND COMPILATION COMPETENCY**  
3 **AND PEER REVIEW**  
4

5 (a) The Board shall grant or renew permits to practice as a CPA firm to  
6 applicants that demonstrate their qualifications therefor in accordance with this  
7 Section.

8  
9 (1) The following must hold a permit issued under this Section:

10  
11 (A) Any firm with an office in this state performing attest services as  
12 defined in Section 3(b) of this Act; or,

13  
14 (B) Any firm with an office in this state that uses the title “CPA” or “CPA  
15 firm;” or,

16  
17 (C) Any firm that does not have an office in this state but performs attest  
18 services described in Section 3(b)(1), (3) or (4) of this Act for a client  
19 having its home office in this state.  
20

21 (2) A firm which does not have an office in this state may perform services  
22 described in subsections 3(b)(2) or 3(f) for a client having its home office in  
23 this state and may use the title “CPA” or “CPA firm” without a permit  
24 issued under this Section only if:

25  
26 (A) it has the qualifications described in subsections 7(c) [ownership] and  
27 7(h) [peer review], and

28  
29 (B) it performs such services through an individual with practice  
30 privileges under Section 23 of the Act.  
31

32 (3) A firm which is not subject to the requirements of 7(a)(1)(C) or 7(a)(2) may  
33 perform other professional services while using the title “CPA” or “CPA  
34 firm” in this state without a permit issued under this Section only if:

35  
36 (A) it performs such services through an individual with practice  
37 privileges under Section 23 of the Act, and,

38  
39 (B) it can lawfully do so in the state where said individuals with practice  
40 privileges have their principal place of business.  
41  
42

43 *COMMENT:* This Uniform Act departs from the pattern of some accountancy laws now in  
44 effect in eliminating any separate requirement for the registration of firms and of offices. The  
45 information-gathering and other functions accomplished by such registration should be equally  
46 easily accomplished as part of the process of issuing firm permits under this section. The  
47 difference is, again, one of form more than of substance but one that should be kept in mind if



1 consideration is given to fitting the permit provisions of this Uniform Act into an existing law.

2  
3 As pointed out in the comment following section 3(g), above, because a CPA firm is defined to  
4 include a sole proprietorship, the permits contemplated by this section would be required of sole  
5 practitioners as well as larger practice entities. To avoid unnecessary duplication of paperwork, a  
6 Board could, if it deemed appropriate, offer a joint application form for certificates and sole  
7 practitioner firm permits.

8  
9 This provision also makes it clear that firms with an office in this state may not provide attest  
10 services as defined, or call themselves CPA firms without a license in this state. Certified Public  
11 Accountants are not required to offer services to the public, other than attest services, through a  
12 CPA firm. CPAs may offer non-attest services through any type of entity they choose and there  
13 are no requirements in terms of a certain percentage of CPA ownership for these types of entities  
14 as long as they do not call themselves a “CPA firm” or use the term “CPA” in association with  
15 the entity’s name. These non-CPA firms are not required to be licensed by the State Board.

16  
17 Out-of-state firms without an office in this state may provide attest services other than those  
18 described in Section 23(a)(4) for a client which has its home office in this state, and call  
19 themselves CPA firms in this state without having a permit from this state so long as they do so  
20 through a licensee or individual with practice privileges and so long as they are qualified to do so  
21 under the requirements of Section 7.

22  
23 Depending on the services provided, and if the firm calls itself a CPA firm, such a firm is subject  
24 to the requirements described in revised subsection 7(a)(2)(A) or subsection 7(a)(3)(B),  
25 whichever is applicable.

26  
27  
28  
29 **(b) Permits shall be initially issued and renewed for periods of not more than three**  
30 **years but in any event expiring on [specified date] following issuance or renewal.**  
31 **Applications for permits shall be made in such form, and in the case of applications**  
32 **for renewal, between such dates as the Board may by rule specify, and the Board**  
33 **shall grant or deny any such application no later than \_\_\_\_ days after the**  
34 **application is filed in proper form. In any case where the applicant seeks the**  
35 **opportunity to show that issuance or renewal of a permit was mistakenly denied or**  
36 **where the Board is not able to determine whether it should be granted or denied, the**  
37 **Board may issue to the applicant a provisional permit, which shall expire ninety**  
38 **days after its issuance or when the Board determines whether or not to issue or**  
39 **renew the permit for which application was made, whichever shall first occur.**

40  
41 *COMMENT:* See the comment following section 6(b) regarding the renewal period.

42 **(c) An applicant for initial issuance or renewal of a permit to practice under this**  
43 **Section shall be required to show that:**

44  
45 **(1) Notwithstanding any other provision of law, a simple majority of the**

1 ownership of the firm, in terms of financial interests and voting rights of all  
2 partners, officers, shareholders, members or managers, belongs to holders of a  
3 certificate who are licensed in some state, and such partners, officers,  
4 shareholders, members or managers, whose principal place of business is in  
5 this state, and who perform professional services in this state hold a valid  
6 certificate issued under Section 6 of this Act or the corresponding provision of  
7 prior law or are public accountants registered under Section 8 of this Act.  
8 Although firms may include non-licensee owners the firm and its ownership  
9 must comply with rules promulgated by the Board. For firms of public  
10 accountants, at least a simple majority of the ownership of the firm, in terms of  
11 financial interests and voting rights, must belong to holders of registrations  
12 under Section 8 of this Act. An individual who has practice privileges under  
13 Section 23 who performs services for which a firm permit is required under  
14 Section 23(a)(4) shall not be required to obtain a certificate from this state  
15 pursuant to Section 6 of this Act.  
16  
17

18 *COMMENT:* The limitation of the requirement of certificates to partners, officers, shareholders,  
19 members and managers who have their principal place of business in the state is intended to  
20 allow some latitude for occasional visits and limited assignments within the state of firm  
21 personnel who are based elsewhere. If those out-of-state individuals qualify for practice  
22 privileges under Section 23 and do not have their principal places of business in this state, they  
23 do not have to be licensed in this state. In addition, the requirement allows for non-licensee  
24 ownership of licensed firms.  
25

26 (2) Any CPA or PA firm as defined in this Act may include non-licensee owners  
27 provided that:

28 (A) The firm designates a licensee of this state, or in the case of a firm which  
29 must have a permit pursuant to Section 23(a)(4) a licensee of another  
30 state who meets the requirements set out in Section 23(a)(1) or in Section  
31 23(a)(2), who is responsible for the proper registration of the firm and  
32 identifies that individual to the Board.  
33

34 (B) All non-licensee owners are active individual participants in the CPA or  
35 PA firm or affiliated entities.  
36

37 (C) The firm complies with such other requirements as the board may impose  
38 by rule.  
39

40 (3) Any individual licensee and any individual granted practice privileges under  
41 this Act who is responsible for supervising attest or compilation services and  
42 signs or authorizes someone to sign the accountant's report on the financial  
43 statements on behalf of the firm, shall meet the competency requirements set  
44 out in the professional standards for such services.  
45

46 (4) Any individual licensee and any individual granted practice privileges under  
47

1           **this Act who signs or authorizes someone to sign the accountants' report on the**  
2           **financial statements on behalf of the firm shall meet the competency**  
3           **requirement of the prior subsection.**  
4

5 *COMMENT:* Because of the greater sensitivity of attest and compilation services, professional  
6 standards should set out an appropriate competency requirement for those who supervise them  
7 and sign attest or compilation reports. However, the accountant's report in such engagements  
8 may be supervised, or signed, or the signature authorized for the CPA firm by a practice  
9 privileged individual.  
10

11  
12 **(d) An applicant for initial issuance or renewal of a permit to practice under this**  
13 **Section shall be required to register each office of the firm within this State with the**  
14 **Board and to show that all attest and compilation services as defined herein**  
15 **rendered in this state are under the charge of a person holding a valid certificate**  
16 **issued under Section 6 of this Act or the corresponding provision of prior law or**  
17 **some other state.**  
18

19 **(e) The Board shall charge a fee for each application for initial issuance or renewal of a**  
20 **permit under this Section in an amount prescribed by the Board by rule.**  
21

22 **(f) An applicant for initial issuance or renewal of permits under this Section shall in**  
23 **their application list all states in which they have applied for or hold permits as**  
24 **CPA firms and list any past denial, revocation or suspension of a permit by any**  
25 **other state, and each holder of or applicant for a permit under this Section shall**  
26 **notify the Board in writing, within 30 days after its occurrence, of any change in the**  
27 **identities of partners, officers, shareholders, members or managers whose principal**  
28 **place of business is in this State, any change in the number or location of offices**  
29 **within this State, any change in the identity of the persons in charge of such offices,**  
30 **and any issuance, denial, revocation, or suspension of a permit by any other state.**  
31

32 **(g) Firms which fall out of compliance with the provisions of the section due to changes**  
33 **in firm ownership or personnel, after receiving or renewing a permit, shall take**  
34 **corrective action to bring the firm back into compliance as quickly as possible. The**  
35 **State Board may grant a reasonable period of time for a firm to take such corrective**  
36 **action. Failure to bring the firm back into compliance within a reasonable period as**  
37 **defined by the Board will result in the suspension or revocation of the firm permit.**  
38

39 **(h) The Board shall by rule require as a condition to renewal of permits under this**  
40 **Section, that applicants undergo, no more frequently than once every three years,**  
41 **peer reviews conducted in such manner as the Board shall specify, and such review**  
42 **shall include a verification that individuals in the firm who are responsible for**  
43 **supervising attest and compilation services and sign or authorize someone to sign**  
44 **the accountant's report on the financial statements on behalf of the firm meet the**  
45 **competency requirements set out in the professional standards for such services,**  
46 **provided that any such rule --**  
47

- 1 (1) shall be promulgated reasonably in advance of the time when it first becomes  
2 effective;  
3  
4 (2) shall include reasonable provision for compliance by an applicant showing that  
5 it has, within the preceding three years, undergone a peer review that is a  
6 satisfactory equivalent to peer review generally required pursuant to this  
7 subsection (h);  
8  
9 (3) shall require, with respect to any organization administering peer review  
10 programs contemplated by paragraph (2), that it be subject to evaluations by  
11 the Board or its designee, to periodically assess the effectiveness of the peer  
12 review program under its charge, and  
13  
14 (4) \*may require that organizations administering peer review programs provide  
15 to the Board information as the Board designates by rule; and  
16  
17 (5) \*shall require with respect to peer reviews contemplated by paragraph (2) that  
18 licensees timely remit such peer review documents as specified by Board Rule  
19 or upon Board request and that such documents be maintained by the Board  
20 in a manner consistent with Section 4(j) of this Act.

21  
22 \* Due to its 1988 commitment to its members, the AICPA cannot support this  
23 provision at this time.  
24

25 *COMMENT:* The AICPA and NASBA both agree that periodic peer reviews are an important  
26 means of maintaining the general quality of professional practice.  
27

28 In the interests of providing flexibility where appropriate or desirable, this provision would give  
29 the Board latitude when to require reviews. Paragraph (2) is intended to recognize that there are  
30 other valid reasons besides state regulation for which firms may undergo peer reviews (for  
31 example, as a condition to membership in the AICPA). It is also intended to avoid unnecessary  
32 duplication of such reviews, by providing for the acceptance of peer reviews performed by other  
33 groups or organizations whose work could be relied on by the Board. If a peer review  
34 requirement is established by the Board, paragraph (3) requires that the Board assure that there is  
35 an evaluation of the administration of the peer review program(s) which is accepted by the  
36 Board, which is performed either by the Board or its designee. Paragraph (4) would require the  
37 administering entities of peer review programs to provide the Board information, as required by  
38 rule. Paragraph (5) requires that licensees remit peer review documents to the Board, as  
39 specified by rule, and that these documents would be maintained subject to the confidentiality  
40 provision in Section 4(j) of the Act.  
41

42 Paragraphs (4) and (5) primarily address the ability of the Board to have direct access to peer  
43 review results. Previous editions of the UAA contained language that could have been  
44 interpreted to either not permit or to limit state boards' access to results of the peer review  
45 process. Language that restricted the Board's ability to access the results of peer review was  
46 consistent with the AICPA's commitment to its membership to maintain the confidentiality of  
47 peer review materials that were generated through the AICPA peer review program. However,

1 in response to regulatory concerns it was determined that new language was needed to provide  
2 for greater transparency. At its spring 2004 meeting, AICPA's governing Council approved a  
3 resolution in support of increased transparency in the peer review process. However, as a result  
4 of the AICPA's 1988 commitment to its membership to maintain the confidentiality of peer  
5 review results, the AICPA's Council will not act on its resolution without a vote of the AICPA's  
6 membership. The AICPA will not pursue a vote of its membership until the membership has  
7 fully considered the issues surrounding this matter. Until that time, a solution for the UAA was  
8 crafted that recognized the authority of state boards of accountancy to take action and at the same  
9 time allowed the Institute to keep its commitment to the AICPA membership on confidentiality  
10 of peer review materials. For that reason, paragraphs (4) and (5) are marked with an asterisk (\*)  
11 that states "Due to its 1988 commitment to its members, the AICPA cannot support this  
12 provision at this time."  
13

14 The term "peer review" is defined in section 3(n).

1 **SECTION 8**

2 **PUBLIC ACCOUNTANTS AND FIRMS OF PUBLIC ACCOUNTANTS**

3  
4 **Persons who on the effective date of this Act hold registrations as public accountants issued**  
5 **under prior law of this State shall be entitled to have their registrations renewed upon**  
6 **fulfillment of the continuing professional education requirements for renewal of certificates**  
7 **set out in Section 6 of this Act, and on the renewal cycle and payment of fees there**  
8 **prescribed for renewal of certificates. Any registration not so renewed shall expire three**  
9 **years after the effective date of this Act. Firms of public accountants holding permits to**  
10 **practice as such issued under prior law of this State shall be entitled to have their permits**  
11 **to practice renewed pursuant to the procedures, and subject to the requirements for**  
12 **renewal of permits to practice for firms of certified public accountants, set out in Section 7**  
13 **of this Act. So long as such public accountant licensees hold valid registrations and permits**  
14 **to practice, they shall be entitled to perform attest and compilation services to the same**  
15 **extent as holders of certificates, and other holders of permits, and in addition they shall be**  
16 **entitled to use the title “public accountants” and “PA,” but no other title. The holder of a**  
17 **registration issued under this Section may only perform attest services in a firm that holds**  
18 **a permit issued under Section 7 of this Act.**

19  
20 *COMMENT:* This provision would be of use in jurisdictions where under the previous law a  
21 class of “grandfathered” public accountants was licensed to perform the audit function. Many  
22 accountancy laws now in effect have substantially more elaborate provisions to deal with public  
23 accountants, but a comparatively simple provision such as this one should be sufficient. Those  
24 coming within this provision would, like holders of certificates, be required to have a currently  
25 valid registration in order to provide attest and compilation services, and they would be subject  
26 to the same continuing professional education requirements as apply for renewal of certificates  
27 and the same rules, as holders of certificates. They would in fact be treated the same as holders  
28 of certificates for virtually all purposes, the principal differences being in the titles they and their  
29 firms would be permitted to use, and in a lack of reciprocity to comparable licensees of other  
30 states (see comments following Sections 6(c) and 7(c)). This section also makes it clear that  
31 public accountants may only perform attest services in licensed firms.

1 **SECTION 9**  
2 **APPOINTMENT OF SECRETARY OF STATE AS AGENT**

3  
4 **Application by a person or a firm not a resident of this State for a certificate under Section**  
5 **6 of this Act or a permit to practice under Section 7 shall constitute appointment of the**  
6 **Secretary of State as the applicant's agent upon whom process may be served in any action**  
7 **or proceeding against the applicant arising out of any transaction or operation connected**  
8 **with or incidental to services performed by the applicant while a licensee within this State.**

9  
10 *COMMENT:* In many laws now in effect, a provision of this kind appears in each of the  
11 Sections dealing with the issuance of a certificate or any form of permit. Since there are several  
12 such provisions in this Uniform Act (as there are in many existing laws), repetition is here  
13 avoided by having this single comprehensive provision. This Section pertains to applicants for  
14 licensure. Since persons using practice privileges are not required to apply or provide notice,  
15 Section 23(a)(3)(D) requires that individuals and firms using practice privileges consent to the  
16 appointment of the State Board which issued their license as their agent upon whom process may  
17 be served in any action or proceeding by this Board against them.

1 **SECTION 10**  
2 **ENFORCEMENT- GROUNDS FOR DISCIPLINE**

3  
4 **(a) After notice and hearing pursuant to the Administrative Procedures Act, the Board**  
5 **may revoke any license issued under Sections 6, 7 or 8 of this Act or corresponding**  
6 **provisions of prior law or revoke or limit privileges under Section 23 of this Act;**  
7 **suspend any such license or refuse to renew any such license for a period of not**  
8 **more than \_\_\_ years; reprimand, censure, or limit the scope of practice of any**  
9 **licensee; impose an administrative fine not exceeding \_\_\_\_, or place any licensee on**  
10 **probation, all with or without terms, conditions, and limitations, for any one or**  
11 **more of the following reasons:**

- 12  
13 **(1) Dishonesty, fraud or deceit in obtaining a license;**  
14  
15 **(2) Cancellation, revocation, suspension or refusal to renew a license or privileges**  
16 **under Section 23 for disciplinary reasons in any other state for any cause;**  
17  
18 **(3) Failure, on the part of a licensee under Sections 6 or 7 or registration under**  
19 **Section 8, to maintain compliance with the requirements for issuance or**  
20 **renewal of such certificate, permit or registration or to report changes to the**  
21 **Board under Sections 6(f) or 7(f);**  
22  
23 **(4) Revocation or suspension of the right to practice by any state or federal**  
24 **regulatory authority or by the PCAOB;**  
25  
26 **(5) Dishonesty, fraud, deceit or gross negligence in the performance of services as**  
27 **a licensee or individual granted privileges under Section 23 or in the filing or**  
28 **failure to file one's own income tax returns;**  
29  
30 **(6) Violation of any provision of this Act or rule promulgated by the Board under**  
31 **this Act or violation of professional standards;**  
32  
33 **(7) Violation of any rule of professional conduct promulgated by the Board under**  
34 **Section 4(h)(4) of this Act;**  
35  
36 **(8) Conviction of a felony, or of any other crime an element of which is dishonesty,**  
37 **fraud or deceit, under the laws of the United States, of this State, or of any**  
38 **other state if the acts involved would have constituted a crime under the laws**  
39 **of this State;**  
40  
41 **(9) Performance of any fraudulent act while holding a license or privilege issued**  
42 **under this Act or prior law;**  
43  
44 **(10) Any conduct reflecting adversely upon the licensee's fitness to perform services**  
45 **while a licensee, or individual granted privileges under Section 23; or**  
46 **(11) Making any false or misleading statement or verification, in support of an**



1                   **application for a license filed by another.**

2  
3   *COMMENT:* This provision departs from the typical corresponding provision of some  
4 accountancy laws now in effect in two respects. One of these is the provision for an  
5 administrative fine, in addition to other possible penalties. There is such a provision in some  
6 accountancy laws; whether such a provision is permissible in the laws of other states is a matter  
7 for individual determination in each jurisdiction.

8  
9   The other departure from the prior common pattern is in paragraph (10), a catch-all provision  
10 which is phrased in terms of conduct reflecting adversely on the licensee’s fitness to perform  
11 services rather than the broader and vaguer conventional phrase, “conduct discreditable to the  
12 accounting profession.” This narrower provision is intended to avoid problems of vagueness and  
13 overbreadth. A similar change is involved in the requirement of “good moral character” in  
14 section 5(b).

15  
16   **(b) In lieu of or in addition to any remedy specifically provided in subsection (a) of this**  
17   **Section, the Board may require of a licensee--**

18  
19       **(1) A peer review conducted in such fashion as the Board may specify; and/or**

20  
21       **(2) Satisfactory completion of such continuing professional education programs as**  
22       **the Board may specify.**

23  
24   *COMMENT:* This subsection is intended to provide rehabilitative remedies for enforcement  
25 proceedings against licensees, in addition to (or in place of) the more traditional punitive  
26 remedies provided in subsection (a). The term “peer review” is defined in section 3(n).

27  
28   **(c) In any proceeding in which a remedy provided by subsections (a) or (b) of this**  
29   **Section is imposed, the Board may also require the respondent licensee to pay the**  
30   **costs of the proceeding.**

31  
32   *COMMENT:* This provision appears appropriate in terms of both equity and the economics of  
33 Board operations.

1 **SECTION 11**  
2 **ENFORCEMENT--INVESTIGATIONS**

3  
4 (a) **The Board may, upon receipt of a complaint or other information suggesting**  
5 **violations of this Act or of the rules of the Board, conduct investigations to**  
6 **determine whether there is probable cause to institute proceedings under Sections**  
7 **12, 15, or 16 of this Act against any person or firm for such violation, but an**  
8 **investigation under this Section shall not be a prerequisite to such proceedings in**  
9 **the event that a determination of probable cause can be made without investigation.**  
10 **In aid of such investigations, the Board or the chairperson thereof may issue**  
11 **subpoenas to compel witnesses to testify and/or to produce evidence.**

12  
13 (b) **The Board may designate a member, or any other person of appropriate**  
14 **competence, to serve as investigating officer to conduct an investigation. Upon**  
15 **completion of an investigation, the investigating officer shall file a report with the**  
16 **Board. The Board shall find probable cause or lack of probable cause upon the basis**  
17 **of the report or shall return the report to the investigating officer for further**  
18 **investigation. Unless there has been a determination of probable cause, the report of**  
19 **the investigating officer, the complaint, if any, the testimony and documents**  
20 **submitted in support of the complaint or gathered in the investigation, and the fact**  
21 **of pendency of the investigation shall be treated as confidential information and**  
22 **shall not be disclosed to any person except law enforcement authorities and, to the**  
23 **extent deemed necessary in order to conduct the investigation, the subject of the**  
24 **investigation, persons whose complaints are being investigated, and witnesses**  
25 **questioned in the course of the investigation.**

26  
27 (c) **Upon a finding of probable cause, if the subject of the investigation is a licensee or**  
28 **an individual with privileges under Section 23 of this Act, the Board shall direct that**  
29 **a complaint be issued under Section 12 of this Act, and if the subject of the**  
30 **investigation is not a licensee or an individual with privileges under Section 23, the**  
31 **Board shall take appropriate action under Sections 15 or 16 of this Act. Upon a**  
32 **finding of no probable cause, the Board shall close the matter and shall thereafter**  
33 **release information relating thereto only with the consent of the person or firm**  
34 **under investigation.**

35  
36 (d) **The Board may review the publicly available professional work of licensees or an**  
37 **individual with privileges under Section 23 of this Act on a general and random**  
38 **basis, without any requirement of a formal complaint or suspicion of impropriety.**  
39 **In the event that as a result of such review the Board discovers reasonable grounds**  
40 **for a more specific investigation, the Board may proceed under subsections (a)**  
41 **through (c) of this Section.**

42  
43 *COMMENT:* This provision contemplates “positive enforcement,” which is to say review of the  
44 professional work of licensees without any triggering requirement of receipt of complaints.

1 **SECTION 12**  
2 **ENFORCEMENT PROCEDURES--HEARINGS BY THE BOARD**

3  
4 (a) In any case where probable cause with respect to a violation by a licensee or an  
5 individual with privileges granted under Section 23 of this Act has been determined  
6 by the Board, whether following an investigation under Section 11 of this Act, or  
7 upon receipt of a written complaint furnishing grounds for a determination of such  
8 probable cause, or upon receipt of notice of a decision by the Board of Accountancy  
9 of another state furnishing such grounds, the Board shall issue a complaint setting  
10 forth appropriate charges and set a date for hearing before the Board on such  
11 charges. The Board shall, not less than 30 days prior to the date of the hearing,  
12 serve a copy of the complaint and notice of the time and place of the hearing upon  
13 the licensee or an individual with privileges granted under Section 23 of this Act,  
14 together with a copy of the Board's rules governing proceedings under this Section,  
15 either by personal delivery or by mailing a copy thereof by registered mail to the  
16 licensee at the licensee's address last known to the Board. In the case of an  
17 individual exercising privileges under Section 23, service shall be by registered mail  
18 to the address last known to the Board, or pursuant to Section 23(a)(3)(c).

19  
20 (b) A licensee or an individual with privileges under Section 23, against whom a  
21 complaint has been issued under this Section shall have the right, reasonably in  
22 advance of the hearing, to examine and copy the report of investigation, if any, and  
23 any documentary or testimonial evidence and summaries of anticipated evidence in  
24 the Board's possession relating to the subject matter of the complaint. The Board's  
25 rules governing proceedings under this Section shall specify the manner in which  
26 such right may be exercised.

27  
28 *COMMENT:* Although the procedures followed by many Boards of accountancy now include,  
29 on either a formal or an informal basis, prehearing disclosure to the respondent of the evidence  
30 that will be offered in support of a complaint, it seems desirable to embody so fundamental a  
31 procedural right in the governing statute.

32  
33 (c) In a hearing under this Section the respondent licensee or an individual with  
34 privileges granted under Section 23 may appear in person (or, in the case of a firm,  
35 through a partner, officer, director, shareholder, member or manager) and/or by  
36 counsel, examine witnesses and evidence presented in support of the complaint, and  
37 present evidence and witnesses on the licensee's or an individual's own behalf. The  
38 licensee or an individual granted privileges under Section 23 shall be entitled, on  
39 application to the Board, to the issuance of subpoenas to compel the attendance of  
40 witnesses and the production of documentary evidence.

41  
42 (d) The evidence supporting the complaint shall be presented by the investigating  
43 officer, by a Board member designated for that purpose, or by counsel. A Board  
44 member who presents the evidence, or who has conducted the investigation of the  
45 matter under Section 11 of this Act, shall not participate in the Board's decision of  
46 the matter.

1 *COMMENT:* The provision disqualifying a Board member who presents the evidence or who  
2 has investigated the case from participating in the Board's decision of the case again reflects  
3 common practice, but like subsection (b) it appears to involve a sufficiently fundamental point to  
4 merit explicit mention in the statute. The purpose is, of course, to separate the prosecutorial and  
5 adjudicative functions of the Board.  
6

7 Some or all of the procedural matters of this kind included in this Uniform Act may be dealt with  
8 by statutes of general applicability, such as Administrative Procedure Acts, and so be  
9 unnecessary for inclusion in an accountancy law.  
10

11 **(e) In a hearing under this Section the Board shall be advised by counsel, who shall not**  
12 **be the same counsel who presents or assists in presenting the evidence supporting**  
13 **the complaint under subsection (d) of this Section.**  
14

15 *COMMENT:* The comments under subsection (d) are applicable here also. It should be noted  
16 that this provision would not require two lawyers in all cases: It simply requires that if there is  
17 counsel involved in presenting the complaint, in addition to counsel advising the Board, it must  
18 not be the same counsel. If there were two counsel, they might both be provided by the state  
19 attorney general's office, so long as they were firmly insulated from each other.  
20

21 **(f) In a hearing under this Section the Board shall not be bound by technical rules of**  
22 **evidence.**  
23

24 **(g) In a hearing under this Section a stenographic or electronic record shall be made**  
25 **and filed with the Board. A transcript need not be prepared unless review is sought**  
26 **under subsection (j) of this Section or the Board determines that there is other good**  
27 **cause for its preparation.**  
28

29 **(h) In a hearing under this Section a recorded vote of a majority of all members of the**  
30 **Board then in office (excluding members disqualified by reason of subsection (d) of**  
31 **this Section) shall be required to sustain any charge and to impose any penalty with**  
32 **respect thereto.**  
33

34 **(i) If, after service of a complaint and notice of hearing as provided in subsection (a) of**  
35 **this Section, the respondent licensee fails to appear at the hearing, the Board may**  
36 **proceed to hear evidence against the licensee or an individual granted privileges**  
37 **under Section 23 and may enter such order as it deems warranted by the evidence,**  
38 **which order shall be final unless the licensee or an individual granted privileges**  
39 **under Section 23 petitions for review thereof under subsection (j) of this Section,**  
40 **provided, however, that within thirty days from the date of any such order, upon a**  
41 **showing of good cause for the licensee's or an individual's failure to appear and**  
42 **defend, the Board may set aside the order and schedule a new hearing on the**  
43 **complaint, to be conducted in accordance with applicable subsections of this**  
44 **Section.**  
45

46 **(j) Any person or firm adversely affected by any order of the Board entered after a**  
47 **hearing under this Section may obtain review thereof by filing a written petition for**

1 review with the \_\_\_\_\_ Court within thirty days after the entry of said order. The  
2 procedures for review and the scope of the review shall be as specified in [State  
3 Administrative Procedure Act, or other statute providing for judicial review of  
4 actions of administrative agencies].  
5

6 *COMMENT:* This provision would depart from the pattern of some accountancy laws now in  
7 effect in providing that, where a decision of the Board is appealed to a court, the court will not  
8 conduct a trial de novo but rather will review the Board's decision on the same basis as  
9 ordinarily applies in cases of judicial review of decisions by administrative agencies: That is,  
10 reversal will be based on errors of law or procedure, or on a lack of substantial evidence to  
11 support factual determinations. If in a given state there is no Administrative Procedure Act or  
12 analogous statute, it will be necessary to spell out the standards and procedures in this provision.  
13

14 The right of appeal is not limited to persons or firms against whom disciplinary proceedings are  
15 specifically directed but includes anyone who is "adversely affected." Thus, for example, a  
16 partner in a firm that was subjected to discipline in a given case, or a firm of which a partner was  
17 disciplined, might be adversely affected by the Board's order so as to be entitled to appeal it.  
18

19 **(k) In any case where the Board renders an order imposing discipline against a licensee  
20 or an individual granted privileges under Section 23 of this Act, the Board shall  
21 examine its records to determine whether the individual or firm holds a license or  
22 practice privilege in any other state or is subject to the PCAOB's authority; and if  
23 so, the Board shall notify the State Boards of Accountancy and any other regulatory  
24 authorities, including the PCAOB if applicable, of its decision immediately in the  
25 case of a consent order and in all other cases when the time for giving notice of an  
26 appeal from the Board's order has expired. Such notice shall indicate whether or  
27 not the subject order has been appealed and whether or not the subject order has  
28 been stayed. In the alternative, the Board may report such disciplinary actions to a  
29 multistate enforcement information network. Subject to Section 4(j) [Board  
30 Records Confidential] of this Act, the Board may also furnish investigative  
31 information and the hearing record relating to proceedings resulting in disciplinary  
32 action in such cases to such other regulatory authorities upon request.**

1 **SECTION 13**  
2 **REINSTATEMENT**

3  
4 (a) In any case where the Board has suspended or revoked a certificate or a permit or  
5 registration or revoked or limited privileges under Section 23 or refused to renew a  
6 certificate, permit, or registration, the Board may, upon application in writing by  
7 the person or firm affected and for good cause shown, modify the suspension, or  
8 reissue the certificate, permit, or registration or remove the limitation or revocation  
9 of privileges under Section 23.

10  
11 (b) The Board shall by rule specify the manner in which such applications shall be  
12 made, the times within which they shall be made, and the circumstances in which  
13 hearings will be held thereon.

14  
15 (c) Before reissuing, or terminating the suspension of, a certificate, permit or  
16 registration under this Section or of privileges under Section 23, and as a condition  
17 thereto, the Board may require the applicant therefor to show successful completion  
18 of specified continuing professional education; and the Board may make the  
19 reinstatement of a certificate, permit or registration or of privileges under Section  
20 23 conditional and subject to satisfactory completion of a peer review conducted in  
21 such fashion as the Board may specify.

22  
23 *COMMENT:* The term “peer review” is defined in section 3(o).

1 **SECTION 14**  
2 **UNLAWFUL ACTS**

3  
4 **(a) Only licensees and individuals who have practice privileges under Section 23 of this**  
5 **Act may issue a report on financial statements of any person, firm, organization, or**  
6 **governmental unit or offer to render or render any attest or compilation service, as**  
7 **defined herein. This restriction does not prohibit any act of a public official or**  
8 **public employee in the performance of that person’s duties as such; or prohibit the**  
9 **performance by any non-licensee of other services involving the use of accounting**  
10 **skills, including the preparation of tax returns, management advisory services, and**  
11 **the preparation of financial statements without the issuance of reports thereon.**  
12 **Non-licensees may prepare financial statements and issue non-attest transmittals or**  
13 **information thereon which do not purport to be in compliance with the Statements**  
14 **on Standards for Accounting and Review Services (SSARS).**

15  
16 *COMMENT:* This provision, giving application to the definition of report in section 3(s) above,  
17 is the cornerstone prohibition of the Uniform Act, reserving the performance of those  
18 professional services calling upon the highest degree of professional skill and having greatest  
19 consequence for persons using financial statements--namely, the audit function and other attest  
20 and compilation services as defined herein -- to licensees. It is so drafted as to make as clear and  
21 emphatic as possible the limited nature of this exclusively reserved function and the rights of  
22 unlicensed persons to perform all other functions. This wording addresses concerns that this  
23 exemption could otherwise, by negative implication, allow non-licensees to prepare any report  
24 on a financial statement other than a SSARS - i.e., other attestation standards. Consistent with  
25 Section 23, individuals with practice privileges may render these reserved professional services  
26 to the same extent as licensees.

27  
28  
29 This provision is also intended to extend the reservation of the audit function to other services  
30 that also call for special skills and carry particular consequence for users of financial statements,  
31 albeit in each respect to a lesser degree than the audit function: namely, the performance of  
32 compilations and reviews of financial statements, in accordance with the AICPA’s Statements on  
33 Standards for Accounting and Review Services, which set out the standards to be met in a  
34 compilation or review and specify the form of communication to management or report to be  
35 issued. The subsection is intended to prevent issuance by non-licensees of reports or  
36 communication to management using that standard language or language deceptively similar to  
37 it. Safe harbor language which may be used by non-licensees is set out in Rule 14-2.

38  
39 **(b) Licensees and individuals who have practice privileges under Section 23 of this Act**  
40 **performing attest or compilation services must provide those services in accordance**  
41 **with applicable professional standards.**

42  
43 **(c) No person not holding a valid certificate or a practice privilege pursuant to Section**  
44 **23 of this Act shall use or assume the title “certified public accountant,” or the**  
45 **abbreviation “CPA” or any other title, designation, words, letters, abbreviation,**  
46 **sign, card, or device tending to indicate that such person is a certified public**  
47 **accountant.**

1  
2 *COMMENT:* This subsection prohibits the use by persons not holding certificates, or practice  
3 privileges, of the two titles, “certified public accountant” and “CPA,” that are specifically and  
4 inextricably tied to the granting of a certificate as certified public accountant under section 6.

5 **(d) No firm shall provide attest services or assume or use the title “certified public**  
6 **accountants,” or the abbreviation “CPAs,” or any other title, designation, words,**  
7 **letters, abbreviation, sign, card, or device tending to indicate that such firm is a**  
8 **CPA firm unless (1) the firm holds a valid permit issued under Section 7 of this Act,**  
9 **and (2) ownership of the firm is in accord with this Act and rules promulgated by**  
10 **the Board.**

11  
12 *COMMENT:* Like the preceding subsection, this one restricts use of the two titles “certified  
13 public accountants” and “CPAs,” but in this instance by firms, requiring the holding of a firm  
14 permit to practice. It also restricts unlicensed firms from providing attest services.

15  
16 **(e) No person shall assume or use the title “public accountant,” or the abbreviation**  
17 **“PA,” or any other title, designation, words, letters, abbreviation, sign, card, or**  
18 **device tending to indicate that such person is a public accountant unless that person**  
19 **holds a valid registration issued under Section 8 of this Act.**

20  
21 *COMMENT:* This subsection, and the one that follows, reserve the title “public accountant” and  
22 its abbreviation in the same fashion as subsections (c) and (d) do for the title “certified public  
23 accountant” and its abbreviation. The two provisions would of course only be required in a  
24 jurisdiction where there were grandfathered public accountants as contemplated by section 8.

25  
26 **(f) No firm not holding a valid permit issued under Section 7 of this Act shall provide**  
27 **attest services or assume or use the title “public accountant,” the abbreviation**  
28 **“PA,” or any other title, designation, words, letters, abbreviation, sign, card, or**  
29 **device tending to indicate that such firm is composed of public accountants.**

30  
31 *COMMENT:* See the comments following subsections (d) and (e).

32  
33 **(g) No person or firm not holding a valid certificate, permit or registration issued under**  
34 **Sections 6, 7, or 8 of this Act shall assume or use the title “certified accountant,”**  
35 **“chartered accountant,” “enrolled accountant,” “licensed accountant,” “registered**  
36 **accountant,” “accredited accountant,” or any other title or designation likely to be**  
37 **confused with the titles “certified public accountant” or “public accountant,” or use**  
38 **any of the abbreviations “CA,” “LA,” “RA,” “AA,” or similar abbreviation likely to**  
39 **be confused with the abbreviations “CPA” or “PA.” The title “Enrolled Agent” or**  
40 **“EA” may only be used by individuals so designated by the Internal Revenue**  
41 **Service.**

42  
43 *COMMENT:* This provision is intended to supplement the prohibitions of subsections (c)  
44 through (f) on use of titles by prohibiting other titles that may be misleadingly similar to the titles  
45 specifically reserved to licensees or that otherwise suggest that their holders are licensed.



1  
2 **(h)(1) Non-licensees may not use language in any statement relating to the financial affairs**  
3 **of a person or entity which is conventionally used by licensees in reports on financial**  
4 **statements. In this regard, the Board shall issue safe harbor language non-licensees**  
5 **may use in connection with such financial information.**  
6

7 **(2) No person or firm not holding a valid certificate, permit or registration issued under**  
8 **Sections 6, 7, or 8 of this Act shall assume or use any title or designation that**  
9 **includes the words “accountant,” “auditor,” or “accounting,” in connection with**  
10 **any other language (including the language of a report) that implies that such**  
11 **person or firm holds such a certificate, permit, or registration or has special**  
12 **competence as an accountant or auditor, provided, however, that this subsection**  
13 **does not prohibit any officer, partner, member, manager or employee of any firm or**  
14 **organization from affixing that person’s own signature to any statement in**  
15 **reference to the financial affairs of such firm or organization with any wording**  
16 **designating the position, title, or office that the person holds therein nor prohibit**  
17 **any act of a public official or employee in the performance of the person’s duties as**  
18 **such.**  
19

20 *COMMENT:* This provision clarifies the language and titles that are prohibited for non-  
21 licensees. Like the preceding subsection, subsection (h)(2) of this provision is intended to  
22 supplement the prohibitions of subsections (c) through (f), by prohibiting other titles which may  
23 be misleadingly similar to the specifically reserved titles or that otherwise suggest licensure. In  
24 the interest of making the prohibition against the issuance by unlicensed persons of reports on  
25 audits, reviews, and compilations as tight and difficult to evade as possible, there is also some  
26 overlap between this provision and the prohibitions in subsection (a). Safe harbor language is set  
27 out in Rule 14-2.  
28

29 **(i) No person holding a certificate or registration or firm holding a permit under this**  
30 **Act shall use a professional or firm name or designation that is misleading about the**  
31 **legal form of the firm, or about the persons who are partners, officers, members,**  
32 **managers or shareholders of the firm, or about any other matter, provided,**  
33 **however, that names of one or more former partners, members, managers or**  
34 **shareholders may be included in the name of a firm or its successor. A common**  
35 **brand name, including common initials, used by a CPA Firm in its name, is not**  
36 **misleading if said firm is a Network Firm as defined in the AICPA Code of**  
37 **Professional Conduct (“Code”) in effect July 1, 2011 and, when offering or**  
38 **rendering services that require independence under AICPA standards, said firm**  
39 **must comply with the Code’s applicable standards on independence.**  
40

41 *COMMENT:* With regard to use of a common brand name or common initials by a Network  
42 Firm, this language should be considered in conjunction with Rules 14-1 (c) and (d), which  
43 provide further clarity and guidance.  
44

45 **(j) None of the foregoing provisions of this Section shall have any application to a**  
46 **person or firm holding a certification, designation, degree, or license granted in a**  
47 **foreign country entitling the holder thereof to engage in the practice of public**

1        **accountancy or its equivalent in such country, whose activities in this State are**  
2        **limited to the provision of professional services to persons or firms who are**  
3        **residents of, governments of, or business entities of the country in which the person**  
4        **holds such entitlement, who performs no attest or compilation services as defined**  
5        **and who issues no reports with respect to the financial statements of any other**  
6        **persons, firms, or governmental units in this State, and who does not use in this**  
7        **State any title or designation other than the one under which the person practices in**  
8        **such country, followed by a translation of such title or designation into the English**  
9        **language, if it is in a different language, and by the name of such country.**

10  
11        *COMMENT:* The right spelled out in this provision, of foreign licensees to provide services in  
12        the state to foreign-based clients, looking to the issuance of reports only in foreign countries, is  
13        essentially what foreign licensees have a right to do under most laws now in effect, simply  
14        because no provision in those laws restricts such a right. The foreign titles used by foreign  
15        licensees might otherwise run afoul of standard prohibitions with respect to titles (such as one on  
16        titles misleadingly similar to “CPA”) but this provision would grant a dispensation not found in  
17        most laws now in force.

18  
19        **(k) No holder of a certificate issued under Section 6 of this Act or a registration issued**  
20        **under Section 8 of this Act shall perform attest services through any business form**  
21        **that does not hold a valid permit issued under Section 7 of this Act.**

22  
23        *COMMENT:* See the comments following Sections 6(a), 7(a) and 8.

24  
25        **(l) No individual licensee shall issue a report in standard form upon a compilation of**  
26        **financial information through any form of business that does not hold a valid permit**  
27        **issued under Section 7 of this Act unless the report discloses the name of the**  
28        **business through which the individual is issuing the report, and the individual:**

29  
30                **(1) signs the compilation report identifying the individual as a CPA or PA,**

31  
32                **(2) meets the competency requirement provided in applicable standards, and**

33  
34                **(3) undergoes no less frequently than once every three years, a peer review**  
35                **conducted in such manner as the Board shall by rule specify, and such review**  
36                **shall include verification that such individual has met the competency**  
37                **requirements set out in professional standards for such services.**

38  
39        **(m) Nothing herein shall prohibit a practicing attorney or firm of attorneys from**  
40        **preparing or presenting records or documents customarily prepared by an attorney**  
41        **or firm of attorneys in connection with the attorney’s professional work in the**  
42        **practice of law.**

43  
44        **(n)(1) A licensee shall not for a commission recommend or refer to a client any product or**  
45        **service, or for a commission recommend or refer any product or service to be**  
46        **supplied by a client, or receive a commission, when the licensee also performs for**  
47        **that client,**

- 1  
2 (A) an audit or review of a financial statement; or  
3  
4 (B) a compilation of a financial statement when the licensee expects, or reasonably  
5 might expect, that a third party will use the financial statement and the  
6 licensee's compilation report does not disclose a lack of independence; or  
7  
8 (C) an examination of prospective financial information.  
9

10 This prohibition applies during the period in which the licensee is engaged to perform  
11 any of the services listed above and the period covered by any historical financial  
12 statements involved in such listed services.

- 13 (2) A licensee who is not prohibited by this section from performing services for or  
14 receiving a commission and who is paid or expects to be paid a commission shall  
15 disclose that fact to any person or entity to whom the licensee recommends or refers  
16 a product or service to which the commission relates.  
17  
18 (3) Any licensee who accepts a referral fee for recommending or referring any service  
19 of a licensee to any person or entity or who pays a referral fee to obtain a client shall  
20 disclose such acceptance or payment to the client.  
21  
22 (o)(1) A licensee shall not:  
23  
24 (A) perform for a contingent fee any professional services for, or receive such a fee  
25 from a client for whom the licensee or the licensee's firm performs,  
26  
27 (i) an audit or review of a financial statement; or  
28  
29 (ii) a compilation of a financial statement when the licensee expects, or  
30 reasonably might expect, that a third party will use the financial  
31 statement and the licensee's compilation report does not disclose a lack of  
32 independence; or  
33  
34 (iii) an examination of prospective financial information; or  
35  
36 (B) Prepare an original or amended tax return or claim for a tax refund for a  
37 contingent fee for any client.  
38  
39 (2) The prohibition in (1) above applies during the period in which the licensee is  
40 engaged to perform any of the services listed above and the period covered by any  
41 historical financial statements involved in any such listed services.  
42  
43 (3) Except as stated in the next sentence, a contingent fee is a fee established for the  
44 performance of any service pursuant to an arrangement in which no fee will be  
45 charged unless a specified finding or result is attained, or in which the amount of  
46 the fee is otherwise dependent upon the finding or result of such service. Solely for

1           **purposes of this section, fees are not regarded as being contingent if fixed by courts**  
2           **or other public authorities, or, in tax matters, if determined based on the results of**  
3           **judicial proceedings or the findings of governmental agencies. A licensee's fees may**  
4           **vary depending, for example, on the complexity of services rendered.**  
5

6    *COMMENT:* Section 14(n) on commissions is based on Rule 503 of the AICPA Code of  
7    Professional Conduct. Section 14(o) on contingent fees is based on Rule 302 of the AICPA  
8    Code of Professional Conduct.  
9

10  
11    **(p) Notwithstanding anything to the contrary in this Section, it shall not be a violation**  
12    **of this Section for a firm which does not hold a valid permit under Section 7 of this**  
13    **Act and which does not have an office in this state to provide its professional**  
14    **services in this state so long as it complies with the requirements of Section 7(a)(2)**  
15    **or 7(a)(3), whichever is applicable.**  
16

17  
18    *COMMENT:* Section 14(p) has been added along with revisions to Sections 23 and 7, to provide  
19    that as long as an out-of-state firm complies with the requirements of new Section 7(a)(2) or  
20    7(a)(3), whichever is applicable, it can do so through practice privileged individuals without a  
21    CPA firm permit from this state.

1 **SECTION 15**  
2 **INJUNCTIONS AGAINST UNLAWFUL ACTS**

3  
4 **Whenever, as a result of an investigation under Section 11 of this Act or otherwise, the**  
5 **Board believes that any person or firm has engaged, or is about to engage, in any acts or**  
6 **practices which constitute or will constitute a violation of Section 14 of this Act, the Board**  
7 **may make application to the appropriate court for an order enjoining such acts or**  
8 **practices, and upon a showing by the Board that such person or firm has engaged, or is**  
9 **about to engage, in any such acts or practices, an injunction, restraining order, or other**  
10 **order as may be appropriate shall be granted by such court.**

1 **SECTION 16**  
2 **CRIMINAL PENALTIES**

3  
4 **(a) Whenever, by reason of an investigation under Section 11 of this Act or otherwise,**  
5 **the Board has reason to believe that any person or firm has knowingly engaged in**  
6 **acts or practices that constitute a violation of Section 14 of this Act, the Board may**  
7 **bring its information to the attention of the Attorney General of any State (or other**  
8 **appropriate law enforcement officer) who may, in the officer's discretion, cause**  
9 **appropriate criminal proceedings to be brought thereon.**

10  
11 **(b) Any person or firm who knowingly violates any provision of Section 14 of this Act**  
12 **shall be guilty of a misdemeanor, and upon conviction thereof shall be subject to a**  
13 **fine of not more than \$\_\_\_\_\_ or to imprisonment for not more than one year,**  
14 **or to both such fine and imprisonment.**

15  
16 *COMMENT:* The word “knowingly” is included in this provision to assure that criminal  
17 penalties will not be applied in the absence of conscious wrongdoing.

1 **SECTION 17**  
2 **SINGLE ACT EVIDENCE OF PRACTICE**

3  
4 **In any action brought under Sections 12, 15, or 16 of this Act, evidence of the commission**  
5 **of a single act prohibited by this Act shall be sufficient to justify a penalty, injunction,**  
6 **restraining order, or conviction, respectively, without evidence of a general course of**  
7 **conduct.**

1 **SECTION 18**  
2 **CONFIDENTIAL COMMUNICATIONS**

3  
4 **Except by permission of the client for whom a licensee performs services or the heirs,**  
5 **successors, or personal representatives of such client, a licensee under this Act, shall not**  
6 **voluntarily disclose information communicated to the licensee by the client relating to and**  
7 **in connection with services rendered to the client by the licensee. Such information shall be**  
8 **deemed confidential, provided, however, that nothing herein shall be construed as**  
9 **prohibiting the disclosure of information required to be disclosed by the standards of the**  
10 **public accounting profession in reporting on the examination of financial statements or as**  
11 **prohibiting compliance with applicable laws, government regulations or PCAOB**  
12 **requirements, disclosures in court proceedings, in investigations or proceedings under**  
13 **Sections 11 or 12 of this Act, in ethical investigations conducted by private professional**  
14 **organizations, or in the course of peer reviews, or to other persons active in the**  
15 **organization performing services for that client on a need to know basis or to persons in the**  
16 **entity who need this information for the sole purpose of assuring quality control.**

17  
18 *COMMENT:* This provision is similar to those found in a number of accountancy laws as well  
19 as ethical codes recognizing the confidentiality of client communications to accountants without,  
20 however, extending it to the point of being an evidentiary privilege (which would prevent its  
21 disclosure in court in certain circumstances--essentially, those in which the licensee is not a  
22 party, such as divorce proceedings where one of the parties is a client of the licensee). The term  
23 "peer review" is defined in section 3(o). The term "licensee" as used in this Section also  
24 includes those using practice privileges inasmuch as Section 23 grants "all the privileges of  
25 licensees of this state" and requires that anyone using practice privileges automatically consents  
26 "to comply with this Act and the Board's rules."



1 **SECTION 19**  
2 **LICENSEES' WORKING PAPERS; CLIENTS' RECORDS**

3  
4 **(a) Subject to the provisions of Section 18, all statements, records, schedules, working**  
5 **papers, and memoranda made by a licensee or a partner, shareholder, officer,**  
6 **director, member, manager or employee of a licensee, incident to, or in the course**  
7 **of, rendering services to a client while a licensee except the reports submitted by the**  
8 **licensee to the client and except for records that are part of the client's records, shall**  
9 **be and remain the property of the licensee in the absence of an express agreement**  
10 **between the licensee and the client to the contrary. No such statement, record,**  
11 **schedule, working paper, or memorandum shall be sold, transferred, or bequeathed,**  
12 **without the consent of the client or the client's personal representative or assignee,**  
13 **to anyone other than one or more surviving partners, stockholders, members or new**  
14 **partners, new stockholders, or new members of the licensee, or any combined or**  
15 **merged firm or successor in interest to the licensee. Nothing in this Section should**  
16 **be construed as prohibiting any temporary transfer of workpapers or other**  
17 **material necessary in the course of carrying out peer reviews or as otherwise**  
18 **interfering with the disclosure of information pursuant to Section 18.**

19  
20 *COMMENT:* It should be noted that this provision, which is a fairly standard one in  
21 accountancy laws, prohibits the transfer of working papers relating to a particular client without  
22 that client's consent in connection with the sale of a practice. The language regarding peer  
23 review is intended to harmonize this section with Section 18 and make it clear that no licensee,  
24 partner, shareholder, officer, director, member, manager or employee of a licensee may withhold  
25 any material that might be needed to perform a peer review nor interfere with any other  
26 disclosure not prohibited by section 18.

27  
28 **(b) A licensee shall furnish to a client or former client, upon request and reasonable**  
29 **notice-**

30  
31 **(1) A copy of the licensee's working papers, to the extent that such working papers**  
32 **include records that would ordinarily constitute part of the client's records**  
33 **and are not otherwise available to the client; and**

34  
35 **(2) Any accounting or other records belonging to, or obtained from or on behalf**  
36 **of, the client that the licensee removed from the client's premises or received**  
37 **for the client's account; the licensee may make and retain copies of such**  
38 **documents of the client when they form the basis for work done by the**  
39 **licensee.**

40  
41 *COMMENT:* This subsection reflects a commonly recognized ethical obligation. It seems of  
42 sufficient importance to deserve incorporation in the statute.

43  
44 **(c) Nothing herein shall require a licensee to keep any workpaper beyond the period**  
45 **prescribed in any other applicable statute.**

1 *COMMENT:* This subsection is designed to make clear that section 19 does not impose any  
2 new record retention requirement. The retention period may be based on the licensee's  
3 professional judgment and any existing law. The term "licensee" as used throughout this Section  
4 also includes those using practice privileges inasmuch as Section 23 grants "all the privileges of  
5 licensees of this state" and requires that anyone using practice privileges automatically consents  
6 "to comply with this Act and the Board's rules."

1 **SECTION 20**  
2 **PRIVITY OF CONTRACT**

- 3  
4 (a) **This Section applies to all causes of action of the type specified herein filed on or**  
5 **after the effective date.**  
6  
7 (b) **This Section governs any action based on negligence brought against any accountant**  
8 **or firm of accountants practicing in this State by any person or entity claiming to**  
9 **have been injured as a result of financial statements or other information examined,**  
10 **compiled, reviewed, certified, audited or otherwise reported or opined on by the**  
11 **defendant accountant or in the course of an engagement to provide other services.**  
12  
13 (c) **No action covered by this Section may be brought unless:**  
14  
15 (1) **The plaintiff (1) is issuer (or successor of the issuer) of the financial statements**  
16 **or other information examined, compiled, reviewed, certified, audited or**  
17 **otherwise reported or opined on by the defendant and (2) engaged the**  
18 **defendant licensee to examine, compile, review, certify, audit or otherwise**  
19 **report or render an opinion on such financial statements or to provide other**  
20 **services; or**  
21  
22 (2) **The defendant licensee or firm: (1) was aware at the time the engagement was**  
23 **undertaken that the financial statements or other information were to be made**  
24 **available for use in connection with a specified transaction by the plaintiff who**  
25 **was specifically identified to the defendant accountant, (2) was aware that the**  
26 **plaintiff intended to rely upon such financial statements or other information**  
27 **in connection with the specified transaction, and (3) had direct contact and**  
28 **communication with the plaintiff and expressed by words or conduct the**  
29 **defendant accountant's understanding of the reliance on such financial**  
30 **statements or other information.**

31  
32 *COMMENT:* This section embodies the common law rule that only persons in a relationship of  
33 privity of contract (i.e., a direct contractual relationship), or a relationship so close as to approach  
34 that of privity, may sue an accountant for negligence. This rule is derived from the seminal  
35 decision of Chief Justice Cardozo of the N.Y. Court of Appeals in *Ultramares Corporation v.*  
36 *Touche*, 255 N.Y. 170 (1931), which was reaffirmed by that court in *Credit Alliance v. Arthur*  
37 *Andersen & Co.*, 65 N.Y. 2D 536 (1985). The provision above is specific to licensees and for  
38 that reason it has been included in this Uniform Accountancy Act, which is intended to be  
39 comprehensive. In some states, it may be more appropriate to include the above provision in  
40 some other chapter of state law rather than in the accountancy statute.

1 **SECTION 21**  
2 **UNIFORM STATUTE OF LIMITATIONS**

3  
4 **(a) This Section applies to all causes of action of the type specified herein filed on or**  
5 **after the effective date.**

6  
7 **(b) This Section governs any action based on negligence or breach of contract brought**  
8 **against any licensee, or any CPA or PA firm practicing in this State by any person**  
9 **or entity claiming to have been injured as a result of financial statements or other**  
10 **information examined, compiled, reviewed, certified, audited or otherwise reported**  
11 **or opined on by the defendant licensee as a result of an engagement to provide**  
12 **services.**

13  
14 **(c) No action covered by this Section may be brought unless the suit is commenced on**  
15 **or before the earlier of:**

16  
17 **(1) one year from the date the alleged act, omission or neglect is discovered or**  
18 **should have been discovered by the exercise of reasonable diligence;**

19  
20 **(2) three years after completion of the service for which the suit is brought has**  
21 **been performed; or**

22  
23 **(3) three years after the date of the initial issuance of the accountant's report on**  
24 **the financial statements or other information.**

25  
26 *COMMENT:* This section establishes a uniform statute of limitations for accountants'  
27 negligence and breach of contracts actions of one year from the date of discovery of the claim,  
28 but in no event more than three years from the date of the completion of the accounting services  
29 that are the subject of complaint or date of the initial issuance of the accountant's report,  
30 whichever is earliest. It is intended to reduce the uncertainty attending potential liability  
31 exposure under differing state limitations periods. The provision above is specific to licensees  
32 and for that reason it has been included in this Uniform Accountancy Act, which is intended to  
33 be comprehensive. In some states, it may be more appropriate to include the above provision in  
34 some other chapter of state law rather than in the accountancy statute.

1 **SECTION 22**  
2 **PROPORTIONATE LIABILITY**

- 3
- 4 (a) **This Section applies to all causes of action of the type specified herein filed on or**  
5 **after the effective date.**
- 6
- 7 (b) **This Section governs any claim for money damages brought against any licensee; or**  
8 **any CPA or PA firm registered, licensed, or practicing in this State; or any**  
9 **employee or principal of such firm by any person or entity claiming to have been**  
10 **injured by the defendant licensee or other person or entity.**
- 11
- 12 (c) **No judgment for money damages may be entered against any licensee, firm,**  
13 **employee, or principal described in subsection (b) in an action covered by this**  
14 **Section except in accordance with the provisions of this subsection.**
- 15
- 16 (1) **If the party seeking a judgment for damages against the licensee proves that**  
17 **the licensee acted with the deliberate intent to deceive, manipulate or defraud**  
18 **for the licensee's own direct pecuniary benefit, the liability of the licensee shall**  
19 **be determined according to the principles that generally apply to such an**  
20 **action.**
- 21
- 22 (2) **If the licensee is not proven to have acted with the deliberate intent to deceive,**  
23 **manipulate or defraud for the accountant's own direct pecuniary benefit, the**  
24 **amount of the accountant's liability in damages shall be determined as follows:**
- 25
- 26 (A) **The trier of fact shall determine the percentage of responsibility of the**  
27 **plaintiff, of each of the defendants, and of each of the other persons or**  
28 **entities alleged by the parties to have caused or contributed to the harm**  
29 **alleged by the plaintiff. In determining the percentages of responsibility,**  
30 **the trier of fact shall consider both the nature of the conduct of each**  
31 **person and the nature and extent of the causal relationship between that**  
32 **conduct and the damage claimed by the plaintiff.**
- 33
- 34 (B) **The trier of fact shall next determine the total amount of damage suffered**  
35 **by the plaintiff caused in whole or in part by the plaintiff, the defendants,**  
36 **and other persons alleged to have caused or contributed to the damage.**
- 37
- 38 (C) **The trier of fact shall then multiply the percentage of responsibility of the**  
39 **licensee (determined under (A)) by the total amount of damages**  
40 **(determined under (B)) and shall enter a judgment or verdict against the**  
41 **licensee in an amount no greater than the product of those two factors.**
- 42
- 43 (D) **In no event shall the damages awarded against or paid by a licensee**  
44 **exceed the amount determined under (C). The licensee shall not be**  
45 **jointly liable on any judgment entered against any other party to the**  
46 **action.**

1                   **(E) Except where a contractual relationship permits, no defendant shall have**  
2                   **a right to recover from a licensee any portion of the percentage of**  
3                   **damages assessed against such other defendant.**  
4

5    *COMMENT:* This section establishes a general principle of proportionate liability in all actions  
6 for money damages (both common law and statutory) against accountants except fraud actions.  
7 (Fraud actions would continue to be governed by generally applicable rules.) A licensee would  
8 be liable for the portion of the plaintiff's injury caused by the licensee's conduct; the accountant  
9 would not be required to compensate the plaintiff for harm caused by others. Accountants'  
10 liability cases frequently involve situations in which a licensee issues a report on the financial  
11 statements of a company that subsequently becomes insolvent or has serious financial  
12 difficulties. Investors or creditors who allegedly relied on the audit report sue the accountant and  
13 the company. Because the company is often either bankrupt or has no available assets, the  
14 licensee is--in a disproportionately large number of cases--the only solvent defendant left to  
15 answer the damages claim. Under a rule of joint and several liability, the accountant would be  
16 required to bear the burden of the entire damages award, even if the harm was caused principally  
17 by others such as the company's management. This provision is intended to prevent that unfair  
18 result. The provision above is specific to licensees and, for that reason, it has been included in  
19 this Uniform Accountancy Act which is intended to be comprehensive. In some states, it may be  
20 more appropriate to include the above provision in some other chapter of state law rather than in  
21 the accountancy statute.

1 **SECTION 23**  
2 **SUBSTANTIAL EQUIVALENCY**

3  
4 **(a)(1) An individual whose principal place of business is not in this state and who holds a**  
5 **valid license as a Certified Public Accountant from any state which the NASBA**  
6 **National Qualification Appraisal Service has verified to be in substantial**  
7 **equivalence with the CPA licensure requirements of the AICPA/NASBA Uniform**  
8 **Accountancy Act shall be presumed to have qualifications substantially equivalent**  
9 **to this state's requirements and shall have all the privileges of licensees of this state**  
10 **without the need to obtain a license under Sections 6 or 7. Notwithstanding any**  
11 **other provision of law, an individual who offers or renders professional services,**  
12 **whether in person, by mail, telephone or electronic means, under this section shall**  
13 **be granted practice privileges in this state and no notice or other submission shall be**  
14 **provided by any such individual. Such an individual shall be subject to the**  
15 **requirements in 23(a) (3).**

16  
17  
18 **(2) An individual whose principal place of business is not in this state and who holds a**  
19 **valid license as a Certified Public Accountant from any state which the NASBA**  
20 **National Qualification Appraisal Service has not verified to be in substantial**  
21 **equivalence with the CPA licensure requirements of the AICPA/NASBA Uniform**  
22 **Accountancy Act shall be presumed to have qualifications substantially equivalent**  
23 **to this state's requirements and shall have all the privileges of licensees of this state**  
24 **without the need to obtain a license under Sections 6 or 7 if such individual obtains**  
25 **from the NASBA National Qualification Appraisal Service verification that such**  
26 **individual's CPA qualifications are substantially equivalent to the CPA licensure**  
27 **requirements of the AICPA/NASBA Uniform Accountancy Act. Any individual**  
28 **who passed the Uniform CPA Examination and holds a valid license issued by any**  
29 **other state prior to January 1, 2012 may be exempt from the education requirement**  
30 **in Section 5(c)(2) for purposes of this Section 23 (a)(2). Notwithstanding any other**  
31 **provision of law, an individual who offers or renders professional services, whether**  
32 **in person, by mail, telephone or electronic means, under this section shall be granted**  
33 **practice privileges in this state and no notice or other submission shall be provided**  
34 **by any such individual. Such an individual shall be subject to the requirements in**  
35 **23(a) (3).**

36  
37  
38 **(3) An individual licensee of another state exercising the privilege afforded under this**  
39 **section and the firm which employs that licensee hereby simultaneously consents, as**  
40 **a condition of the grant of this privilege:**

41  
42 **(A) to the personal and subject matter jurisdiction and disciplinary authority of**  
43 **the Board,**

44  
45 **(B) to comply with this Act and the Board's rules;**

46  
47 **(C) that in the event the license from the state of the individual's principal place of**

1           **business is no longer valid, the individual will cease offering or rendering**  
2           **professional services in this state individually and on behalf of a firm; and**  
3

4  
5           **(D) to the appointment of the State Board which issued their license as their agent**  
6           **upon whom process may be served in any action or proceeding by this Board**  
7           **against the licensee.**  
8

9           **(4) An individual who has been granted practice privileges under this section who,**  
10          **for any entity with its home office in this state, performs any of the following**  
11          **services;**  
12

13          **(A) any financial statement audit or other engagement to be performed in**  
14          **accordance with Statements on Auditing Standards;**  
15

16          **(B) any examination of prospective financial information to be performed in**  
17          **accordance with Statements on Standards for Attestation Engagements; or**  
18

19          **(C) any engagement to be performed in accordance with PCAOB auditing**  
20          **standards;**  
21

22          **May only do so through a firm which has obtained a permit issued under Section 7 of this**  
23          **Act.**  
24

25  
26          *COMMENT:* Subsection 23(a)(3) is intended to allow state boards to discipline licensees from  
27          other states that practice in their state. If an individual licensee is using these practice privileges  
28          to offer or render professional services in this state on behalf of a firm, Section 23(a)(3) also  
29          facilitates state board jurisdiction over the firm as well as the individual licensee even if the firm  
30          is not required to obtain a permit in this state. Under Section 23(a), State Boards could utilize the  
31          NASBA National Qualification Appraisal Service for determining whether another state's  
32          certification criteria are "substantially equivalent" to the national standard outlined in the  
33          AICPA/NASBA Uniform Accountancy Act. If a state is determined to be "substantially  
34          equivalent," then individuals from that state would have ease of practice rights in other states.  
35          Individuals who personally meet the substantial equivalency standard may also apply to the  
36          National Qualification Appraisal Service if the state in which they are licensed is not  
37          substantially equivalent to the UAA.  
38

39          Individual CPAs who practice across state lines or who service clients in another state via  
40          electronic technology, would not be required to obtain a reciprocal certificate or license if their  
41          state of original certification is deemed substantially equivalent, or if they are individually  
42          deemed substantially equivalent. However, licensure is required in the state where the CPA has  
43          their principal place of business. If a CPA relocates to another state and establishes their  
44          principal place of business in that state or if a firm performs any of the services described in  
45          Section 23(a)(4), then they would be required to obtain a certificate in that state. As a result of  
46          the elimination of any notification requirement combined with the automatic jurisdiction over  
47          any firm that has employees utilizing practice privileges in the state, former subsections 7(i) and



1 7(j) have been deleted.

2  
3 Unlike prior versions of this Section, the revised provision provides that practice privileges shall  
4 be granted and that there shall be no notification. With the addition of a stronger Consent  
5 requirement (subsection 23(a)(3)), (i) there appears to be no need for individual notification  
6 since the nature of an enforcement complaint would in any event require the identification of the  
7 CPA, (ii) online licensee databases have greatly improved, and (iii) both the individual CPA  
8 practicing on the basis of substantial equivalency as well as the individual's employer will be  
9 subject to enforcement action in any state under Section 23 (a)(3) regardless of a notification  
10 requirement.

11  
12 Implementation of the "substantial equivalency" standard and creation of the National  
13 Qualification Appraisal Service have made a significant improvement in the current regulatory  
14 system and assist in accomplishing the goal of portability of the CPA title and mobility of CPAs  
15 across state lines.

16  
17 Section 23(a)(4) clarifies situations in which the individual could be required to provide services  
18 through a CPA firm holding a permit issued by the state in which the individual is using practice  
19 privileges.

20  
21 Section 23(a)(4) in conjunction with companion revisions to Sections 7 and 14, still provide that  
22 an individual with practice privileges cannot do the following as an employee of a firm unless  
23 the firm holds a CPA firm permit from this state:

- 24 • perform an examination of prospective financial information in accordance with SSAE  
25 for any entity with its home office in this state
- 26 • perform an engagement in accordance with PCAOB standards for any entity with its  
27 home office in this state
- 28 • perform an audit or other engagement in accordance with SAS for any entity with its  
29 home office in this state

30  
31 In order to be deemed substantially equivalent under Section 23(a)(1), a state must adopt the  
32 150-hour education requirement established in Section 5(c)(2). A few states have not yet  
33 implemented the education provision. In order to allow a reasonable transition period, Section  
34 23(a)(2) provides that an individual who has passed the Uniform CPA examination and holds an  
35 active license from a state that is not yet substantially equivalent may be individually exempt  
36 from the 150-hour education requirement and may be allowed to use practice privileges in this  
37 state if the individual was licensed prior to January 1, 2012.

38  
39 Section 23(a)(3)(D) simplifies state board enforcement against out-of-state persons using  
40 practice privileges by requiring consent to appointment of the state board of the person's  
41 principal place of business service of process. This important provision facilitates the  
42 prerogative of the state board to administratively discipline or revoke the practice privilege. This  
43 provision supplements Section 9 which provides for the appointment of the Secretary of State as  
44 the agent upon whom process may be served in any action or proceeding against the applicant  
45 arising out of any transaction or operation connected with or incidental to services performed by  
46 the applicant while a licensee within this State.

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**(b) A licensee of this state offering or rendering services or using their CPA title in another state shall be subject to disciplinary action in this state for an act committed in another state for which the licensee would be subject to discipline for an act committed in the other state. Notwithstanding Section 11(a), the Board shall be required to investigate any complaint made by the board of accountancy of another state.**

*COMMENT:* This section ensures that the Board of the state of the licensee’s principal place of business, which has power to revoke a license, will have the authority to discipline its licensees if they violate the law when performing services in other states and to ensure that the state board of accountancy will be required to give consideration to complaints made by the boards of accountancy of other jurisdictions. This Subsection combined with Subsection 23(a)(3)(C) (which enables the state board of the practice privilege state to protect its citizens through administrative proceedings) assures that the state board has comprehensive disciplinary powers to protect its state’s citizens regarding anyone rendering professional services into or from its state.

1 **SECTION 24**  
2 **CONSTRUCTION; SEVERABILITY**

3  
4 **If any provision of this Act or the application thereof to any person or entity or in any**  
5 **circumstances is held invalid, the remainder of the Act and the application of such**  
6 **provision to others or in other circumstances shall not be affected thereby.**

1 **SECTION 25**  
2 **REPEAL OF PRIOR LAW**

3  
4 \_\_\_\_\_ (existing legislation) and all other acts or parts of acts in conflict herewith are  
5 hereby repealed, provided, however, that nothing contained in this Act shall invalidate or  
6 affect any action taken or any proceeding instituted under any law in effect prior to the  
7 effective date hereof.

1 **SECTION 26**  
2 **EFFECTIVE DATE**

3  
4 **This Act shall take effect on \_\_\_\_\_.**

5  
6  
7

# **APPENDIXES**

## APPENDIX A

### LEGISLATIVE POLICY (ANNOTATED) AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**1. The public interest warrants the licensing and regulation of persons professing expertise in accounting who perform professional accounting services, including the expression of opinions on financial statements and other information upon which the public necessarily relies.**

Protection of the public interest is a basic tenet of society. Good governments, since the beginning of civilization, have enacted laws protecting the health and welfare of the public. These basic human rights are protected, and indeed may only be secure, when the financial resources and economic well-being of society are guarded. Today, financial decisions are made, and resources are allocated, by reference to financial reports and other accounting data. These reports and data must be fair and must be believable. Both qualities are enhanced by the professional certified public accountant's work, and that function needs to be regulated for the public's sake.

The state, under its police power, may pass laws to protect the public against fraud, deception or the consequences of ignorance and incapacity, and may exact the requisite degree of skill and learning of persons in professions and pursuits which affect the public health or welfare, such as accountancy. (Davis v. Allen, 307 S.W.2d 800, Tenn. Ct. App., 1957.)

**2. There is no such compelling need for licensing and regulation of persons offering record-keeping and elementary accounting services performed at the instance of, and for the benefit of, employers and clients. Nor is licensing required in connection with the preparation of tax returns because of regulatory and disciplinary authority presently possessed by the Internal Revenue Service and other taxing authorities.**

Freedom of enterprise is a basic concept of American philosophy that must be evaluated against the public's right to protection when determining activities that need to be regulated. There does not appear to be a compelling public interest in restricting the services noted above to licensed persons only. At the same time, courts have held that the expression of opinions on financial statements and data on which credit grantors, government officials, investors, and other third parties may rely, clearly involves the public interest in such a way as to require regulation. Professional accounting services deemed to merit regulation are perhaps well summarized in a 1964 decision of the Tennessee Court of Appeals. The Court said,

The Courts have generally recognized that the practice of public accountancy is a highly skilled and technical ... profession and, as such, may be regulated by the legislature within proper limits.... However, the Courts consistently have held that legislation which prohibits noncertified accountants from practicing the profession of accountancy is invalid as it infringes upon rights of contract in matters of purely private concern bearing

no perceptible relation to the general or public welfare. And, in so doing, the Courts have indicated that bookkeeping and similar technical services--as contrasted with auditing and expressing opinions on financial statements--do not involve a sufficient public interest to permit legislative interference with the normal right of an individual to deal with anyone he chooses.... (State of Tennessee ex rel. State Board of Accountancy v. Bookkeepers Business Service Co., 382 S.W.2d 559, Tenn. Ct. App., 1964.)

Licensure of tax return preparers would be difficult to administer and ineffective. A major disadvantage is that tax authorities would not automatically obtain information about the returns prepared by a licensee. Without such information, it would be difficult to check on the competence or honesty of the return preparer. Moreover, licensure would not prevent improprieties associated with advertising by commercial tax return preparers and tax return preparers who are unethical. Further, the federal government should be given a fair chance to succeed in its current program of testing methods of regulating tax return preparers.

**3. The practice of professional accountancy should ultimately be restricted to certified public accountants who have demonstrated competency by passing the Uniform CPA Examination, by fulfilling educational and other requirements, and by continuing to meet professional standards.**

The licensure and regulation of professionals should be conducted as a professional function. State Boards of Accountancy have as their responsibility the maintenance of adherence to high technical and ethical standards. In this policing activity, Board members should be qualified to judge whether the licensee's professional activities conform with standards established to protect the public interest.

**4. The enactment of a regulatory accountancy law is not intended to deprive persons who are practicing public accounting as principals at the time of passage of the law of their means of livelihood, and they should be permitted to register as public accountants and become subject to regulation. All further registration or licensing to practice public accountancy should be limited to persons demonstrating their competence as certified public accountants.**

Registration of public accountants is appropriate to protect the interests of those who at the time of the enactment of a law had been entitled to assume the designation "public accountant." However, provision should not be made for additions to the ranks of public accountants. The intention is to protect the constitutional rights of those already engaged in public accounting--not to create a permanent second class of professional accountants. Those who would enter public practice in the future should do so only by satisfying educational and other requirements and by passing the Uniform CPA Examination.

**5. The accounting profession serves a broad public interest as evidenced by the similarity of accounting needs in all political jurisdictions. In order that it may serve this interest, uniform licensing and regulatory requirements should be established, and unnecessary restrictions of a local character should be avoided.**



Diversity in requirements for the CPA certificate tends to create confusion over the meaning of the certificate. Further, doubt is raised regarding the comparability of the competence of CPAs. Accounting principles and auditing standards used in the practice of public accounting are national in scope; they are not subject to limitations imposed by geographical boundaries. The preponderance of interstate commerce in our economy makes it necessary for qualified accountants to practice across state borders in response to the needs of the public.

**APPENDIX B**

**STATEMENT ON STANDARDS  
FOR  
CONTINUING PROFESSIONAL EDUCATION  
(CPE) PROGRAMS**



American Institute of Certified Public Accountants



National Association of  
State Boards of Accountancy

# STATEMENT ON STANDARDS FOR CONTINUING PROFESSIONAL EDUCATION (CPE) PROGRAMS

*The following standards are issued jointly by the AICPA and NASBA.*

## **Section 100**

### *Preamble*

**01.** The right to use the title "Certified Public Accountant" (CPA) is regulated in the public interest and imposes a duty to maintain public confidence and current knowledge, skills, and abilities in all areas in which they provide services. CPAs must accept and fulfill their ethical responsibilities to the public and the profession regardless of their fields of employment.<sup>2</sup>

**02.** The profession of accountancy is characterized by an explosion of relevant knowledge, ongoing changes and expansion, and increasing complexity. Advancing technology, globalization of commerce, increasing specialization, proliferating regulations, and the complex nature of business transactions have created a dynamic environment that requires CPAs to continuously maintain and enhance their knowledge, skills, and abilities.

**03.** The continuing development of professional competence involves a program of lifelong educational activities. Continuing Professional Education (CPE) is the term used in these standards to describe the educational activities that assist CPAs in achieving and maintaining quality in professional services.

**04.** The following standards have been broadly stated in recognition of the diversity of practice and experience among CPAs. They establish a framework for the development, presentation, measurement, and reporting of CPE programs and thereby help to ensure that CPAs receive the quality CPE necessary to satisfy their obligations to serve the public interest.

## **Section 200**

### *Standards for CPAs*

#### **General Standards**

**01. Standard No. 1.** All CPAs should participate in learning activities that maintain and/or improve their professional competence.<sup>3</sup>

---

<sup>2</sup> The term "CPAs" is used in these standards to identify all persons who are licensed and/or regulated by boards of accountancy.

<sup>3</sup> The terms "should" and "must" are intended to convey specific meanings within the context of this *Joint AICPA/NASBA Statement on Standards for Continuing Professional Education Programs*. The term "must" is used only in the standards applying to CPE program sponsors to convey that CPE program sponsors are not permitted any departure from those specific standards. The term "should" is used in the standards applying to both CPAs and CPE program sponsors and is intended to convey that CPAs and CPE program sponsors are expected to follow such standards as written and are required to justify any departures from such standards when unusual circumstances warrant such departures.  
*August 2011*

**02. Commentary.** Selection of learning activities should be a thoughtful, reflective process addressing the individual CPA's current and future professional plans, current knowledge and skills level, and desired or needed additional competence to meet future opportunities and/or professional responsibilities.

**03.** CPAs fields of employment do not limit the need for CPE. CPAs performing professional services need to have a broad range of knowledge, skills, and abilities. Thus, the concept of professional competence should be interpreted broadly. Accordingly, acceptable continuing education encompasses programs contributing to the development and maintenance of both technical and non-technical professional skills.

**04.** Acceptable subjects include accounting, assurance/auditing, consulting services, specialized knowledge and applications, management, taxation, and ethics. Other subjects, including personal development, may also be acceptable if they maintain and/or improve the CPA's professional competence.

**05.** To help guide their professional development, CPAs may find it useful to develop a learning plan (see definition in Glossary.) The learning plan can be used to evaluate learning and professional competence development. It should be reviewed periodically and modified as professional competence needs change.

**06. Standard No 2.** CPAs should comply with all applicable CPE requirements and should claim CPE credit only for CPE programs when the CPE program sponsors have complied with the Standards for CPE Program Presentation (Nos. 8 - 11) and Standard for CPE Program Reporting No. 17.

**07. Commentary.** CPAs are responsible for compliance with all applicable CPE requirements, rules, and regulations of state licensing bodies, other governmental entities, membership associations, and other professional organizations or bodies. CPAs should contact each appropriate entity to which they report to determine its specific requirements or any exceptions it may have to the standards presented herein.

**08.** Periodically, CPAs participate in learning activities which do not comply with all applicable CPE requirements, for example specialized industry programs offered through industry sponsors. If CPAs propose to claim credit for such learning activities, they should retain all relevant information regarding the program to provide documentation to state licensing bodies and/or all other professional organizations or bodies that the learning activity is equivalent to one which meets all these Standards.

**09. Standard No. 3.** CPAs are responsible for accurate reporting of the appropriate number of CPE credits earned and should retain appropriate documentation of their participation in learning activities, including: (1) name and contact information of CPE program sponsor, (2) title and description of content, (3) date(s) of program, (4) location (if applicable), and (5) number of CPE credits, all of which should be included in documentation provided by the CPE program sponsor.

**10. Commentary.** To protect the public interest, regulators require CPAs to document maintenance and enhancement of professional competence through periodic reporting of CPE. For convenience, measurement is expressed in CPE credits. However, the objective of CPE must always be maintenance/enhancement of professional competence, not attainment of credits. Compliance with regulatory and other requirements mandates that CPAs keep documentation of their participation in activities designed to maintain and/or improve professional competence. In the absence of legal or other requirements, a reasonable policy is to retain documentation for a minimum of five years from the end of the year in which the learning activities were completed.

**11.** Participants must document their claims of CPE credit. Examples of acceptable evidence of completion include:

- For group and independent study programs, a certificate or other verification supplied by the CPE program sponsor.
- For self-study programs, a certificate supplied by the CPE program sponsor after satisfactory completion of an examination.
- For instruction credit, a certificate or other verification supplied by the CPE program sponsor
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received.
- For university or college non-credit courses, a certificate of attendance issued by a representative of the university or college.
- For published articles, books, or CPE programs, (1) a copy of the publication (or in the case of a CPE program, course development documentation) that names the writer as author or contributor, (2) a statement from the writer supporting the number of CPE hours claimed, and (3) the name and contact information of the independent reviewer(s) or publisher.

**12. Standard No. 4.** CPAs who complete sponsored learning activities that maintain or improve their professional competence should claim the CPE credits recommended by CPE program sponsors.

**13. Commentary.** CPAs may participate in a variety of sponsored learning activities, such as workshops, seminars and conferences, self-study courses, Internet-based programs, and independent study. While CPE program sponsors determine credits, CPAs should claim credit only for activities through which they maintained or improved their professional competence. CPAs who participate in only part of a program should claim CPE credit only for the portion they attended or completed.

**14. Standard No. 5.** CPAs may engage in independent study under the direction of a CPE program sponsor who has met the applicable standards for CPE program sponsors when the subject matter and level of study maintain or improve their professional competence.

**15. Commentary.** Independent study is an educational process designed to permit a participant to learn a given subject under the guidance of a CPE program sponsor one-on-one. Participants in an independent study program should:

- Enter into a written learning contract with a CPE program sponsor who must comply with the

applicable standards for CPE program sponsors.

- Accept the written recommendation of the CPE program sponsor as to the number of credits to be earned upon successful completion of the proposed learning activities. CPE credits will be awarded only if:
  1. All the requirements of the independent study as outlined in the learning contract are met,
  2. The CPE program sponsor reviews and signs the participant's report,
  3. The CPE program sponsor reports to the participant the actual credits earned, and
  4. The CPE program sponsor provides the participant with contact information.The credits to be recommended by an independent study CPE program sponsor should be agreed upon in advance and should be equated to the effort expended to improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.
- Retain the necessary documentation to satisfy regulatory requirements as to the content, inputs, and outcomes of the independent study.
- Complete the program of independent study in 15 weeks or less.

## **Section 300**

### *Standards for CPE Program Sponsors*

#### **General Standards**

**01. Standard No. 1.** CPE program sponsors are responsible for compliance with all applicable standards and other CPE requirements.

**02. Commentary.** CPE program sponsors may have to meet specific CPE requirements of state licensing bodies, other governmental entities, membership associations, and/or other professional organizations or bodies. Professional guidance for CPE program sponsors is available from the AICPA and NASBA; state-specific guidance is available from the state boards of accountancy. CPE program sponsors should contact the appropriate entity to determine requirements.

#### **Standards for CPE Program Development**

**03. Standard No. 2.** Sponsored learning activities must be based on relevant learning objectives and outcomes that clearly articulate the knowledge, skills, and abilities that can be achieved by participants in the learning activities.

**04. Commentary.** Learning activities provided by CPE program sponsors for the benefit of CPAs should specify the level, content, and learning objectives so that potential participants can determine if the learning activities are appropriate to their professional competence development needs. Levels include, for example, basic, intermediate, advanced, update, and overview (see definitions in Glossary.)

**05. Standard No. 3.** CPE program sponsors should develop and execute learning activities

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in a manner consistent with the prerequisite education, experience, and/or advance preparation of participants.

**06. Commentary.** To the extent it is possible to do so, CPE program sponsors should make every attempt to equate program content and level with the backgrounds of intended participants. All programs must clearly identify prerequisite education, experience, and/or advance preparation, if any, in precise language so that potential participants can readily ascertain whether they qualify for the program.

**07. Standard No. 4.** CPE program sponsors must use activities, materials, and delivery systems that are current, technically accurate, and effectively designed. CPE program sponsors must be qualified in the subject matter.

**08. Commentary.** To best facilitate the learning process, sponsored programs and materials must be prepared, presented and updated timely. Learning activities must be developed by individuals or teams having expertise in the subject matter. Expertise may be demonstrated through practical experience or education.

**09.** CPE program sponsors must review the course materials periodically to assure that they are accurate and consistent with currently accepted standards relating to the program's subject matter.

**10. Standard No. 5.** CPE program sponsors of group and self-study programs must ensure learning activities are reviewed by qualified persons other than those who developed them to assure that the program is technically accurate and current and addresses the stated learning objectives. These reviews must occur before the first presentation of these materials and again after each significant revision of the CPE programs.

**11. Commentary.** Individuals or teams qualified in the subject matter must review programs. When it is impractical to review certain programs in advance, such as lectures given only once, greater reliance should be placed on the recognized professional competence of the instructors or presenters. Using independent reviewing organizations familiar with these standards may enhance quality assurance.

**12. Standard No. 6.** CPE program sponsors of independent study learning activities must be qualified in the subject matter.

**13. Commentary.** A CPE program sponsor of independent study learning activities must have expertise in the specific subject area related to the independent study. The CPE program sponsor must also:

- Review, evaluate, approve and sign the proposed independent study learning contract, including agreeing in advance on the number of credits to be recommended upon successful completion.
- Review and sign the written report developed by the participant in independent study.

- Retain the necessary documentation to satisfy regulatory requirements as to the content, inputs, and outcomes of the independent study.

**14. Standard No. 7.** Self-study programs must employ learning methodologies that clearly define learning objectives, guide the participant through the learning process, and provide evidence of a participant's satisfactory completion of the program.

**15. Commentary.** To guide participants through a learning process, CPE program sponsors of self-study programs must elicit participant responses to test for understanding of the material, offer evaluative feedback to incorrect responses, and provide reinforcement feedback to correct responses. To provide evidence of satisfactory completion of the course, CPE program sponsors of self-study programs must require participants to successfully complete a final examination with a minimum-passing grade of at least 70 percent before issuing CPE credit for the course. Examinations may contain questions of varying format, (for example, multiple-choice, essay and simulations.) If objective type questions are used, at least five questions per CPE credit must be included on the final examination. For example, the final examination for a five-credit course must include at least 25 questions.

**16.** Self-study programs must be based on materials specifically developed for instructional use. Self-study programs requiring only the reading of general professional literature, IRS publications, or reference manuals followed by a test will not be acceptable. However, the use of the publications and reference materials in self-study programs as supplements to the instructional materials could qualify if the self-study program complies with each of the CPE standards.

### **Standards for CPE Program Presentation**

**17. Standard No. 8.** CPE program sponsors must provide descriptive materials that enable CPAs to assess the appropriateness of learning activities. To accomplish this, CPE program sponsors must inform participants in advance of:

- Learning objectives.
- Prerequisites.
- Program level.
- Program content.
- Advance preparation.
- Instructional delivery methods.
- Recommended CPE credit.
- Course registration requirements.

**18. Commentary.** For potential participants to effectively plan their CPE, the program sponsor should disclose the significant features of the program in advance (e.g., through the use of brochures, Internet notices, invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with noneducational activities, or when several CPE programs are offered concurrently, participants should receive an appropriate schedule of events



indicating those components that are recommended for CPE credit. The CPE program sponsor's registration policies and procedures should be formalized, published, and made available to participants.

**19.** CPE program sponsors should distribute program materials timely and encourage participants to complete any advance preparation requirements. All programs should clearly identify prerequisite education, experience, and/or advance preparation requirements, if any, in the descriptive materials. Prerequisites should be written in precise language so that potential participants can readily ascertain whether they qualify for the program.

**20. Standard No. 9.** CPE program sponsors must ensure instructors are qualified with respect to both program content and instructional methods used.

**21. Commentary.** Instructors are key ingredients in the learning process for any group program. Therefore, it is imperative that CPE program sponsors exercise great care in selecting qualified instructors for all group programs. Qualified instructors are those who are capable, through training, education, or experience of communicating effectively and providing an environment conducive to learning. They should be competent and current in the subject matter, skilled in the use of the appropriate instructional methods and technology, and prepared in advance.

**22.** CPE program sponsors should evaluate the instructor's performance at the conclusion of each program to determine the instructor's suitability to serve in the future.

**23. Standard No. 10.** CPE program sponsors must employ an effective means for evaluating learning activity quality with respect to content and presentation, as well as provide a mechanism for participants to assess whether learning objectives were met.

**24. Commentary.** The objectives of evaluation are to assess participant satisfaction with specific programs and to increase subsequent program effectiveness. Evaluations, whether written or electronic, should be solicited from participants and instructors for each program session, including self-study, to determine, among other things, whether:

- Stated learning objectives were met.
- If applicable, prerequisite requirements were appropriate.
- Program materials were accurate.
- Program materials were relevant and contributed to the achievement of the learning objectives.
- Time allotted to the learning activity was appropriate.
- If applicable, individual instructors were effective.
- Facilities and/or technological equipment was appropriate.
- Handout or advance preparation materials were satisfactory.
- Audio and video materials were effective.

**25.** CPE program sponsors should periodically review evaluation results to assess program

effectiveness and should inform developers and instructors of evaluation results.

**26. Standard No. 11.** CPE program sponsors must ensure instructional methods employed are appropriate for the learning activities. Learning activities should be presented in a manner consistent with the descriptive and technical materials provided.

**27. Commentary.** CPE program sponsors should evaluate the instructional methods employed for the learning activities to determine if the delivery is appropriate and effective. Integral aspects in the learning environment that should be carefully monitored include the number of participants and the facilities and technologies employed in the delivery of the learning activity.

**28.** CPE program sponsors are expected to present learning activities that comply with course descriptions and objectives. Appropriate supplemental materials may also be used.

### **Standards for CPE Program Measurement**

**29. Standard No. 12.** Sponsored learning activities are measured by program length, with one 50-minute period equal to one CPE credit. One-half CPE credit increments (equal to 25 minutes) are permitted after the first credit has been earned in a given learning activity.

**30. Commentary.** For learning activities in which individual segments are less than 50 minutes, the sum of the segments should be considered one total program. For example, five 30-minute presentations would equal 150 minutes and should be counted as three CPE credits. When the total minutes of a sponsored learning activity are greater than 50, but not equally divisible by 50, the CPE credits granted should be rounded down to the nearest one-half credit. Thus, learning activities with segments totaling 140 minutes should be granted two and one-half CPE credits.

**31.** While it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must monitor group learning activities to assign the correct number of CPE credits.

**32.** For university or college credit courses that meet these CPE Standards, each unit of college credit shall equal the following CPE credits:

- Semester System 15 credits
- Quarter System 10 credits

**33.** For university or college non-credit courses that meet these CPE standards, CPE credits shall be awarded only for the actual classroom time spent in the non-credit course.

**34.** Credit is not granted to participants for preparation time.

**35.** Only the portions of committee or staff meetings that are designed as programs of learning and comply with these standards qualify for CPE credit.

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**36. Standard No. 13.** CPE credit for self-study learning activities must be based on a pilot test of the average completion time.

**37. Commentary.** A sample of intended professional participants should be selected to test program materials in an environment and manner similar to that in which the program is to be presented. The sample group of at least three individuals must be independent of the program development group and possess the appropriate level of knowledge before taking the program. The sample does not have to ensure statistical validity. CPE credits should be recommended based on the average completion time for the sample. If substantive changes are subsequently made to program materials further pilot tests of the revised program materials should be conducted to affirm or amend, as appropriate, the average completion time.

**38. Standard No. 14.** Instructors or discussion leaders of learning activities should receive CPE credit for both their preparation and presentation time to the extent the activities maintain or improve their professional competence and meet the requirements of these CPE standards.

**39. Commentary.** Instructors, discussion leaders, or speakers who present a learning activity for the first time should receive CPE credit for actual preparation time up to two times the number of CPE credits to which participants would be entitled, in addition to the time for presentation. For example, for learning activities in which participants could receive 8 CPE credits, instructors may receive up to 24 CPE credits (16 for preparation plus 8 for presentation). For repeat presentations, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required significant additional study or research.

**40. Standard No. 15.** Writers of published articles, books, or CPE programs should receive CPE credit for their research and writing time to the extent it maintains or improves their professional competence.

**41. Commentary.** Writing articles, books, or CPE programs for publication is a structured activity that involves a process of learning. For the writer to receive CPE credit, the article, book, or CPE program must be formally reviewed by an independent party. CPE credits should be claimed only upon publication.

**42. Standard No. 16.** CPE credits recommended by a CPE program sponsor of independent study must not exceed the time the participant devoted to complete the learning activities specified in the learning contract.

**43. Commentary.** The credits to be recommended by an independent study CPE program sponsor should be agreed upon in advance and should be equated to the effort expended to improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.

## **Standards for CPE Program Reporting**

**44. Standard No. 17.** CPE program sponsors must provide program participants with documentation of their participation, which includes the following:

- CPE program sponsor name and contact information.
- Participant's name.
- Course title.
- Course field of study.
- Date offered or completed.
- If applicable, location.
- Type of instructional/delivery method used.
- Amount of CPE credit recommended.
- Verification by CPE program sponsor representative.

**45. Commentary.** CPE program sponsors should provide participants with documentation to support their claims of CPE credit. Acceptable evidence of completion includes:

- For group and independent study programs, a certificate or other verification supplied by the CPE program sponsor.
- For self-study programs, a certificate supplied by the CPE program sponsor after satisfactory completion of an examination.
- For instruction credit, a certificate or other verification supplied by the CPE program sponsor
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received.
- For university or college non-credit courses, a certificate of attendance issued by a representative of the university or college.
- For published articles, books, or CPE programs, (1) a copy of the publication (or in the case of a CPE program, course development documentation) that names the writer as author or contributor, (2) a statement from the writer supporting the number of CPE hours claimed, and (3) the name and contact information of the independent reviewer(s) or publisher.

**46. Standard No. 18.** CPE program sponsors must retain adequate documentation for five years to support their compliance with these standards and the reports that may be required of participants.

**47. Commentary.** Evidence of compliance with responsibilities set forth under these Standards which is to be retained by CPE program sponsors includes, but is not limited to:

- Records of participation.
- Dates and locations.
- Instructor names and credentials.
- Number of CPE credits earned by participants.
- Results of program evaluations.

Information to be retained by developers includes copies of program materials, evidence that the program materials were developed and reviewed by qualified parties, and a record of how CPE

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credits were determined.

**48.** For CPE program sponsors offering self-study programs, appropriate pilot test records must be retained regarding the following:

- When the pilot test was conducted.
- The intended participant population.
- How the sample was determined.
- Names and profiles of sample participants.
- A summary of participants' actual completion time.

## Section 400

### *Glossary*

**01. Advanced.** Learning activity level most useful for individuals with mastery of the particular topic. This level focuses on the development of in-depth knowledge, a variety of skills, or a broader range of applications. Advanced level programs are often appropriate for seasoned professionals within organizations; however, they may also be beneficial for other professionals with specialized knowledge in a subject area

**02. Basic.** Learning activity level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

**03. Continuing Professional Education (CPE).** An integral part of the lifelong learning required to provide competent service to the public. The set of activities that enables CPAs to maintain and improve their professional competence.

**04. CPE credit.** Fifty minutes of participation in a group, independent study or self-study program. One-half CPE credit increments (equal to 25 minutes) are permitted after the first credit has been earned in a given learning activity.

**05. CPE program sponsor.** The individual or organization responsible for setting learning objectives, developing the program materials to achieve such objectives, offering a program to participants, and maintaining the documentation required by these standards. The term CPE program sponsor may include associations of CPAs, whether formal or informal, as well as employers who offer in-house programs.

**06. Evaluative feedback.** Specific response to incorrect answers to questions in self-study programs. Unique feedback must be provided for each incorrect response, as each one is likely to be wrong for differing reasons.

**07. Group program.** An educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants either in a classroom or conference setting or by using the Internet.

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**08. Independent study.** An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor.

**09. Instructional methods.** Delivery strategies such as case studies, computer-assisted learning, lectures, group participation, programmed instruction, teleconferencing, use of audiovisual aids, or work groups employed in group, self-study, or independent study programs.

**10. Intermediate.** Learning activity level that builds on a basic program, most appropriate for CPAs with detailed knowledge in an area. Such persons are often at a mid-level within the organization, with operational and/or supervisory responsibilities.

**11. Internet-based programs.** A learning activity, through a group program (Paragraph .07 above) or a self-study program (Paragraph .22 following), that is designed to permit a participant to learn the given subject matter via the Internet. To qualify as either a group or self-study program, the Internet learning activity must meet the respective standards.

**12. Learning activity.** An educational endeavor that maintains or improves professional competence.

**13. Learning contract.** A written contract signed by an independent study participant and a qualified CPE program sponsor prior to the commencement of the independent study that:

1. Specifies the nature of the independent study program and the time frame over which it is to be completed, not to exceed 15 weeks.
2. Specifies that the output must be in the form of a written report that will be reviewed by the CPE program sponsor or a qualified person selected by the CPE program sponsor.
3. Outlines the maximum CPE credit that will be awarded for the independent study program, but limits credit to actual time spent.

**14. Learning objectives.** Specifications on what participants should accomplish in a learning activity. Learning objectives are useful to program developers in deciding appropriate instructional methods and allocating time to various subjects.

**15. Learning plans.** Structured processes that help CPAs guide their professional development. They are dynamic instruments used to evaluate and document learning and professional competence development. This may be reviewed regularly and modified, as CPAs' professional competence needs change. Plans include:

- A self-assessment of the gap between current and needed knowledge, skills, and abilities;
- A set of learning objectives arising from this assessment; and
- Learning activities to be undertaken to fulfill the learning plan.

**16. Overview.** Learning activity level that provides a general review of a subject area from a broad perspective. These programs may be appropriate for professionals at all organizational levels.

- 17. Personal development.** A field of study that covers such skills as communications, managing the group process, dealing effectively with others, interviewing, counseling, and career planning.
- 18. Pilot test.** Sampling of at least three independent individuals representative of the intended participants to measure the average completion time to determine the recommended CPE credit for self-study programs.
- 19. Professional competence.** Having requisite knowledge, skills, and abilities to provide quality services as defined by the technical and ethical standards of the profession. The expertise needed to undertake professional responsibilities and to serve the public interest.
- 20. Program of learning.** A collection of learning activities that are designed and intended as continuing education and that comply with these standards.
- 21. Reinforcement feedback.** Specific responses to correct answers to questions in self-study programs. Such feedback restates why the answer selected was correct.
- 22. Self-study program.** An educational process designed to permit a participant to learn a given subject without major involvement of an instructor. Self-study programs use a pilot test to measure the average completion time from which the recommended CPE credit is determined.
- 23. Update.** Learning activity level that provides a general review of new developments. This level is for participants with a background in the subject area who desire to keep current.

**Effective Dates:**

Unless otherwise established by state licensing bodies and/or other professional organizations, these Standards are to be effective as follows:

- 1.** For CPAs, group programs and independent study -- January 1, 2002.
- 2.** For self-study courses being published for the first time after December 31, 2002 -- upon publication.
- 3.** For self-study courses already in existence as of December 31, 2002 -- January 1, 2004.

## APPENDIX C

### SUBSTANTIAL EQUIVALENCY

#### Introduction

This appendix sets out guidelines with regard to the substantial equivalency standard that will be administered by the NASBA Qualification Appraisal Service. In determining whether there is substantial equivalency, the keynote is flexibility. The criteria is whether the broad outlines and concepts in this Act have been satisfied rather than a “checkmark” approach that examines whether the state’s law includes all of the detailed provisions in the UAA. Any other approach would not carry out the intention of the historic agreement reached by the AICPA and NASBA with regard to the substantial equivalency standard. The goal is to promote mobility for qualified CPAs. Because the substantial equivalency standard is based on the standards set out in the UAA, the standard also protects the public. The Sections below provide additional detail with regard to the substantial equivalency standard.

#### A. Substantially Equivalent States

The criteria for determining whether a state’s CPA qualification requirements are substantially equivalent to the UAA include: good character, completion of the 150 hour education requirement, passage of the Uniform CPA examination and compliance with a one year general experience requirement. A state will be considered substantially equivalent as long as the effective implementation date for the 150 hour education requirement is to occur within six years after the date on which the requirement is enacted.

#### B. Individuals

Individual CPAs who personally meet the substantial equivalency standard can personally apply for and utilize the standard even if the CPA qualification requirements in their state are not substantially equivalent. This will maximize mobility for qualified professionals. In reviewing individual applicants, the Qualification Appraisal Service should utilize the same flexible approach that is used with regard to determining whether a state is substantially equivalent to the UAA. For those who cannot use the substantial equivalency standard, if they have four years of experience of the type outlined in Section 5(f) of the UAA they would be eligible for reciprocity under Section 6(c)(1) of the UAA.

#### C. Grandfathering

All CPAs licensed as of the date that the state receives its notice of substantial equivalency from the NASBA Qualification Appraisal Service will be eligible to use the substantial equivalency provision with regard to interstate practice. This will promote the substantial equivalency standard, promote mobility for CPAs and enhance adoption of UAA provisions by the states.

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Because the CPAs are already considered competent by their state of licensure, the public is adequately protected under this system of grandfathering CPAs. Those CPAs who wish to obtain reciprocity under the substantial equivalency standard must personally have qualifications substantially equivalent to the UAA.

With regard to individual applicants to the NASBA Qualification Appraisal Service from nonsubstantially equivalent states, anyone who passed the CPA examination before January 1, 2012 will be eligible personally to obtain substantial equivalency for the purpose of interstate practice even if they have not completed 150 hours of education. Individuals who pass the Uniform CPA examination after January 1, 2012 must complete the 150 hour education requirement in order to be eligible for substantial equivalency.

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# **Uniform Accountancy Act Model Rules**

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**UNIFORM ACCOUNTANCY ACT RULES (Rules)**

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# Uniform

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# Accountancy

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# Rules

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**National Association of State Boards of Accountancy**

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*August 2011*

## **Introductory Comments**

**These Uniform Accountancy Rules (“Rules”) have been prepared by the National Association of State Boards of Accountancy (“NASBA”) as part of its continuing effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions.**

**These Rules are keyed to the Uniform Accountancy Act (“Uniform Act”) – Sixth Edition in several respects. Like most rules of administrative agencies they are intended in a general sense to implement or to explain specific statutory provisions governing the operations of the agency concerned; thus, in those cases where it appears appropriate for a Rule to contain a reference to a statutory provision, the reference provided in these Rules is to a provision of the Uniform Act. The organizing pattern of the Rules also reflects that of the Uniform Act: the numbered Articles under which the Rules are grouped correspond to section numbers in the Uniform Act.**

**The Rules are not intended to depend entirely upon the Uniform Act, or to be suitable for adoption only in jurisdictions where the accountancy law corresponds to the Uniform Act. Where the law that is in force varies from the Uniform Act, modifications may be necessary to adapt the Rules to the pertinent statute.**



## **Preamble**

**These Rules are adopted by the \_\_\_\_\_ Board of Accountancy, pursuant to its authority under the [Public] Accountancy Act of 20\_\_ . Their purpose is to promote and protect the public interest by implementing the provisions of that Act, which provide for the issuance and renewal of certificates as certified public accountants; the renewal of registrations to public accountants; the issuance and renewal of permits to firms; and the regulation of licensees, all to enhance the reliability of information which is used for guidance in financial transactions or accounting for or assessing the financial status or performance of commercial, noncommercial and governmental enterprises.**

**ARTICLE 3  
DEFINITIONS**

**Rule 3-1 - Terms used in these rules.**

For purposes of these Rules the following terms have the meanings indicated:

- (a) “Act” means the [Public] Accountancy Act of \_\_\_\_\_, \_\_\_\_\_  
[statutory reference].
- (b) “Financial statements” means statements and footnotes related thereto that undertake to present an actual or anticipated financial position as of a point in time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory service reports to support recommendations to a client; nor does it include tax returns and supporting schedules.
- (c) For purposes of the definition of “attest” as provided in Section 3(b)(1) of the Act, the Board adopts and incorporates by reference the AICPA’s Statements on Auditing Standards (SAS) as they existed as of [*insert either the effective date of your state’s legislation adopting the current definition of “attest,” or a date after 1997 and before June 15, 2011*].

**Rule 3-2 – Agreed upon procedure.**

An “agreed-upon procedures engagement” is one which is to be performed in accordance with applicable attestation standards and is one in which a Licensee is engaged to issue a written finding(s) that (i) is based on specific procedures that the specified parties agree are sufficient for their purposes, (ii) is restricted to the specified parties, and (iii) does not provide an opinion or negative assurance.

**Rule 3-3 - Audit.**

“Audit” means the procedures performed in accordance with applicable auditing standards for the purpose of expressing or disclaiming an opinion on the fairness with which the historical financial information is presented in conformity with generally accepted accounting principles, another comprehensive basis of accounting, or basis of accounting described in the report.

**Rule 3-4 – Professional engagement.**

"Professional engagement" means an agreement between a client and a licensee relative to the performance of professional services and the services performed under this agreement.

**ARTICLE 4  
STATE BOARD OF ACCOUNTANCY**

**Rule 4-1 - Board meetings.**

The Board shall meet at least \_\_\_ times each year. The chair or a quorum of the Board shall have the authority to call meetings of the Board. The Board shall follow and apply the rules of procedure, \_\_\_\_\_ [statutory reference], as regards notice and conduct of meetings.

**Rule 4-2 - Election and tenure of officers.**

The Board shall elect annually from among its members a chair, a vice-chair, and such other officers as the Board may require. The officers shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected. They shall serve a term of one year, but shall be eligible for reelection.

**Rule 4-3 - Duties of officers.**

The chair or, in the event of the chair's absence or inability to act, the vice-chair shall preside at all meetings of the Board. The Board shall determine other duties of the officers.

**Rule 4-4 - Fees.**

Fees charged by the Board shall be as follows:

- |     |  |         |
|-----|--|---------|
| (a) | Examination applications   | \$_____ |
| (b) | Administration of examination, per section                                   | \$_____ |
| (c) | Initial issuance of certificate  | \$_____ |
| (d) | Renewal of certificate or registration                                       | \$_____ |
| (e) | Initial firm permits   | \$_____ |
| (f) | Renewal of firm permits, except for sole practitioners                       | \$_____ |
| (g) | Renewal of firm permits for sole practitioners                               | \$_____ |
| (h) | Delinquency fee for permit, certificate or registration renewal applications | \$_____ |
| (i) | Copies of records, per page  | \$_____ |

- (j) Applications for reinstatement \$ \_\_\_\_\_
- (k) Annual reports of the Board, per copy \$ \_\_\_\_\_
- (l) Other fees (The Board may charge other fees as required) \$ \_\_\_\_\_

**Rule 4-5 - Obligation of licensees to notify the Board of changes of address and other information.**

Each licensee shall notify the Board in writing within thirty (30) days of any change of address or, in the case of individual licensees, change of employment.

**Rule 4-6 - Communications.**

A licensee or anyone using practice privileges pursuant to Sections 7 or 23 of the Act shall respond in writing to any registered or certified communication from the Board requesting a response. Unless otherwise specified in the Board's communication, the response must be sent within thirty (30) days of the date of such communication.

**ARTICLE 5  
CERTIFIED PUBLIC ACCOUNTANTS**

**Rule 5-1 - Education requirements – definitions.**

- (a) **“Semester credit hour” (SCH) means the conventional college semester credit hour. “Quarter credit hours” may be converted to semester credit hours by multiplying them by two-thirds; i.e., one quarter credit hour equals two-thirds of a semester credit hour.**
- (b) **“College(s) or university(s)” means board-recognized institution(s) of higher education accredited by generally recognized accrediting organizations.**
- (c) **“Accreditation” reflects the quality control of the education process provided by generally recognized regional and/or national accreditation organizations. These Rules refer to three levels of accreditation. Level 1 represents the most comprehensive review at the accounting program level and Level 3 is the least comprehensive review at the college or university level. Colleges or universities without accreditation, as defined below, would generally lack any level of accreditation including the college or university, the business school or program (“business school”), and/or the accounting department or program (“accounting program”).**
  - (1) **Level 1 accreditation – the accounting program. In a Level 1 accreditation, the college or university, business school, and the accounting program are separately accredited. This level applies to an accounting program that is accredited by an organization recognized by the Council for Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the Association to Advance Collegiate Schools of Business-International (AACSB). Accredited accounting programs have met standards substantially higher and much more specific than those required for Level 2 or Level 3 accreditation.**
  - (2) **Level 2 accreditation – the business school. In a Level 2 accreditation, the college or university and the business school are accredited, but the accounting program is not separately accredited. This level applies to a business school that is accredited by an organization recognized by the Council for Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the AACSB or the Association of Collegiate Business Schools and Programs (ACBSP).**
  - (3) **Level 3 accreditation – the college or university. In a Level 3 accreditation, the college or university is accredited, but neither the business school nor the accounting program meet Level 1 or Level 2 accreditation requirements. This level applies to a degree-granting college or university that is not accredited at Level 1 or Level 2, but is accredited by an organization currently recognized by the Council for Higher Education Accreditation as a regional accrediting**

**organization, such as Middle States Association of Colleges and Schools, New England Association of Schools and Colleges Commission on Colleges or Universities of Higher Education, North Central Association of Colleges and Schools-The Higher Learning Commission, Northwest Commission on Colleges and Universities, Southern Association of Colleges and Schools Commission on Colleges, and Western Association of Schools and Colleges Accrediting Commission for Senior Colleges and Universities.**

- (4) College or university without accreditation – an educational institution or entity that does not have an accreditation of either the college or university, business school, or accounting program; or a college or university accredited by organizations not recognized by the Board.**
- (d) “Integration of subject matter” means a program of learning where certain subjects, which may be discrete courses in some colleges or universities, are integrated or embedded within related courses. Colleges or universities that use an integrated approach to cover such multiple course subjects should provide evidence of the required coverage pursuant to Rule 5-2(d). Acceptance of integration of any subject matter requires Board approval.**
- (e) “Ethics” means a program of learning that provides students with a framework of ethical reasoning, professional values and attitudes for exercising professional skepticism and other behavior that is in the best interest of the public and profession. At a minimum, an ethics program should provide a foundation for ethical reasoning and the core values of integrity, objectivity and independence.**
- (f) “Internship” means faculty approved and appropriately supervised short-term work experience, usually related to a student’s major field of study, for which the student earns academic credit.**
- (g) “Independent study” means academic work selected or designed by the student with the approval of the appropriate department of a college or university under faculty supervision. This work typically occurs outside of the regular classroom structure.**

**Rule 5-2 - Education requirements - determining compliance of the applicant’s education.**

- (a) These requirements are intended to provide a foundation in accounting and business course subjects. The program should:**
- (1) Develop the skills required to apply the knowledge attained (including skills in communications, research, judgment and analysis).**
  - (2) Include and emphasize ethical behavior and professional responsibility.**
  - (3) Provide the highest quality instruction in subjects that clearly contribute to the**

knowledge, skills and abilities necessary to meet the public's expectations of a CPA.

(b) For purposes of Section 5(c) of the Uniform Accountancy Act, an applicant will be deemed to have met the education requirement(s) if the Board has determined the applicant has met the requirements of Rule 5-2(c) and Rule 5-2(d), together with appropriate consideration of Rule 5-2(a).

(c) Determining compliance of the applicant's education shall be accomplished through the Board's use of the following procedures:

(1) Reliance on accreditation, as defined in Rule 5-1(c), of the college or university, from which the candidate has obtained the necessary degree and hours as defined in Rule 5-2(d) for purposes of determining the acceptability of the degree and the amount of detailed review required for compliance with the accounting and business content.

State Boards may place significant reliance on the quality, content and delivery method of accounting and business courses included in accounting degrees from Level 1 colleges or universities and as such, transcripts from such colleges or universities would require minimal or no Board review. Colleges or universities with Level 2 accreditation would require little or no Board review of transcripts in terms of the business content, but the accounting content would require more review than Level 1. Transcripts from a Level 3 college or university would require more detailed review by the Board for compliance with the accounting and business content. Degrees from colleges or universities without accreditation or with accreditation by an organization not recognized by the Board would generally not be acceptable.

(2) Reliance on other procedures and information where the degree and/or courses were obtained from a college or university(s) not meeting the accreditation requirements of Rule 5-2(c)(1). Accepting degrees or courses under Rule 5-2(d) should only be based on evidence of acceptable course content, instruction and quality as would be expected by accreditation and as approved by the Board.

(3) Reliance on other procedures and information where the requirements of Rule 5-2(d) are met by integration of subject matter. The requirements set forth in Rule 5-2(e) should be used to determine compliance.

(d) An applicant shall be deemed to have satisfied the education requirements if the following conditions are met:

(1) Earned a graduate degree and/or a baccalaureate degree at a college or university that is accredited, as described in Rule 5-1(c);

(2) Earned a minimum of 24 SCH (or the equivalent) of accounting courses at the

**undergraduate or graduate level, excluding principles or introductory accounting courses, covering some or all of the following subject-matter content, which are to be contemporaneously derived from the Uniform CPA Examination Content Specification Outline (CSO):**

- (i) Financial accounting and reporting for business organizations**
  - (ii) Financial accounting and reporting for government and not-for-profit entities**
  - (iii) Auditing and attestation services**
  - (iv) Managerial or cost accounting**
  - (v) Taxation**
  - (vi) Fraud examination**
  - (vii) Internal controls and risk assessment**
  - (viii) Financial statement analysis**
  - (ix) Accounting research and analysis**
  - (x) Tax research and analysis**
  - (xi) Accounting information systems**
  - (xii) Ethics (accounting course), as described in Rule 5-2 (d) (6)**
  - (xiii) Other areas included in the CSO or as may be approved by the Board.**
- (3) Earned a minimum of two SCH in research and analysis relevant to the course content described in 5-2(d)(2) through a discrete undergraduate and/or graduate accounting course, or two SCH integrated throughout the undergraduate and/or graduate accounting curriculum. Colleges or universities must provide evidence of coverage under integration as specified in Rule 5-2(e). The SCH earned through a discrete course in research and analysis in accounting may fulfill two of the SCH of the accounting subject matter requirements in Rule 5-2(d)(2).**
- (4) Earned a minimum of 24 SCH (or the equivalent) of business courses, other than accounting, at the undergraduate and/or graduate level, covering some or all of the following subject-matter content:**
- (i) Business law**
  - (ii) Economics**
  - (iii) Management**
  - (iv) Marketing**
  - (v) Finance**
  - (vi) Business communications**
  - (vii) Statistics**
  - (viii) Quantitative methods**
  - (ix) Information systems or technology**
  - (x) Ethics (business course), as described in Rule 5-2 (c) (6)**
  - (xi) Other areas as may be approved by the Board.**
- (5) Earned a minimum of two SCH in communications in an undergraduate and/or a graduate course listed or cross-listed as an accounting or business course or**



two SCH integrated throughout the undergraduate or graduate accounting or business curriculum. Colleges or universities must provide evidence of coverage under integration as specified in 5-2(e). The SCH earned through a discrete course in communications may fulfill two SCH of the subject matter requirements of Rule 5-2(d)(4).

- (6) Earned a minimum of three SCH in an undergraduate and/or a graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e). A discrete three SCH course in ethics may count towards meeting the accounting or business course requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). As an alternative, colleges or universities may choose to integrate the course throughout the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2(e). Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA, such as AACSB or ACBSP, in which evidence is provided to assure the Board that the program of learning defined in Rule 5-1(e) has been adequately covered and at the equivalent of the three SCH minimum. Alternate methods for proof of ethics coverage may be determined and approved by the Board following careful scrutiny.
- (7) A maximum of six SCH for internships and independent study, as defined in Rule 5-1(f) and Rule 5-1(g), may count towards the subject matter requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). However, of the six SCH, a maximum of three SCH may apply to accounting courses under Rule 5-2(d).
- (e) Colleges or universities that use an integrated approach to meet the requirements of Rule 5-2(c)(3, 5 or 6) must provide evidence that the respective subjects adequately cover the desired content, with acceptable instruction and quality to attain the objectives. Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA, such as AACSB or ACBSP. Alternate methods for proof of coverage may be determined and approved by the Board following careful scrutiny.

### **Rule 5-3 - Applications for examination.**

- (a) Applications to take the Certified Public Accountant Examination must be made on a form provided by the Board and filed with the Board by a due date specified by the Board in the application form.
- (b) An application will not be considered filed until the application fee and examination fee required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the Candidate has satisfied the education requirement.

- (c) **A Candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.**
- (d) **The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.**

**Rule 5-4 - Time and place of examination.**

**Eligible Candidates shall be notified of the time and place of the examination, or shall independently contact the Board, the Board's designee or a test center operator to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with Rule 5-7(b) below.**

**Rule 5-5 - Examination content.**

**The examination required by Section 5 of the Act shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.**

**Rule 5-6 – Determining and reporting examination grades.**

**A Candidate shall be required to pass all Test Sections of the examination provided for in subsection 5(d) of the Act in order to qualify for a certificate. Upon receipt of advisory grades from the examination provider, the Board will review and may adopt the examination grades and will report the official results to the Candidate. The Candidate must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board.**

**Rule 5-7 – Retake and granting of credit requirements.**

- (a) **A Candidate shall be required to pass all sections of the examination provided for in Section 5(d) of the Act in order to qualify for a certificate.**
- (b) **A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for eighteen months from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.**
  - (1) **Candidates must pass all four Test Sections of the Uniform CPA Examination**

within a rolling eighteen-month period, which begins on the date that the first Test Section(s) passed is taken.

- (2) Candidates cannot retake a failed Test Section(s) in the same examination window. An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window.
  - (3) In the event all four Test Sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any Test Section(s) passed outside the eighteen-month period will expire and that Test Section(s) must be retaken.
- (c) A Candidate shall retain credit for any and all Test Sections of the examination passed as a candidate of another state if such credit would have been given under then applicable requirements in this State.
  - (d) A Candidate shall be deemed to have passed the Uniform CPA Examination once the Candidate holds at the same time valid credit for passing each of the four Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives notice of the passing grade.
  - (e) Notwithstanding subsection (d) of this Rule, the Board may in particular cases extend the term of credit validity upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

#### **Rule 5-8 – Candidate testing fee.**

The Candidate shall, for each Test Section scheduled by the Candidate to the Board or its designee, pay a Candidate Testing Fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable application fees established by the State Board.

#### **Rule 5-9 – Cheating.**

- (a) Cheating by a Candidate in applying for, taking or subsequent to the examination will be deemed to invalidate any grade otherwise earned by a Candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.

- (b) For purposes of this Rule, the following actions or attempted activities, among others, may be considered cheating:
- (1) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
  - (2) Communication between Candidates inside or outside the test site or copying another Candidate's answers while the examination is in progress;
  - (3) Communication with others inside or outside the test site while the examination is in progress;
  - (4) Substitution of another person to sit in the test site in the stead of a Candidate;
  - (5) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the Candidate as part of the examination) inside or outside the test site while the examination is in progress;
  - (6) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so, or otherwise participating in the collection of Test Items for use, redistribution or sale;
  - (7) Retaking or attempting to retake a Test Section by an individual holding a valid Certificate or by a Candidate who has unexpired credit for having already passed the same Test Section, unless the individual has been directed to retake a Test Section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a "secret shopper" program.
- (c) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the Candidate involved from the examination or move the Candidate to a position in the Test Center away from other examinees where the Candidate can be watched more closely.
- (d) In any case where the Board believes that it has evidence that a Candidate has cheated on the examination, including those cases where the Candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing consistent with the requirements of the state's Administrative Procedures Act following the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:
- (1) Whether the Candidate shall be given credit for any portion of the examination completed in that session; and
  - (2) Whether the Candidate shall be barred from taking the examination and if so,

for what period of time.

- (e) In any case where the Board or its representative permits a Candidate to continue taking the examination, it may depending on the circumstances:
  - (1) Admonish the Candidate;
  - (2) Seat the Candidate in a segregated location for the rest of the examination;
  - (3) Keep a record of the Candidate's seat location and identifying information, and the names and identifying information of the Candidates in close proximity of the Candidate; and/or
  - (4) Notify the National Candidate Database and the AICPA and/or the Test Center of the circumstances, so that the Candidate may be more closely monitored in future examination sessions.
- (f) In any case in which a Candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the Candidate may apply for the examination information as to the Board's findings and actions taken.

**Rule 5-10 – Security and irregularities.**

Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, the release of grades, or the issuance of certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.

**Rule 5-11 - Good moral character.**

- (a) Applicants have the burden of demonstrating good moral character as defined by Section 5(b) of the Act in the manner specified by the Board in its application forms.
- (b) Prima facie evidence of a lack of good moral character includes, but is not limited to:
  - (1) any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of *nolo contendere*, for any felony or any crime, an essential element of which is fraud, dishonesty, deceit, or any other crime which evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with public protection; or

- (2) **active or stayed revocation or suspension of any occupational license, privilege or other authority to practice any licensed occupation by or before any state, federal, foreign or other licensing or regulatory authority, provided the grounds for the revocation or suspension include wrongful conduct such as fraud, dishonesty, or deceit or any other conduct which evidences any unfitness of the applicant to practice public accountancy; or**
- (3) **any act which would be grounds for revocation or suspension of a license if committed by a licensee of the Board.**

*Comment: Most states use the term “revoke,” “revocation,” “suspend,” or “suspension” to refer to removing a license on disciplinary grounds. However, state boards should be aware that some jurisdictions use the term “revoke” to refer to forfeitures for administrative reasons such as failure to renew a license or to comply with CPE requirements which in and of themselves would not necessarily constitute a lack of good moral character.*

- (c) **Factors which the Board may consider in determining rehabilitation of moral character include, but are not limited, to the following: Completion of criminal probation, restitution, community service, military or other public service, the passage of time without the commission of any further crime or act demonstrating a lack of moral character under subsection (b), the expungement of any conviction, or reduction of a conviction from a felony to misdemeanor.**

**ARTICLE 6**  
**ISSUANCE OF CERTIFICATES AND RENEWAL OF CERTIFICATES**  
**AND REGISTRATIONS, CONTINUING PROFESSIONAL EDUCATION**  
**AND RECIPROCITY**

**Rule 6-1 - Applications.**

- (a) Applications for initial certificates and for renewal of certificates and registrations pursuant to the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no later than 60 days prior to the expiration date set by these rules. Applications will not be considered filed until the applicable fee prescribed in the Rules is received. If an application for renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in the Rules.
- (b) Applications for renewal of certificates or registrations shall be accompanied by evidence satisfactory to the Board that the applicant has complied with the continuing professional education requirements under Section 6(d) of the Act and of these Rules.

**Rule 6-2 - Experience required for initial certificate.**

The experience required to be demonstrated for issuance of an initial certificate pursuant to Section 5(f) of the Act shall meet the requirements of this rule.

- (a) Experience may consist of providing any type of services or advice using accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.
- (b) The applicant shall have their experience verified to the Board by a licensee as defined in the Act or from another state. Acceptable experience shall include employment in industry, government, academia or public practice. The Board shall look at such factors as the complexity and diversity of the work.
- (c) One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in subsection (a) above.

**Rule 6-3 - Evidence of applicant's experience.**

- (a) Any licensee who has been requested by an applicant to submit to the Board evidence of the applicant's experience and has refused to do so shall, upon request by the Board, explain in writing or in person the basis for such refusal.
- (b) The Board may require any licensee who has furnished evidence of an applicant's experience to substantiate the information.

- (c) Any applicant may be required to appear before the Board or its representative to supplement or verify evidence of experience.
- (d) The Board may inspect documentation relating to an applicant's claimed experience.

**Rule 6-4 - Continuing professional education requirements for renewal of the certificate or registration.**

The following requirements of continuing professional education apply to the renewal of certificates and registrations pursuant to Section 6(d) of the Act.

- (a) An applicant seeking renewal of a certificate or registration shall show that the applicant has completed no less than 120 hours of continuing professional education, including a minimum of four hours in ethics, complying with these Rules during the three-year period preceding renewal. A program in ethics includes topics such as ethical reasoning, state-specific statutes and rules, and standards of professional conduct, including those of other applicable regulatory bodies. A minimum of 20 CPE hours shall be completed each year. An applicant seeking renewal of a certificate or registration shall demonstrate participation in a program of learning meeting the standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA.
- (b) An applicant whose certificate or registration has lapsed shall complete no less than 120 hours of CPE complying with these rules during the three-year period preceding the date of reapplication. An applicant whose certificate or registration has lapsed shall be required to identify and complete a program of learning designed to demonstrate the currency of the licensee's competencies directly related to his or her area of service.
- (c) A licensee granted an exception from the competency requirement by the Board may discontinue use of the word "inactive" in association with their CPA or PA title upon showing that they have completed no less than 120 hours of continuing professional education complying with these Rules during the three-year period preceding their request to discontinue use of the word "inactive", with a minimum of 20 hours in each year.

**Rule 6-5 - Programs qualifying for continuing professional education credit.**

- (a) **Standards --** A program qualifies as acceptable continuing professional education for purposes of Section 6(d) of the Act and these Rules if it is a program of learning which contributes to the growth in the professional knowledge and professional competence of a licensee. The program must meet the minimum standards of quality of development, presentation, measurement, and reporting of credits set forth in the Statement on Standards for Continuing Professional Education Programs jointly approved by NASBA and AICPA or such other standards acceptable to the Board.



- (b) Subject Areas -- The Board will accept programs meeting the standards set forth in the Statement on Standards for Continuing Professional Education Programs jointly approved by NASBA and AICPA or standards deemed by the Board to be comparable thereto.**
- (c) A non-resident licensee seeking renewal of a certificate in this state shall be determined to have met the CPE requirement (including the requirements of Rule 6-4(a)) of this rule by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal place of business is located.**
  - (1) Non-resident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal place of business is located by signing a statement to that effect on the renewal application of this state.**
  - (2) If a non-resident licensee's principal place of business state has no CPE requirements for renewal of a certificate, the non-resident licensee must comply with all CPE requirements for renewal of a certificate in this state.**

**Rule 6-6 - Continuing professional education records.**

- (a) Applicants for renewal of certificates or registrations pursuant to the Act shall file with their applications a signed statement indicating they have met the requirements for participation in a program of continuous learning as set forth by the Board or contained in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by the NASBA and the AICPA. Responsibility for documenting the acceptability of the program and the validity of the credits rests with the applicant who should retain such documentation for a period of five years following completion of each learning activity.**
- (b) The Board will verify, on a test basis, information submitted by applicants for renewal of certificates or registrations. In cases where the Board determines that the requirement is not met, the Board may grant an additional period of time in which the deficiencies can be cured. Fraudulent reporting is a basis for disciplinary action.**

**Rule 6-7 - Exceptions.**

- (a) The Board may make an exception to the requirement set out in Rule 6-4(a) for a licensee who is retired or who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or other compilation communication, or of one or more kinds of management advisory, financial advisory or consulting**

- services, or the preparation of tax returns or the furnishing of advice on tax matters.
- (b) **The Board may in particular cases make exceptions to the requirements set out in Rule 6-4(a) for reasons of individual hardship including health, military service, foreign residence, or other good cause.**
  - (c) **Licensees granted an exception by the Board must place the word “inactive” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears.**
  - (d) **Licensees granted an exception by the Board must comply with a re-entry competency requirement defined by the Board as set out in Rule 6-4(c) before they may discontinue use of the word “inactive” in association with their CPA or PA title.**

**Rule 6-8 - Interstate practice.**

- (a) **These regulations provide two distinct routes for an individual already licensed in another state to be authorized to practice in this state. The applicable route depends upon whether the individual will establish a principal place of business in this state. Individuals establishing a principal place of business in this state may qualify for a reciprocal license as described in Section 6(c)(2) of the Act (substantial equivalence) or as described in Section 6(c)(1) of the Act and Rule 6-8(b) below. Individuals with a principal place of business in another state may offer or render services in this state pursuant to substantial equivalence (see Section 23(a)(1) or (a)(2) of the Act).**
- (b) **Regarding an individual establishing a principal place of business in this State, if the substantial equivalency standard set out in Section 23 of the Act is not applicable, the Board shall issue a reciprocal certificate to the holder of a certificate issued by another state provided that the applicant meets each of the following requirements:**
  - (1) **Has successfully completed the CPA examination. Successful completion of the examination means that the applicant passed the examination in accordance with the rules of the other state at the time it granted the applicant’s initial certificate.**
  - (2) **Has satisfied the 4-in-10 experience requirement set out in Section 6(c)(1)(B) of the Act.**
  - (3) **Has experience of the type required under the Act and these Rules for issuance of the initial certificate.**
  - (4) **Has met the CPE requirement pursuant to Section 6(c)(1)(C) of the Act, if applicable.**

**Rule 6-9 - International reciprocity.**

- (a) The Board may designate a professional accounting credential or professional registration issued in a foreign country as substantially equivalent to a CPA license.**
  - (1) The Board may rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency and may presume that an applicant with a foreign accounting credential that is covered by a currently valid Mutual Recognition Agreement (MRA) is substantially equivalent (subject to other qualifying requirements as provided in the MRA).**
  - (2) The Board may accept a foreign accounting credential in partial satisfaction of its domestic credentialing requirements if:**
    - (i) the holder of the foreign accounting credential met the issuing body's education requirement and passed the issuing body's examination used to qualify its own domestic candidates; and**
    - (ii) the foreign credential is valid and in good standing at the time of application for a domestic credential.**
- (b) The Board may satisfy itself through qualifying examination(s) that the holder of a foreign credential deemed by the Board to be substantially equivalent to a CPA certificate possesses adequate knowledge of U.S. practice standards [and the Board's regulations]. The Board may rely on the National Association of State Boards of Accountancy, the American Institute of Certified Public Accountants, or other professional bodies to develop, administer, and grade such qualifying examination(s). The Board will specify the qualifying examination(s) and process by resolution.**
- (c) An applicant for renewal of a CPA certificate originally issued in reliance on a foreign accounting credential shall:**
  - (1) Make application for renewal at the time and in the manner prescribed by the Board for all other certificate renewals;**
  - (2) Pay such fees as are prescribed for all other certificate renewals;**
  - (3) If the applicant has a foreign credential in effect at the time of the application for renewal of the CPA certification, present documentation from the foreign accounting credential issuing body that the applicant's foreign credential has not been suspended or revoked and the applicant is not the subject of a current investigation. If the applicant for renewal no longer has a foreign credential, the applicant must present proof from the foreign credentialing body that the applicant for renewal was not the subject of any disciplinary proceedings or investigations at the time that the foreign credential lapsed; and**

- (4) Either show completion of continuing professional education substantially equivalent to that required under Rule 6-4 within the three year period preceding renewal application, or petition the Board for complete or partial waiver of the CPE requirement based on the ratio of foreign practice to practice in this State.**
- (d) The holder of a license or practice privilege issued or granted by this Board in reliance on a foreign accounting credential or license shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing or licensing body against the CPA's foreign credential or license, or any discipline ordered by any other regulatory authority having jurisdiction over the holder's conduct in the practice of accountancy.**
- (e) Suspension or revocation of, or refusal to renew, the CPA's foreign accounting credential by the foreign credentialing body may be evidence of conduct reflecting adversely upon the CPA's fitness to retain the certificate and may be a prima facie basis for Board action, subject to the following.**
- (f) The Board may presume procedural due process and fairness if the foreign jurisdiction is a party to a current MRA that NASBA, the AICPA and this State have adopted.**
- (g) Conviction of a felony or any crime involving dishonesty or fraud under the laws of a foreign country is evidence of conduct reflecting adversely on the CPA's fitness to retain the certificate and is a basis for Board action.**
- (h) The Board shall notify the appropriate foreign credentialing authorities of any sanctions imposed against a CPA.**
- (i) The Board may participate in joint investigations with foreign credentialing bodies and may rely on evidence supplied by such bodies in disciplinary hearings.**

**Rule 6-10 - Peer review for certificate holders who do not practice in a licensed firm.**

**A certificate holder who issues compilation reports as defined in this Act other than through a CPA firm that holds a permit under Section 7 of this Act must undergo a peer review as required under Rules 7-3 and 7-4.**

**ARTICLE 7  
PERMITS TO PRACTICE -- FIRMS**

**Rule 7-1 - Applications.**

- (a) Applications by firms for initial issuance and for renewal of permits pursuant to Section 7 of the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than [\_\_\_\_] months and no later than [\_\_\_\_] months prior to the expiration date. Applications will not be considered filed until the applicable fee and all required documents prescribed in these Rules are received. If an application for permit renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in these Rules.
- (b) A sole proprietor may apply simultaneously for a certificate or a renewal of a registration or a certificate and a firm permit.
- (c) Applications shall include the firm name, addresses and telephone numbers of the main office and of any branch offices of the firm in this State, the name of the person in charge of each such branch office, and the names of the partners, shareholders, members, managers, directors and officers whose principal place of business is in this State.

**Rule 7-2 - Notification of changes by firms.**

- (a) A firm registered pursuant to Section 7 of the Act shall file with the Board a written notification of any of the following events concerning the practice of public accountancy within this State within thirty (30) days after its occurrence:
  - (1) Formation of a new firm;
  - (2) Addition of a partner, member, manager or shareholder;
  - (3) Retirement, withdrawal or death of a partner, member, manager or shareholder;
  - (4) Any change in the name of the firm;
  - (5) Termination of the firm;
  - (6) Change in the management of any branch office in this State;
  - (7) Establishment of a new branch office or the closing or change of address of a branch office in this State; and
  - (8) Issuance of the firm's first issued financial statements and accountant's reports

for each level of service described in Rule 7-3; or

- (9) **The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.**
- (b) **In the event of any change in legal form of a firm, such new firm shall within thirty (30) days of the change file an application for an initial permit in accordance with these Rules and pay the fee required by these Rules.**

**Rule 7-3 - Successful completion of an approved Compliance Assurance Program as a condition for renewal of permit.**

- (a) **In furtherance of its duty to protect the public regarding attest services, the Board requires all CPA firms offering or rendering such services to be enrolled in, and undergo, a transparent compliance assurance program approved by the Board and to comply with the applicable compliance assurance standards of that program. As used herein, the term “Compliance Assurance Program” includes, but is not limited to, “peer review” programs or other comparable programs which have been approved by the Board in accordance with the requirements set forth below.**
- (b) **The Compliance Assurance functions may be performed by a committee established by the Board, qualified contractors approved by the Board or substantially equivalent programs [such as the peer review program administered by the AICPA] acceptable to the Board. The Board may establish procedures to perform the following functions:**
  - (1) **Review of financial statements and the reports of licensees thereon, to assess their compliance with applicable professional standards;**
  - (2) **Improvement of reporting practices of licensees through education and remediation;**
  - (3) **Referrals to the Board of cases requiring further investigation by the Board or its designees;**
  - (4) **Verification that individuals in the firm responsible for supervising compilation or attest services, and signing the accountants’ report on financial statements on behalf of the firm, meet the competency requirements set out in applicable professional standards;**
  - (5) **Verification that a certificate holder who issues compilation reports for the public other than through a CPA firm, who supervises such services and/or signs the compilation report on such financial statements, meets the competency requirements set out in applicable professional standards; and**
  - (6) **Such other functions as the Board may assign to its designees.**

- (c) **On and after \_\_\_\_\_, each applicant for renewal of a certificate under Section 6 of the Act in the case of a certificate holder who issues compilation reports to the public other than through a CPA firm, and each applicant for renewal of a firm permit to practice under Section 7 of the Act, shall furnish in connection with their application, with respect to each office maintained by the applicant in this State, one copy of each of the following kinds of reports, together with their accompanying financial statements, issued by the certificate holder or office during the twelve month period next preceding the date of application, if any report of such kind was issued during such period:**
- (1) A compilation report;**
  - (2) A review report;**
  - (3) An audit report;**
  - (4) A report of the examination of prospective financial information.**
- (d) **The Board may also solicit for review reports of licensees and related financial statements from clients, public agencies, banks, and other users of financial statements.**
- (e) **Any documents submitted in accordance with subsection (b) may have the name of the client, the client's address and other identifying facts omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. The identities of the sources of financial statements and reports received by the Board from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the Board pursuant to subsection (b), and comments of reviewers and of the Board on such reports or workpapers relating thereto, also shall be preserved in confidence except that they may be communicated by the Board to the licensees who issued the reports.**
- (f) **The review of financial statements and reports of the licensees thereon shall be directed toward the following:**
- (1) Presentation of financial statements in conformity with generally accepted accounting principles;**
  - (2) Compliance by licensees with generally accepted auditing standards;**
  - (3) Compliance by licensees with other professional standards; and**
  - (4) Compliance by licensees with the Rules of the Board and other regulations relating to the performance of compilation and attest services as herein defined.**

- (g) The reviews of the financial statements and the reports of the licensees shall be conducted as follows:**

  - (1) Compilation level services will be subject to a desk review;**
  - (2) Review level services will be subject to a field review in the offices of the licensee;**
  - (3) Audit level services and reports of examination of prospective financial information will be subject to a field review in the offices of the licensee;**
  - (4) Additional reports and financial statements may be selected during the performance of a desk review or an on-premise field review based upon the size and complexity of the reviewed firm as judged by the Board or its designee to adequately assess the quality of the reviewed firm's professional attest practice.**
- (h) A firm's review shall result in one of three findings:**

  - (1) Pass;**
  - (2) Pass with deficiencies; or**
  - (3) Fail.**
- (i) In any instance where the Board finds a deficiency in the professional work of a licensee, it shall advise the licensee in writing of the deficiency. The Board may request the licensee to meet with it to discuss deficiencies. If the Board determines that a report is substandard or seriously questionable, the Board may direct that a review of the workpapers be conducted by an independent reviewer other than the person who performed the review of the report. The findings of any such review of the workpapers shall be transmitted by the reviewer to the Board.**
- (j) In gathering information about the professional work of licensees, the Board may make use of investigators, either paid or unpaid, who are not members of the Board.**
- (k) The results of the reviews will be transmitted to the Board's office within 45 days after completion of any review report.**

**Rule 7-4 - Equivalent reviews as a condition for renewal of a permit.**

- (a) The requirements of Rule 7-3 shall not apply with respect to any firm or certificate holder which within the three years immediately preceding the application had been subjected to a comprehensive and appropriately administered compliance assurance program as determined and approved by the Board.**
- (b) An oversight committee shall be appointed by the Board to monitor the compliance assurance programs and report to the Board that the programs meet the requirements set out in the Act and these Rules. The oversight committee shall:**



- (1) only include individuals who are not members of the Board;**
  - (2) have full access to the peer review process which is subject to oversight and may be required to sign a confidentiality agreement to have this access;**
  - (3) provide the Board with the names of those certificate holders and firms which have undergone and have had accepted an equivalent review as well as whether such certificate holders and firms are meeting the terms, conditions, and remedial actions, if any, required by the reviewing organization;**
  - (4) establish, as directed by the Board, procedures designed to ensure confidentiality of documents furnished or generated in the course of the review;**
  - (5) coordinate oversight functions conducted within the state with national oversight objectives and procedures adopted by the NASBA Compliance Assurance Review Board (CARB).**
- (c) The Board shall establish procedures and take all action necessary to ensure that the above materials remain privileged as to any third parties, except those materials subject to public disclosure as provided herein.**

**Rule 7-5 – Submission of compliance assurance reports to the Board.**

- (a) Firms qualifying for exemption from compliance assurance review as provided by the provisions of Rule 7-4 shall notify and affirmatively request the administering entity performing the qualifying satisfactorily equivalent compliance assurance reviews [such as those conducted by AICPA peer review programs and the entities administering those reviews] to provide Board access to the reports within 45 days after the administering entity’s acceptance of any review report.**
- (b) Regarding any report required to be submitted to the Board pursuant to this rule, the reviewed firm must retain, for a period of seven (7) years from the date of the report acceptance, all of the following: compliance assurance report [or “peer review report”], letter of comments, letter of response, acceptance letter signed by the reviewed firm agreeing to take corrective actions, and letter of completion indicating that the firm’s compliance assurance review is complete. Upon request of the Board, the reviewed firm or individual shall timely submit such documentation to the Board;**
- (c) The objective of this reporting rule is primarily to reinforce the Board’s efforts to ensure that only appropriately qualified CPA firms are engaged in the offering and rendering of services subject to compliance assurance. Based upon its review of the reports submitted pursuant to this rule, the Board may consider, pursuant to hearing or by consent, additional corrective actions such as probation, practice limits, additional continuing education, pre-issuance reviews, more frequent peer reviews, and other measures, including, in severe cases, discipline against the reviewed firm**

and any individual licensees employed or contracted by the reviewed firm.

- (d) For good cause shown the Board may grant or renew applications for a reasonable period of time pending completion.

**Rule 7-6 - Internet practice.**

A CPA firm offering or rendering professional services via a Web site shall provide in the Web site's homepage, a name, an address, and principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

**Rule 7-7 - Attest documentation and retention.**

- (a) Licensees shall comply with all professional standards for attest documentation applicable to particular engagements, including, but not limited to standards adopted by recognized standards setting bodies such as the Public Company Accounting Oversight Board (PCAOB), the Comptroller General of the United States, and the Auditing Standards Board.
- (b) If the applicable standards do not otherwise specify, the retention period for attest documentation shall be five (5) years and shall be measured from the report date.
- (c) If attest documentation is required to be kept for longer than provided in the applicable standards or Rule 7-7(b) because of a pending Board investigation or disciplinary action, attest documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.

**Rule 7-8 - Unregistered firm compliance with applicable compliance assurance requirements.**

Any firm not required to register in this state, but which provides attest services as permitted under Sections 7 and 23 of the Act, shall maintain records as prescribed by Rule 7-5(b) regarding its participation in a comparable Compliance Assurance Program for any period in which the firm provided attest services in this state and shall provide copies of such records upon this Board's written request; provided, however, the Board shall not make such a request except upon good cause.

*Comment: For purposes of this Rule, "good cause" is reasonable cause and not authorization for a notice requirement. Good cause for requesting Compliance Assurance Programs records should be based upon a third party complaint or other evidence of inadequate professional services of the type that would be subject to peer review.*

**ARTICLE 10  
ENFORCEMENT ACTIONS AGAINST LICENSEES**

**Rule 10-1 - Grounds for enforcement actions against licensees.**

The grounds for revocation and suspension of certificates, registrations and permits, and other disciplinary action against licensees and individuals with privileges under Section 23, are set out in Section 10 of the Act in both specific and general terms. The general terms of that provision of the Act include the following particular grounds for such disciplinary action:

- (a) Any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of *nolo contendere*, for any felony or any crime, an essential element of which is fraud, dishonesty, or deceit, or any other crime which evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with public protection.
- (b) Active or stayed revocation or suspension of any occupational license or other privilege to practice any licensed occupation by or before any state, federal, foreign or other licensing or regulatory authority, provided the grounds for the revocation or suspension include wrongful conduct such as fraud, dishonesty, or deceit or any other conduct which evidences any unfitness of the applicant to practice public accountancy.

*Comment: As explained in the Comment to Rule 5-11, most states use the term “revoke,” “revocation,” “suspend,” or “suspension” to refer to removing a license on disciplinary grounds. However, state boards should be aware that some jurisdictions use the term “revoke” or “suspend” to refer to forfeitures for administrative reasons such as failure to renew a license or to comply with CPE requirements which in and of themselves would not necessarily constitute “wrongful conduct.”*

- (c) Dishonesty, fraud, or deceit in obtaining a certificate, registration or permit, within the meaning of Section 10(a)(1) of the Act, including the submission to the Board of any knowingly false or forged evidence in, or in support of, an application for a certificate, registration or permit, and cheating on an examination as defined in these Rules.
- (d) Dishonesty, fraud, deceit or gross negligence, within the meaning of Section 10(a)(5) of the Act, including knowingly, or through gross negligence, making misleading, deceptive or untrue representations in the performance of services.
- (e) Violations of the Act or of Rules promulgated under the Act, within the meaning of Section 10(a)(6) of the Act, including--

- (1) Using the CPA title or providing attest or compilation services in this State without a certificate, registration or permit to practice issued under Sections 6 and 7 or without properly qualifying to practice across state lines under the substantial equivalency provision of the Act;**
  - (2) Using or attempting to use a certificate, registration or permit which has been suspended or revoked;**
  - (3) Making any false, misleading, or deceptive statement, in support of an application for a license filed by another;**
  - (4) Failure of a licensee to provide any explanation requested by the Board regarding evidence submitted by the licensee in support of an application filed by another, or regarding a failure or refusal to submit such evidence; and failure by a licensee to furnish for inspection upon request by the Board or its representative documentation relating to any evidence submitted by the licensee in support of such an application;**
  - (5) Failure to satisfy the continuing professional education requirements set out in Section 6(d) of the Act and/or failure to comply with the continuing education requirements of these Rules;**
  - (6) Failure to comply with professional standards as to the attest and/or compilation competency requirements for those who supervise attest and/or compilation engagements and sign reports on financial statements or other compilation communications with respect to financial statements; or**
  - (7) Failure to comply with the applicable peer review requirements set out in Section 6(j) and Section 7(h) of the Act and these Rules.**
- (f) Conduct reflecting adversely upon the licensee's fitness to perform services, within the meaning of Section 10(a)(10) of the Act, including:**
- (1) Adjudication as mentally incompetent;**
  - (2) Incompetence, including but not limited to:**
    - (i) Gross negligence, recklessness, or repeated acts of negligence in the licensee's record of professional practice; or**
    - (ii) Any condition, whether physical or mental, that endangers the public by impairing skill and care in providing professional services.**
  - (3) Presenting as one's own a license issued to another;**
  - (4) Concealment of information regarding violations by other licensees of the Act or the Rules thereunder when questioned or requested by the Board; and**

- (5) **Willfully failing to file a report or record required by state or federal law; willfully impeding or obstructing the filing of such a report or record, or inducing another person to impede or obstruct such filing by another; and the making or filing of such a report or record which one knows to be false. A finding, adjudication, consent order or conviction by a federal or state court, agency or regulatory authority or the PCAOB that a licensee has willfully failed to file a required report or record shall be prima facie evidence of a violation of this rule.**

**Rule 10-2 - Return of certificate, registration or permit to practice.**

**Any licensee whose certificate, registration or permit issued by the Board is subsequently suspended or revoked shall promptly return such certificate, registration or permit to the Board.**

**Rule 10-3 - Applicable standards.**

**A licensee shall follow the standards, as applicable under the circumstances and at the time of the services, set forth in this section in providing professional services. In addition to the applicable standards set forth below, a licensee shall follow standards issued by other professional or governmental bodies including international standards setting bodies with which a licensee is required by law, regulation or the terms of engagement to comply. A licensee shall comply with all applicable standards, including but not limited to the following:**

- (a) **A licensee shall not render services subject to the authority of the SEC or PCAOB unless the licensee has complied with the applicable standards and rules adopted and approved by the PCAOB and SEC.**
- (b) **A licensee shall not render auditing services unless the licensee has complied with the applicable generally accepted auditing standards.**
- (c) **A licensee shall not render accounting and review services unless the licensee has complied with the standards for accounting and review services issued by the AICPA, including subsequent amendments and editions.**
- (d) **A licensee shall not permit the licensee's name to be associated with governmental financial statements for a client unless the licensee has complied with the standards for governmental accounting issued by the GASB, including subsequent amendments and editions.**
- (e) **A licensee shall not render attestation services unless the licensee has complied with the Statements on Standards for Attestation Engagements issued by the AICPA, including subsequent amendments and editions.**

- (f) A licensee shall not render management consulting services unless the licensee has complied with the standards for management consulting services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions.
- (g) A licensee shall not render services in the area of taxation unless the licensee has complied with the standards for tax services issued by the AICPA, including subsequent amendments and editions.
- (h) A licensee shall not permit the licensee's name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the licensee vouches for the achievability of the forecast, and shall not render services associated with prospective financial statements unless the licensee has complied with the standards for accountants' services on prospective financial information issued by the AICPA, including subsequent amendments and editions.
- (i) A licensee shall not express an opinion on financial statements unless the licensee complies with the Statements of Financial Accounting Standards, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB, including subsequent amendments and editions.

#### **Rule 10-4 – Model Code of Conduct.**

A licensee shall comply with the principles contained in the following Model Code of Conduct. All changes in the NASBA Model Code of Conduct shall automatically be made a part of these rules unless specifically rejected by the Board.

### **NASBA Model Code of Conduct**

#### **PREAMBLE**

The public places trust and confidence in the profession and the services it provides; consequently, licensees have a duty to conduct themselves in a manner that will be beneficial to the public and which fosters such trust and confidence. This Model Code of Conduct identifies seven fundamental principles of conduct, six of which are intended to govern licensees' professional performance whether they are in public practice, industry, not-for-profit organizations, government, education or other professional endeavors. The seventh principle, independence, applies only to those professional services where it is required by professional standards. This Model Code of Conduct defines the conduct that the public has a right to expect of the licensee, as well as all persons or entities the licensee has the authority or capacity to control.

With the exception of independence, these principles are universal and apply to all services and activities performed by the licensee in all aspects of his or her professional conduct. Independence, however, is a unique principle that applies only to those professional services where it is required in accordance with professional standards. This Model Code of Conduct is not intended to replace professional standards applicable to specific engagements. In applying any of the principles of this Model Code of Conduct to deliberations in disciplinary or other proceedings, the Board may consider as persuasive, but not necessarily conclusive, and/or adopt by reference applicable interpretations and rulings of the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants, as well as similarly applicable interpretations and rulings issued by other authorities such as the Securities and Exchange Commission, the Government Accountability Office and the Public Company Accounting Oversight Board.

Users of the licensee's services draw confidence from the knowledge that the profession is bound to a framework which requires continued dedication to professional excellence and commitment to ethical behavior that will not be subordinated to personal gain.

#### **I. PRINCIPLE: PUBLIC INTEREST**

The grant of a license indicates that an individual has met the criteria established by state boards of accountancy to perform services in a manner that protects the public interest. The licensee must, therefore, have a keen consciousness of the public interest. The public consists of clients, credit grantors, governments, employers, investors, the business and financial community, and others who use the services of licensees. Services provided by licensees support and facilitate many societal needs, including the orderly functioning of commerce and the capital markets.

Because the licensee is seen as a representative of the profession by the public who retains or employs him or her or uses his or her services, the licensee should avoid conduct that might conflict with the public interest or erode public respect for, and confidence in, the profession.

#### **II. PRINCIPLE: INTEGRITY**

Integrity is a character trait demonstrated by acting honestly, candidly, and not knowingly misrepresenting facts, accommodating deceit, or subordinating ethical principles. Acting with integrity is essential to maintaining credibility and public trust. It incorporates both the spirit and substance in the application of the ethical and technical standards that govern the profession, or in the absence thereof, what is just and right.

A licensee should act with integrity in the performance of all professional activities in whatever capacity performed.

#### **III. PRINCIPLE: OBJECTIVITY**

Objectivity is a distinguishing feature of the accounting profession and is critical to maintaining the public's trust and confidence. It is a state of mind that imposes the

**obligation to be impartial and free of bias that may result from conflicts of interest or subordination of judgment. Objectivity requires a licensee to exercise an appropriate level of professional skepticism in carrying out all professional activities.**

**Although a licensee may serve multiple interests in many different capacities, objectivity must be maintained. This requires a careful assessment of the effects on objectivity of all professional relationships and activities.**

**A licensee should maintain objectivity in the performance of all professional activities in whatever capacity performed.**

#### **IV. PRINCIPLE: DUE CARE**

**Due care imposes the obligation to perform professional activities with concern for the best interest of those for whom the activities are performed and consistent with the profession's responsibility to the public. It is essential to preserving the public's trust and confidence. Due care requires the licensee to discharge professional responsibilities with reasonable care and diligence and to adequately plan and supervise all professional activities for which he or she is responsible.**

**A licensee should act with due care in the performance of all professional activities in whatever capacity performed.**

#### **V. PRINCIPLE: COMPETENCE**

**Competence is derived from a combination of education and experience. It begins with a mastery of the common body of knowledge, skills, and abilities, and requires a commitment to lifelong learning and professional improvement. A licensee should possess a level of competence, sound professional judgment, and proficiency to ensure that the quality of his or her activities meets the high level of professionalism required by these Principles. A licensee is responsible for assessing his or her own competence, which includes evaluating whether education, experience, and judgment are adequate for the responsibility assumed.**

**A licensee should be competent in the performance of all professional activities, in whatever capacity performed, and comply with applicable professional standards.**

#### **VI. PRINCIPLE: CONFIDENTIALITY**

**A licensee has an obligation to maintain and respect the confidentiality of information obtained in the performance of all professional activities. Maintaining such confidentiality is vital to the proper performance of the licensee's professional activities.**

**A licensee shall not use or disclose, or permit others within the licensee's control to use or disclose, any confidential client or employer information without the consent of the client or employer. This obligation continues after the termination of the relationship between the licensee and the client or employer and extends to information obtained by the licensee in**



**professional relationships with prospective clients and employers.**

**This principle shall not be construed to prohibit a licensee from disclosing information as required to meet professional, regulatory or other legal obligations.**

## **VII. PRINCIPLE: INDEPENDENCE**

**Independence, where required by professional standards, is essential to establishing and maintaining the public's faith and confidence in, and reliance on, the information reported on by the licensee.**

**A licensee in the practice of public accounting should be independent in fact and appearance when engaged to provide services where independence is required by professional standards. Independence in fact is the state of mind that permits a licensee to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing the licensee to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, to reasonably conclude that the integrity, objectivity or professional skepticism of a licensee had been compromised.**

**ARTICLE 11  
ENFORCEMENT PROCEDURES -- INVESTIGATIONS**

**Rule 11-1 - Review of professional work product.**

The Board may solicit and receive publicly available reports of licensees and individuals with privileges under Section 23 of this Act and related financial statements from clients, public agencies, banks, and other users of financial statements on a general and random basis without regard to whether an application for renewal of the particular licensee is then pending or whether there is any formal complaint or suspicion of impropriety on the part of any particular licensee or an individual with privileges under Section 23 of this Act; and it may review such reports and otherwise proceed with respect to the results of any such review in the fashion prescribed in Rule 7-3. For purposes of this Rule, such reports may include publicly available inspection reports prepared by the PCAOB.

**Rule 11-2 – Reporting convictions, judgments, and administrative proceedings.**

- (a) Subject to Section 4(j) of the Act, Licensees shall notify the Board, on a form and in the manner prescribed by the Board, within thirty (30) days of:
- (1) Receipt of a peer review report pursuant to Rule 7-3(h)(3), or a PCAOB firm inspection report containing criticisms of or identifying potential defects in the quality control systems.
  - (2) Receipt of a second consecutive peer review report that is deficient pursuant to Rules 7-3(h)(2); or
  - (3) Imposition upon the licensee of discipline, including, but not limited to, censure, reprimand, sanction, probation, civil penalty, fine, consent decree or order, suspension, revocation, or modification of a license, certificate, permit or practice rights by:
    - (i) the Securities and Exchange Commission (SEC), PCAOB, Internal Revenue Service (IRS) (actions by the Director of Practice); or
    - (ii) another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or
    - (iii) any other federal or state agency regarding the licensee's conduct while rendering professional services; or
    - (iv) any foreign authority or credentialing body that regulates the practice of accountancy.

- (4) Occurrence of any matter reportable that must be reported by the licensee to the PCAOB pursuant to Sarbanes-Oxley Section 102(b)(2)(f) and PCAOB Rules and forms adopted pursuant thereto;
  - (5) Notice of disciplinary charges filed by the SEC, PCAOB, IRS, or another state board of accountancy, or a federal or state taxing, insurance or securities regulatory authority, or foreign authority or credentialing body that regulates the practice of accountancy;
  - (6) Any judgment, award or settlement of a civil action or arbitration proceeding of \$150,000 or more in which the licensee was a party if the matter included allegations of gross negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of accounting; provided, however, licensed firms shall only notify the Board regarding civil judgments, settlements or arbitration awards directly involving the firm's practice of public accounting in this state; or
  - (7) Criminal charges, deferred prosecution or conviction or plea of no contest to which the licensee is a defendant if the crime is:

    - (i) any felony under the laws of the United States or of any state of the United States or any foreign jurisdiction; or
    - (ii) a misdemeanor if an essential element of the offense is dishonesty, deceit, or fraud.
- (b) The licensee designated by each CPA firm pursuant to Section 7(c)(2)(A) of the Act (as responsible for the proper registration of the firm) shall report any matter reportable under this rule to which a non-licensee owner with a principal place of business in this state is a party.
- (c) Reports of pending matters or reports of private litigation resolved by settlement or arbitration shall be deemed confidential records not subject to public disclosure (to the extent permitted by this State's law on Public Records) unless and until the pending matters are concluded or the Board commences a contested case proceeding based upon the subject matter of such reports.
- (d) During the pendency of a reported matter, the reporting licensee may submit a written explanatory statement to be included in the licensee's record. If reported charges or allegations are subsequently concluded in the licensee's favor or otherwise closed without disciplinary action by this Board, upon the reporting licensee's request, documents received pursuant to said report shall be expunged from the Board's records.

*Comment: States should consider reducing or dropping a reporting requirement for pending*

*matters or reports of private litigation/arbitration if complying with the request requires the disclosure of otherwise confidential information, and their state laws require such reports to be treated as public records since the potential for abuse might outweigh the regulatory interest in such information. Boards adopting this rule should also consider expunging any self-reported records of charges or allegations that are dropped or otherwise resolved in favor of the reporting licensee and which are maintained by the Board as public records. In the alternative, States should defer implementation of self-reporting of such matters until the State has adopted Section 4(j) of the UAA Statute. See also the reporting requirements set out in Rule 5.*

**Rule 11-3 – Participation in multistate enforcement compacts.**

**Notwithstanding any other provision of law or regulation to the contrary, the Board may participate in any enforcement agreement or compact with other state boards of accountancy to facilitate public protection through the enforcement of this act and cooperate with others in the enforcement of accountancy statutes and rules of this and other states.**

**ARTICLE 13  
REINSTATEMENT**

**Rule 13-1 - Applications for relief from disciplinary penalties.**

- (a) A person whose certificate or registration has been revoked or suspended or an individual whose privileges under Section 23 have been revoked or limited, or a firm whose permit to practice has been revoked or suspended or a person or firm that has been put on probation pursuant to Section 10 of the Act may apply to the Board for modification of the suspension, revocation or probation after completion of all requirements contained in the Board's original order.
- (b) The application shall be in writing; shall set out and, as appropriate, substantiate the reasons constituting good cause for the relief sought, and shall be accompanied by at least two supporting recommendations, under oath, from licensees who have personal knowledge of the activities of the applicant since the suspension or revocation was imposed.

**Rule 13-2 - Action by the Board.**

- (a) An application pursuant to Rule 13-1 will ordinarily be processed by the Board upon the basis of the materials submitted in support thereof, supplemented by such additional inquiries as the Board may require. At the Board's discretion a hearing may be held on an application, following procedures the Board may find suitable for the particular case.
- (b) The Board may impose appropriate terms and conditions for reinstatement of a certificate, registration, permit or privileges under Section 23 or modification of a suspension, revocation or probation.
- (c) In considering an application under Rule 13-1, the Board may consider all activities of the applicant since the disciplinary penalty from which relief is sought was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the certificate, registration, privileges under Section 23 or permit was in good standing, the applicant's rehabilitative efforts, restitution to damaged parties in the matter for which the penalty was imposed, and the applicant's general reputation for truth and professional probity.
- (d) No application for reinstatement will be considered while the applicant is under sentence for any criminal offense, including any period during which the applicant is on court-imposed probation or parole.

**ARTICLE 14  
UNLAWFUL ACTS**

**Rule 14-1 - CPA firm names.**

**A CPA Firm name may not be used unless such name has been registered with and approved by the Board.**

- (a) A misleading CPA Firm name is one which:**
- (1) Contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who are the owners or members of the firm, such as a reference to a type of organization or an abbreviation thereof which does not accurately reflect the form under which the firm is organized, for example:**
    - (A) Implies the existence of a corporation when the firm is not a corporation such as through the use of the words “corporation”, “incorporated”, “Ltd.”, “professional corporation”, or an abbreviation thereof as part of the firm name if the firm is not incorporated or is not a professional corporation;**
    - (B) Implies the existence of a partnership when there is not a partnership such as by use of the term “partnership” or “limited liability partnership” or the abbreviation “LLP” if the firm is not such an entity;**
    - (C) Includes the name of an individual who is not a CPA if the title “CPAs” is included in the firm name;**
    - (D) Includes information about or indicates an association with persons who are not members of the firm, except as permitted pursuant to Section 14(i) of the Act; or**
    - (E) Includes the terms "& Company", "& Associate", or "Group", but the firm does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff employee.**
  - (2) Contains any representation that would be likely to cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities, through the use of a false or unjustified statement of fact as to any material matter;**
  - (3) Claims or implies the ability to influence a regulatory body or official;**

- (4) **Includes the name of an owner whose license has been revoked for disciplinary reasons by the Board, whereby the licensee has been prohibited from practicing public accountancy or prohibited from using the title CPA or holding himself out as a Certified Public Accountant.**
- (b) **The following types of CPA Firm names are not in and of themselves misleading and are permissible so long as they do not violate the provisions of Rule 14-1(a):**
  - (1) **A firm name that includes the names of one or more former or present owners;**
  - (2) **A firm name that excludes the names of one or more former or present owners;**
  - (3) **A firm name that uses the "CPA" title as part of the firm name when all named individuals are owners of the firm who hold such title or are former owners who held such title at the time they ceased to be owners of the firm;**
  - (4) **A firm name that includes the name of a non-CPA owner if the "CPA" title is not a part of the firm name;**
- (c) **A Network firm as defined in the AICPA Code of Professional Conduct ("Code") in effect July 1, 2011 may use a common brand name, or share common initials, as part of the firm name;**
- (d) **A Network firm as defined in the AICPA Code of Professional Conduct ("Code") in effect July 1, 2011 may use the Network name as the firm's name, provided it also shares one or more of the following characteristics with other firms in the network:**
  - (1) **Common control, as defined by generally accepted accounting principles in the United States, among the firms through ownership, management, or other means;**
  - (2) **Profits or costs, excluding costs of operating the association, costs of developing audit methodologies, manuals and training courses, and other costs that are immaterial to the firm;**
  - (3) **Common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are held accountable for performance pursuant to that strategy;**
  - (4) **Significant part of professional resources;**
  - (5) **Common quality control policies and procedures that participating firms are required to implement and that are monitored by the association.**

***COMMENT: With regard to practice in this State under Section 7(a)(1)(C), 7(a)(2) or 7(a)(3) of the Act, in determining whether a CPA Firm name is misleading, the Board recognizes that it is the policy of this State to promote interstate mobility for CPAs and CPA firms which employ them, and thus also to consider the basis for approval of the same CPA Firm name by another state's board of accountancy.***

**Rule 14-2 - Safe harbor language.**

**Non-licensees may use the following disclaimer language in connection with financial statements to not be in violation of the Act:**

**“I (we) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners).**

**I (we) have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.”**



**ARTICLE 23  
SUBSTANTIAL EQUIVALENCY**

**Rule 23-1- Substantial equivalency and internet practice.**

**An individual entering into an engagement to provide professional services via a Web site pursuant to Section 23 shall disclose, via any such Web site, the state of the individual's principal place of business, license number and an address as a means for regulators and the public to contact the individual regarding complaints, questions or regulatory compliance.**

**Rule 23-2 - Practice in other states through substantial equivalency.**

**As a pre-condition for the use of practice privileges in another jurisdiction, any licensee of this Board offering or rendering services in or to another jurisdiction pursuant to practice privileges based upon their license from this Board is deemed to have consented to the administrative jurisdiction of the other state board of accountancy, and is deemed to have consented to the requirements of the Act. The failure by a licensee of this Board to cooperate in another state's board of accountancy's investigation shall be grounds for discipline by this Board.**

**Rule 23-3 – Reporting moral character violations.**

- (a) Any individual using practice privileges in this state, shall notify this Board within thirty (30) days of any occurrence described in Rules 10-1 (a) or 10-1 (b).**
- (b) Any licensee of this state using practice privileges in another state shall notify this Board and the state board of any other state in which said licensee uses practice privileges within thirty (30) days of any occurrence described in Rules 10-1 (a) or 10-1 (b).**

**Rule 23-4 – Continuing professional education requirements for practice privileges.**

**Any individual using practice privileges in this state who complies with the CPE requirements applicable in the state where their principal place of business is located, shall be deemed to have complied with the CPE requirements of this state.**

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CALIFORNIA BOARD OF ACCOUNTANCY

# **Sunset Review, California Board of Accountancy**

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Appendix 6



SUNSET REVIEW REPORT  
CALIFORNIA STATE BOARD OF ACCOUNTANCY

Presented to the Joint Legislative Sunset Review Committee  
of the California Legislature

Prepared in compliance with  
Senate Bill 2056 (Chapter 908, Statutes of 1994)



Submitted September 29, 1995

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ultimate result would be increased financial harm to consumers through poorly or incompetently performed work.

In adopting this proposal for change, the Board recognized benefits created by use of a national exam and its contribution to interstate mobility. It is the Board's view that if NASBA or a similar non-trade association were to assume responsibility for the CPA examination, the benefits of national exam would continue and state boards might have greater control over the examination process.

**Issue: Should the Board revise its experience requirement to be more reflective of the current public accounting environment?**

**Recommendation:** Redefine the Board's experience requirement to consist of public accounting experience gained under the supervision of a licensee, with no specified audit requirement. Eliminate the Qualifications Committee and redirect resources for enhanced consumer protection in accordance with Board priorities.

**Summary of Discussion:** It is the Board's view that experience performed in accordance with applicable profession standards is an important prerequisite for licensure. This experience requirement functions in a manner similar to an internship program in other professions such as medicine, allowing the applicant to gain practical supervised experience applying concepts learned through academic study. All states and jurisdictions except two, Maryland and Florida, have an experience requirement, and both the California Society of Certified Public Accountants and the Society of California Accountants support requiring experience for licensure. Most applicants gain the required experience as an employee of a public accounting firm at the same time they are studying for and completing the Uniform CPA Examination.

As part of the Sunset Review process, the Board considered its experience requirement and adopted this recommendation. In adopting this recommendation, the Board recognized the changing business and technological environment and acknowledged that in the future transactions may no longer be auditable by traditional methods. In light of these concerns, it is the Board's view that the current experience requirement is not reflective of the public accounting environment. The Board believes the recommended change would eliminate a barrier to entry which has been ineffective in ensuring a minimum competence level for new licensees. With this recommendation in place, a committee of licensees will no longer be needed to evaluate applicants' experience, and the Qualifications Committee can be eliminated. Implementation of this approach may require a statute change.

**JOINT LEGISLATIVE SUNSET  
REVIEW COMMITTEE FINDINGS AND  
RECOMMENDATIONS**

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**Review and Evaluation of the  
Board of Accountancy**

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**Report to the  
Department of Consumer Affairs**

**FEBRUARY 1996**

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- C. Summary of the Board's Enforcement Activity (1991/92 - 1994/95)
- D. Criteria for Evaluating Boards and the Need for Licensure



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## SUMMARY OF RECOMMENDATIONS AND FINDINGS

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**ISSUE #1:** Should the Board of Accountancy be continued as a separate agency, merged with another board, or sunsetted and have all of its duties, powers and functions turned over to the Department of Consumer Affairs?

### **RECOMMENDATION:**

*The board should be continued as a separate agency but the size of the board should be increased from 12 to 13, with 7 public members and 6 professional members. The sunset date should be extended for four years until the next sunset review.*

### **FINDINGS:**

#### **A. General Responsibilities, Duties and Composition of the Board**

- 1. The board has specified its mission and goals.*
- 2. The board has been involved in strategic planning, basic self-assessment, quality management practices, and reengineering efforts to improve the board's overall effectiveness and efficiency.*
- 3. The board has not established professional standards for its licensees, nor specific codes of professional ethics or conduct, but there are other organizations and private entities which provide "generally accepted accounting and auditing standards" for the profession, and a "Code of Professional Conduct." The board does provide some rules and standards of conduct within its regulations.*
- 4. It has been argued that the board may have exceeded its legal authority by attempting to prevent non-CPA's from using the terms "accountant" and "accountancy," and by adopting "underground regulations."*
- 5. It has been argued that the board has granted or delegated inappropriate authority to its committees.*

6. *The board's composition does not reflect the current trend to provide a level of public membership to ensure that the board's actions reflect the interests of the public and not just those of the profession.*

#### **B. Funding and Organization of the Board and Staff**

1. *The board has spent, on average, about 56 percent of its budget on enforcement activity over the past four years. Other boards have spent, on average, about 66 percent.*

2. *The organizational breakdown and workload of the board and staff seem to provide the most efficient expenditure of funds. However, a recent reengineering study found a high ratio of support staff to CPA investigative staff, and recommended that investigative staff be more fully utilized [or increased].*

3. *The board currently has ten months of budget reserve and is unintentionally out of compliance with the law which requires that the board only maintain three-months of budget reserve. The board is attempting to deal with this problem by reducing fees.*

#### **C. Licensing and Application Process**

1. *The board's practice of requiring 10/20 semester units is inconsistent with the statutory and regulatory requirement of 45 semester units under Section 5081.1 of the Act. However, there is a 10/20 semester units requirement under the experience requirement in Section 5084 of the Act. The board indicates that it will seek legislation to rectify this inconsistency.*

2. *The experience requirement, as it pertains to the "audit experience" or "attest function," has become a controversial issue and the board has not properly evaluated the need for the continuation of this requirement.*

3. *The board provides reciprocity for those applicants already licensed in another state but does not recognize international reciprocity.*

#### **D. Continuing Education and Review of Professional Competence**

1. *The board has a unique "Continuing Competency Program" which was established in 1989. It includes two primary areas: Continuing Education and a Report Quality Monitoring Program.*

\$87.50. As of July 1, 1996, the board will again lower the renewal fee from \$175 to \$100, and the delinquency fee from \$87.50 to \$50.00. The objective of this fee reduction is to lower the board's reserve and stabilize it at approximately three months of authorized expenditures.

### **C. Licensing and Application Process**

**1. *The board's practice of requiring 10/20 semester units is inconsistent with the statutory and regulatory requirement of 45 semester units under Section 5081.1 of the Act. However, there is a 10/20 semester units requirement under the experience requirement in Section 5084 of the Act. The board indicates that it will seek legislation to rectify this inconsistency.***

- During the board's 1992-93 review of the examination and licensing statutory and regulatory provisions, this discrepancy was addressed. In an effort to understand why the board's practice was inconsistent with the statutory language, it was concluded that many years ago educational institutions did not require 45 business units to graduate. Therefore, this requirement presented a significant barrier to entry. Statutory language was developed to make Section 5081.1 consistent with Section 5084 and the board's practice, but the necessary consensus was not achieved to proceed with this statutory change.
- Recognizing that this inconsistency is a continuing problem, the board has undertaken a survey of educational institutions to determine if the existing 45 semester unit requirement currently presents a barrier to entry. The results indicate that educational institutions' requirements for graduation with a business or accounting degree are equal to or greater than the 45 units required by statute. Therefore, the board will be seeking legislation to modify Section 5084 to make it consistent with Section 5081.1.

**2. *The experience requirement, as it pertains to the "audit experience" or "attest function," has become a controversial issue and the board has not properly evaluated the need for the continuation of this requirement.***

- Business and Professions Code section 5083 requires CPA candidates to complete a certain number of years of experience under the direct supervision of a CPA licensee. Section 5083(d) expressly requires the Board to "prescribe rules establishing the character and variety of experience necessary to fulfill the experience requirement set forth in this section, including a requirement that each applicant demonstrate to the

board satisfactory experience in the attest function as it relates to financial statements. The board satisfied this requirement by adopting section 11.5, Title 15 of the California Code of Regulations. In 1980, however, the board became concerned with the way in which the "audit experience" was interpreted and, as indicated earlier in this report, adopted broad language which said: "Such experience may be fulfilled by a combination of financial audits, reviews, compliance, operational and management audits." The 500 hours was added on the application form as a guideline to meeting this requirement.

- The board is now recommending elimination of any audit experience requirement. It agrees that the attest function has been the traditional hallmark of the accounting profession, and stresses the continuing importance of applicants and licensees being knowledgeable in this key area. However, the board concluded ("after much thought and discussion"), that knowledge of auditing can be assessed and maintained without a specific audit experience requirement. Indicating that the CPA Examination satisfactorily tests knowledge of auditing standards and practices, and is adequate for establishing minimum standards of competence. In addition, the board claims it has found, through its enforcement experience, that substandard audit work is predominately performed by those who have been in practice for a number of years but who have not kept pace with changes in accounting and auditing standards, and that continuing education required by the board could rectify this problem.
- The board continues to view supervised experience in the practice of public accounting as an important prerequisite for licensure. However, the board believes it is important to keep pace with the global economy and the changing nature of the public accounting profession. Because of the current liability requirement in performing audits, many CPA and PA firms no longer perform them. This means that their employees find it difficult to fulfill the attest experience requirement in a timely manner. Even if an individual is able to fulfill the audit experience requirement, if that individual does not perform audits routinely in a "day in-day out" manner, the audit experience quickly becomes outdated. The board claims that the audit experience requirement is rapidly losing its effectiveness in ensuring competence and, as such, is becoming an unnecessary barrier to entry. It is the board's view that the experience requirement does not reflect today's public accounting environment. The board equates this requirement with mandating that a general practitioner physician become proficient in brain surgery or cardiac surgery before they could be licensed by the state.

- There are those currently serving as board members, and CPIL, who are against eliminating the audit experience requirement. CPIL argues that the audit function is the essence of the CPA. It is the one task reserved to CPA's and consumers have no one to rely on other than the CPA for proper preparation of an audit. "The audit function should be the focal point of the board's licensing, standard-setting, and enforcement function." CPIL believes the legislature should consider a major change in the licensing function of the board, and license "auditors" only -- that is, those who hold themselves out to the public as being qualified to direct, perform, and sign a certified financial audit. Other accountants who do not perform audits would not need to be licensed.
- Several board members voted against the recommendation to eliminate the audit experience requirement. (The vote for eliminating the requirement was 6-3-2.) One board member has indicated that the driving force behind the recommendation came from those board members who have worked for (or are working for) the big national accounting firms (the "Big Six"). These firms are shifting their emphasis away from audit and tax work to the supposedly more profitable areas of consulting. "It is reasonable to assume that these large firms are having difficulty finding enough work to qualify thousands of computer specialists and financial advisers as CPAs under the current licensure requirements. For individuals specializing in these areas, the CPA license is nothing more than a highly desirable marketing tool to instill public confidence in their ability. To eliminate the Board's required audit experience to accommodate the self-serving interest of these specialists would defeat the whole purpose of the CPA license and subject California consumers to more of the audit failures receiving wide publicity in recent years. A prime example is the Arthur Anderson audit of 'Lincoln S&L/Charles Keating' fame that cost Californians enormous sums of savings and retirement funds."
- Other members of the profession have expressed a concern that the board would be inclined to make such an important decision without publicizing the issue and soliciting licensee input. "An issue of this importance, one that could affect our ability to serve the public, and, in turn, maintain our professional competence, deserves to be brought to the attention of the entire profession."
- Considering the impact this decision would have on the profession, the Legislature would probably be a more appropriate forum to resolve this issue. This would provide an opportunity for public and professional comment, and for more serious consideration concerning this particular requirement. During this time, the board should conduct a more thorough

investigation of the current "public accounting environment" and experience required by firms and partnerships. If indeed the auditing or attest function is used infrequently by the profession, but still is the "hallmark of the accounting profession", then the board might consider special certification for those who primarily perform audit work. This would assure competency in this specialized area.

- There may still be a need for the Qualifications Committee as long as the audit experience requirement exists, but because of its size, expense, and questionable powers, it should be phased out over time so that the board and staff can ultimately assume the responsibilities of this committee. The experience requirement should also be clarified so it can be easily interpreted by staff, and the board should consider whether fewer years of experience would suffice to assure competency. A small advisory committee could still be used to assist staff in examining the qualifications of candidates.

***3. The board provides reciprocity for those applicants already licensed in another state but does not recognize international reciprocity.***

- Applicants already licensed in another state have temporary practice rights in California for up to 120 days upon receipt of a certification from the licensure state. This certification attests that the applicant's license is in good standing, with completion of certification and a listing evidencing 80 hours of continuing education accumulated in the 24 months immediately preceding the date of application. It should be noted that, although requirements vary widely from state to state, available information indicates that California's requirements are comparable to other states. If an individual is licensed in another state or country, and wishes to obtain a California license, he or she must meet all the requirements necessary to obtain a California license. However, passage of the "Uniform CPA Examination" in another state generally assures that a license will be issued in California, as long as the experience requirements are met.
- The board does not recognize international reciprocity because requirements for licensure vary widely from country to country. In many countries, requirements are substantially less than those of California or of other states. Accordingly, applicants with public accounting experience obtained outside the United States and its territories must appear before the Qualifications Committee and present work papers which substantiate that the experience meets the board's requirements. It is mandatory that the work completed in the United States or its territories



# CALIFORNIA BOARD OF ACCOUNTANCY

## *SUNSET REVIEW REPORT*

OCTOBER 2000

Submitted to the Joint Legislative Sunset Review Committee  
of the California Legislature

Prepared in compliance with Senate Bill 2036  
(Chapter 908, Statutes of 1994)

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Issue 9:

Has the Board clarified or changed regulations that pertain to the "attest" experience necessary for purposes of licensure in this state?

**Summary of Board Response:**

The Board modified Section 11.5 of its regulations related to attest experience, effective March 1996. These revisions did not include a reference to 500 hours of attest experience because this is a guideline, not a fixed requirement.

**Discussion:**

Section 11.5 of Title 16 of the California Code of Regulations makes specific the Board of Accountancy's attest experience requirement for licensure. In the previous sunset review, concern was expressed regarding this regulation and the Board's rulemaking procedures. Specifically, the Board was accused of "underground rulemaking" (the enforcement of a policy or standard without adopting it through the proper rulemaking procedure). This issue centered around the Board's Certificate of Experience or "Form E" submitted by employers to verify an applicant's qualifying experience. Two aspects of the Form E proved controversial. One was the 500-hour guideline for qualifying audit experience. A second area of contention involved a modification of the Board's requirements to make it easier for applicants to demonstrate qualifying audit experience. CPIL suggested that that the Board may have been inappropriately regulating without following the appropriate rulemaking protocol. It is important to note here that CPIL did not take issue with the underlying policies adopted by the Board.

With regard to the 500-hour guideline, at the previous sunset review, the Board provided a historical overview demonstrating that this issue was an important topic of discussion by the Board in 1980. As part of considering the issue, in April 1980 the Board held a regulation hearing and received public comments on the matter. In July 1980, after lengthy discussion, the Board concluded not to specify a fixed number of hours for audit experience. It was believed at that time that designating a fixed number of hours in regulation could unfairly disadvantage applicants from small firms.

During the previous sunset review, the Board explained that the reference to 500 hours functions as a guideline, not a fixed requirement. Because of this guideline status, the Board was advised by legal counsel it was not necessary to specify it in regulation. This situation has not changed, and today the Board continues to be more concerned about the nature and quality of the applicant's experience than the precise number of hours completed. The Board notes that some applicants may complete qualifying experience in less than 500 hours, while others may need considerably more. The 500-hour guideline was intended primarily as a planning tool for applicants and employers and as an aid to licensees completing the Certificate of Experience.

The second issue relates to a 1990 policy change that modified the audit experience requirement so that applicants no longer needed to prove knowledge of a long list of

audit procedures. Instead, applicants were required to demonstrate an understanding of how to plan and conduct an audit with minimum supervision.

Critics are correct in noting that the Board did not immediately revise its regulations for consistency with this policy change. At that time, the Board was involved in a major review and revision of all of its licensing statutes and regulations and concluded that the most practical approach was to address these related issues in one legislative and rulemaking effort. Enabling legislation was enacted in 1994 (SB 2079, Chapter 1278). Subsequently, in 1995 the Board revised its licensing regulations including Section 11.5. The public hearing on this matter took place in May 1995, the same year the Board was undergoing sunset review. The rulemaking record shows that representatives from CSCP and SCA testified at that hearing. CPIL was present at the hearing but did not testify. Revisions to Section 11.5 of Title 16 went into effect in March 1996.

#### Issue 10:

Should the "attest" experience requirement for licensure be eliminated pursuant to the UAA? Have there been any studies done to determine the extent to which CPAs no longer use the attest function and whether there is a problem in gaining the experience necessary to meet the attest experience requirement? Why should attest services only be provided by specially qualified "attest firms?" Would these attest firms be licensed by the state and what standards would be used to determine licensure? Would all existing CPA firms be grandfathered? Do any other states license "attest firms?"

#### Summary of Board Response:

To achieve consistency with the UAA, the Board proposes to eliminate the attest experience requirement for licensure. The Board researched the matter and found that only 13 percent of licensees selected auditing as their primary area of practice. Further, applicants who have passed the exam but not received their licenses believed attest experience to be a significant barrier. Based on this and other information, the Board concluded that consumer protection would best be served by permitting attest services to be performed only by specially qualified firms that would be licensed and required to undergo peer review. Existing firms would be "grandfathered in." This proposal is consistent with the UAA which is being implemented by a number of other states.

#### Discussion:

As discussed under Issues 7 and 8, the UAA provides a framework for the establishment of uniform licensure requirements nationwide. This framework includes a one-year general experience requirement with no requirement for attest experience. To achieve consistency with the UAA, the Board is proposing to eliminate the attest experience requirement for licensure. As discussed under Issue 8, by adopting the UAA requirements for the 3 Es as a package, the Board can move in the direction of greater consistency with the UAA without making licensure requirements more burdensome for California applicants.

In the previous review, prior to widespread national acceptance of the 3Es, the Board proposed eliminating the attest experience requirement for licensure. The Board



acknowledged that the attest function has been the traditional hallmark of the accounting profession. However, after considerable deliberation, the Board concluded that, because of the rapid pace of technological change related to financial transactions, the attest experience requirement was no longer reflective of the current public accounting environment.

Because this was a controversial recommendation, the Board was directed to study its experience requirement. Dr. Strickland's study was conducted in response to that directive. Findings from the study were mixed with regard to the attest experience. Survey data indicated that more than 70 percent of licensees believe the attest experience requirement is an assurance of entry level competency, gives valuable exposure to the concepts of objectivity and independence, provides critical skills in areas other than attest, and facilitates a common basis of applying knowledge to a situation. However, a different scenario is elicited by survey data from licensure applicants who had passed the Uniform CPA Examination but not satisfied the experience requirement. These applicants found the attest experience requirement to be the major barrier to licensure. Fifty-nine percent of these respondents indicated the requirement was either excessive or no longer necessary. These applicants also volunteered detailed anecdotal evidence regarding the personal hardships they encountered in trying to meet the attest experience requirement.

Also, in a separate study of continuing education requirements, the Board collected extensive statistical information about practitioners renewing their licenses with active status during the period April 1996 through October 1997. Thirty-six percent of these licensees issued at least one financial statement report (audit, review, or compilation) during the previous two years. Conversely, when asked to identify their primary area of practice, only 13 percent of these licensees selected auditing.

This information suggests that auditing is becoming somewhat of a specialty within the broader context of public accounting. While the current attest experience requirement exposes the applicant to auditing, it does not make the person a competent auditor. More extensive experience and education generally are needed, and knowledge must be frequently updated to ensure currency. This suggests that consumer protection may best be served through ongoing post-licensure requirements, rather than by a one-time entry level requirement. The Board moved in this direction by implementing continuing education requirements in accounting and auditing for licensees who plan, direct, or perform substantial portions of the work in audit, review, compilation, or attestation engagements. As a further step toward this course, the Board is proposing that attest services only be provided by specially qualified attest firms.

The Board also deliberated about need for "attest firms" as part of its general consideration of the UAA. To develop the standards and requirements for attest firm status, a special task force was organized which met regularly during the period of November 1999 through March 2000. Under the task force's proposal, adopted by the Board on July 21, 2000, the Board would continue to license all accountancy partnerships and professional corporations. However, to perform audits, reviews, or attestation services, a firm would need "attest status" and, as a condition of license

renewal, it would be required to undergo peer review in accordance with professional standards. A firm whose highest level of service involves the issuance of compilations, would not need attest status, and its work products would continue to be reviewed by the Board's Report Quality Monitoring (RQM) Program.

To ease the transition, existing firms would be grandfathered. To retain attest status, these firms would be required to undergo peer review. Sole proprietor providers of attest services also would have to register as a firm. Currently, sole proprietors practice under the individual's CPA or PA license. It is anticipated that sole proprietor attest firm registration would be completed in conjunction with renewal of the individual license without any additional fee.

After this proposal is implemented, a new firm seeking attest status would be required to undergo a peer review within one year of licensure. Extensions of the one-year deadline would be granted for good cause. Prior to completion of the first peer review, the firm would be required to employ, at a minimum, one licensee with attest experience equivalent to the experience currently required for licensure. This individual would have primary responsibility for establishing the firm's quality control system, a critical component for providing competent attest services.

The most important element of this proposal is the establishment of a peer review requirement. The Board believes that this requirement will significantly enhance consumer protection by providing for an independent assessment of each attest firm's work products and quality control system. The Board's RQM Program has consistently found that licensees in peer reviewed firms submit better quality reports for RQM review. For example, data from the period of July 1, 1996, through June 30, 1998, found that 96 percent of those licensees receiving an unqualified peer review also received an acceptable RQM rating.

While this proposal is consistent with the UAA, it differs from the UAA in that the Board would license all accountancy partnerships and professional corporations, while the UAA only requires licensure of firms providing attest services or using the CPA designation in the firm name. Information provided by the AICPA indicates that as of February 24, 2000, nine of the 54 jurisdictions were partially or fully compliant with the UAA's requirements related to attest experience, and five jurisdictions had pending legislation. Peer review requirements are more broadly accepted. 1998 statistics provided by NASBA show that 32 jurisdictions had some kind of peer review or quality review program, and 27 jurisdictions required peer review as a condition of renewal.

Issue 11:  
Should the Qualifications Committee be eliminated?

#### **Summary of Board Response:**

With the elimination of the audit experience requirement for licensure, the Qualifications Committee (QC) will no longer be needed.

**Discussion:**

In the previous review, the Board observed that with the removal of the audit experience requirement, the Qualifications Committee could be eliminated because a need would no longer exist to evaluate applicants' audit experience for licensure.

It was the Board's view that if the attest experience requirement were retained, the QC still would be needed to assess applicants' fitness for licensure through a technical review of work products. The Board also believed that the QC was the most cost-effective means of providing the necessary technical expertise.

While the JLSRC recommended sunsetting the QC, it did not share the Board's belief that the audit experience requirement be eliminated. Instead, the JLSRC suggested that the responsibilities of this committee should be transferred gradually to staff, assisted by a small advisory committee. However, legislation enacted at the conclusion of sunset review (SB 1077, Greene, Chapter 1077, 1996) retained both the audit experience requirement and the QC, and the bill clarified the advisory nature of the committee.

As discussed in Issue 10, the Board is recommending elimination of the audit experience requirement for licensure. With the implementation of this recommendation, the QC no longer will be needed. Staff can continue to review licensure applicants' general experience.

**Issue 12:**

Should the Board make additional changes to its Licensing Act to enhance interstate or international reciprocity?

**Summary of Board Response:**

The Board is proposing to revise its education, exam, and experience requirements for consistency with the UAA and the requirements of most other states. This will significantly enhance interstate reciprocity. In the area of international reciprocity, the Board has taken steps to address issues related to the global nature of the profession.

**Discussion:**

The JLSRC's previous sunset review report observed that most licensees from other states have little difficulty obtaining a California license. An applicant licensed in another state who has completed appropriate continuing education may practice in California while the application for licensure is pending, and passage of the Uniform CPA Examination in another jurisdiction generally meets the Board's examination requirements for licensure. Licensees who have practiced public accountancy for five of the last ten years in another state or jurisdiction also are deemed to meet the Board's experience requirement.

In the past, California licensees experienced little difficulty becoming licensed in other states. This has changed as the UAA's education and exam passage standards have been adopted through the country. As noted in Issue 7, Dr. Strickland's study found that 31 jurisdictions now require 150 hours of education for reciprocity. Also, as indicated in Issue 14, Dr. Strickland's study found that 10 states (including Oregon and Nevada) require meeting the UAA exam passage standard for reciprocity.

As discussed in Issues 7, 8, 10, and 14, the Board is proposing to address these and other problems by revising its licensing act for consistency with both the UAA and the 40 jurisdictions that have already enacted the 3Es. A key benefit of this revision is that it will enhance interstate reciprocity.

Also, as stated during the previous sunset review, the Board does not recognize international reciprocity because requirements for licensure vary widely from country to country. In many countries, standards are substantially lower than those of California or other U.S. jurisdictions. However, the Board acknowledges the global nature of the the public accounting profession and has taken steps to address issues related to international reciprocity.

For example, as noted in the previous review, a statute change enacted in 1994 (SB 2079, Chapter 1278) enabled the Canadian Chartered Accountants seeking licensure in California to pass the AICPA's Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination in lieu of the Uniform CPA Examination. In 1998, the Board again pursued legislation (AB 2771, Assembly Committee on Consumer Protection, Governmental Efficiency, and Economic Development, Chapter 872) to permit qualified accounting professionals from other countries to take the International Uniform Certified Public Accountant Qualification Examination for California licensure. Qualification to sit for this examination is determined by the International Qualifications Appraisal Board (IQAB) which is jointly established by the AICPA and NASBA. Boards of Accountancy have the opportunity to sponsor groups of accounting professionals for IQAB approval. In 1996, prior to enactment of AB 2771, the California Board sponsored the Australian Society of Certified Practising Accountants for IQAB approval (see Part 1 of this Report for additional details regarding IQAB).

There are other examples of this Board's efforts to enhance reciprocity. For instance, during 1998 the Board and its legal counsel worked actively with the Office of the U.S. Trade Representative to review and revise the World Trade Organization's "Draft Disciplines for Regulation of the Accountancy Sector." The objective was to provide for equitable treatment of accounting professionals worldwide, while maintaining high standards and preserving the authority of states to effectively regulate the practice of public accounting. The agreement was adopted by the World Trade Organization, but it has not yet gone into effect.

## PART 3

### California Board of Accountancy

#### Proposed Revisions to the California Accountancy Act Relative to Existing Board Programs and the Uniform Accountancy Act (UAA)

#### PROVISIONS TO ADOPT THE UAA'S LICENSURE REQUIREMENTS

Amend Business and Professions Code Sections 5081, 5081.1, 5082, 5082.1, 5082.2, 5083, 5084, and 5087, and add Sections 5080.2, 5081.2, 5081.3, 5083.1, and repeal Section 5023.

Amend Division 1 of Title 16 of the California Code of Regulations, Sections 6, 7, 9, 9.1, 11.5, and 21, adopt Sections 9.2, 12, and 13, and repeal Section 69.

(Proposed statutory and regulatory language are found at the conclusion of this section of this report.)

The California Board of Accountancy has a long-standing commitment to uniform regulation among states. The Board views more consistent regulation as essential to effectively protect consumers in an environment in which the widespread use of new technology has created a global marketplace. Of equal importance is that more uniform regulation would facilitate interstate reciprocity.

The UAA provides a framework for harmonizing licensure requirements among jurisdictions. This is accomplished by establishing uniform professional entry requirements in the critical areas of education, exam, and experience, frequently referred to as the "3 E's." Specifically, the UAA requires:

1. 150 semester-hours of college or postgraduate education.
2. Passage of the Uniform CPA Examination according to certain stricter standards, and
3. One year of general public accounting experience.

The UAA's approach has been embraced by 40 of the 54 U.S. jurisdictions. However, because California has not adopted the 3Es, the standards for exam and education in this state are lower than in most other jurisdictions. In addition, California's experience requirement is not in agreement with the UAA in that two years of experience —

including audit experience — are required for licensure. It is important to note that while only 13 percent of licensees consider auditing to be their primary area of practice, to be licensed in California, all CPAs, even CPAs who practice in other areas such as taxation and consulting, must obtain audit experience.

To achieve uniformity, the Board's UAA Task Force was organized in May 1998 to review the UAA and develop a proposal for consideration in conjunction with sunset review. After nearly two years, the UAA Task Force completed the development of draft statutory and regulatory language necessary to implement the 3Es in California. The regulatory changes will be pursued after the statutory amendments become law.

By adopting the 3Es as a package, the Board will be able to achieve uniformity with the majority of other states, without making licensure requirements more burdensome for California applicants. The Board's proposal includes the following specific policy changes:

- The revised language implements the UAA exam passage standards and stricter conditional credit requirements. Under the new standard, to retain credit for the parts they pass, first-time candidates must take all four parts of the exam and receive a minimum score on the unpassed parts. This standard will be established in regulations after enabling legislation is enacted. In the transition to the new requirement, candidates who already have conditional credit when the revised regulation becomes effective would be allowed to pass the remaining sections under the requirements in force when they initially sat for the exam.
- The revised language implements the 150-semester-hour requirement. Applicants would be required to have a baccalaureate degree with 120 semester-hours of education for the examination and a baccalaureate degree with 150 semester-hours of education for licensure. Revisions to regulations incorporate the coursework and unit requirement concepts in the UAA Rules.
- The revised language eliminates the audit experience requirement and requires only one year of general experience. Experience must be performed in accordance with professional standards, under the supervision of a licensee.
- To provide for the transition to the new education and experience requirements, for three years after enactment of the new requirements, applicants would have the option to qualify either under the former or under the new education and experience requirements. However, applicants would not be permitted to combine the former education requirements with the new experience requirements.

Additional information on the "3Es" and this proposal is provided in Part 2 of this report in responses to Issues 7, 8, 10, 12, and 14.

## PROVISIONS TO ESTABLISH A PEER REVIEW REQUIREMENT

Amend Business and Professions Code Sections 5070 and 5070.5, and add Sections 5075 and 5076.

(Proposed statutory language is found at the conclusion of this section of this report.)

With the proposed elimination of the attest experience requirement for licensure, new requirements need to be established to provide for consumer protection in the critical areas of audit and review services. Because only 13 percent of CPAs consider audits to be their primary area of practice, and since auditing skills and knowledge must be frequently updated, the Board concluded that the public would best be served by the establishment of post-licensure requirements for licensees and firms providing attest services. To develop this approach, in September 1999 the Board appointed its Peer Review/Attest Firm Task Force which completed its work in March 2000.

A key component of the new direction is the establishment of a peer review requirement for firms that perform audits, reviews, or examinations of prospective financial information (attest services). Currently, the Board's Report Quality Monitoring (RQM) Program provides an independent evaluation of licensee work products. However, this program is capable of reviewing only approximately 600 reports per year. The proposed peer review requirement would be a significant improvement because each firm providing attest services would receive a comprehensive assessment of its reports, working papers, auditing procedures, and quality controls.

The UAA contains a similar peer review requirement for firms providing attest services. Additionally, 1998 NASBA statistics show that 32 of the 54 jurisdictions had some type of peer review or quality review program, and 27 jurisdictions required peer review as a condition of renewal.

Under the Board's proposal, the RQM Program would continue to review reports from firms issuing compilations as their highest level of service. This would more effectively target the RQM Program's resources and ensure that a larger number of reports from these firms are reviewed. Specific policy provisions in the Board's proposal include:

- For the protection of California's consumers, the Board would continue to license all accountancy partnerships and professional corporations.
- All partnerships, corporations, and sole proprietors providing audits, reviews, or examinations of prospective financial information ("attest firms") would be required to undergo a peer review in accordance with professional standards.
- Acceptable peer reviews could be obtained from any provider as long as the peer review is performed in accordance with professional standards, and the provider is approved by the Board.

- A sole proprietor providing attest services would be required to register as a firm. Registration and renewal would be coordinated with renewal of the individual license, and there would be no additional fee.
- Existing firms providing attest services would be “grandfathered,” but a peer review would be required to retain attest firm status.
- A new attest firm would be required to apply for attest status and complete a peer review within one year of approval of its application by the Board. Prior to completion of the peer review, a new attest firm would have to employ at least one licensee who has qualifying attest experience. The Board would adopt regulations specifying this licensee’s qualifications and responsibilities.
- To renew as an attest firm, the firm would be required to undergo a peer review every three years.
- The Board would establish a Peer Review Oversight Committee of licensees with attest experience to develop implementing regulations, recommend approval of peer review providers, monitor program performance, and address any problems or concerns.

It is anticipated that the Board will develop regulations to implement this proposal after the statutory framework is established. Additional background regarding the proposal is found in Part 2 of this report, in responses to Issues 10, 18, and 19.

## **OTHER RECOMMENDED STATUTE CHANGES**

Amend Sections 5000 and 5134, Business and Professions Code.

(Proposed statutory language is found at the conclusion of this section of this report.)

### **Board Composition**

Current Business and Professions Code Section 5000 requires that the Board be composed of five Certified Public Accountants, one Public Accountant (PA), and four public members. Section 5000 also mandates that one of the CPAs serving on the Board be from a small firm — a firm that employs no more than four licensees.

Alternatively, the Board’s recommendation is that the statute state the Board is composed of six licensee and four public members, and two of the licensee members would be employed in small firms — a revision eliminating the mandate that one of the Board members be a PA. The rationale for this recommendation is that the pool of actively-practicing PAs is declining. The last PA license was issued in 1968 and, as of



March 2000, there were fewer than 250 PAs with active licenses (compared to more than 36,000 active CPAs).

The proposed change in small firm representation addresses the fact that most actively-practicing PAs are employed in small firms. The mandate that two licensee Board members shall be from small firms will continue the same level of small firm representation. Also, the proposal is consistent with the findings of the Board's *Report on Continuing Education* (January 1999) which found that 36 percent of licensees in public accounting are sole proprietors, and 32 percent are employed in small firms of two to 10 licensees.

Additional information regarding this recommendation is provided Part 2 of this report, in the response to Issue 2.

### **Renewal, Exam, and Registration Fees.**

Business and Professions Code Section 5134 provides for fees to fund the various activities of the Board of Accountancy. This section also mandates the Board to fix the biennial renewal fee so that the Accountancy Fund reserve is equal to approximately three months' of authorized expenditures.

Achieving compliance with this mandate has proved extremely difficult. Since 1995, the Board has pursued four separate fee actions, and it has been successful only recently in reducing the reserve to close to the mandated level. One reason for this difficulty is the fluctuating amount of revenue the Board receives. Frequent fee adjustments are the only way to fine-tune and control this amount; however, the lengthy time frames required to revise fee regulations make this an impractical strategy. Frequent fee changes also would be unfair and confusing to licensees. Therefore, to address this concern, the Board is proposing to revise Section 5134 to provide for an Accountancy Fund reserve equal to approximately three to six months' of authorized expenditures.

The Board also proposes a revision of Section 5134 to increase the maximum amount it may charge for the Uniform CPA Examination. Current Section 5134 only allows the Board to charge fees equal to the cost of purchasing and administering the Uniform CPA Examination, up to a ceiling of \$250.

The developer of the examination, the AICPA, plans to introduce a computer-based examination in 2003. The precise cost of this examination is unknown at this time; however, preliminary information indicates that the fee for all four parts is likely to range between \$440 to \$460. This estimate includes \$230 for 14 hours of seat time at a computerized examination site, \$180 for the four parts of the examination, and approximately \$30 to \$40 for the Board to review the candidate's educational credentials and schedule the candidate for the exam. In anticipation of these and further increased costs, the Board proposes to raise the ceiling for exam-related costs to \$600. When more precise information becomes available, the Board would adjust its fees in regulations to reflect the estimated actual cost of the exam.

The Board also is proposing to increase the fee that may be charged for license issuance from \$250 to \$400. Section 5134 mandates that the board fix the fee for license issuance at an amount equal to the estimated administrative cost of processing the application and issuing the license. The Board is in the process of adopting regulations to establish the fees for license issuance at the current \$250 statutory ceiling. Without a statute change, the Board will be unable to respond to future cost increases because it will have no mechanism to charge fees equal to its higher administrative costs.

Further, in anticipation that there may be additional costs involved in processing attest firm applications, the Board is proposing to raise the maximum amount it may charge for partnership and corporation registrations, increasing the ceiling from \$150 to \$250. Again, the Board will adjust its regulations to charge the actual application processing costs.

For more information on fees and costs, see the Section on Fund Condition in Part 1 of this report, and the response to Issue 4 in Part 2.

## PROPOSED STATUTORY REVISIONS

Amend Sections 5000, 5070, 5070.5, 5081, 5081.1, 5082, 5082.1, 5082.2, 5083, 5084, 5087, and 5134, add Sections 5075, 5076, 5080.2, 5081.2, 5081.3, 5083.1, and repeal Section 5023 of the Business and Professions Code:

### Existence of Board of Accountancy

**Section 5000.** There is in the Department of Consumer Affairs the California Board of Accountancy, which consists of 10 members, ~~five of whom shall be certified public accountants, one of whom shall be a public accountant~~ six of whom shall be licensees of the board, and four of whom shall be public members who shall not be licentiates of the board or registered by the board. The board has the powers and duties conferred by this chapter.

The Governor shall appoint two of the public members, ~~the five certified public accountant members, and the public accountant member~~ and the six licensee members qualified as provided in this section. The Senate Rules Committee and the Speaker of the Assembly shall each appoint a public member. In appointing the ~~five certified public accountant~~ six licensee members, the Governor shall appoint members representing a cross section of the accounting profession with at least ~~one member~~ two members representing ~~a small public accounting firm~~ small firms. For the purposes of this chapter, a small public accounting firm shall be defined as a professional firm that employs a total of no more than four ~~certified public accountants~~ licensees as partners, owners, or full-time employees in the practice of public accountancy within the State of California.

This section shall become operative on July 1, 1997, and shall become inoperative on July 1, ~~2002~~ \_\_\_\_\_, and as of January 1, ~~2003~~ \_\_\_\_\_, is repealed, unless a later enacted statute, that becomes effective on or before January 1, ~~2003~~ \_\_\_\_\_, deletes or extends the dates on which this section becomes inoperative and is repealed. The repeal of this section renders the board subject to the review required by Division 1.2 (commencing with Section 473).

#### *Comment:*

*Amendments eliminate the mandate that there be a Public Accountant (PA) Board member. As of March 2000, there were only 250 PAs with active licenses, and this population continues to decline. This provision adds a second Board member from a small firm to continue to provide for small firm representation.*

*Amendments also line-out the current sunset dates to provide for continuation of the Board. New sunset dates are to be determined by the Legislature.*

### ~~Certified Public Accountant Qualifications Committee~~

~~Section 5023.~~ The board may establish an advisory committee of its own certified public accountant members or other certified public accountants of the state in good

~~standing, to perform either of the following advisory duties: (a) To examine all applicants for the license of certified public accountant. (b) To recommend to the board applicants for the certified public accountant license who fulfill the requirements of this chapter.~~

*Comment:*

*With elimination of the attest experience requirement, there will no longer be a need for the Qualifications Committee and this section can be repealed.*

### **Public Accountancy Permits and Certificates**

**Section 5070.** Permits to engage in the practice of public accountancy in this state shall be issued by the board only to holders of the certificate of certified public accountant issued under this chapter and to those partnerships, corporations, sole proprietors, and other persons who, upon application approved by the board, are registered with the board under this chapter. All applicants for registration shall furnish satisfactory evidence that the applicant is entitled to registration and shall pay ~~the fee as provided in~~ any fee required by Article 8 (commencing with Section 5130). Every partnership, corporation, and other person except sole proprietors registered pursuant to Section 5075 to whom a permit is issued after December 31, 1962, shall, in addition to any other fee which may be payable, pay the initial permit fee provided in Article 8 (commencing with Section 5130). Each partnership, corporation, sole proprietor, and other person issued a permit by the board to practice as a certified public accountant or as a public accountant shall be furnished with a ~~suitable~~ certificate evidencing such registration.

*Comment:*

*Amendments are proposed to clarify that sole proprietors registered under Section 5075 will not need to pay a fee for the permit to practice. Amendments also allow the sole proprietor permit to be subject to discipline under Section 5100 which cross-references Section 5070.*

### **Expiration of Permit; Renewal; Continuing Education Requirements**

**Section 5070.5.** (a) A permit issued under this chapter to a certified public accountant or a public accountant expires at 12 midnight on the last day of the month of the legal birthday of the licensee during the second year of a two-year term if not renewed. To renew an unexpired permit, a permit holder shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed by this chapter and give evidence satisfactory to the board that he or she has complied with the continuing education provisions of this chapter.

(b) A permit to practice as an accountancy partnership or an accountancy corporation expires at 12 midnight on the last day of the month in which the permit was initially issued during the second year of a two-year term if not renewed. To renew an

unexpired permit, the permit holder shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed by this chapter, and provide evidence satisfactory to the board that the accountancy partnership or accountancy corporation is in compliance with this chapter.

(c) The permit to practice as a sole proprietor pursuant to Section 5075 shall expire on the same date as and shall be renewed in conjunction with the permit to practice as a certified public accountant or a public accountant described in subdivision (a). To renew this sole proprietor permit, the permit holder shall apply for renewal on a form prescribed by the board and provide evidence satisfactory to the board that the sole proprietorship is in compliance with this chapter.

*Comment:*

*The amendment to this section provides for renewal of the sole proprietor permit.*

### Sole Proprietorship Registration.

Section 5075. (a) To be authorized to provide attest services as defined in Section 5076, a sole proprietor holding a valid license as a certified public accountant or public accountant shall register as a firm and meet requirements of Section 5076.

(b) Notwithstanding subdivision (a), a sole proprietor holding a valid license as a certified public accountant or public accountant on December 31, 2001, is authorized to provide attest services until the first expiration date of the certified public accountant or public accountant license that occurs after January 1, 2003.

(c) No fee shall be charged for registration as a sole proprietor under this section or for renewal of this registration.

(d) The board may adopt regulations to implement, interpret, or make specific the provisions of this section.

*Comment:*

*This section provides for the registration of sole proprietors providing attest services. This section also states that there is no fee for this registration. Subdivision (b) permits currently practicing sole proprietors to be "grandfathered in." It is assumed that this statute will be enacted in 2001 and go into effect on January 1, 2002. To continue to provide attest services, the sole proprietor would have to complete a peer review by the first renewal one year after the effective date of this section.*

### Providers of Attest Services.

Section 5076. (a) A partnership, corporation, or sole proprietor shall not provide attest services unless it complies with either of the following:

(1) The firm (A) is authorized by law to practice public accountancy in California on December 31, 2001; (B) completes a peer review prior to the first registration expiration date after January 1, 2003, and no less frequently than every three years thereafter; and (C) complies with the registration requirements of this chapter.

(2) The firm (A) applies to the board and receives board approval to provide attest services; (B) completes a peer review within one year of approval of its application by the board and no less frequently than every three years thereafter; (C) until completion of the peer review referenced under subparagraph (B), employs at least one certified public accountant or public accountant with qualifying attest experience; and (D) complies with the registration requirements of this chapter.

(b) The board may for good cause grant up to a one year extension to a firm that applies to be a provider of attest services under paragraph (2) of subdivision (a) and is unable to complete a peer review within one year of approval of its application.

(c) For purposes of this section, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a licensee or registered firm by another licensee unaffiliated with the licensee or registered firm being reviewed. The peer review shall include, but not be limited to, a review of at least one attest engagement representing the highest level of service performed by the firm and may include an evaluation of other factors in accordance with requirements specified by the board in regulations.

(2) "Attest" includes an audit, a review of a financial statement, an examination of prospective financial information, and other services as the board may specify by regulation.

(d) The board shall adopt regulations as necessary to implement, interpret and make specific this section including, but not limited to, regulations specifying the qualifications and responsibilities of the individual with qualifying attest experience for purposes of paragraph (2) of subdivision (a), regulations specifying the requirements for the approval of peer review providers, and regulations establishing a peer review oversight committee.

*Comment:*

*This section establishes the peer review requirement.*

*Paragraph (1) of subdivision (a) provides for the "grandfathering in" of firms (including sole proprietors) that are currently providing attest services. As indicated in the Comment to Section 5075, it is assumed that this section will be*

enacted in 2001 and become effective on January 1, 2002. Paragraph (1) establishes a time frame for the first peer review and requires a peer review be completed every three years thereafter.

Paragraph (2) of subdivision (a) establishes similar requirements for new firms providing attest services. In addition, it includes the requirement that the new firm employ a "qualifying person." The qualifications for and duties of the "qualifying person" will be specified by the Board in regulations as required by Subdivision (d).

It is anticipated that specific requirements will be implemented through regulations which will be the responsibility of the Peer Review Oversight Committee. Subdivisions (c) and (d) of Section 5076 provide for the adoption of regulations.

### **Education and Experience Required for the Certified Public Accountant License**

**Section 5080.2.** (a) During the period January 1, 2002, through December 31, 2004, applicants for the certified public accountant license, in addition to meeting the examination requirements of this article, shall comply with either of the following:  
(1) the applicant shall meet the educational requirements of Section 5081.1 and the experience requirements of Section 5083, or  
(2) the applicant shall meet the educational requirements of Section 5081.3 and the experience requirements of Section 5083.1.

(b) Commencing January 1, 2005, all applicants for the certified public accountant license, in addition to meeting the examination requirements of this article, shall meet the educational requirements of Section 5081.3 and the experience requirements of Section 5083.1.

*Comment:*

*This section provides for the three year transition period during which applicants may apply under either the old or the new licensure requirements.*

### **Requirements for Admission to Certified Public Accountant Examination**

**Section 5081.** An applicant for admission to the examination for a certified public accountant license shall:

(a) Not have committed acts or crimes constituting grounds for denial of a license under Section 480.

(b) File the application for the examination. An application for the examination shall not be considered filed unless all required supporting documents, fees, and the fully completed board-approved application form are received in the board office or filed by mail in accordance with Section 11003 of the Government Code on or before the specified final filing date.

(c) Meet one of the requirements specified in Section 5081.1 or Section 5081.2.

*Comment:*

*New Section 5081.2 will implement the 120 Hour Requirement for exam admission. Reference to this section is added here to indicate that, during the transition, applicants can meet either the current educational requirement or the new requirement.*

### **Educational Requirements Prior to January 1, 2005**

**5081.1.** An applicant for admission to the examination for a certified public accountant ~~certificate license~~ license during the period January 1, 2002, through December 31, 2004, shall comply with one of the following: ~~requirements or shall meet the requirements of~~ Section 5081.2. ~~This section shall become inoperative on January 1, 2005.~~

~~(a) He or she~~ The applicant shall present satisfactory evidence that he or she the applicant has either of the following:

(1) A baccalaureate degree from a university, college or other four-year institution of learning accredited by a regional ~~institutional or national~~ accrediting agency or association included in a list of these agencies ~~or associations~~ published by the United States ~~Commissioner~~ Secretary of Education under the requirements of ~~Section 253 of the Veterans' Readjustment Assistance Act of 1952, known as Public Law 550 of the 82<sup>nd</sup> Congress, as amended~~ the Higher Education Act of 1965 as amended, with a major in accounting or related subjects requiring a minimum of 45 semester units of instruction in these subjects. If the applicant has received a baccalaureate degree in a nonaccounting major, the applicant shall present satisfactory evidence of study substantially the equivalent of an accounting major, including courses in related business administration subjects.

(2) A degree or degrees from a college, university, or other institution of learning located outside the United States that is approved by the board as the equivalent of the baccalaureate degree described in paragraph (1). The board may require an applicant under this paragraph to submit documentation of his or her education to a credentials evaluation service approved by the board pursuant to Section 5081.3 for evaluation and to cause the results of this evaluation to be reported to the board. The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (A) furnish evaluations directly to the board; (B) furnish evaluations written in English; (C) be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services; (D) be used by accredited colleges and universities; (E) be reevaluated by the board every five years; (F) maintain a complete set of reference materials as specified by the board; (G) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts; (H) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree was



granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses; (I) have an appeal procedure for applicants; and (J) furnish the board with information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this paragraph and in any regulations adopted by the board.

(b) ~~He or she~~ The applicant shall present satisfactory evidence that ~~he or she~~ the applicant has successfully completed a two-year course of college level study at college grade or received an associate in arts degree from a junior community college, either institution accredited by a regional or national accrediting agency or association that is included in a list published by the United States Commissioner of Education under the provisions of federal law specified in paragraph (1) of subdivision (a), and that ~~he or she~~ the applicant has completed a minimum of 120 semester units which includes the study of ~~studied~~ accounting and related business administration subjects for a period of at least four years.

(c) The applicant shall show to the satisfaction of the board that ~~he or she~~ the applicant has had the equivalent of the educational qualifications required by subdivision (b), or shall pass a preliminary written examination approved and administered by an agency approved by the California State Department of Education and shall have completed a minimum of 10 semester units or the equivalent in accounting subjects. The 10 semester units in accounting subjects shall be completed at a college, university, or other institution of higher learning accredited at the college level by an agency or association that is included in a list published by the United States Commissioner of Education under the federal law specified in paragraph (1) of subdivision (a).

(d) ~~He or she~~ The applicant shall be a public accountant registered under this chapter.

*Comment:*

*Revisions provide for this section to become inoperative at the end of the three year transition period. Subdivision (a) has been revised to update the federal law reference. Subdivision (b) has been revised to delete the requirement that applicants study for a period of four years. Instead it states that applicants must complete 120 units.*

Educational Requirements for the Certified Public Accountant Examination

5081.2 (a) An applicant for admission to the examination for a certified public accountant license shall present satisfactory evidence that the applicant has completed at least 120 semester units of college education including a baccalaureate or higher

degree conferred by a college or university, meeting at a minimum the standards described in subdivision (b) of Section 5081.3, the total educational program to include an accounting concentration or equivalent as specified by the board in regulations.

*Comment:*

*This section provides for a 120 Hour Requirement for admission to the examination. Section 5081.3 provides for the 150 Hour Requirement for licensure and also includes accreditation standards.*

### Educational Requirements for Licensure

5081.3 (a) An applicant for the certified public accountant license shall present satisfactory evidence that the applicant has completed at least 150 semester units of college education including a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in subdivision (b), the total educational program to include an accounting concentration or equivalent as specified by the board in regulations.

(b) In order for education to be qualifying, education must meet the standards described in paragraph (1) or paragraph (2) of this subdivision.

(1) At a minimum, education must be from a university, college, or other institution of learning accredited by a regional institutional accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended.

(2) Education from a college, university, or other institution of learning located outside the United States may be qualifying provided it is deemed by the Board to be equivalent to education obtained under paragraph (1) of this subdivision. The board may require an applicant to submit documentation of his or her education to a credentials evaluation service approved by the board for evaluation and to cause the results of this evaluation to be reported to the board in order to assess educational equivalency.

(3) The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (A) furnish evaluations directly to the board; (B) furnish evaluations written in English; (C) be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services; (D) be used by accredited colleges and universities; (E) be reevaluated by the board every five years; (F) maintain a complete set of reference materials as specified by the board; (G) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts; (H) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree was granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses; (I) have an appeal procedure for applicants; and (J) furnish the board with

information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this paragraph and in any regulations adopted by the board.

*Comment:*

*This section implements the 150 Hour Requirement. Language is similar to UAA Section 5. The standard related to college and university accreditation and the requirements for credential evaluation services has been included in this section so it will remain in place after Section 5081.1 becomes inoperative.*

### **Certified Public Accountants Examination**

**Section 5082.** An applicant for a certified public accountant license ~~shall be over the age of 18 years and~~ shall have successfully passed ~~written~~ examinations in such subjects as the board deems appropriate.

*Comment:*

*Only minor changes are proposed to this section. The age requirement is deleted as it is unnecessary. The word "written" is deleted to provide for computerization of the examination.*

### **Administration of Certified Public Accountant Examination**

**Section 5082.1.** All examinations provided for herein shall be held by the board at such places as circumstances may warrant, and as often as may be necessary in the opinion of the board. The board may contract with any organization, governmental or private, for examination material or services. Within 90 days after the examination the board shall notify each candidate of his or her grade. All examination ~~papers~~ records shall be preserved for a period of at least six months after the notification of grading and any candidate shall upon request to the board have access to his or her ~~papers~~ records.

*Comment:*

*Only minor changes to this section are proposed. The word "papers" is replaced with "records" in preparation for the computerized examination.*

### **Reexamination and Conditional Credit**

**Section 5082.2.** A candidate who fails an examination provided for herein shall have the right to any number of reexaminations at subsequent examinations held by the board. ~~A candidate who passes an examination in two or more subjects shall have the right to be reexamined in the remaining subject or subjects only, at subsequent examinations held by~~

~~the board, and if he or she passes in the remaining subject or subjects within a period of time specified in the rules of the board, he or she shall be considered to have passed the examination. The Board shall adopt regulations specifying the standards for passage of the examination and for reexamination.~~

The board may give credit to a candidate who has passed all or part of the examination in another state or territory, if the members of the board determine that the standards under which the examination was held are as high as the standards established for the examination in this chapter.

*Comment:*

*This section needs amendment to provide for the UAA conditional credit requirement which the Board can then adopt as a regulation. These amendments also facilitate preparation for a computerized examination that may have a different structure.*

#### Experience Requirements Prior to January 1, 2005

**Section 5083.** (a) An individual applying for licensure by meeting the educational requirements of Section 5081.1 shall meet, to the satisfaction of the board, one of the following experience requirements: (1) Four years of experience if the applicant qualified to sit for the exam by meeting the requirements of subdivision (b) or (c) of Section 5081.1. (2) Three years of experience if the applicant qualified to sit for the exam by meeting the requirements of subdivision (a) or (d) of Section 5081.1 or meets the requirements of Section 5082.3

(b) In order to be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting may be qualifying if completed by, or in the employ of, a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing employment may be qualifying provided that this work was performed under the direct supervision of an individual licensed by a state to engage in the practice of public accountancy.

(c) The board shall prescribe rules establishing the character and variety of experience necessary to fulfill the experience requirements set forth in this section, including a requirement that each applicant demonstrate to the board satisfactory experience in the attest function as it relates to financial statements. For purposes of this subdivision, the attest function includes audit and review of financial statements.

(d) This section shall become inoperative on January 1, 2005.

*Comment:*

*This is the Board's current experience requirement. Amendments link this section to the Board's current educational requirement to provide for the three*

*year transition period. Amendments also clarify that this section becomes inoperative when the transition period ends.*

## **Experience Requirement**

**Section 5083.1.** An applicant applying for initial issuance of a license by meeting the educational requirements of Section 5081.3 shall show, to the satisfaction of the board, that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills all of which meet requirements prescribed by the Board in regulations. In order to be qualifying under this section, experience shall have been performed in accordance with applicable professional standards and shall have been supervised and verified by a licensee of the California Board of Accountancy or a licensee of an accountancy board of another state. Acceptable experience may be gained through employment in government, industry, or public practice.

### *Comment:*

*This describes the experience that will be required of applicants meeting the 150 Hour Requirement set forth in Section 5081.3. It is modeled after UAA Section 5(f), but does not include experience in academia as qualifying*

*This section also incorporates the requirement that experience be performed in accordance with professional standards and be supervised by licensee.*

## **One Year Experience Credit for Education**

**Section 5084.** The board shall grant one year's credit toward fulfillment of its public accounting experience requirement specified in Section 5083 to an applicant meeting the educational requirements of Section 5081.1 who is a graduate of a college who has completed a four-year course with 45 or more semester units or the equivalent thereof in the study of accounting and related business administration subjects, of which at least 20 semester units or the equivalent thereof shall be in the study of accounting. The members of the board shall prescribe rules establishing the character and variety of experience necessary to fulfill the experience requirements set forth in this section. This section shall become inoperative on January 1, 2005.

### *Comment:*

*This section is revised for consistency with proposed amendments to Sections 5081.1 and 5083. Section 5084 will become inoperative when the transition period ends.*

## Licensure Requirements: Out-of-State Licensee

**Section 5087.** (a) The board may issue a certified public accountant license to any applicant who is a holder of a valid and unrevoked certified public accountant license issued under the laws of any state, if the board determines that the standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and experience established under this chapter and the applicant ~~is over the age of 18 years, and~~ has not committed acts or crimes constituting grounds for denial under Section 480.

(b) The board may in particular cases waive any of the requirements regarding the circumstances in which the various parts of the examination were to be passed for an applicant from another state.

*Comment:*

*For consistency with revised Section 5082, this section has been revised to delete the age requirement.*

### 5134. Fees

The amount of fees prescribed by this chapter is as follows:

(a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount to equal the actual cost to the board of the purchase or development of the written examination, plus the estimated cost to the board of administering the written examination and shall not exceed ~~two hundred fifty dollars (\$250)~~ six hundred dollars (\$600). The board may charge a reexamination fee equal to the actual cost to the board of the purchase or development of the written examination or any of its component parts, plus the estimated cost to the board of administering the written examination and not to exceed ~~fifty dollars (\$50)~~ seventy-five dollars (\$75) for each part that is subject to reexamination.

(b) The fee to be charged to out-of-state candidates for the certified public accountant examination shall be fixed by the board at an amount equal to the estimated cost to the board of administering the examination and shall not exceed ~~one hundred fifty dollars (\$150)~~ six hundred dollars (\$600) per candidate.

(c) The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount equal to the estimated administrative cost to the board of processing and issuing the certificate and shall not exceed ~~two hundred fifty dollars (\$250)~~ four hundred dollars (\$400).

(d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount equal to the estimated administrative cost to the board of processing and issuing the certificate and shall not exceed ~~two hundred fifty dollars (\$250)~~ four hundred dollars (\$400).

(e) The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount equal to the estimated administrative cost to the board of processing and issuing the registration and shall not exceed two hundred fifty dollars (\$250). ~~and shall not exceed one hundred fifty dollars (\$150).~~

(f) The board shall fix the biennial renewal fee so that, together with the estimated amount from revenue other than that generated by subdivisions (a) to ~~(d)~~ (e), inclusive, the reserve balance in the board's contingent fund shall be equal to approximately three to six months of annual authorized expenditures. Any increase in the renewal fee made after July 1, 1990, shall be effective upon a determination by the board, by regulation adopted pursuant to subdivision (k), that additional moneys are required to fund authorized expenditures other than those specified in subdivisions (a) to ~~(d)~~ (e), inclusive, and maintain the board's contingent fund reserve balance equal to three to six months of estimated annual authorized expenditures in the fiscal year in which the expenditures will occur. The biennial fee for the renewal of each of the permits to engage in the practice of public accountancy specified in Section 5070 shall not exceed two hundred fifty dollars (\$250).

(g) The delinquency fee shall be 50 percent of the accrued renewal fee.

(h) The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.

~~(i) The fee to be charged for filing of sponsor agreements for continuing education courses shall be fixed by the board at not more than one hundred dollars (\$100). Universities, colleges, or other four-year institutions of learning accredited by a regional or national accrediting agency or association included in a list of those agencies or associations published by the United States Commissioner of Education under the requirements of Section 253 of the Veterans' Readjustment Assistance Act of 1952, known as Public Law 550 of the 82nd Congress, as amended, are exempted from the payment of this filing fee.~~

~~(j)~~ (i) The actual and estimated costs referred to in this section shall be calculated every two years using a survey of all costs attributable to the applicable subdivision.

~~(k)~~ (j) Upon the effective date of this section the board shall fix the fees in accordance with the limits of this section and, on and after July 1, 1990, any increase in any fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.

~~(4)~~(k) Fees collected pursuant to subdivisions (a) to ~~(d)~~ (e), inclusive, shall be fixed by the board in amounts necessary to recover the actual costs of providing the service for which the fee is assessed, as projected for the fiscal year commencing on the date the fees become effective.

*Comment:*

*Amendments to subdivision (a) increase the maximum amount the Board may charge for administration of the Uniform CPA Examination. This increase is proposed in anticipation of increased exam costs resulting from transition to a computer-based examination. The fees to be charged exam candidates will be established later by regulations based on the actual cost to purchase and administer the exam.*

*Amendments to subdivision (b) make it consistent with the maximum amounts in subdivision (a). Computerization of the examination will eliminate most of the current distinctions between in-state and out-of-state candidates with regard to exam administration and grading. The fees to be charged out-of-state candidates will be established later by regulations based on the actual cost to purchase and administer the exam.*

*Proposed amendments to subdivisions (c) and (d) address license issuance costs. The Board is in the process of adopting regulations to establish the fees for license issuance at the current statutory ceiling. Without these amendments, the Board will not be able to respond to future cost increases because it will have no mechanism to charge fees equal to its increased administrative costs.*

*Amendments to subdivision (e) clarify that the Board shall fix the fees for registration of partnerships and corporations based on the actual administrative costs. Revisions also increase the ceiling for these fees to permit increased fees for processing attest firm applications.*

*Amendments to subdivision (f) modify the requirement related to the Accountancy Fund reserve. Current law requires that the Board maintain a reserve equal to three months of estimated authorized expenditures. Despite a concerted effort over the last five years, the Board has found this mandate extremely difficult to administer. The proposed revision would allow the reserve to fluctuate in a range of between three to six months of authorized expenditures. This will ease the administrative burden on the Board and eliminate the need for frequent fee changes which can be unfair and confusing to licensees.*

*This proposal also revises a cross-reference in subdivision (f) and current subdivision (l). In both these subdivisions, revisions replace the reference to subdivision (d) with a reference to subdivision (e). Subdivision (e) provides for fees for firm registration. For consistency, revisions are needed to provide that*



*these fees be fixed by the board based on the actual costs of providing the service.*

*This proposal also eliminates subdivision (i) as the Board no longer utilizes program sponsor agreements. Subsequent subdivisions are re-lettered accordingly.*

**PROPOSED REVISIONS TO EDUCATION, EXAMINATION,  
AND EXPERIENCE REGULATIONS**

Amend Sections 6, 7, 9, 9.1, 11.5, and 21, adopt Sections 9.2, 12, and 13, and repeal Section 69, of Division 1 of Title 16 of the California Code of Regulations.

**Section 6. Examination Required, Passing Grades, Provisions for Disabled Applicants.**

(a) Every candidate for the C.P.A. license is required to pass or to have passed the Uniform Certified Public Accountant Examination prepared by the American Institute of Certified Public Accountants or to otherwise have met the examination requirements of Section 5082. A candidate shall be required to obtain a grade of 75 or higher in each of the subjects of the Uniform Certified Public Accountant Examination in order to pass the examination. This ~~rule~~ section is subject to the provisions of ~~Rule~~ Section 7.

(b) The examination fee may be transferred by the Board to the next scheduled examination where:

- (1) Reasons of health, certified by a medical doctor, prevent taking the examination;
- (2) The applicant has been transferred to another state or country as certified by the applicant's employer;
- (3) Other good cause exists.

(c) A disabled candidate, upon request and presentation of satisfactory evidence of need, in accordance with the Americans with Disabilities Act will be afforded such accommodation in the examination procedures or the examination conditions as may be reasonable.

NOTE: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 313.2, 5082, 5082.1, 5082.3, 5131 and 5134, Business and Professions Code.

*Comment:*

*No substantive revision to this section is needed to implement the UAA.*

**Section 7. Conditional Examination Credit.**

~~(a) A candidate who passes two or more subjects at any examination shall receive a conditional credit for such subject or subjects and shall have the right to be re-examined in the remaining subject or subjects for the six (6) examinations immediately following receipt of such conditional credit and, if such remaining subject or subjects are passed during the six subsequent examinations, the candidate shall be considered to have passed the examination.~~

~~(b) The conditional period in subsection (a) may be extended by the Board upon a showing of extraordinary extenuating circumstances which prevented the applicant from retaking the examination in such period.~~

~~(c) Time during which a candidate is serving in the armed forces shall be excluded in determining the conditional period in subsection (a) unless the candidate takes an examination while so serving, in which case such time shall be included in computing the conditional period.~~

(a) An applicant shall pass all sections of the examination provided for in Section 6 in order to qualify for a license. If at a given sitting of the examination an applicant passes two or more but not all sections, then the applicant shall be given credit for those sections that the applicant has passed and need not sit for reexamination in those sections, provided that:

- (1) at that sitting the applicant sat for all sections of the examination for which the applicant does not have credit;
- (2) the applicant attained a minimum grade of 50 on each section taken at that sitting;
- (3) the applicant passes the remaining sections of the examination within six consecutive examinations given after the one at which the first sections were passed;
- (4) at each subsequent sitting at which the applicant seeks to pass any additional sections, the applicant sits for all sections for which the applicant does not have credit; and
- (5) in order to receive credit for passing additional sections in any such subsequent sitting, the applicant attains a minimum grade of 50 on sections taken at that sitting.

(b) An applicant shall be given credit for any and all sections of an examination passed in another state if such credit would have been given, under then applicable requirements, if the applicant had taken the examination in this State.

(c) An applicant who has passed two or more sections of the Uniform Certified Public Accountant Examination provided for in Section 6 prior to [Effective Date of the Amendments] has the right to be reexamined in the remaining subject or subjects for six subsequent examinations without having to meet all of the requirements specified in subsection (a). If such remaining subject or subjects are passed during the six subsequent examinations, the applicant shall be considered to have passed the examination.

(d) The conditional period provided for in this section may be extended by the Board upon a showing of extraordinary extenuating circumstances which prevented the applicant from retaking the examination in such period.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Sections 114, 5082, 5082.2, Business and Professions Code.

*Comment:*

*Amendments adopt the UAA conditional credit standard incorporating language similar to UAA Rule 5-7. Subsection (c) implements the transition. Section 5082.2 will need to be amended before this regulation can be revised. A specific effective date will be filled in later.*

## **Section 9. Educational Requirements.**

Each applicant pursuant to Business and Professions Code Section 5081.1 must present satisfactory evidence that ~~he or she~~ the applicant meets the requirements of that section ~~set forth in Section 5081.1 of the Business and Professions Code.~~

Satisfactory evidence as to educational qualifications shall take the form of certified transcripts of the applicant's college record; however, in unusual circumstances the board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence usually takes the form of an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1.

For purposes of Business and Professions Code Sections 5081.1. and 5084, one quarter unit is equivalent to 2/3 of one semester unit.

(a) To qualify under the provisions of Section 5081.1(a), an applicant shall have a baccalaureate degree with 45 semester units or the equivalent in quarter units including at least 10 semester units or the equivalent in quarter units of audit and accounting subjects. The remaining units may include additional accounting, auditing, or other business related subjects such as: economics, management, finance, business administration, marketing, computer science, law, business communications, mathematics, tax and statistics.

(b) To qualify under the provisions of Section 5081.1(b), an applicant shall complete 120 semester units or the equivalent in quarter units, including 45 semester units or the equivalent in quarter units of accounting and related subjects, as described in subsection (a).

(c) To qualify under the provisions of Section 5081.1(c):

(1) an applicant shall complete foreign education that is equivalent to the education required by subsection (b) or foreign and US education that, in combination, is equivalent to subsection (b); or

(2) an applicant shall pass a board approved preliminary written examination as specified in Section 5081.1(c) of the Business and Professions Code and complete 10 semester units or the equivalent in quarter units of audit and accounting subjects.

(d) This Section shall become inoperative on January 1, 2005.

Note: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 5081, 5081.1 and 5084, Business and Professions Code.

*Comment:*

*The underlined language shows changes that will be needed to implement the transition to the 150 Hour Requirement.*

### **Section 9.1. Approved Credential Evaluation Service Status.**

- (a) To receive and to maintain Board approval, a credentials evaluation service shall:
- (1) Be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association for Foreign Student Affairs: Association of International Educators, or the National Association of Credential Evaluation Services;
  - (2) Furnish the Board with a copy of its current written procedure for identifying fraudulent transcripts, and comply with that procedure;
  - (3) Furnish the Board with a list its reference materials including the title of each reference, its publisher, and the date of publication, and certify that the references are adequate to prepare complete, accurate evaluations and are the most current editions available;
  - (4) Furnish the Board with biographical information on evaluators and translators, including a list of languages spoken and years in service. The service shall have at least one senior staff member with not less than five years of foreign student college admission experience or closely related credential evaluation experience at all academic levels;
  - (5) Furnish the Board with its organization chart showing the ratio of senior staff members to junior staff members is, at most, one to five, and shall not exceed that ratio;
  - (6) Furnish the Board with written evidence that a minimum of 50% of the evaluations performed by junior staff members are reviewed by senior staff members, and shall maintain at least that minimum;
  - (7) Furnish the Board with statistical information on the number of applications processed annually for the past five years;
  - (8) Furnish the Board with a list of at least three accredited colleges and universities or other licensing agencies using its services;
  - (9) Furnish the Board with three letters of reference, written within the last year, from public or private agencies;
  - (10) Furnish the Board with a copy of its appeal procedure for applicants, and comply with that procedure;
  - (11) Furnish evaluations to the Board that comply with the requirements of this section;
  - (12) For the initial application, furnish the Board with sample evaluations prepared for other agencies.
- (b) Each evaluation provided by the Board approved service shall:
- (1) Affirm in a written statement that the evaluation is based only upon authenticated, original transcripts and degrees;
  - (2) Include certified copies of all original transcripts;

- (3) Be furnished directly to the Board, in English; on tamper-proof paper,
- (4) Include a report of each degree held by the applicant along with the equivalent degree offered in the United States, the date the degree was granted and the institution granting the degree;
- (5) Include a listing of the course titles with the semester unit equivalent for each course.

(c) The credentials evaluation service shall report to the Board annually whether it has undergone any organizational changes. Approval issued under this section shall expire five years after the date of issuance unless renewed by the Board prior to its expiration by meeting the requirements in subsection (a). Approval may be withdrawn at any time if the credentials evaluation service fails to comply with any of the requirements of this section or of the provisions of paragraph (2) of subdivision (a) of Section 5081.1 or subdivision (c) of Section 5081.3 of the Accountancy Act.

Authority cited: Sections 5010, ~~and~~ 5081.1, and 5081.3, Business and Professions Code. Reference: ~~Section~~ Sections 5081.1 and 5081.3, Business and Professions Code

*Comment:*

*Underline/strikeout language shows minor changes that will be necessary to conform with statutory amendments implementing the UAA.*

### **Section 9.2 Educational Requirements.**

(a) An applicant shall be deemed to have met the educational requirement set forth in Business and Professions Code Section 5081.2 or Section 5081.3 when the applicant presents satisfactory evidence the applicant has completed the units required by Business and Professions Code Section 5081.2 or Section 5081.3 and has met one of the following four conditions:

- (1) Earned a graduate degree with a concentration in accounting from an accounting program or department that is accredited (level three accreditation) as defined in this Section.
- (2) Earned a graduate degree from a business school or college of business that is accredited (level two accreditation) as defined in this Section and completed at least 24 semester units in accounting at the undergraduate level or 15 semester units at the graduate level, or an equivalent combination thereof, including courses covering the subjects of financial accounting, auditing, taxation, and management accounting.
- (3) Earned a baccalaureate degree from a business school or college of business that is accredited (level two accreditation) as defined in this Section and completed 24 semester units in accounting at the undergraduate or graduate level, including courses covering the subjects of financial accounting, auditing, taxation, and management

accounting; and completed at least 24 semester units in business courses (other than accounting courses) at the undergraduate or graduate level.

(4) Earned a baccalaureate or higher degree from an accredited educational institution (level one accreditation) as defined in this Section including:

(A) at least 24 semester units of accounting at the upper division or graduate level, including courses covering the subjects of financial accounting, auditing, taxation, and management accounting (An upper division course is normally defined as a course taken at the junior or senior level. In accounting, this would normally be all courses taken beyond the elementary level.); and

(B) at least 24 semester units in business courses (other than accounting courses) at the undergraduate or graduate level.

(b) For purposes of this Section, satisfactory evidence as to educational qualifications shall take the form of certified transcripts of the applicant's college record; however, in unusual circumstances the board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence usually takes the form of an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1.

(c) For purposes of this Section, one quarter unit is equivalent to 2/3 of one semester unit.

(d) As used in this Section, "accreditation" refers to the process of quality control of the education process. There are three different levels of accreditation referred to in this Section and the degree to which the Board relies on accreditation differs according to the level at which the degree-granting institution is accredited. The three levels of accreditation are:

(1) Level one accreditation (the educational institution) is granted to a four-year degree-granting college or university which is accredited by one or more recognized regional accrediting agencies (or successor agencies) as described in Section 5081.3 of the Accountancy Act.

(2) Level two accreditation (the business school) is granted to a business school or college of business that has been accredited by a national accreditation agency recognized by the Board. This business school or college of business must be within a college or university with Level 1 accreditation,

(3) Level three accreditation (the accounting program or department) is granted to an accounting program or department that has been accredited by a national accreditation agency recognized by the Board. This accounting program or department must be within a college or university with Level 1 accreditation,

Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 5081.2 and 5081.3, Business and Professions Code.

*Comment:*

*Proposed Section 9.2 incorporates the substance of UAA Rules 5-1 and 5-2. This language specifies the educational requirement for applicants meeting the 150 Hour Requirement. Further revisions may be needed to clarify qualified accreditation agencies.*

### **Section 11.5. Experience Required Under Section 5083 of the Accountancy Act.**

Applicants may be required to appear before the Qualifications Committee and present work papers, or other evidence, substantiating that their experience meets the requirements of Section 5083 of the Business and Professions Code.

(a) In order to meet the attest experience requirements as set forth in Section 5083, the applicant shall show to the satisfaction of the Board that his/her experience has included all the following:

- (1) Experience in the planning of the audit including the selection of the procedures to be performed.
- (2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.
- (3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.
- (4) Experience in the preparation of written explanations and comments on the work performed and its findings.
- (5) Experience in the preparation of and reporting on full disclosure financial statements.

~~(b) The applicant, pursuant to Section 5087 of the Accountancy Act, may be considered to have met the experience requirement for licensure when the applicant can show to the satisfaction of the Board that (s)he has been engaged in the practice of public accounting as a licensed certified public accountant in another state for five of the ten years preceding the date of application for a California license.~~

(c) The applicant who is applying with public accounting experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of Rule 11.5(a) and generally accepted auditing standards. Alternatively, the applicant may acquire one year of United States experience which meets the requirements of Business and Professions Code Section 5083 and Rule 11.5(a).

(d) The applicant who is applying pursuant to Section 5083 with experience obtained five (5) or more years prior to application will be required to obtain 48 hours of continuing education courses in specific areas prescribed by the Board.



(e) The experience required by Section 5083 may be obtained in full-time or part-time employment. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(f) This Section shall become inoperative on January 1, 2005.

NOTE: Authority cited: Sections 5010, 5018, and 5083, Business and Professions Code.  
Reference: Section 5023 and 5083, Business and Professions Code.

*Comment:*

*This section specifies the Board's current experience requirement. The revision clarifies that this section will be inoperative at the end of the transition period. Subsection (b) is being deleted as the substance of this subsection is being incorporated into Section 21.*

## **Section 12. Experience Required for Initial Certificate.**

(a) In order to meet the experience requirement of Business and Professions Code Section 5083.1 and applicant shall:

(1) have one year of professional experience providing any type of services or advice using accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills performed in accordance with applicable professional standards.

(2) have experience supervised and verified by a licensee of the California Board of Accountancy or a licensee of an accountancy board of another state. This verification shall be signed under penalty of perjury.

(b) One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in subsection (a) above.

Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Section 5083.1, Business and Professions Code.

*Comment:*

*This new section incorporates the substance of UAA Rule 6-2 and specifies the one-year experience requirement for applicants meeting the 150 hour educational requirement.*

### **Section 13. Evidence of Applicant's Experience.**

(a) Any licensee who has been requested by an applicant to submit to the Board evidence of the applicant's experience and has refused to do so shall, upon request by the Board, explain in writing or in person the basis for such refusal.

(b) The Board may require any licensee who has furnished evidence of an applicant's experience to substantiate the information.

(c) Any applicant may be required to appear before the Board or its representative to supplement or verify evidence of experience.

(d) The Board may inspect documentation relating to an applicant's claimed experience.

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 5010, 5018, 5083.1, and 5100, Business and Professions Code.

#### *Comment:*

*This proposed section is the same as UAA Rule 6-3. It addresses the same concerns as current Section 69, but this section is more streamlined and concise. With this Section in place, current Section 69 can be repealed.*

### **Section 21. Out-of-State Licensee.**

~~The Board will consider applications filed under Section 5087 from holders of valid unrevoked Certified Public Accountant licenses issued under the laws of any state.~~

(a) The Board may issue a license to an applicant pursuant to Business and Professions Code Section 5087 provided that the applicant has  
(1) successfully completed the CPA examination. Successful completion of the examination means that the applicant passed the examination in accordance with the rules of the other state at the time it granted the applicant's initial certificate, provided the other state's standards are substantially equivalent to California's standards.  
(2) engaged in the practice of public accounting as a licensed certified public accountant in another state for four of the ten years preceding the date of application for a California license.  
(3) met the continuing education requirement specified in Section 87(e).

(b) As an alternative to the requirements in subsection (a), the Board may issue a license to an applicant pursuant to Business and Professions Code Section 5087 after verification that the applicant's qualifications are substantially equivalent to the CPA licensure requirements in the American Institute of Certified Public Accountants/National Association of State Boards of Accountancy Uniform Accountancy Act. As used in this section, "substantially equivalent" refers to exam passage as described in Section 7,

education as described in Business and Professions Code Section 5081.3 and experience as described in Business and Professions Code Section 5083.1.

(c) The Board may deny an application when the facts indicate that the applicant has been a California resident before, during or after having obtained a C.P.A. license in another state and when the facts indicate that the applicant's C.P.A. license was obtained in another state to evade otherwise applicable California statutes and rules.

NOTE: Authority cited: Section 5010 and 5018, Business and Professions Code.  
Reference: Section 5082 and 5087, Business and Professions Code.

*Comment:*

*This updates the Board's regulation on out-of-state licensees to incorporate the substance of UAA Section 6(c). This revision will streamline the licensure of applicants from substantially equivalent states.*

**~~Section 69. Certification of Applicant's Experience.~~**

~~(a) Any licensee who shall have been requested by an applicant to prepare and submit to the board certification of the applicant's experience and shall have refused to prepare and submit said certification shall, when requested by the board, explain in writing, or, when so requested by the board, explain in person, the basis for refusal to complete and submit said certification.~~

~~(b) Any licensee who shall have signed a certification of experience shall, when requested by the board, explain in writing, or, when so requested by the board, explain in person, the information provided on any said certification of experience, in any situation including, but not limited to, the following:~~

~~(1) Where there is an alleged disagreement between an applicant and any licensee as to dates and/or type of work performed;~~

~~(2) Where there is satisfactorily answered certification of experience submitted to the board, but the period of experience appears to be unduly short;~~

~~(3) Where the board seeks to verify on a sample basis information submitted by an applicant or attested thereto on a certification of experience; or~~

~~(4) Where the board reasonably believes that the information in the certification of experience may be false or incorrect.~~

~~(c) Any false or misleading statement, made by a licensee as to material matters in the certification of an applicant's experience, shall constitute a violation of Section 5100 (f) of the Accountancy Act.~~

~~(d) Inspection by the board or its representatives of documentation relating to an applicant's fulfillment of the experience requirements set forth in Section 5083 of the~~

~~Accountancy Act and Rule 11.5 herein above may be made at any of the board's offices or at such other places as the board may designate.~~

~~(e) The failure or refusal, by any licensee to complete and submit a certification of experience or to comply with a request for explanation of said certification or inspection of documentation as set forth in this rule constitutes a violation of Section 5100 (f) of the Accountancy Act.~~

~~(f) Any unreasonable act or failure to act which jeopardizes an applicant's chances for obtaining a certificate, shall constitute a violation of Section 5100 (f) of the Accountancy Act.~~

~~NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Sections 5010, 5018 and 5100, Business and Professions Code.~~

*Comment:*

*With the adoption of new Section 13, this section can be repealed.*

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# California Legislature

## JOINT LEGISLATIVE SUNSET REVIEW COMMITTEE

LIZ FIGUEROA  
 CHAIR

### MEMORANDUM

**To:** Boards and Programs Scheduled for Sunset Review  
**From:** Senator Liz Figueroa, Chair  
 Joint Legislative Sunset Review Committee (JLSRC)  
**Date:** November 22, 2000  
**Subject:** Presentation to be made by Board and Programs at Public Hearing of the JLSRC

The Joint Legislative Sunset Review Committee will be holding hearings December 5<sup>th</sup> and 6<sup>th</sup>, 9:30 a.m. to 4:00 p.m., in Room 3191 of the State Capitol.

The Joint Committee is required to review a number of regulatory boards under the Department of Consumer Affairs each year, as well as other state recognized programs that will sunset as of July 1, 2002. All of these boards and programs currently license or certify a particular occupation or profession. It is the responsibility of the Joint Committee to determine whether the State should continue to regulate in this area, and if so, what changes should be made to improve the overall effectiveness and efficiency of these boards and programs, to ensure that the interests of California's consumers are protected against incompetent practice or illegal activities of these professionals.

The following boards and programs are scheduled for review. They are listed in order of appearance before the Joint Committee:

December 5<sup>th</sup>:

1. California Board of Accountancy
2. Board of Guide Dogs for the Blind
3. Committee on Dental Auxiliaries
4. Board of Dental Examiners

**ISSUE #5:** Section 2 of Title 16 of the Board's regulation has been argued in the past as too broad and overly vague in defining appropriate titles and designations that may only be used by licensed CPAs.

**Question #5:** Why does the Board believe that it is not necessary to revise Section 2?

**ISSUE #6:** Will the recommended change by the Board, to increase the educational requirement from 120-semester hours to 150-semester hours to be licensed as a CPA, act as an unnecessary barrier to entry of the CPA profession?

**Question #6:** Why should the educational requirement to be licensed as a CPA be increased to 150-semester hours? If this is to conform to the Uniform Accountancy Act (UAA), what evidence is there that California applicants currently lack the appropriate education or are having problems with performance on the CPA examination, or with reciprocity? What additional education would be required, and in what subject areas? Are all state colleges and universities able to provide these additional course and semester-hour requirements? What percentage of current licensees believe that additional education is necessary? Have future applicants (students) been surveyed concerning this new educational requirement?

**ISSUE #7:** During the Board's last review, the Joint Committee expressed some concern about the overly broad experience requirement for applicants and confusing provisions regarding time frames and equivalency.

**Question #7:** Has the Board more clearly defined the general experience requirements for applicants.

**ISSUE #8:** If the requirement for 150-semester hours is adopted, or the applicant has 30 or more semester hours of graduate study, should the qualifying experience requirement of two years be reduced to one year as recommended by the Board?

**Question #8:** Why has the Board recommended a reduction in the overall experience requirement?

**ISSUE #9:** During the Board's last review, the Joint Committee indicated that the audit ("attest") experience requirement should be clarified by regulation. The Joint Committee was concerned that the Board had set arbitrary policy regarding this requirement rather than using the regulatory process, amounting to "underground rulemaking" (the enforcement of a policy or standard without adopting it through the proper rulemaking procedure).

**Question #9:** Has the Board clarified, adopted, or changed regulations that pertain to the audit experience necessary for purposes of licensure in this State?

**ISSUE #10:** During the Board's last review, the Board was proposing that the audit experience be eliminated entirely. The Joint Committee indicated that this was a very controversial issue and the Board had not properly evaluated whether this experience requirement should be eliminated. The Board is once again recommending that the audit ("attest") experience requirement be eliminated for all CPA's, and instead that only specially qualified accounting firms licensed by the Board now be allowed to perform auditing functions. These accounting firms would be subject to peer review by the Board.

**Question #10:** Why is the Board recommending elimination of the audit experience requirement for licensure? Have there been any studies done to determine the extent to which CPA's no longer use the attest function and whether there is a problem in gaining the experience necessary to meet the attest experience requirement? Why should attest services only be provided by specially qualified "attest firms?" Would these attest firms be licensed or registered by the state and what standards would be used to determine licensure or registration? Would all existing CPA firms be grandfathered? What type of peer review would grandfathered and newly recognized attest firms undergo? Do any other states license/register "attest firms?" Has the Board considered as an alternative certification of those performing audit ("attest") functions?

**ISSUE #11:** Are the activities and role of the "Qualifications Committee" of the Board, in recommending applicants for the CPA license, an appropriate delegation of governmental decision making to participating licensees who are not members or staff of the Board?

**Question #11:** What function does the Qualifications Committee now serve for the Board, and are the activities of this committee now an appropriate delegation of the Board's (and staff) authority? Why should the "Qualifications Committee" only be eliminated if the audit ("attest") experience requirement is also eliminated?

**ISSUE #12:** The Board does not recognize international reciprocity, but it indicates that it has taken steps to enhance reciprocity for those from foreign countries.

**Question #12:** What steps has the Board taken to permit qualified accounting professionals from other countries to practice in California?

## EXAMINATION ISSUES

**ISSUE #13:** The American Institute of Certified Public Accountants (AICPA), a national professional membership association, has primary control and ownership of the Uniform CPA Examination. Almost all state licensing examinations are provided by independent non-trade related entities because of the perceived conflict of interest posed by a professional association controlling the examination instrument. The Board argues that state boards of accountancy must at least have equal voice with the AICPA in decision-making and policy formation relative to the control, development and administration of the examination because of this inherent conflict. The Board has taken a very active role in raising the level of debate about this issue nationwide. However, it is unclear what if any changes the AICPA is willing to make.

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**DEPARTMENT OF CONSUMER AFFAIRS  
SUNSET REPORT TO THE CALIFORNIA LEGISLATURE**

(As mandated by Senate Bill 2036  
Chapter 908, Statutes of 1994)



California Board of Accountancy  
Committee on Dental Auxiliaries  
Dental Board of California  
Board of Guide Dogs for the Blind



March 2001

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## **CALIFORNIA BOARD OF ACCOUNTANCY**

The ten-member Board of Accountancy (Board) is legally mandated to regulate the accounting profession. The Board regulates over 66,000 Certified Public Accountant (CPA) and Public Accountant (PA) licensees (including individuals and firms), the second largest group of accounting professionals in the nation. The Accountancy Act authorizes the Board to administer the National Uniform CPA Examination to California candidates; certify and renew CPA and PA licenses; register CPA partnerships, PA partnerships and corporations; receive and investigate complaints and take disciplinary action against licensees for violations of Board statutes and regulations; monitor compliance with continuing education requirements; and review work products of CPAs, PAs, and CPA firms to ensure adherence to professional standards.

The JLSRC last reviewed the Board in 1996 and recommended to continue the Board and the regulation of the practice of public accountancy (AB 778, Aguiar, Chapter 599, Statutes of 1996). The recommendation was made on the basis that the unregulated practice of public accounting would result in consumer harm and adversely impact California's business climate.

### **1. Continue Regulation of the Industry and the Board**

The accountancy profession should continue to be regulated through the Board in order to protect the interests of consumers. The practice of public accounting encompasses the needs of individuals, businesses, governmental agencies, and nonprofit organizations who rely on licensees for audit and accounting services, tax preparation, financial planning, and business consultation. These direct consumers of public accounting services can be harmed by incompetent or unethical practice.

### **2. Maintain the Current Educational Requirements**

Current regulations require individuals to complete 120 semester-hours of classroom education to be licensed as a CPA. The Board has proposed increasing the requirement to 150 semester-hours in conformance with the Uniform Accountancy Act (UAA), a model policy and regulations drafted by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy. The Board argues that the educational requirements need to be increased in order to be consistent with the practices of other states and to facilitate reciprocity for licensees. Currently, 45 of the 50 states have enacted the 150 semester-hour educational requirement. However, the Colorado Legislature eliminated the requirement prior to its enactment because it was felt that the requirement was overly restrictive and served as a barrier to entry into the accounting profession. Additionally, the Colorado study found that the additional 30 hours of education would cost approximately \$25,000 creating a substantial financial burden on potential licensees.

California should not increase its educational standards simply because other states have done so. Rather, the state should determine what is in the best interest of California consumers. The current combination of experience (two years) and education requirements have served California consumers well. Since there is no evidence of harm, California should not accept a national standard that appears to be in the interest of the profession rather than consumers. In fact, a recent Board-funded study found that there was no relationship between the number of semester units candidates completed and their performance on any section of the Uniform CPA Examination.<sup>1</sup>

Absent evidence that CPA applicants are not well prepared for the licensure examination, the Department recommends that the Board retain the current 120 semester-hour educational requirement for licensees. Increasing the number of hours could increase barriers to entry and limit access to qualified CPAs.

### **3. Continue Attest (Audit) Experience Requirement**

In order to conform with the UAA, the Board has proposed eliminating the attest (audit) experience provision currently required of California licensees. The attest function allows CPAs to perform audits or reviews of an entity's financial statements. When consumers need to have an audit performed, they must hire a CPA. Consumers assume that licensees have the necessary experience to perform this function. The Board argues that this function is not consistent with current public accounting practices and the California requirement is overly limiting to licensees. The Board is proposing to establish a new registration program for specialized firms that provide attest services with a peer review program to monitor these firms.

Additionally, during the previous sunset review in 1996, the JLSRC recommended that the Board specify a minimum guideline for the number of attest experience hours in either statute or regulation. The JLSRC recommended a 500-hour guideline and argued that any policy pertaining to licensing or enforcement should be included in statute. The Attorney General issued an opinion underscoring this argument. Nonetheless, the Board has yet to implement the JLSRC's recommendation.

The Department agrees that the attest experience requirements should be restructured; however, the requirement should not be completely eliminated since auditing services are of value to consumers. Therefore, the Department recommends continuing the attest experience provision and suggests that the

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<sup>1</sup> The Board contracted with California State University, Sacramento in 1999 to conduct a study assessing the impact of changes in the educational experience requirement. The report was published in June 1999.

Board develop a special certification for those CPAs who choose to perform audits. Removal of the attest experience requirement could compromise a consumer's ability to have a thorough and accurate audit performed.

#### **4. Change Board Composition**

The Board currently consists of six professional members and four public members. Much debate has centered around whether the Board should be changed to a public member majority or retain its current professional member majority. Some argue that the interests of consumers would be best served by a public member majority, since it is believed that professional members are less likely to take action against fellow licensees. On the other hand, because accountancy is a highly technical profession, the expertise of a professional member majority is necessary.

The majority of the boards under the purview of the Department have a balanced composition with an equitable number of professional and public members. Unlike these other boards, the Board of Accountancy and the Dental Board have about a two to one ratio of professional to public members.

Another board composition issue is the requirement that one member be a PA. As of March 2000, there were fewer than 250 active PA licensees, compared with more than 36,000 active CPA licensees. Due to the declining number of PA licensees, it is difficult for the Board to find qualified and interested PAs to serve as members. However, the Society of California Accountants (SCA) expressed concerns that removal of the PA membership requirement would lessen small firm representation on the Board. Currently, at least 32 percent of active licensees work for small firms of two to 10 licensees, 36 percent are sole proprietors, and 28 percent work in medium to large size firms. The SCA has suggested requiring one additional CPA member to be a representative of a small firm in order to ensure adequate representation.

The Department is in favor of balanced professional/public representation for all boards under its purview. Therefore, the Department recommends adding one additional public member for a total of eleven members (six professional, five public). Additionally, the Department recommends replacing the dedicated professional member PA slot with a representative of a small firm. This new composition would provide adequate public representation while continuing to maintain the expertise needed for technical accountancy issues.

**Joint Legislative Sunset Review Committee  
California Board of Accountancy Testimony  
December 5, 2000  
Introductory Comments by Navid Sharafatian**

Senator Figueroa and Committee members. Thank you for the opportunity to appear before you and respond to your concerns. I am Navid Sharafatian, a public member of the Board of Accountancy and the Chairman of our Sunset Review Committee. I have asked the following persons to join me at the table so that they also are available to you for comment. Baxter Rice has been a public member of the Board since 1994. Donna McCluskey is a licensee Board member since 1998 and is our newly elected President. Carol Sigmann is our Executive Officer and has served in that capacity since 1990.

In the event there are highly technical questions we have other Board members and staff available to you as resources. In addition, Dr. Strickland who prepared the exam education and licensure study, Dr. Mills, the AICPA Examinations Executive Director, and Dr. Hertz from DCA's Office of Examination Resources are here to answer specific questions relevant to their areas of expertise.

As an aside, I want to convey to you the unanimous sentiment of the Board that we are blessed with a dedicated and gifted staff.

The Report and Proposal we have provided to the Committee represent the best judgement and decision of the Board. We arrived at this point only by a collegial effort of Board members, staff, CPA volunteers and the general public, all of whom take very seriously the charge of this Board to protect the public and regulate a profession that plays an important role in the lives of Californians.

If it pleases the Committee, I would like to provide a brief overview of the Board's function and activities before we proceed with addressing the issues and questions, which were submitted to the Board last week.

The California Board of Accountancy was created by statute in 1901 and is responsible for regulating the practice of public accounting. The Board currently regulates approximately 66,000 licensees, including Certified Public Accountants, Public Accountants, accountancy partnerships, and professional corporations.

The Board issues the CPA license based on the "3 Es" of education, examination, and experience. With respect to education, unlike law and medicine, there are no CPA schools. As a result, applicants for the CPA license have a number of educational options. Most qualify with a bachelor's degree. For the examination component, applicants must pass the Uniform CPA Examination, a national exam administered in all 54 states and jurisdictions. For the experience component, applicants must complete a minimum of two years of professional experience under the supervision of a licensee, including experience in the attest function.

Most other states and jurisdictions require more education and less experience than does California and, in this sunset review, this Board is proposing law changes to achieve consistency with the rest of the nation.

Once licensed, CPAs are regulated by the Accountancy Act, which is found in Division 3 of the Business and Professions Code and with the Board's regulations. CPAs must also comply with certain professional standards

and meet continuing education requirements. Licensees who violate the Accountancy Act are subject to discipline.

The Board's approach to its regulatory authority has been to focus on continuous program improvement and the constant goal of consumer protection. To enhance its effectiveness, the Board makes use of a number of tools including formal performance measures and it applies key performance indicators to measure progress, efficiency, and success in implementing new improvements.

Since the 1995 sunset review, the Board has made a number of changes for improved effectiveness and efficiency – many of these changes were the result of this Committee's recommendations and many are the result of the Board's attitude of constant improvement. I'd like to highlight some of these improvements.

## **ENFORCEMENT**

The Board maintains a very active Enforcement Program staffed by professional investigative CPAs. The Enforcement Division has undergone two major changes, which have significantly improved the efficiency and performance of the Division.

- First, the role of the Administrative Committee, which in 1995 had significant responsibility in the enforcement process, has been modified and it now is strictly advisory. This committee functions as a valuable and cost-effective professional resource for the Executive Officer and enforcement staff. It not only frees the Board from having to pay

## CONSUMER EDUCATION AND ONLINE SERVICES

- Since the last sunset review, the Board has created and implemented a comprehensive Web site to enhance consumer education and outreach. All information is accessible within three clicks of the mouse.
- In May 2000, a licensee look-up feature was added to the Web site, enabling consumers to check the status of a license, resulting in approximately 5,000 online license checks each month.
- 70 percent of all exam applicants used the Board's online exam process for the May 2000 exam — saving the Board more than \$33,000 in postage for that exam cycle.
- The Board's staff handles an average of 2,000 e-mail questions each month — and each inquiry is answered within one to five days, depending upon the complexity of the question.
- Innovative features like licensee look-up and the first-in-the-nation online CPA exam application were cited as reasons this Web site was one of four recipients of the Year 2000 Award from the National Association of State Boards of Accountancy.

## PROPOSED CHANGES IN LICENSURE REQUIREMENTS

- Since the last sunset review, the Board has actively worked with interested stakeholders to develop a proposal to make California's laws



in the area of education, exam, and experience more consistent with the requirements in other states and in the Uniform Accountancy Act (UAA). The Board views this proposal as of critical importance for the following reasons:

- ✓ Currently California has lower standards for exam passage and education than the vast majority of other states. The Board's proposal raises California's standards so that the California license will no longer be perceived as a lesser quality CPA certificate and licensure reciprocity will be achievable.
- ✓ Also, this proposal provides for more uniform licensure requirements among states. The Board views this as essential to effectively protect consumers in the global marketplace.
- Also included in the package of proposed law changes is a provision to permit audit and review services only through specially qualified firms which will undergo peer review.
- ✓ After reviewing the UAA and current requirements, it became apparent that to ensure competency in auditing there must be periodic checks on the competency of the auditor and the audit firm. This can be accomplished through peer review.
- ✓ Peer review provides an independent, comprehensive assessment of the firm's audit and review work. This is an educational, interactive process which the Board believes will significantly enhance consumer protection.

This concludes my introductory remarks. How would you like to proceed with a discussion of the issues?

## LICENSURE ISSUES:

**ISSUE #9:** During the Board's last review, the Joint Committee indicated that the audit ("attest") experience requirement should be clarified by regulation. The Joint Committee was concerned that the Board had set arbitrary policy regarding this requirement rather than using the regulatory process, amounting to "underground" rulemaking" (the enforcement of a policy or standard without adopting it through the proper rulemaking procedure).

**QUESTION #9:** Has the Board clarified, adopted, or changed regulations that pertain to the audit experience necessary for purposes of licensure in this State?

- During the last review, concern was expressed regarding the Board's guideline of 500 hours of attest experience for licensure. This guideline is used primarily as a planning tool for applicants and their employers. Some applicants are able to demonstrate qualifying attest experience with less than 500 hours, while others need considerably more. Because the 500 hours is a guideline and not a fixed requirement, the Board's legal counsel advised against specifying it in regulations.
- With the changes in the experience requirement that the Board is proposing, the audit experience requirement would be eliminated making concerns related to the 500 hour guideline a moot point.
- The second issue raised at the last sunset review relates to a policy change which gave applicants more flexibility in demonstrating their understanding of how to conduct an audit with minimum supervision. The Board has modified its regulation, Section 11.5, to reflect this change, effective March 1996.

## LICENSURE ISSUES:

**ISSUE #10:** During the Board's last review, the Board was proposing that the audit experience be eliminated entirely. The Joint Committee indicated that this was a very controversial issue and the Board had not properly evaluated whether this experience requirement should be eliminated. The Board is once again recommending that the audit ("attest") experience requirement be eliminated for all CPAs, and instead that only specially qualified accounting firms licensed by the Board now be allowed to perform auditing functions. These accounting firms would be subject to peer review by the Board.

**QUESTION #10:** Why is the Board recommending elimination of the audit experience requirement for licensure?

Have there been any studies done to determine the extent to which CPAs no longer use the attest function and whether there is a problem in gaining the experience necessary to meet the attest experience requirement?

Why should attest services only be provided by specially qualified "attest" firms?

Would these attest firms be licensed or registered by the state and what standards would be used to determine licensure or registration?

Would all existing CPA firms be grandfathered?

What type of peer review would grandfathered and newly recognized attest firms undergo?

Do any other states license/register "attest firms"?

Has the Board considered as an alternative certification of those performing audit ("attest") functions?

- The Board is recommending elimination of the audit experience requirement for licensure to achieve consistency with the UAA and to update requirements to be responsive to the current public accounting environment in which the majority of CPAs are not auditors. The Board's Continuing Education Study found that only 13 percent of licensees view auditing as their primary area of practice.
- In Dr. Strickland's research, the majority of licensees surveyed reported audit experience was valuable. However, Dr. Strickland also found that applicants who passed the exam but could not satisfy the experience requirement viewed the attest experience requirement as the major barrier to licensure. Fifty-nine percent indicated that the requirement

was either excessive or no longer necessary. These applicants also volunteered descriptions of the personal hardships they encountered in trying to meet the attest experience requirement.

- Even when the applicant is able to obtain attest experience, this only exposes the applicant to auditing and does not, in itself, make the applicant a competent auditor. To ensure competency in auditing, knowledge needs to be updated frequently and there must be periodic checks on the competency of the auditor and the audit firm. It is for this reason the Board proposes that attest services (that is audits and reviews) be provided by specially qualified attest firms that undergo peer review.
- Under the Board's proposal, attest firms will be licensed by the Board and will be required to undergo peer review in accordance with professional standards for renewal. Existing firms, including sole proprietors, will be grandfathered but will be required to undergo peer review to retain attest status.
- The Board estimates there will be approximately 10,000 attest firms including 5,800 sole proprietors.
- Also, under the Board's proposal, a new firm seeking attest status will be required to undergo peer review within one year of licensure. Extensions of the one year deadline will be granted for good cause. Prior to completion of the first peer review, the firm will be required to employ, at a minimum, one licensee with attest experience equivalent to the experience currently required for licensure.
- The Board believes mandating peer review will significantly enhance consumer protection. Peer review involves a comprehensive, independent, assessment of each firm's work products and quality control system. Peer review will improve the quality of accounting and auditing services through education and corrective action.
- According to the National Association of State Boards of Accountancy, 28 states require some quality review or peer review as a condition of license renewal. Specific requirements vary among states.

- The possibility of creating a specialty designation for licensees who perform attest services was discussed by the Board's Peer Review/Attest Firm Task Force in March of this year. This option was rejected because it differs from the UAA and other states' requirements. Also, the Task Force believed that consumer protection would be best enhanced by mandating peer review.
- The Board has not specifically discussed the possibility of licensing only auditors. However, it is the Board's view that it is important to continue to license all CPAs and CPA firms in order to protect consumers from incompetent or unethical practice in other areas of public accounting such as tax, management consulting, and financial planning. We note that during the last three years almost 80 percent of disciplinary actions have been for nonaudit services.
- [For implementation information see Issue 18.]

## LICENSURE ISSUES:

**ISSUE #11:** Are the activities and role of the "Qualifications Committee" of the Board, in recommending applicants for the CPA license, an appropriate delegation of governmental decision making to participating licensees who are not members or staff of the Board?

**QUESTION #11:** What function does the Qualifications Committee now serve for the Board, and are the activities of this committee now an appropriate delegation of the Board's (and staff) authority?

Why should the "Qualifications Committee" only be eliminated if the audit ("attest") experience requirement is also eliminated?

- The function of the Qualifications Committee changed since the last sunset review. The Committee no longer has responsibility for reviewing all candidates qualifications and making licensure recommendations to the Board. Now the Qualifications Committee becomes involved only when staff have concern regarding an applicant's audit experience (approximately nine percent of licensure applicants). Qualifications Committee members review the applicant's work papers and make a recommendation to staff. Staff make the licensing decision.
- The Qualifications Committee is composed of CPAs with recent audit experience. As long as attest experience is required for licensure, this Committee remains a valuable, cost effective resource for licensure staff.
- The Board has no formal internship program, and relies on employers to assess applicants' experience. The only check on the accuracy of an employer's assessment is a review of the work papers by a qualified licensee with significant audit experience.

## LICENSURE ISSUES:

**ISSUE #12:** The Board does not recognize international reciprocity, but it indicates that it has taken steps to enhance reciprocity for those from foreign countries.

**QUESTION #12:** What steps has the Board taken to permit qualified accounting professionals from other countries to practice in California?

- Since the last sunset review, in 1998 the Board has sponsored legislation (AB 2771) to permit qualified accounting professionals from other countries to take the International Uniform Certified Public Accountant Examination for California licensure (IQEX). Since enactment of AB 2771, the Board has received a handful of licensure applications from individuals qualifying under IQEX.

[The IQEX exam is a 4 ½ hour pass/fail computerized examination administered by the National Association of State Boards of Accountancy at computerized exam sites throughout the U.S. each November. To date, approximately 1,300 individuals have taken the IQEX exam. Exam passage information is not available.]

- Also in 1998, the Board and its legal counsel worked actively with the Office of the U.S. Trade Representative to review and review the World Trade Organization's "Disciplines for Regulation of the Accountancy Sector." The objective was to provide for equitable treatment of accounting professionals worldwide, while maintaining high standards and protecting U.S. consumers. The agreement was adopted by the World Trade Organization, but has not yet gone into effect.



## EXAMINATION ISSUES:

**ISSUE #13:** The American Institute of Certified Public Accountants (AICPA), a national professional membership association, has primary control and ownership of the Uniform CPA Examination. Almost all state licensing examinations are provided by independent non-trade related entities because of the perceived conflict of interest posed by a professional association controlling the examination instrument. The Board argues that state boards of accountancy must have at least equal voice with the AICPA in decision-making and policy formation relative to the control, development, and administration of the examination because of this inherent conflict. The Board has taken a very active role in raising the level of debate about this issue nationwide. However, it is unclear what if any changes the AICPA is willing to make.

**QUESTION #13:** Discuss the Board's very active role in dealing with this issue, and its view and recommendations(s) regarding the control, ownership, development, and administration of the Uniform CPA Examination? Has the AICPA responded to any of the recommendations made by the Regulator Coalition of Boards of Accountancy?

- Ownership and control of the Uniform CPA Examination should be assumed by an independent non-trade related entity, and the Board has played a nationwide leadership role in actively advocating that change.
- In February 2000 California took the lead in establishing the Regulatory Coalition of Boards of Accountancy, encouraging each jurisdiction to participate in this coalition. The purpose of the coalition is to improve exam security and to have an equal voice in decision-making relative to the CPA exam.
- The exam's being owned and controlled by a national professional membership association — rather than by an organization representing the regulatory perspective — furthers the perception that the exam is an artificial barrier to entry into the profession, instead of an instrument to better ensure consumer protection.

- Because the examination provides competency assessment and is the first line of defense for consumer protection, the ultimate responsibility for the quality of the exam remains with the state boards entrusted to protect the public.
- In January 1999, a comprehensive analysis of the issues relating to the ownership and administration of the Uniform CPA Examination was considered by the Committee on Professional Conduct and the full Board. During 1999 and into 2000, this analysis was discussed nationally at several meetings conducted by both the AICPA and NASBA (National Association of State Boards of Accountancy)
- Effective January 2000, the AICPA proposed restructuring its exam policy board (Board of Examiners) to include a broader base of qualified individuals for participation in the examination development process. The objective was to create a balance of generalists and specialists, including members with a regulatory background, in order to develop a valid computer-based examination. The AICPA reports that this objective has been achieved.
- On March 25, 2000, the Board also conducted a round table discussion concerning exam-related issues. Participants included Board members, the Executive Director, Examinations, AICPA, NASBA's President and CEO, the Chair of the NASBA Board of Directors, and the Department of Consumer Affairs psychometrician who in February 2000 — at the request of this Board — conducted an audit of the AICPA's Examination Division.
- The issue of regulatory representation and participation continues to be discussed and addressed at the national level through NASBA and the AICPA.

Testimony of Julianne D-Angelo Fellmeth  
on the California Board of Accountancy  
before the  
**JOINT LEGISLATIVE SUNSET REVIEW COMMITTEE**  
December 5, 2000

My name is Julie D-Angelo Fellmeth. I am the Administrative Director of the Center for Public Interest Law (CPIL) at the University of San Diego School of Law.

For 20 years, CPIL has monitored the activities of California agencies that regulate business, trades, and professions. We publish the *California Regulatory Law Reporter*, which chronicles the activities and decisions of 25 California regulatory agencies. CPIL is the only public interest organization in the state with this particular focus.

We have monitored the Board of Accountancy over the past decade with some concern.

I participated in this Committee's sunset review of the Board in 1995; at that time, I submitted extensive written testimony on the Board. I intend to submit more written testimony this year. I wanted to have the benefit of your background paper before addressing some of the specific issues, and I received that background paper yesterday.

Your staff has very comprehensively outlined over two dozen issues for your consideration. Obviously, I do not have time to address all of those today, so I would like to save most of them for my written testimony. In particular, I would like to address several concerns about the Board's enforcement system in my written testimony. Some of those concerns have arisen in the context of a major disciplinary proceeding that is still pending to this day. It is not my intent to affect or jeopardize that proceeding in any way, so I will save those comments until a more appropriate time.

In the time I have with you today, I would like to specifically and narrowly address two issues: (1) the Uniform Accountancy Act that the Board is asking you to approve; and (2) the composition of the Board of Accountancy.

1. UNIFORM ACCOUNTANCY ACT

First, I want to be sure you know the source of the Uniform Accountancy Act (UAA) proposal. Although the Board is proposing it, it does not come from the Board.

The original source of the UAA is the American Institute of Certified Public Accountants (AICPA), a voluntary national trade association of CPAs.

As you know, the mission of a trade association is different from the mission of a regulatory board. The role of a trade association is to promote and protect its members and their profession, while the role of a regulatory agency like the one you're evaluating has no business protecting the profession it is regulating.

\$ restrict competition, and

\$ artificially enhance the rates that can be charged for accountancy services by those already licensed (which we as consumers of CPA services must bear.

That is not in the public interest.

As your staff's background paper reflects on page 12, these facts have now been recognized by the Colorado legislature, which has repealed the 150-hour rule.<sup>7</sup>

CPIL strongly opposes the 150-hour rule, and urges you not to enact it in the first place.

**EXPERIENCE.** The third AE<sup>®</sup> is experience. As you've heard, Business and Professions Code § 5083 sets forth two types of experience requirements for licensure as a CPA:

\$ general accounting experience performed under the supervision of a CPA (the number of years of experience required (set forth on pages 25-26 of the Board's report) is intertwined with the level of education an applicant has achieved under section § 5081.1. Under current law, an applicant needs either two or three or four years of general accounting experience, depending upon how much education he/she has.

and \$ Attest experience<sup>®</sup> (the Attest<sup>®</sup> function is, of course, the preparation of an audit or review of a company's financial statements (the only tasks performed by a CPA that actually require licensure as a CPA.

**The UAA would radically change both of these requirements:**

First, the UAA would decrease the number of years of general experience from two or three or four years to only one year.

Most important, **the UAA eliminates the Attest<sup>®</sup> experience currently required by California law.** Thus, in order to be licensed as a CPA, this Board would not require any meaningful education or any experience in the attest function (the only function that absolutely requires a CPA license, and the original reason we license CPAs in the first place.

CPIL is very concerned about the proposed elimination of attest experience for licensure.

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<sup>7</sup>Specifically, the Colorado Department of Regulatory Agencies concluded that the 150 credit-hour educational requirement is an overly restrictive entry barrier into the accounting profession with no demonstrable public protection function. Adoption of the 150 credit-hour requirement is likely to raise consumer costs, entrench market power in those accountants who attain the CPA designation, and restrict competition. Colorado Department of Regulatory Agencies, Office of Policy and Research, *Regulation of the Accounting Profession in Colorado: Colorado State Board of Accountancy 1999 Sunset Review* (October 15, 1999) at 43.

Consumers have no choice when they need an audit done C they must hire a CPA. And they assume that CPAs are competent in the one function for which that license is reserved.

Two of the three groups surveyed by Dr. Strickland in her study agreed with our concerns. She surveyed (1) current licensees (CPAs), (2) CPA licensure applicants, and (3) people who identified themselves as hiring managers at CPA firms:

\$ 70% of the CPA respondents believe that the attest experience requirement is an assurance of entry-level competence, provides valuable discipline in terms of objectivity and independence, provides critical skills in areas other than attest, and provides a common basis of applying knowledge to a situation.<sup>8</sup> The majority of licensees responding to the survey opposed replacing the attest experience requirement with either additional coursework in auditing or more general experience.<sup>8</sup>

\$ As might be expected, the majority of CPA licensure applicants found the attest experience requirement burdensome. They complained that there aren't enough firms out there doing audits to give all of them sufficient experience to meet the licensure requirements.<sup>9</sup>

**But** \$ two-thirds of those who identified themselves as hiring managers at CPA firms said they could provide audit experience to all or most of their new hires.<sup>10</sup>

The Board insists that two other provisions will substitute for attest experience and ensure that those performing audits are competent to do so:

\$ One of the four sections on the Uniform CPA Exam tests the attest function. But of course none of us have ever seen the CPA exam, and we have no idea what it actually tests or the extent to which someone can be deemed competent in attest simply because they pass that part. We know only that the name of the one of the parts includes the word Auditing.

\$ Second, the UAA provides for the licensure of CPA firms as attest firms C and only CPAs who are employed by specially-licensed attest firms are authorized to perform audits. And those audits would be subject to mandatory peer review every three years.

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<sup>8</sup>*Id.* at 18.

<sup>9</sup>*Id.*

<sup>10</sup>*Id.* at 19.

Now, I have to admit to you that this Aattest firm® concept was initially kind of intriguing to us at CPIL. We thought this might lead to a specialty certification in auditing (which, by the way, we would support) C where a person specially licensed to engage in audits has focused his/her education and experience and examination and continuing education on audit procedures, which are crucial to investors, the business community, lenders, the stock market, government agencies, nonprofit organizations, and all kinds of societal actors.

However, we were disappointed to learn that the AICPA has not provided any Aimplementation® hints or guidance on this Aattest firm® proposal. And no state has really implemented it in any formal way.

But the Board pressed on C it created a Task Force on Attest Firms which held three or four meetings during late 1999 and early 2000. I attended one of those meetings and have read the minutes of the rest C and you have the results in front of you.

The Board-s proposals regarding the Aattest firm® concept on are pages 62-63 and 90 of its report. Its proposed statute is new Business and Professions Code ' 5076 on page 96 of its report.

Here-s what we know:

- \$ All existing firms that do attest would, of course, be Agrandfathered in® and licensed as Aattest firms® C without any assurance that they are competent.
- \$ To retain Aattest firm® status, a grandfathered firm would have to do an audit and undergo peer review within three years.
- \$ Any new CPA or CPA firm that wants to perform audits must apply for licensure as an Aattest firm.® To be licensed, the firm must hire a Aqualified person® who has attest experience that is currently (today) required for licensure. Then the firm must get an audit engagement, do the audit, and be peer reviewed within one year.

This might sound good, but in my view, much more information is omitted than included.

As I mentioned, I attended one of the Task Force-s meetings and have read the minutes and documents of the other meetings; and I can attest (no pun intended) that the devil is in the details on this proposal. And none of those details are here. For example:

- \$ For new firms, in which none of the CPAs have any experience or education in audit, is there any requirement that the Aqualified person® C who has been specially hired to give the firm the requisite expertise C supervise the audit? No.
- \$ Any requirement that that person even participate in the audit? No.

- \$ Any requirement that that person be in the same state in which the audit is being performed? No. In fact, after the conclusion of the peer review, that new firm is free to fire that experienced, qualified person.
- \$ And just who are these peer reviewers? Board members? Board staff? Members of trade associations? Private parties? How are they appointed? How can we be sure they lack bias and conflicts of interest? What are their duties and authorities? There is no information here.
- \$ If the peer reviewers find something wrong with the audit, what can they do? And who can they do it to C the firm (which, after all, is the licensee) or the CPAs involved in the audit? There is no information here, and this was a major issue before the Task Force upon which no consensus was reached.
- \$ Finally, nothing in the Board's proposal addresses the cost of peer review. For the big firms, cost will be meaningless C partly because they are all members of the AICPA and must have a certain level of peer review done on a regular basis in order to stay members. So it won't make any difference to the Big Five.

But to small firms and sole practitioners who are not members of AICPA and who want to offer audit services, the cost could be prohibitive C it could preclude them from offering these services. Once again, here is a proposal that has the potential of limiting supply, limiting competition, and driving the cost of these services up.

This Board wants you to approve the enactment of a very broad, sweeping statute which gives it authority to adopt regulations governing this whole process. In my view, that's a bad idea. We just don't know enough C there's not enough here.

As we were back in 1995, CPIL is very concerned about the proposed elimination of attest experience for CPA licensure. We understand that very few CPAs are doing much audit any more C which is very unfortunate due to the critical importance of this function.

But this proposal would only further undermine the importance of the attest function C which has been weakened by the Big Five firms' emphasis on lucrative consulting instead of auditing. Weakening the attest function hurts consumers and the investing public.

#### IN SUMMARY:

- \$ The UAA dramatically increases the number of hours of education (but not the relevance of that education) required for CPA licensure,
- \$ it dramatically decreases the amount and quality of relevant experience required for licensure,

\$ it makes passage of the Uniform CPA Exam much more difficult, and

\$ the attest firm<sup>®</sup> concept C which is intended to ensure competence in auditors C does not.

None of these proposals have been justified. None of these enhance CPA competence, and none of these benefit the consumer of CPA services. CPIL opposes the UAA.

## II BOARD COMPOSITION

The Board of Accountancy currently consists of six accountants and four public members.

This contrasts with the composition of almost every other non-medical occupational licensing board within DCA C which routinely have public member majorities.

CPIL strongly supports conversion of this Board to a public member majority. In my observation, the current professional member majority C coupled with constant advocacy by CPA trade associations before this Board C overwhelms the public members.

At every committee and full Board meeting, the CPA profession and other related non-CPA professions are well-represented before the Board by numerous advocates. Further, the Board is staffed with CPAs who investigate and analyze enforcement cases; and the Board cannot make a disciplinary decision in an unprofessional conduct case without receiving and considering expert testimony from a CPA. In short, the Accountancy Board is generally overwhelmed with testimony and input from the CPA profession; there is simply no reason to require that CPAs be the decisionmakers as well.

The Board argues that consumers are best served by a professional member majority because these individuals are expert in the subject matter. We disagree. We believe that only the profession is best served by a professional member majority, and that is not what this Board is supposed to be about.

This Board is about public protection, and we believe public members with no profit stake in their own government decisionmaking are better positioned to ensure that goal.

Thank you for your consideration of these comments.





University of San Diego

Center for Public Interest Law

Children's Advocacy Institute

Testimony of Julianne D=Angelo Fellmeth  
 on the California Board of Accountancy  
 before the  
**JOINT LEGISLATIVE SUNSET REVIEW COMMITTEE**  
 April 4, 2001

My name is Julie D=Angelo Fellmeth. I am the Administrative Director of the Center for Public Interest Law (CPIL) at the University of San Diego School of Law.

As you may recall, I submitted extensive oral testimony on the California Board of Accountancy in December 2000, and then followed that up with extensive written testimony within the 30-day period allowed by this Committee.

I would like to address the draft recommendations by the Department of Consumer Affairs and the Joint Committee staff concerning the Board. This Board is the subject of 18 separate recommendations by the Department and the JLSRC staff. I'm happy to say that I agree with just about all of them.

In particular, the Department and the Joint Committee staff appear to agree that the Uniform Accountancy Act (UAA) should **not** be enacted in California. CPIL strongly supports that position.

As I described in detail in my oral and written testimony, the UAA is a *model* set of statutes and regulations that was originally drafted by the major national CPA trade association. It was not drafted by a government agency with public protection as its main goal, but by a professional association which understandably has professional protection and promotion as its primary goals.

The UAA would dramatically change the licensure requirements for CPAs in California. The so-called *trifecta* of accountant licensure: examination, education, and experience. We believe these changes, which are individually and collectively very complex, have not been justified. They would diminish the supply of CPAs and CPA services in California and restrict competition in the accounting marketplace.

With regard to the examination, the UAA would stiffen the criteria for passing the four parts of the Uniform CPA Exam administered in California. It is an exam that is controlled by that same national trade association, an exam that has not been properly validated in almost ten years, and an exam that already has a national pass rate of less than 10%. It takes the average candidate three exam administrations (or one and one-half years) to pass this exam. The enactment of the UAA would make it harder to pass this exam than it already is. There is no justification for that.

So, you are being asked to completely restructure the longtime traditional CPA licensing requirements for the convenience of people who don't even need the CPA license to do what they are doing!

In our view, the effect of the 150-hour rule will be to:

- \$ limit the supply of CPAs (in fact, nationwide, the number of people taking the CPA exam for the first time fell 40% between 1992 and 1998, as this 150-hour rule began to take effect across the country),
- \$ limit entrance into this profession by low-income people (especially minorities who may not be able to afford the added costs of an extra year of possibly irrelevant education),
- \$ restrict competition, and
- \$ artificially enhance the rates that can be charged for accountancy services by those already licensed C which we as consumers of CPA services must bear.

That is not in the public interest.

The third AE<sup>®</sup> is experience. As you know, California law requires CPA candidates to have two kinds of accounting experience: (1) general accounting experience C the number of years of general accounting experience required depends upon the number of years of education an applicant has, but its generally two to four years; and (2) experience in the Aattest<sup>®</sup> (audit) function C again, the Aattest<sup>®</sup> function is the preparation of a certified audit or review of a company's financial statements, and is the only task performed by a CPA that actually requires a CPA license.

The UAA would radically change both of these experience requirements.

As to the general accounting experience requirement, the UAA would reduce the requirement to one year. Once again, the Strickland study C commissioned by the Board itself C does not support this proposal. She surveyed 7,500 randomly-chosen CPA licensees (22% of the licensee population) and over two-thirds of the respondents said that either two or three years of accounting experience is necessary to ensure competence. Further, they noted a marked improvement in their own skill level after they had completed between one and three years of experience. Although the Board argues that the extra education inherent in the 150-hour requirement will make up for decreased experience, it is unclear how 30 extra units of physical education or music appreciation will enhance one's competence as a CPA.

And the Board proposes to eliminate the existing attest experience requirement altogether. The Board seeks to eliminate all required experience in the one function for which a CPA license is required. Again, Dr. Strickland's study finds very little support for this proposal: 70% of surveyed

CPAs believe the attest experience requirement is an assurance of entry level competence, provides valuable discipline in terms of objectivity and independence, [and] provides critical skills in areas other than attest.® They opposed replacing attest experience with either additional auditing coursework or more general accounting experience.

The bottom line on the UAA?

\$ The UAA would dramatically increase the number of hours of education (but not the relevance of that education) required for CPA licensure.

\$ It would dramatically decrease the amount and quality of relevant experience required for licensure.

\$ And it would make passage of the Uniform CPA Exam much more difficult.

None of these proposals have been justified. None of these enhance CPA competence, and none of these benefit the consumer of CPA services. CPIL opposes the UAA.

Thank you for your consideration of these comments.

# **CBA and Committee/Task Force Discussions Related to Experience Requirement**

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Appendix 7



University of San Diego

Center for Public Interest Law

Children's Advocacy Institute

California Board of Accountancy  
 Sunset Review Committee / Uniform Accountancy Act Task Force  
 November 18, 1999

My name is Julie D-Angelo Fellmeth, and I am the Administrative Director of the Center for Public Interest Law.

At its last meeting, this Committee took some very specific positions on very specific parts of the Uniform Accountancy Act (UAA). At that meeting, Carol Sigmann asked for comments from various interest groups. Having just heard you take the positions you did, I wanted to let them sink in for awhile before speaking. They have now sunk in, and I would like to give you our preliminary thoughts on two of the many issues raised by the UAA. These positions will not come as a surprise to those of you who have been on the Board for several years. My intent is to respond to Carol's request.

**First, the 150-hour education requirement for CPA licensure:** CPIL opposes that proposal.

You propose to move from a licensing scheme which does not even require a baccalaureate degree, to one which requires the equivalent of a master's degree. That is a quantum leap, and I don't think it's been justified.

It is not justified by Dr. Strickland's study.<sup>1</sup> As you know, her study measured the relationship between the Board's current and the proposed 150-hour educational requirement and passage of the May 1998 Uniform CPA exam.

Her study found no relationship between the number of semester units taken and

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<sup>1</sup>Oriel Julie Strickland, Ph.D., *A Series of Studies Related to the Education and Experience Requirements for Licensure in California* (June 1999) (commissioned by the Board of Accountancy in response to the directive in SB 1077 (Greene) (Chapter 1137, Statutes of 1996)). Dr. Strickland presented the findings of her study at this Committee's meeting of July 15, 1999. I was present at that meeting. Although your minutes of that meeting do not reflect my comments, I questioned Dr. Strickland about her study at the close of her presentation, during the public meeting. My question and her answer are as follows:

Fellmeth: Dr. Strickland, is it fair to say that your study measures the relationship between this Board's current and proposed educational and experience requirements and passage on the CPA exam C and it does not measure the relationship between existing and proposed education and experience requirements and either CPA competence or consumer protection?

Strickland: Yes, that is correct.

matter, just so long as I have 150 units C at great personal expense to me and with no clear relationship to competence.

The 150-hour requirement will impose a burden on CPA applicants, it has no clear relation to enhanced competence, and it is without solid justification.

**Second, the UAA requires no attest experience as a condition of licensure.** This is not a new concept. This Board argued for its enactment during its first sunset review. We opposed this provision then, and C at this point C we continue to have deep concerns about it.

The ability to do attest is the traditional defining characteristic of a CPA. It is the only thing you do which actually requires a CPA license. It is the thing many consumers believe a person with the letters C.P.A. after their name can do.

This Board currently requires some exposure to the audit process prior to licensure. You have watered that requirement down considerably in the past decade, but it still exists.

And now you want to delete it entirely, so that consumers have no assurance that someone who is permitted to put the letters C.P.A. after his/her name can actually do an audit.

As you know, the legislature considered this issue during the Board's 1995-96 sunset review. It concluded that the Board had not thoroughly evaluated it, and told it to study its experience requirement.

To satisfy this requirement, Dr. Strickland conducted a survey, and she found that 70% of the licensee respondents believe that the attest experience requirement is an assurance of entry-level competence, provides valuable discipline in terms of objectivity and independence, provides critical skills in areas other than attest, and provides a common basis of applying knowledge to a situation.<sup>7</sup>

The majority of licensees responding to the survey opposed replacing the attest experience requirement with either additional coursework in auditing or more general experience.<sup>8</sup>

I know that the majority of licensure applicants found the attest experience requirement burdensome C but what do you expect them to say? And how much perspective on their professional needs can they really be expected to have at that point in their careers?

Again, the big firms seem to be driving this proposal. They drove your watering down of the requirement back in the early 1990s. They argued C perhaps correctly C that fewer and fewer CPA firms are doing attest, and that it is impossible for their employees to find sufficient attest experience

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<sup>7</sup>*Id.* at 18.

<sup>8</sup>*Id.*

in the marketplace. So you accommodated them, but retained the attest requirement. Now they want you to get rid of it entirely.

I don't think that the needs of the big firms should drive regulation here in California. According to Dr. Strickland's survey, two-thirds of licensees who identified themselves as hiring managers said they could provide audit experience to all or most of their new hires.<sup>9</sup>

I understand that the UAA recommends licensure of firms which specialize in attest. That is attractive for a number of reasons. There have been a number of recent high-profile audit failures which we all wish could have been prevented. If that idea were properly implemented *i.e.*, if the people who were to work in these firms were required to have a special level of education and special experience and special continuing education requirements focusing specifically on audit tasks, it might provide more consumer protection than we have now.

However, it is also my understanding that this licensing-of-audit-firms concept has never actually been tried, or at least not uniformly. I know the Board has appointed a committee to work on this, and I'm interested in seeing what that committee comes up with. But until we see a firm proposal in this area, we continue to have concerns about eliminating the attest experience requirement for licensure.

Those of you who were around during the Board's 1995 sunset review may remember a statement I made during my testimony, and I believe it's still true. Perhaps, instead of sunset review, what we need for this board is a sunrise review under the criteria in Government Code ' 9148, to review the changing nature of the accountancy profession. At one time, we licensed CPAs because they performed attest. If they're no longer doing that, maybe we need an in-depth analysis of what they are doing, whether those functions need to be regulated, and in what fashion.

I would like to say one more thing. Several Board members are quite knowledgeable and comfortable about the UAA and sincerely feel it is in the best interests of everyone if California adopted it.

But I sense that just as many Board members are not as knowledgeable or comfortable with the UAA, and that maybe they'd like to discuss some of the provisions C both separately and in a vacuum, and together as they interact with each other.

For example, regarding the attest experience requirement, your staff's discussion paper set forth four options, three of which provide some level of conformity with the UAA and a couple of which might have allayed some of our concerns. However, those options were not discussed.

You can't deny that this is very complicated, and that it is a huge change from where California is right now.

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<sup>9</sup>*Id.* at 19.

Staff tried to get this Committee to engage in a point-by-point discussion of each of the issues back in July, and they were rebuffed with "We've already decided this. We, as a board, have gone on record several times as supporting the entire package." So, that piece-by-piece discussion was shut down. For purposes of justification to the Joint Legislative Sunset Review Committee, I think you should do that. You can't just go in there with a bunch of conclusions; you need to demonstrate how you got there. You must document the process you went through, the alternatives you considered, why you rejected those alternatives, and why you selected the option you have chosen. And you should come up with something better than "everyone else is doing it" because I don't think that's good enough.

Thank you for your consideration of these comments.



SRC/UAA TF Agenda Item II  
May 18, 2000

To : Members, Sunset Review Committee,  
UAA Task Force

Date : May 10, 2000

Telephone : (916) 263-3788

Facsimile : (916) 263-3674

E-mail : [agranick@cba.ca.gov](mailto:agranick@cba.ca.gov)

From : Aronna Granick   
Legislation/Regulations Coordinator

Subject : Peer Review/Attest Firm Task Force Recommendations

Attached for Committee consideration is a draft report providing the recommendations developed by the Peer Review /Attest Firm Task Force. Donna McCluskey, Task Force Chair, will lead the discussion of this agenda item. This item is scheduled for Board consideration at the June 12, 2000, Board meeting.

Attachment

- DRAFT -

## PEER REVIEW/ATTEST FIRM TASK FORCE RECOMMENDATIONS TO THE BOARD

### BACKGROUND

In September 1999, the Board's Sunset Review Committee adopted a proposal to implement the Uniform Accountancy Act (UAA). A component of this was a commitment to pursue consistency with the UAA in the areas of attest firms and peer review. The Peer Review/Attest Firm (PRAF) Task Force was organized to develop the details of this proposal.

The Task Force consisted of two Board members (Donna McCluskey, and Navid Sharafatian), two Report Quality Monitoring Committee Members, (Michael Feinstein and Gary O'Krent) and two Qualifications Committee members (Paul Koreneff and Stephen Larson). Ms. McCluskey served as chair. The Task Force met four times between November 10, 1999, and March 14, 2000.

The Task Force developed the following policy recommendations related to the registration and renewal of attest firms and the implementation of a peer review requirement.

### RECOMMENDATIONS

#### Basic Recommendation:

- All partnerships, corporations, and sole proprietors providing audit or review services ("attest firms") would be required to undergo a system review type of peer review in accordance with professional standards.
- Acceptable system reviews could be obtained from any provider as long as the system review is performed in accordance with professional standards and the provider is approved by the Board.
- Partnerships and corporations not providing attest services would continue to be registered by the Board.
- Firms issuing compilations as their highest level of service would not need to undergo peer review, and instead would be reviewed by the Board's Report Quality Monitoring Program.
- A sole proprietor providing attest services would be required to register as a firm. Registration and renewal would be coordinated with renewal of the individual license, and there would be no additional fee.

*Comment:*

*The recommendation to require peer review is consistent with the UAA. The Task Force recommends a system review (previously called an on-site peer review) be required because the independent assessment of each attest firm's work products and quality control system could significantly enhance consumer protection.*

*This recommendation is supported by data from the Board's Report Quality Monitoring Program (RQM) Program which has consistently found that licensees in peer reviewed firms submit better quality reports. A pilot project conducted from July 1, 1996, through June 30, 1998, found that 96 percent of licensees receiving unqualified peer reviews also received acceptable RQM ratings.*

*In addition to requiring system reviews of attest firms, the PRAF Task Force recommends that the Board continue to register all partnerships and corporations. This is a slight departure from the UAA which does not require the registration of firms that do not provide attest services or use "CPA" in the firm name. The PRAF Task Force concluded it was important to register all partnerships and corporations so the Board could continue to discipline these firms in the event of consumer harm related to tax or other nonattest services.*

*The PRAF Task Force heard presentations from Ron Klein of CAMICO Mutual Insurance Company and Greg Newington, Board Enforcement Program Chief, regarding the impact of compilations on consumers. These reports indicated that, while many compilations contain minor technical errors, there is minimal consumer risk from improperly prepared compilations. Based on this information, the Task Force concluded that firms issuing compilations as their highest level of service should continue in the RQM Program. These firms can then receive the educational benefits of an independent work product assessment without incurring the cost of peer review. This conclusion is consistent with the recommendation adopted by the Sunset Review Committee in March 1999.*

*The recommendation related to sole proprietors is consistent with the UAA and with the requirement that attest firms under go peer review. The Board currently does not require a sole proprietor to register as a firm, and instead permits the licensee to practice as a sole proprietor under his or her individual license. In order to prevent the registration requirement from being burdensome, the PRAF Task Force recommends that there be no additional fee for sole proprietor registration.*

**Transition Plan for Existing Attest Firms:**

- All existing partnerships and corporations shall be considered "attest firms." To continue as an "attest firm," the partnership or corporation must complete a system review which includes the review of an attest engagement prior to the first renewal

after the statute has been in effect for one year. (For example, if the statute goes into effect January 1, 2002, a peer review must be completed prior to the first renewal after January 1, 2003.)

- All CPAs and PAs providing attest services as sole proprietors may continue to do so until the first renewal after the statute has been in effect for one year. To continue to provide attest services, at that renewal the CPA or PA must register as an "attest firm" and complete a system review which includes the review of an attest engagement.
- Firms would renew by meeting the renewal requirements for attest firms described below.
- Existing firms that are not "grandfathered in" in accordance with these recommendations would need to meet the requirements for initial licensure in order to become attest firms.

*Comment:*

*The Task Force believed that current licensees should be permitted to continue providing attest services. However, for enhanced consumer protection, peer review should be required.*

*The Task Force deliberated on when the peer review requirement should go into effect, and concluded that the time frame in the recommendation would provide sufficient time for a firm to enroll in a peer review program and complete its first system review.*

## **New Attest Firms:**

### Basic Requirements

- A new attest firm must complete a system review which includes the review of an attest engagement within one year of approval of its application by the Board. (Evidence of completing the peer review would be the same as the evidence required for license renewal.)
- Prior to completion of the peer review, a new attest firm must employ at least one licensee who has attest experience and is able to act as the "qualifying person."
- When the firm applies for attest firm status, the CPA or PA signing on behalf of the firm must certify as to the firm's ability to perform attest services in accordance with professional standards. Also, the qualifying person must certify that he or she has the required attest experience (documentation will be required), accepts responsibility for establishing and implementing the firm's system of quality control, and has completed the necessary continuing education.

### Qualifying Person – Responsibilities

- The qualifying person and the firm are jointly responsible for establishing and implementing the quality control system for the firm.
- If the qualifying person leaves the firm prior to the completion of a peer review, a new qualifying person must be identified or the firm cannot continue as an attest

firm. The Board must receive written notice of the change within 30 days, and has 60 days to review and approve the documentation.

- The qualifying person and the firm are both responsible for meeting the notification requirement and for maintaining the quality control system. Both would be subject to discipline based on this shared responsibility.

#### Qualifying Person – Qualifications

- The qualifying person, at a minimum, must have attest experience equivalent to the experience currently required for licensure. A current licensee who wants to act as qualifying person may use the attest experience obtained for licensure.
- A CPA who is licensed without attest experience would be required to provide evidence of attest experience comparable to that currently required for licensure. This CPA may do this by requesting employers submit documentation to the Board regarding the CPA's attest experience. The Board would retain this documentation pending receipt of an attest firm application showing the CPA as qualifying person. Verification would then be implemented. It is anticipated that there be a 60 day time frame for verification.
- In addition to experience, the qualifying person must have completed 24 hours accounting and auditing continuing education for the most recent renewal.

#### Extensions

- If the firm fails to complete an attest engagement and have a system review within one year, its attest status would lapse and it would need to reapply to become an attest firm again. A one year extension may be granted by the Board for good cause. The firm would need to certify that it still has a qualifying person and identify the person.

#### *Comment:*

*This is the most complex component of the Task Force's proposal. It reflects the Task Force's effort to ensure that CPAs providing attest services would have appropriate experience, even though the Board is proposing to eliminate the attest experience requirement for licensure.*

*One Task Force member did not support this proposal. Mr. O'Krent believed the requirements for the "qualifying person" were too complex and would be administratively burdensome.*

#### **Renewals for Attest Firms:**

- To renew as an attest firm, the firm would need to undergo a system review which includes the review of an attest engagement.
- The firm would have to provide evidence of compliance with this requirement as a condition of renewal. Evidence would consist of the most recent peer review report and the final acceptance letter from the peer review provider. The final acceptance letter would need to be no more than three years old.

- Also, the licensee signing the renewal on behalf of the firm would have to certify that the firm is in compliance with professional standards related to attest services.

*Comment:*

*The Task Force concluded that submission of a copy of the peer review report and final acceptance letter would be appropriate evidence and would not be burdensome for firms.*

### **Peer Review Oversight Committee:**

#### Composition

- The Board would appoint a Peer Review Oversight Committee (PROC) consisting of 10 to 15 licensees who are not Board members.
- It would include the Chair or Vice Chair and one other member of the Report Quality Monitoring Committee (RQMC) and the Chair or Vice Chair and one other member of the Qualifications Committee(QC).
- It would also include two peer reviewers who are not members of the RQMC or QC, one of whom has experience reviewing large firms. Also, one member of PROC would be from a small firm.

#### Responsibilities

- The PROC would establish procedures and develop implementing regulations for the Peer Review Program and the approval of peer review providers. The PROC would also establish and maintain procedures related to the confidentiality of peer review results.
- The PROC would make policy recommendations to the Board related to peer review policies and recommend comments on exposure drafts related to peer review.
- The PROC would review applications and renewals for peer review providers and make recommendations to the Board.
- The PROC would review provider controls and a representative sample of peer reviews to check the work of approved providers. It would also recommend to the Board the cancellation or restriction of approvals as necessary to maintain the quality of the Peer Review Program.
- The PROC would address problems and complaints related to peer reviewers, peer review providers, and the Peer Review Program. Also, the PROC would establish procedures for referrals to the Enforcement Program or to other Board committees and develop an appeal procedure.

*Comment:*

*The Peer Review Oversight Committee would be responsible for developing implementing regulations and procedures.*



## CALIFORNIA BOARD OF ACCOUNTANCY

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## Appendix 7.a.iii

DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE  
July 21, 2000  
BOARD MEETING

Radisson Hotel Harbor View  
1646 Front Street  
San Diego, CA 92101  
Telephone: (619) 239-6800  
Facsimile: (619) 238-9543

## I. Call to Order.

President Baxter Rice called the meeting to order at 9:05 a.m. on Friday, July 21, 2000, at the Radisson Hotel Harbor View in San Diego. The Board convened into closed session at 9:05 a.m. to hear disciplinary actions Agenda Items IX.B-F. The Board reconvened into regular session at 9:35 a.m.

Board MembersJuly 21, 2000

Baxter Rice, President	9:00 a.m. to 9:57 a.m.
Donna McCluskey, Vice-President	Absent
Michael Schneider, Secretary-Treasurer	9:00 a.m. to 9:57 a.m.
Robert Badham	9:00 a.m. to 9:57 a.m.
Walter Finch	9:00 a.m. to 9:57 a.m.
"Mik" Mikkelsen	9:00 a.m. to 9:57 a.m.
Diane Rubin	9:00 a.m. to 9:57 a.m.
Robert J. Shackleton	9:00 a.m. to 9:57 a.m.
Navid Sharafatian	9:00 a.m. to 9:57 a.m.
Joseph Tamba	9:00 a.m. to 9:57 a.m.

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer  
Patti Franz, Manager, Licensing Program

Aronna Granick, Legislative Analyst  
Robert Miller, Legal Counsel  
Greg Newington, Chief, Enforcement Program  
Theresa Siepert, Executive Analyst  
Carol Sigmann, Executive Officer

Committee Chairs and Members

Olaf Falkenhagen, Chair, Administrative Committee  
Gary O'Krent, Member, Report Quality Monitoring Committee

Other Participants

Roger Bonfils, California Society of Enrolled Agents (CSEA)  
Charles Deen, Super CPA Alliance  
Susan S. Deen, Super CPA Alliance  
Julie D. Fellmeth, Center for Public Law (CPIL)  
Michael Granen, Deputy Attorney General  
Art Kroeger, Society of California Accountants (SCA)  
Ann Nelson, California Society Associated Tax Preparers  
Hal Schultz, California Society of Certified Public Accountants (CSCPA)  
Jeannie Tindel, California Society of Certified Public Accountants (CSCPA)

II. Board Minutes.

A. Draft Board Minutes of the June 12, 2000, Board Meeting.

The draft Board minutes of the June 12, 2000, Board meeting were adopted on the Consent Agenda. (See Agenda Item X.B.)

III. Report of the President.

No report.

IV. Report of the Vice-President.

No report.

V. Report of the Secretary-Treasurer.

No report.

VI. Report of the Executive Officer.

A. Overview of Board Meeting Agenda.

No report.



It was moved by Mr. Shackleton, seconded by Mr. Finch, and unanimously carried to adopt the SRC's recommendation.

Mr. Sharafatian requested that Board president, Baxter Rice, send a letter to the AC members recognizing and commending their continuing efforts on the committee.

5. Peer Review / Attest Firm Task Force Recommendations.

Mr. Sharafatian reported that the SRC also considered draft statutory language to implement peer review. (See Attachment 6.) The SRC made the following changes to proposed Section 5076:

- 5076 (a) change "may" to "shall."
- 5076 (c) third line, strike "licensees" and insert "licensee or registered firm."
- 5076 (c)(2) replace "means" with "includes" on the first line, and at the end of the sentence add "or other services as defined by the Board in regulations."

Mr. Sharafatian indicated that with these changes, the SRC recommends that the Board adopt the recommendations of the Peer Review / Attest Firm Task Force.

It was moved by Mr. Shackleton, seconded by Ms. Rubin, and unanimously carried to adopt the SRC's recommendations with the changes noted above.

VIII. Recommendations of CPA Qualifications Committee.

A. Appeals.

1. Personal Appearances – None.

2. Written Appeals – None.

B. Exam Admission Exceptions.

None.

IX. Petitions, Stipulations, Decisions, by Administrative Law Judge [Closed Session Government Code Section 11126(c)(3)], Uniform CPA Examination [Closed Session – Government Code Section 11126(c)(1)].

A. ~~James C. Twanmoh~~ Petition for Modification of Probation. – Deferred

B. David Devoto – Stipulation.

The Stipulation in the matter of the Accusation filed against David Devoto was adopted.



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DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY  
C.P.A. QUALIFICATIONS COMMITTEE  
MINUTES OF MEETING

July 13, 2005

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

- I. The regularly scheduled meeting of the CPA Qualifications Committee (QC) of the California Board of Accountancy was called to order at approximately 10:00 A.M. on July 13, 2005, by Chair, Nancy Corrigan.

Present

Nancy Corrigan  
Roger Bulosan  
Gary Bong  
Waldemar Faimann, III  
Cheryl MacLellan Gerhardt  
Michelle Nelson  
Robert Riley  
Janet Rosman  
Michael Williams

Board Liaison

Donald Driftmier

Staff

Kristina Asay, Office Technician  
Hilary Barboza, Office Technician  
Mary Crocker, Assistant Executive Officer  
Solè Cunningham, Office Technician  
Patti Franz, Licensing Manager  
Dottie Hays, Licensing Analyst  
Stephanie Hoffman, Licensing Coordinator

Lonnie King, Licensing Analyst  
June Lake, Office Technician  
Brenda Metz, Office Technician  
Allison O'Connor, Office Technician  
Carol Sigmann, Executive Officer  
Tamee Sullivan, Office Technician  
JoAnne Whitsett, Office Technician

Absent

Tracy Garone  
Hamid Kabani  
Alice Norwood  
Ash Shenouda

## II. APPROVAL OF MINUTES OF JANUARY 12, 2005

It was moved by Ms. MacLellan, seconded by Mr. Faimann, and unanimously carried to accept the January 12, 2005, minutes as presented.

## III. CHAIRPERSON'S REPORT

Ms. Corrigan indicated it was a pleasure to have the QC meeting at the Board office. She welcomed Carol Sigmann, Executive Officer, Mary Crocker, Assistant Executive Officer, Board Liaison, Donald Driftmier, and the Board's licensing staff to the meeting.

Ms. Corrigan reported that the QC was assigned the task of reviewing the Certificate of Attest Experience and its instructions to ensure that the terminology and guidelines are clear and consistent with current law. Ms. Corrigan led a discussion regarding this form and the type of work that satisfies the minimum hours required for licensure under Sections 11.5 and 12.5 of Title 16 of the California Code of Regulations and Sections 5083 and 5095 of the California Accountancy Act.

As a result of the discussion, the following issues and questions evolved:

- The definitions of "audit", "attest", "review" and "compilation" hours need to be reviewed. This is especially necessary since smaller firms face the challenge of providing enough "audit" hours to their personnel.
- Should the hours obtained on review and compilation engagements be allowed for the attest experience requirement, and if so, should there be limits on the number of hours allowed for these types of engagements?
- Should the "audit work" and "attestation report" issued under Section 404 of the Sarbanes-Oxley Act qualify for attest experience?

- Should work performed by a CPA firm to assist management in assessing a company's internal control over financial reporting under Section 404 qualify for experience? This assumes the applicant is employed by the CPA firm and not by the company whose internal controls are being assessed since Section 12.(c) (2) of the Board's Regulations indicates experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

It was determined that because of the complexity of the issues and the time required for evaluation, the discussion would continue as an action item at the October 26, 2005, QC meeting.

In the process of discussing attest experience, the issue of an applicant's expectations of an appearance before the QC arose. Should applicants be required to answer questions regarding audit procedures? Should only the work papers be reviewed or should verbal responses be part of the review process? This issue will also be added to the agenda at a future meeting.

#### IV. PAST BOARD MEETINGS

Ms. Corrigan encouraged the committee members to attend Board meetings and become involved with the Board. She noted it was an opportunity to be informed and to have an effect on the accounting profession.

The following items were covered in Ms. Corrigan's summary of the March 18, 2005, and the May 20, 2005, Board Meetings:

- Practice Privilege Task Force
- Peer Review Task Force
- Governor's Reorganization Plan
- CBT Fee Increase and Performance Concerns
- AICPA Exposure Draft on Proposed Statement on Auditing Standards

#### V. STAFF REPORT

Ms. Franz reminded QC members of the importance of notifying the Board staff of any changes in their contact information.

#### VI. OTHER BUSINESS

It was moved by Mr. Riley, seconded by Mr. Faimann, and unanimously carried to recommend the following proposed 2006 Committee meeting dates to the Board:

April 26, 2006	Southern California
July 12, 2006	Northern California
October 25, 2006	Southern California
January 10, 2007	Northern California

VII. INTERVIEWS OF INDIVIDUAL APPLICANTS REGARDING THEIR QUALIFICATIONS [Closed Session in accordance with Government Code Section 11126(c)(2)]

C90-197 – Applicant appeared and presented work papers from his public accounting experience (6 months) for the Committee's review. Applicant has an additional 6.25 months of public accounting experience from two other employers. He also has an additional 43.5 months experience in private industry. This work was performed under the supervision of a licensee and met the requirements of Section 5092 as appropriate general accounting experience. He is currently licensed with general experience.

The work papers presented lacked planning, financial statement preparation, and the demonstration of audit judgment. Compliance with Section 12.5 was not demonstrated.

Recommendation: Defer license with attest experience. Applicant needs to obtain additional experience that will enable him to demonstrate an understanding of the requirements of planning and conducting an audit with minimum supervision that results in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to perform attest services. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted for any new experience obtained. A determination will then be made as to whether he needs to reappear with work papers for the Committee's review.

C05-020 – Applicant and her employer appeared for a Section 69 review. She has 16.5 months with this employer and an additional 16.75 months of public accounting experience with two other employers. Applicant has a 12-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Applicant's previous employer was unable to attend the Section 69 review. Work papers and reports were submitted for Committee review. Applicant had 1.5 months with this employer.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.



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## Appendix 7.b.ii

DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY  
C.P.A. QUALIFICATIONS COMMITTEE  
MINUTES OF MEETING

July 12, 2006

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

- I. The regularly scheduled meeting of the CPA Qualifications Committee (QC) of the California Board of Accountancy was called to order at approximately 10:00 A.M. on July 12, 2006, by Chair, Roger Bulosan.

Present

Roger Bulosan, Chair  
Robert Riley, Vice Chair  
Nancy Corrigan  
Richard Kikuchi  
Gary O'Krent  
Janet Rosman

Staff

Mary Crocker, Assistant Executive Officer  
Patti Franz, Licensing Chief  
Dottie Hays, Licensing Analyst  
Stephanie Hoffman, Licensing Coordinator  
Carol Sigmann, Executive Officer  
JoAnne Whitsett, Licensing Analyst

Absent

Richard Charney, Board Liaison  
Donald Driftmier, Board Liaison  
Waldemar Faimann, III

Tracy Garone  
Hamid Kabani  
Alice Norwood  
Ash Shenouda  
Michael Williams

## II. APPROVAL OF MINUTES OF APRIL 26, 2006

Approval of the minutes was deferred to the October 25, 2006, meeting due to a lack of a quorum.

## III. CHAIRPERSON'S REPORT

Mr. Bulosan welcomed staff and committee members to the meeting. He advised, as the Committee did not have a quorum present, that all action items from this meeting would be deferred to the October 25, 2006, meeting.

### A. A review of the Certificate of Attest Experience

Mr. Bulosan expressed his appreciation for the Subcommittee's work on reviewing the Certificate of Attest Experience.

The meeting was subsequently turned over to Mr. Riley and Ms. Corrigan to commence the discussion regarding the Certificate of Attest Experience. Mr. Riley reported that Ms. Corrigan and he were on track with their commitment to review the CAE.

Mr. Riley stated the background information provided by staff was well organized and most helpful as it not only contained the results from the Quick Poll survey of the other states' practices, but also provided copies of previous QC and Board minutes from 1988 through 1991 when the Committee conducted a similar review to update the Certificate of Attest Experience (formerly Form E).

Mr. Riley referred the Committee to the summary handouts under Agenda Item III in the meeting packet and advised that these summaries would be discussed at this meeting.

Mr. Riley reported that Ms. Corrigan and he had met with Dr. Vickie Peden and Dr. Hassan Hefzi from California Polytechnic University to obtain information from an academic perspective. Also present at this meeting was Ronald Jeffery, a partner with Jeffery, Corrigan and Shaw LLP to provide his insight as a practitioner. The Committee was referred to the summary of this meeting, that was provided in the agenda packet.

Ms. Corrigan provided a brief overview of their discussion. The Subcommittee's assignment was discussed with those present and Ms. Corrigan identified the type of information the Subcommittee was seeking in its review of the Certificate of Attest Experience.

The following topics were discussed:

- The consumer's knowledge and ability in how to select a CPA and their ability to distinguish between a license with general experience and a license with attest experience.
- Whether compilation or review experience should qualify for licensing experience.
- Audit versus attest terminology.
- Whether Sarbanes-Oxley experience would qualify for meeting the attest experience requirements for licensure.

The professors had limited knowledge of the consumer's ability to obtain information on licensees. They also indicated that they experienced a general lack of understanding on the part of students and new licensees regarding the licensing process.

The main concern was how to educate the consumer and those seeking CPA licensure. The professors suggested and offered to assist with developing a student survey designed to test their knowledge of the licensing process, how to select a CPA, the differences between a license with general experience and a license with attest experience, and how to find information on the Board's Web site.

The meeting concluded with the possibility of conducting a student survey to address the concerns identified. If pursued sometime in the future, it is anticipated that the QC would develop the questionnaire and the school would administer the questionnaire with results provided to the Committee for evaluation.

Mr. Riley thanked Ms. Corrigan for her comments.

Mr. Riley referred the Committee to the handout on the Summary of the Quick Poll responses received from various state boards regarding their attest experience requirements for licensure.

From the 29 responses received, 7 states required attest experience; 5 states in some respects required a form of attest experience, and the remaining 17 states did not require attest experience.

In reviewing the results, Mr. Riley stated that the Quick Poll Survey results were not as useful as he had hoped. The overriding conclusion was that California has one of the most stringent requirements for licensure of any state.



Mr. Riley advised that Ms. Corrigan and he had reviewed the Certificate of Attest Experience-Public Accounting form. They concluded that revisions needed to be considered in terms of clarifying language regarding the use of "participation, audit and attest." They also identified the need for separately collecting the hours of planning, audit procedures and financial statements.

They reported that they intend to recommend to the QC at the October 26, 2006, meeting the following recommendations for Board consideration:

- Disallow compilations as qualifying experience for satisfying the 500 hours required in attest services.
- To increase the current 500-hour minimum attest services requirement for licensure with the authority to sign attest reports.
- Modifications to the Certificate of Attest Experience include emphasis to the applicant that the 500 hours required in attest services is the minimum number of hours required for licensure with authority to sign attest reports.
- Modify the Board's Web site to provide the public a better understanding of a licensee's authority to sign attest reports or perform general services. This issue was raised as a result of the Subcommittee's meeting with Dr. Peden and Dr. Hefzi from California Polytechnic University.

A sample draft version of the proposed changes to the Certificate of Attest Experience will also be presented at the October 25, 2006, QC meeting.

Lastly, the statistics related to the approved/not approved files were discussed. The summary indicated there was an increase in the number of appearances before the QC. This is due to the fact that applicants with government and/or private industry experience are now required to appear before the QC and present work papers for its review.

Mr. Riley expressed the importance of committee attendance at the October 25, 2006, meeting, as it is the Subcommittee's objective to present its finding to the Board at its November 30 and December 1, 2006, meeting.

Mr. Bulosan thanked the Subcommittee for its work and again emphasized the importance of attendance by members.

#### B. Training related to the review of government work papers

Ms. Rosman conducted a training session pertaining to the review of government work papers. The Committee discussed in depth the difference between the review of work papers from government, private business entities or companies versus the public accounting sector.

#### IV. PAST BOARD MEETINGS

Mr. Bulosan acknowledged Ms. Patti Franz' promotion to Chief of the Board's Licensing Division and thanked her for her work and dedication.



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## Appendix 7.b.iii

DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY  
C.P.A. QUALIFICATIONS COMMITTEE  
MINUTES OF MEETING

October 25, 2006

Crowne Plaza Los Angeles International Airport  
5985 West Century Boulevard  
Los Angeles, CA 90045

- I. The regularly scheduled meeting of the CPA Qualifications Committee (QC) of the California Board of Accountancy was called to order at approximately 9:30 A.M. on October 25, 2006, by Chair, Roger Bulosan.

Present

Roger Bulosan, Chair  
Bob Riley, Vice Chair  
Nancy Corrigan  
Tracy Garone  
Hamid Kabani  
Richard Kikuchi  
Gary O'Krent  
Ash Shenouda  
Michael Williams

Board Liaison

Donald Driftmier

Staff

Patti Franz, Licensing Chief  
Dottie Hays, Licensing Analyst  
Stephanie Hoffman, Licensing Coordinator  
Kris McCutchen, Licensing Manager  
Carol Sigmann, Executive Officer

Absent

Richard Charney, D.C., Board Liaison  
Waldemar Faimann, III  
Janet Rosman

II. APPROVAL OF MINUTES OF APRIL 26, 2006, AND JULY 12, 2006

It was moved by Ms. Corrigan, seconded by Mr. Williams, and unanimously carried to accept the April 26, 2006, minutes as presented and the July 12, 2006, minutes with minor editorial changes.

III. CHAIRPERSON'S REPORT

Mr. Bulosan reminded the Committee of the importance of their assignment in reviewing the Certificate of Attest Experience. He expressed the Committee's appreciation for the significant amount of time and effort Mr. Riley and Ms. Corrigan expended this past year.

Mr. Bulosan then turned the meeting over to Mr. Riley to commence the discussion on the Certificate of Attest Experience.

A. Certificate of Attest Experience Subcommittee Report

Mr. Riley stated there were several facets to the review of the Certificate of Attest Experience and suggested the Committee address them one by one. He referred the Committee to the summary handouts under Agenda Item III in the meeting packet. He stated these handouts were a culmination of the Subcommittee's work and it was the Committee's job to either accept these findings, to add comments, or if need be, to suggest more work be done before a recommendation could be made to the Board.

The second item discussed by the Committee was the utilization of outside resources to coordinate with colleges, universities and professional societies to better educate stakeholders regarding the requirements for CPA licensure.

The Committee discussed the statutory changes that became effective on January 1, 2002, which resulted in significant changes to the education, examination and experience requirements for licensure as a CPA in California.

Ms. Franz advised that when the Board implemented the new licensure requirements, Board staff were called upon to visit colleges and universities to assist in educating professors and students on the new educational and experience requirements. However, due to staffing constraints, these visits were suspended and staff were redirected to perform licensing related tasks. These staffing constraints still exist today.

After further discussion, it was moved by Mr. Williams, seconded by Mr. Kikuchi, and unanimously carried to recommend to the Board that it resume a process to better educate stakeholders regarding the requirements for CPA licensure.

The third item discussed by the Committee was whether the Board should issue two different types of licenses, one for those authorized to sign attest reports and one for those who are not.

The Committee expressed its concern as to whether stakeholders understand, or are even aware of the differences between licensees authorized to sign attest reports and those who are not. Because the Board does not issue two types of licenses, most consumers are not aware that not all California CPAs are authorized to sign reports on attest engagements.

It was moved by Mr. Williams, seconded by Ms. Garone, and unanimously carried to recommend that the Board issue two types of licenses, one for individuals to sign attest reports and one for individuals not authorized to sign attest reports.

The fourth item the Committee discussed was increasing the minimum attest experience requirement for CPA licensure from 500 hours to 1,000 hours.

Mr. Riley reported that as part of the Subcommittee's work in reviewing the Certificate of Attest Experience, it considered the degree of emphasis placed on qualifying hours, both with respect to content and quantity. The Committee concluded that in light of the emerging complexities of the attest function in financial reporting, and the significant changes in professional standards, in their opinion, 500 hours of attest experience is no longer sufficient.

After lengthy discussion, it was moved by Mr. O'Krent, seconded by Mr. Williams, and unanimously carried to recommend that the Board increase the 500 hours of attest experience required for authorization to sign attest reports to a minimum of 1,000 hours.

The fifth item discussed by the Committee was whether or not work experience obtained under Section 404 of Sarbanes-Oxley would qualify under the current attest experience requirements for licensure.

Discussion ensued and the Committee concluded that incremental portions of Section 404 work would qualify for attest experience, however, such experience should be considered on a case by case basis.

Ms. Corrigan stated in reviewing the Certificate of Attest Experience, the instructions should be modified to include clarification as to the type of work applicants may claim under the "other" category.

It was moved by Mr. Williams, seconded by Ms. Garone, and unanimously carried for the Committee to continue its efforts in modifying the instructions to the Certificate of Attest Experience, to include a reference to Sarbanes-Oxley attest experience.

Mr. Williams offered to assist the Subcommittee in developing this language.

The sixth item for discussion was to discontinue accepting compilations as qualifying attest experience for licensure.

The Subcommittee noted that in August of 1990, there was a recommendation from the Experience Task Force to allow compilations to qualify for licensure. By adopting these changes, applicants were more readily able to acquire the hours of attest experience necessary for licensure, thus easing entry into the profession.

In January 2002, with the implementation of Sections 5092, 5093 and 5095 of the California Business and Professions Code (B & P Code) and Sections 12 and 12.5 of the Accountancy regulations, applicants have the option to obtain a CPA license in California without having to satisfy an attest experience requirement.

Discussion ensued, and the Committee concluded that since the implementation of the new experience requirement for licensure, the door to licensure is now open to applicants previously unable to obtain attest experience. Consequently, it is no longer necessary to accept compilations as qualifying attest experience. Also in support of this recommendation is the fact that Section 5095 of the B & P Code specifies an applicant must complete a minimum of 500 hours in attest services. Since preparing compilations is not considered an attest service, the Board's current practice of accepting compilations may be inconsistent with this law.

It was moved by Mr. O'Krent, seconded by Mr. Kikuchi, and unanimously carried to recommend that the Board discontinue accepting compilations as qualifying attest experience for licensure.

Mr. Riley stated the last item for discussion was the proposed modifications to the Certificate of Attest Experience form identified by the Committee at its July 12, 2006, meeting.

Discussion ensued regarding some of the edits to the Certificate of Attest Experience form and accompanying instructions. The Committee requested the Certificate of Attest Experience be placed on the agenda for its review at its January 10, 2007, meeting.

B. Proposed Changes to Information on the Board's Web License Lookup

The first item discussed by the Committee was recommended modifications to the Board's Web site to more clearly distinguish the differences between a licensee authorized to sign attest reports and those who are not.

This proposed modification stemmed from the meetings Mr. Riley and Ms. Corrigan had with members of academia and members of the profession. The Subcommittee concluded there was a general lack of understanding on the stakeholder's part as to the types of services a California CPA could perform.

As a result of these discussions, the Committee concluded that the initial screen viewed when stakeholders first visit the Board's Web site does not clearly distinguish a licensee's qualifications. The Committee determined the Board's Web site should more clearly identify from the onset the differences between the two licenses as to who could sign attest reports and who could not.

After further discussion, it was moved by Mr. Williams, seconded by Mr. Schenouda, and unanimously carried to recommend to the Board that modifications be made to the Board's Web License Status Lookup initial search screen. These modifications included adding language that describes the type of services a licensee can perform based on the experience completed for licensure, in addition to adding a field titled "Experience Completed" on the "Search Results for Individual Licenses" screen to contain the descriptive language.

C. Resolutions of Retiring Committee Members

A luncheon was held for retiring QC members, Nancy Corrigan, former QC Chair and Hamid Kabani. Framed resolutions were presented to each member acknowledging their professionalism and years of service.

IV. PAST BOARD MEETINGS

A. Report of July 20-21, 2006, and September 14-15, 2006, Board Meetings

Mr. Bulosan provided the Committee with a report from the meetings.

## V. STAFF REPORT

### A. Update on Staffing

Ms. Franz introduced Ms. Kris McCutchen as the new Staff Services Manager in the Initial Licensing and Practice Privilege Units, and advised that she would be attending future QC meetings. She also reported that Ms. Stephanie Hoffman will once again attend the Committee meetings.

Ms. Franz acknowledged the Licensing Division continues to be understaffed in all areas. The Board's goal is to process applications within 30 days and we are now at 100 days processing time.

She advised the only way to reduce the processing time is by adding staff and that recruitment is ongoing to fill vacancies at the technical level as well as at the analytical level.

Ms. Sigmann acknowledged the retirement of Ms. Mary Crocker, the Board's Assistant Executive Officer on October 31, 2006. Ms. Crocker had over 27 years with the Board. She had served as the Assistant Executive Officer since 1995. Her position has been filled from within the Board by Mr. Dan Rich, who has over 10 years of service with the Board.

### B. Update on California Practice Privilege

Ms. Franz updated the Committee on the Practice Privilege Program. To date, the Board has received approximately 4,100 Practice Privilege Notifications.

She also noted that on September 25, 2006, Governor Schwarzenegger signed into law AB 1868, instituting a limited form of temporary/incidental practice that is subject to certain important conditions.

The Board is in the process of developing regulations for public comment to clarify the meaning of the phrase "temporarily practicing in this state incident to practice in another state" in subdivision (b) of Section 5050.

Ms. Franz encouraged the Committee members to provide their input to the Board during the comment period.

## Memorandum

**Appendix 7.b.iv**

Board Agenda Item IX.B.6.a.-e.  
December 1, 2006

To : Ronald Blanc, President  
Board Members

Date : November 20, 2006

Telephone : (415) 543-6900, x234

Facsimile : (415) 543-7240

E-mail : rbulosan@lautze.com

From : Roger Bulosan, Chair  
Qualifications Committee

Subject: Request for Board Direction Related to Recommendations Developed at the  
October 25, 2006, Qualifications Committee Meeting.

This memorandum presents for the Board's consideration and direction five recommendations that were developed by the Qualifications Committee's (QC) Subcommittee on Attest Experience and unanimously adopted by the QC at its meeting of October 25, 2006. The QC is continuing its review of the licensing application forms and instructions and will be providing its recommendations on those documents at a future Board meeting.

The recommendations developed by the Subcommittee on Attest Experience are one outcome of ongoing efforts and discussions by the QC and its Subcommittee during the past two years. These efforts were initiated in the fall of 2004 when Nancy Corrigan, QC Chair, reported to the Board that the QC had observed that current application forms and instructions needed to be reviewed for inconsistencies in light of recent changes in the laws regulating the profession and in professional standards. The Board extended Ms. Corrigan's tenure on the QC specifically to allow her to participate in this project. She and current QC Vice Chair Robert Riley comprised the Subcommittee on Attest Experience.

As the project proceeded, policy issues were identified that the QC concluded should receive consideration, and at its meeting of October 25, 2006, the QC adopted recommendations related to these issues. Information regarding each of these recommendations is provided under Agenda Items IX.B.6.a.-e. respectively. Since these recommendations diverge from the QC's original charge, they are being presented for consideration at this meeting so that the Board can determine how these matters should be addressed.



Ronald Blanc, President  
Board Members  
November 20, 2006  
Page Two

These recommendations are as follows:

- a. More prominently display information that is currently displayed on the Board's Web License Look Up regarding whether the licensee completed the experience required to sign attest reports on attest engagements.
- b. Utilize outside resources to coordinate with colleges, universities and professional societies to better educate stakeholders regarding the requirements for CPA licensure.
- c. Issue two different types of licenses (Attest and Non-Attest) to California CPAs.
- d. Increase the minimum attest experience requirement for CPA licensure from 500 hours to 1,000 hours.
- e. Discontinue accepting compilations as qualifying attest experience for licensure.

In addition, as background information, the Subcommittee's report that was presented at the October 25, 2006 QC meeting is provided as **Attachment 1** to this memo. Also attached are statistics reflecting the number of licenses issued with general and attest experience (**Attachment 2**).

I would like to acknowledge Ms. Corrigan, Mr. Riley, and Board staff for their assistance in reviewing the licensure requirements. Their efforts consisted of countless emails and telephone calls, as well as many hours of reviewing historical data, current literature, and policies and procedures to generate these recommendations.

The QC remains available to assist the Board as needed, and I will be present at the December 1, 2006, Board meeting to answer any questions that the Board may have.

Attachments:

1. Subcommittee Report to the QC Without Attachments.
2. Licenses Issued with General and Attest Experience



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Board Agenda Item IX.B.6.a.-e.  
December 1, 2006

Attachment 1

**QUALIFICATIONS COMMITTEE**  
**Sub-Committee Assignment**

**Review of Certificate of Attest Experience Forms and Related Issues**

Assignment Objectives:

The Board assignment to the Qualifications Committee (QC) was to review the licensing application forms and their instructions in consideration of the changes that have occurred within the laws regulating the profession and the changes to professional standards during the last few years. Faith in the attest services performed by CPAs has been shaken by high-profile financial frauds and business failures. As a result, the profession is undergoing increased scrutiny by the various regulators, investors and the public at large in an effort to restore trust and confidence. While various services routinely performed in the past by CPAs have now been eliminated, an array of new services are now being performed by licensees in view of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley). Consequently, the current environment presents itself to challenge the existing rules and regulations for licensure to ensure the application of the highest level of professional standards and the protection of the public.

The QC and Board staff, in performance of their responsibilities with applicants, have been faced with considerable confusion in connection with interpreting the allowability of certain accounting and auditing procedures conducted during review-type engagements, selected compilation-type services and Sarbanes-Oxley services. Therefore, the instructions to the forms and the application of the related definitions appear to require clarification. Also questioned was whether review and compilation experience hours should qualify for licensure with the authority to sign attest reports in view of the statutory changes in January 2002, allowing applicants the option to obtain a CPA license in California without satisfying the audit experience requirement.

The format for the current licensing application forms was approved by the Board in 1990. Since that time, there have been very few changes within the instructions to the forms or to the main body of the forms, resulting in significant inconsistencies when compared to current regulations and Board-approved definitions.

Areas specifically researched, analyzed and discussed by the Sub-Committee were as follows:

1. The definition and usage of "audit" hours, "attest" hours, "review" hours and "compilation" hours and whether clarification is needed, especially for firms that face the challenge of providing sufficient "audit" hours to their personnel. The QC has observed considerable difficulty on the part of the some firms in applying the instructions to the forms in this regard.
2. Whether the hours gained on review and compilation engagements should be allowed for the experience requirement, and if so whether there should be limits on the number of hours allowed for these types of engagements.
3. Whether the "audit" work and "attestation" report issued under Section 404 of the Sarbanes-Oxley (Section 404) qualify for attest licensure experience.

Due to the complexity of these issues, other integral topics also developed and were considered as a part of this assignment.

#### Sub-Committee Procedures:

Our procedures in executing our assignment included the following:

1. Review of the existing professional standards, guidelines and industry practices in connection with terminology and experience requirements as they pertain to licensing issues.
2. Review of Board meeting minutes from the 1980s to date as they pertained to the nature of qualifying hours for licensure.
3. Review and analysis of existing licensing forms and the instructions and their appropriateness, considering changes within the professional standards and current needs and practices.
4. Inquiry of small to large CPA firms in connection with Sarbanes-Oxley experience in order to better understand the nature of the experience and its applicability to licensing.
5. Interview of university professors for feedback in connection with their knowledge and understanding of licensing requirements and issues that may exist and the impact on the protection of the public. We also solicited their opinion on our other assignment issues.
6. Circulation of a Quick-Poll survey to other states regarding their licensing requirements.

#### Findings and Recommendations:

Education Process and Web site Clarification – We have concluded that the education process is an important element that pervades the licensing of applicants and is also paramount to the protection of the public. The education of both future licensees and the various facets of the public who rely on licensees is crucial. This education should occur during the beginning of the licensure process at the colleges and universities through various programs, in the classrooms and through the professional journals and similar literature provided to students. In addition, a more user friendly Web site for license look-up in connection with the qualifications of a licensee and specifically distinguishing

between licensees authorized to sign attest reports and licensees not authorized to sign attest reports would significantly enhance the education and protection of the public. We recommend, therefore, that the Board consider initiating such an educational process for prospective licensees, and that the Board consider revising the Web site to become more user friendly and to clearly define and identify those licensees authorized to perform the full range of accounting services, including signing attest reports.

Distinguish Attest and Non-Attest Authorization - We considered the nature of professional services being offered to the public and the fact some licensees completed the experience required to perform the full range of accounting services, including signing attest reports, while others did not. We also assumed that the education process for the public recommended as a part of this Sub-Committee's findings will require some time to come to fruition. Given that the attest function and the technical and practical applications related thereto have become even more enhanced within the professional standards, we recommend that the Board take measures to clearly and physically distinguish between licensees authorized to sign attest reports and licensees not authorized to sign attest reports, both at the application for licensure level and at the practice level.

Increasing Qualifying Hours for Licensure - The Sub-Committee reviewed the degree of emphasis placed on qualifying hours, both with respect to content and quantity, over the history of the Board's meetings since the 1980s. In addition, we noted the growing complexity of the attest function in financial reporting, the changing and increasingly difficult times with regard to protecting the public and, as a result, the development of new services in the attest area. The current 500 hour requirement was put into place prior to implementing the "Certificate of General Experience" (Form G) in January 2001. Previously it was difficult for many candidates to obtain attest experience for Form E as some firms performed mostly tax services and very few audits. Therefore, the 500 minimum hour requirement was established in order to accommodate this situation. However, the "General" license is now available for those who want to be a CPA, but who do not need to perform attest-type work.

In furthering its mission to protect the public and as a response to these critical factors, we recommend that the Board consider increasing the number of hours currently required for licensure from 500 to a minimum of 1,000 hours of attest experience. We believe that this minimum also eliminates the confusion that previous "guideline requirements" created and will promote technical quality within the licensing arena.

Sarbanes-Oxley Experience\Section 404 Experience - Board staff and the QC have been confronted with inquiries as to whether work experience performed in connection with Section 404 qualifies under the current attest experience requirements for licensure. Section 404 work involves the auditing and reporting on management's assessment of the effectiveness of a company's internal control over financial reporting and on the effectiveness of internal control over financial reporting as of a date specified in management's assessment (typically the balance sheet date).

The nature of the work performed for Section 404 is similar to the procedures performed for planning the audit, including obtaining an understanding of the components and effectiveness of internal control, assessing control risk and selecting procedures to be performed. The principal difference between the procedures for Section 404 and those performed in connection with a financial statement audit relate to the timing and period covered. Generally accepted auditing standards require that an assessment of internal control in connection with a financial statement audit substantially covers the period included in the financial statements. However, the testing for Section 404 and the reporting thereon are as of a point in time, versus a period of time.

Another question raised in connection with Section 404 work revolves around the level of audit personnel performing the work. Typically, executive level audit personnel assess control risk and select the procedures to be performed. Therefore, entry level or less-experienced audit personnel, who are usually the ones applying for licensure, do not receive the requisite experience.

We discussed the factors presented above with audit executives at a Big Four Firm, a second-tier national firm and a small firm, who all concurred with our view that some incremental portion of Section 404 work should qualify for attest experience. However, such experience is judgmental as to how much work qualifies and should be considered on a case-by-case basis.

Deletion of Compilation Hours for Attest Licensing Experience – In view of our recommendation regarding distinguishing between licensees who are authorized to sign attest reports and those who are not, we recommend that the Board consider deleting compilation hours from the definition of hours that qualify applicants for licensure with the authority to sign attest reports. The AICPA and NASBA jointly published the Uniform Accountancy Act (UAA) and Uniform Accountancy Act Rules in 1997. Under the definition of “attest services” as defined by the UAA, compilations are not included because compilation services do not provide explicit assurance on financial statements. Also, the Board’s Web site contains a discussion of “Selecting a Certified Public Accountant or a Public Accountant” and in the definition section of an “Attest Engagement” states that “.....attest services do not include the issuance of compiled financial statements.” Consequently, compilations do not meet the definition of “attest” and therefore, any experience obtained while performing non-attest work should not qualify for attest experience.

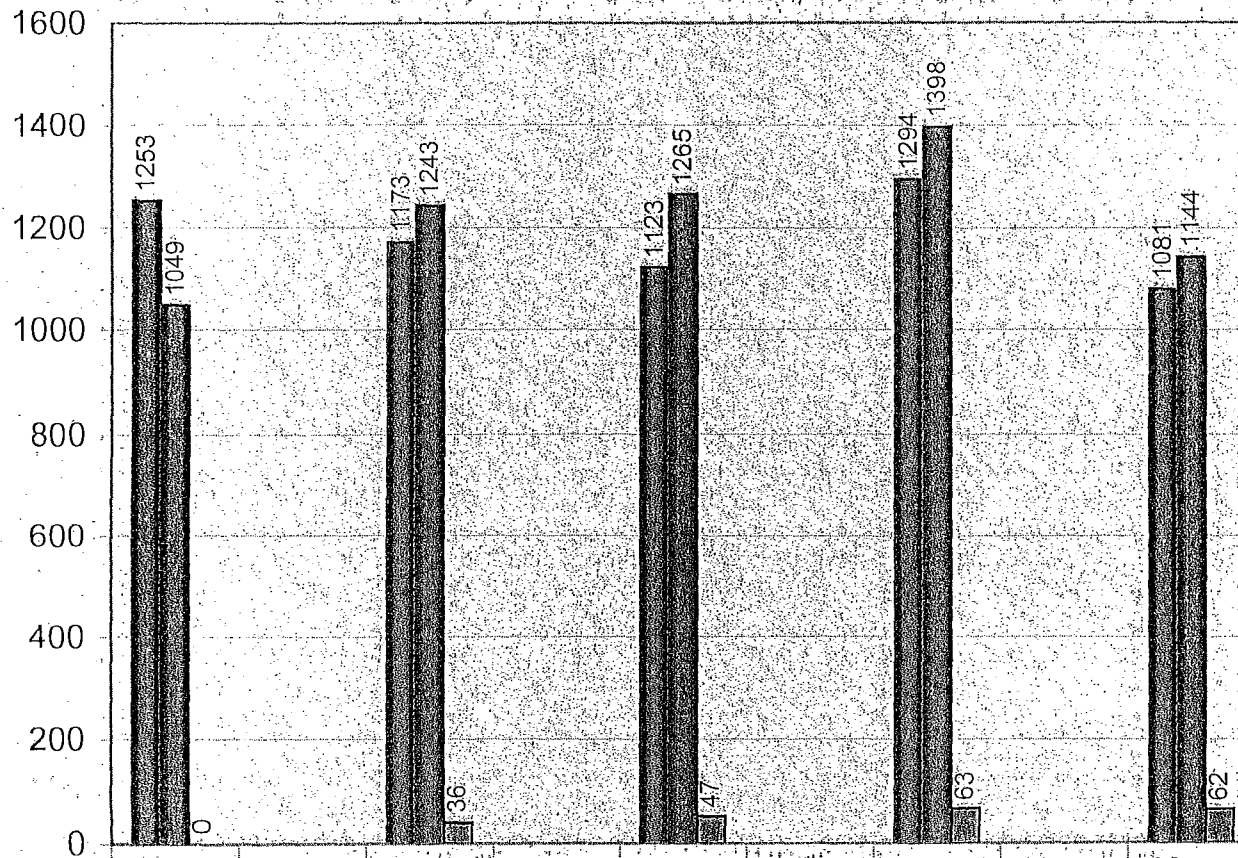
We recommend that hours for audit-type procedures performed on review engagements continue to qualify for licensure. However, we recommend that the majority of qualifying hours of experience must be the result of audit experience, versus review or other attest-related experience.

Revision of Forms for Licensing Application – Our assignment to review the licensing application forms for consistency with regulations and technical standards revealed that they were in need of significant revision. We recommend that the forms be revised as proposed based on the drafts presented herein.

- Attachments:
1. Status Report, July 12, 2006
  2. Summary of Prior Board Meeting Minutes
  3. Memo of Meeting with Professors
  4. Memo of Terminology Discussion
  5. Proposed Revisions to Licensing Application Forms – Draft Forms
  6. Quick Poll Results Summary

Prepared by: Nancy Corrigan, QC Member  
Bob Riley, QC Member

## LICENSES ISSUED WITH ATTEST AND GENERAL EXPERIENCE



■ Attest  
 ■ General  
 ■ Converted from General to Attest

Year	2002	2003	2004	2005	2006
Attest	1253	1173	1123	1294	1081
General	1049	1243	1265	1398	1144
Converted from General to Attest	0	36	47	63	62

**MORE PROMINENTLY DISPLAY INFORMATION THAT IS CURRENTLY DISPLAYED ON  
THE BOARD'S WEB LICENSE LOOKUP REGARDING WHETHER THE LICENSEE  
COMPLETED THE EXPERIENCE REQUIRED TO SIGN ATTEST REPORTS ON ATTEST  
ENGAGEMENTS**

**Background**

In the course of reviewing the Certificate of Attest Experience (formerly Form E), the Qualifications Committee (QC) Subcommittee met with professors from California State Polytechnic University-Pomona to obtain information from an academic perspective, and with members of the profession for their input regarding the ability of stakeholders to distinguish between a licensee not authorized to sign attest reports and a licensee authorized to sign attest reports. As a result of these discussions, it was concluded that the screen viewed when stakeholders initially visit the Board's Web site does not clearly communicate a licensee's qualifications.

**QC Recommendation**

The QC is recommending that the Board modify its Web site to more clearly identify, at the onset, the differences between licensees who are authorized to sign attest reports and those who are not. This modification would include language that describes the type of services a licensee can perform based on the experience completed for licensure. While this descriptive language already appears on the Web site, users are not able to view this language unless they click on "Definition" and access a subsequent screen.

It also is proposed that a field titled "Experience Completed" be modified on the "Search Results for Individual Licenses" screen to contain this descriptive language. While this information is currently accessible on the Web site, it is not viewed unless the stakeholder selects the licensee's name and again gains access to a subsequent screen. The proposed modifications to the Web License Lookup screens are provided as **Attachments 1 and 2**.

**Next Steps**

If the Board approves the recommended changes to the Web site, Board staff will work with the Department of Consumer Affairs to initiate the changes and establish a timeframe for implementation.

Attachments:

1. Web License Status Lookup Information
2. Search Results for Individual Licenses





What's **NEW**



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Search

### Web License Status Lookup

To begin a new search choose:

**Individual Licenses**

or

**Licensed Firms**

or

**Out-of-State Licensees**

with California Practice Rights

### Web License Status Lookup Information

When you search for a license status and locate a licensee, you will see the following information listed:

- Licensee / Firm Name
- Type of License
- License Number
- License Status
- Experience Completed\*
- Expiration Date
- Issue Date
- Address of Record

Disciplinary Actions/  
License Restrictions ("yes" or "no")\*\*

\* If an "A" appears, licensee is authorized to perform the full range of accounting services, including signing attest reports on attest engagements.

If a "G" appears, licensee is NOT authorized to sign reports on attest engagements.

\*\* If a "yes" appears in Disciplinary Actions/License Restrictions, please click on "Details" for further information.

# Search Results for Individual Licenses

The information on this page is updated five days a week (Monday - Friday).

To see if a licensee is active, inactive or on probation, click on the highlighted name. Information also will include disciplinary actions if any are present.

Name	Type	Experience Completed	Number	Address	City	Zip	County	Actions?
<u>GERICH OBREN BRIAN CPA</u>		A/G	12345	6874 N WILLARD	SAN GABRIEL	91775	LOS ANGELES	No

Record 1

[First](#) [Previous](#)

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**UTILIZE OUTSIDE RESOURCES TO COORDINATE WITH COLLEGES, UNIVERSITIES AND  
PROFESSIONAL SOCIETIES TO BETTER EDUCATE STAKEHOLDERS  
REGARDING THE REQUIREMENTS FOR CPA LICENSURE**

**Background**

Statutory changes that became effective on January 1, 2002, resulted in significant changes to the education, examination, and experience requirements for licensure as a CPA in California. Prior to 2002, there was only one pathway (Pathway 0) for licensure and, all applicants were required to satisfy an attest experience requirement. With the implementation of the statutory changes in California's Business and Professions Code Sections 5092, 5093 and 5095, applicants are now able to become licensed without satisfying an attest experience requirement.

At the onset of the implementation of the new pathways, Board staff were routinely called upon to visit colleges and universities to assist in educating professors and students on the new educational and experience requirements. Unfortunately due to staffing constraints, these visits had to be suspended several years ago when all available staff were redirected to perform licensing related tasks.

The Qualifications Committee (QC) Subcommittee concluded after discussions with educators and members of the profession that, confusion still exists on the part of the applicants and educators regarding the licensing requirements and the fact that not all California CPAs are authorized to sign reports on attest engagements.

**QC Recommendation**

Resume a process to better educate stakeholders regarding the requirements for CPA licensure. This could benefit both the consumer and future licensees.

**Next Steps**

The next step would be to develop an outreach/communication plan to better educate stakeholders regarding the requirements for CPA licensure. Such a proposal would involve coordination with colleges, universities, professional societies and other outside resources.

**ISSUE TWO DIFFERENT TYPES OF LICENSES  
(ATTEST AND NON-ATTEST) TO CALIFORNIA CPAs**

**Background**

Prior to January 2002, the Board had one pathway to licensure. All applicants were required to meet an attest experience requirement before a license was granted. This license authorized the applicant to perform the full range of accounting services, including signing reports on attest engagements.

On January 1, 2002, the Board implemented law changes which do not require an applicant to obtain attest experience prior to licensure. Those licensed without attest experience are not authorized to sign reports on attest engagements. During the implementation of these law changes the Board did not decide to have two separate CPA licenses.

The Qualifications Committee (QC) has expressed concern as to whether stakeholders understand, or are even aware of the difference between licensees authorized to sign attest reports and those who are not. Because the Board does not issue two types of licenses, most consumers would likely be unaware that not all CPAs are authorized to sign attest reports.

**QC Recommendation**

It is recommended the Board issue two types of licenses: one for individuals authorized to sign attest reports and one for individuals not authorized to sign attest reports.

**Next Steps**

[To be determined by the Board.]

**INCREASE THE MINIMUM ATTEST EXPERIENCE REQUIREMENTS FOR CPA  
LICENSURE FROM 500 HOURS TO 1,000 HOURS**

**Background**

At the Board's direction, a Subcommittee of the Qualifications Committee (QC) was tasked with the responsibility of reviewing requirements for licensure, including the Certificate of Attest Experience form, and developing recommendations to present to the Board. As part of the Subcommittee's work on this assignment, it considered the degree of emphasis placed on qualifying hours, both with respect to content and quantity. The Subcommittee is of the opinion that, in light of the emerging complexities of the attest function in financial reporting, and the significant changes in professional standards, 500 hours of attest experience is no longer sufficient.

**QC Recommendation**

The QC recommends the Board increase the minimum 500 hours of attest experience required for authorization to sign attest reports to a minimum of 1,000 hours. Increasing the required minimum number of attest hours to 1,000 reflects the Subcommittee's awareness of the emerging complexities of the attest function and the significant changes in professional standards. Increasing the attest experience requirement will not result in a barrier to entry into the profession, as applicants can qualify for licensure with only general experience.

**Next Steps**

[To be determined by the Board.]

## DISCONTINUE ACCEPTING COMPILATIONS AS QUALIFYING ATTEST EXPERIENCE FOR LICENSURE

### Background

In 1988, the Experience Task Force was established by the Board and charged with reviewing the licensing experience requirements and recommending necessary changes to ensure the needs of the public and the changing professional environment were met. After considerable discussion regarding the types of engagements that would qualify as attest experience, a recommendation was made to the Board, and adopted in August 1990, to allow compilations to qualify for licensure. By adopting these changes, applicants were more readily able to acquire the hours of attest experience necessary for licensure, thus easing entry into the profession.

In January 2002, with the implementation of Sections 5092, 5093 and 5095 of the California Business and Professions Code (B&P Code) and Sections 12 and 12.5 of the Accountancy Regulations, applicants have the option to obtain a CPA license in California without having to satisfy an attest experience requirement.

The Qualifications Committee (QC) Subcommittee concluded that, since the implementation of the new experience requirement for licensure, the door to licensure is now open to applicants previously unable to obtain attest experience. Consequently, it is no longer necessary to accept compilations as qualifying attest experience. Also in support of this recommendation is the fact that Section 5095 (**Attachment 1**) of the B&P Code specifies that an applicant must complete a minimum of 500 hours in attest services. Since preparing compilations is not considered an attest service, the Board's current practice of accepting compilations may be inconsistent with this law.

### QC Recommendation

It is recommended that the Board discontinue accepting compilations as qualifying attest experience for licensure. Since applicants can be licensed without obtaining attest experience and the statutory definition of attest no longer includes the preparation of compilations, allowing compilations to qualify as attest experience is no longer appropriate.

### Next Steps

If the Board believes the QC's recommendation to no longer accept compilations as qualifying attest experience merits further consideration, the QC will incorporate such a change into its recommendations to the Board regarding changes to the Certificate of Attest Experience (formerly Form E).

Attachment:

1. Business and Professions Code Section 5095

## **BUSINESS AND PROFESSIONS CODE SECTION 5095**

5095. (a) To be authorized to sign reports on attest engagements, a licensee shall complete a minimum of 500 hours of experience, satisfactory to the board, in attest services.

(b) To be qualifying under this section, attest experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy and provide attest services, and this experience shall be verified. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy and perform attest services, and this experience shall be verified. An applicant may be required to present work papers or other evidence substantiating that the applicant has met the requirements of this section and applicable regulations.

(c) An individual who qualified for licensure by meeting the requirements of Section 5083 shall be deemed to have satisfied the requirements of this section.

(d) The board shall adopt regulations to implement this section, including, but not limited to, a procedure for applicants under Section 5092 or Section 5093 to qualify under this section.

**CALIFORNIA BOARD OF ACCOUNTANCY**

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**Appendix 7.b.v**

DEPARTMENT OF CONSUMER AFFAIRS  
 CALIFORNIA BOARD OF ACCOUNTANCY

**FINAL**

**MINUTES OF THE  
 December 1, 2006  
 BOARD MEETING**

Hilton San Diego Airport  
 1960 Harbor Island Drive  
 San Diego, CA 92101  
 Telephone: (619) 291-6700  
 Facsimile: (619) 293-0689

**I. Call to Order.**

President Ronald Blanc called the meeting to order at 9:00 a.m. on Friday, December 1, 2006, at the Hilton San Diego Airport, and the Board convened into closed session at 9:05 a.m. to consider Agenda Items XII.A-K. The meeting reconvened into open session at 9:35 a.m. and adjourned at 2:25 p.m.

Board MembersDecember 1, 2006

Ronald Blanc, President	9:00 a.m. to 2:25 p.m.
David Swartz, Vice President	9:00 a.m. to 2:25 p.m.
Ruben Davila, Secretary-Treasurer	9:00 a.m. to 2:25 p.m.
Richard Charney	9:00 a.m. to 2:25 p.m.
Angela Chi	9:00 a.m. to 2:25 p.m.
Donald Driftmier	9:00 a.m. to 2:25 p.m.
Sally Flowers	9:00 a.m. to 2:25 p.m.
Thomas Iino	9:00 a.m. to 2:25 p.m.
Clifton Johnson	9:00 a.m. to 2:25 p.m.
Bill MacAloney	9:00 a.m. to 2:25 p.m.
Robert Petersen	9:00 a.m. to 2:25 p.m.
Stuart Waldman	9:05 a.m. to 2:25 p.m.



### Staff and Legal Counsel

Alice Delvey-Williams, Exam and RCC Manager  
Patti Franz, Chief, Licensing Division  
Michael Granen, Deputy Attorney General, Board Liaison  
Greg Newington, Chief, Enforcement Program  
Dan Rich, Assistant Executive Officer  
George Ritter, Legal Counsel  
Theresa Siepert, Manager, Administrative Division  
Carol Sigmann, Executive Officer  
Aronna Wong, Regulation/Legislation Analyst

### Committee Chairs and Members

Roger Bulosan, Chair, Qualifications Committee  
Harish Khanna, Chair, Administrative Committee

### Other Participants

Courtney Bolin Nash, Center for Public Interest (CPIL)  
Julie D'Angelo Fellmeth, Center for Public Interest (CPIL)  
Mike Duffey, Ernst & Young LLP  
Stephen Friedman, Society of California Accountants (SCA)  
Ken Hansen, KPMG LLP  
Richard Robinson, E&Y, DT, PWC, KPMG  
Hal Schultz, California Society of Certified Public Accountants (CalCPA)  
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)  
David Tolken, Society of California Accountants (SCA)  
Charlene Zettel, Director, Department of Consumer Affairs

## II. Board Minutes.

### A. Draft Board Minutes of the September 14-15, 2006, Board Meeting.

The draft Board minutes of the September 14-15, Board meeting were adopted on the Consent Agenda. (See Agenda Item XIII.B.)

## III. Report of the President.

Mr. Blanc reported that Ms. Sos had requested that he read the following letter into the record at this meeting.

Mr. Bulosan reported that Ms. Corrigan and Mr. Riley reviewed past board minutes to look through issues that dealt with qualifications. They also conducted interviews with academia, professional and state societies. The result is five recommendations that are meant to enhance the profession and provide consumer protection.

Mr. Bulosan thanked Ms. Corrigan and Mr. Riley for their work and effort. Mr. Bulosan also thanked the committee for its important deliberations. Mr. Blanc added that the QC and AC committees are indispensable to the functioning of the Board.

Mr. Bulosan reported that the QC's next meeting would be on January 10, 2007, in Oakland, CA.

Mr. Peterson questioned whether a discussion of SOX 404 would qualify as acceptable experience would occur at the January Board meeting. Mr. Bulosan added that the QC committee recommended that SOX 404 work needed to be considered on a case-by-case basis.

4. Proposed 2007 QC Meeting Dates.

**It was moved by Mr. Iino, seconded by Mr. Johnson, and carried to approve the proposed 2007 QC meeting dates.  
Dr. Charney was temporarily absent.**

5. Request to Increase the Qualifications Committee Membership from 13 to 16.

**It was moved by Mr. Petersen, seconded by Mr. Johnson, and carried to increase the membership of the QC from 13 to 16.  
Dr. Charney was temporarily absent.**

6. Request for Board Direction Related to Recommendations Developed at the October 25, 2006, Qualifications Committee Meeting.

- a. More Prominently Display Information that is Currently Displayed on the Board's Web License Look Up Regarding Whether the Licensee Completed the Experience Required to Sign Attest Reports on Attest Engagements.

Mr. Bulosan reported that the QC's recommendation was to make it very clear on the Board's Web site whether a licensee is certified under attest or general experience.

**It was moved by Mr. Petersen, seconded by Mr. Driftmier, and unanimously carried to make the recommended changes to the Board's Web site.**

- b. Utilize Outside Resources to Coordinate with Colleges, Universities and Professional Societies to Better Educate Stakeholders Regarding the Requirements for CPA Licensure.

Mr. Bulosan reported that it was clear from discussions with university professors that students did not have an understanding of the variance between being certified under attest or general experience, and students lacked an understanding of the various pathways to licensure. Mr. Bulosan stated that one of the recommendations was to resume a process to better educate students.

Mr. Driftmier suggested that the Board's existing pathway booklet be made available to State Universities, UCs, and private universities to be utilized as a resource tool.

Mr. Bulosan stated that the subcommittee's recommendations included a two-fold effort – to address the confusion, but to also enhance the profession with an outreach communication plan. Mr. Davila agreed that an educational outreach program would also educate counselors on the educational requirements of becoming a CPA.

The Board directed the issue back to the QC to develop a communications plan and it assigned the Board's Communications and Planning Manager to work with the QC on this project.

- c. Issue two Different Types of Licenses (Attest And Non-Attest) to California's CPAs.

Mr. Bulosan reported that currently there is only one license and the wall certificate makes no distinction whether the CPA is licensed under attest or general experience. He added that this recommendation would provide consumer protection in letting the public know whether or not the licensee is authorized to sign attest reports.

The Board referred this issue to the CPC for further discussion.

- d. Increase the Minimum Attest Experience Requirement for CPA Licensure from 500 Hours to 1,000 Hours.

Mr. Bulosan reported that this recommendation would increase the minimum attest experience requirement from 500 hours to 1,000 hours. Mr. Bulosan indicated that he believed that this equates to approximately three and a half months of performing audits on a full-time basis.

The Board referred this issue to the CPC for further discussion.

- e. Discontinue Accepting Compilations as Qualifying Attest Experience for Licensure.

Mr. Bulosan recommended that the Board discontinue accepting compilations as qualifying experience for licensure applicants who are seeking licensure with the authority to sign attest reports.

**It was moved by Mr. Driftmier, seconded by Mr. Swartz, and carried to no longer accept compilations as qualifying attest experience for licensure.**

**Dr. Charney was temporarily absent.**

C. Committee on Professional Conduct (CPC).

- 1. Minutes of the September 14, 2006, CPC Meeting.

The minutes of the September 14, 2006, CPC meeting were adopted on the Consent Agenda. (See Agenda Item XIII.B.)

- 2. Report on the November 30, 2006, CPC Meeting.

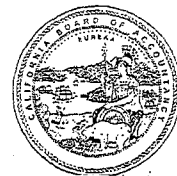
Mr. Swartz reported that the CPC met the previous day and discussed the following agenda items.

- 3. Proposed Responses to the NASBA Questionnaire Related to Educational Requirements.

Mr. Swartz discussed the NASBA Questionnaire related to educational requirements. He noted that this is the latest in a series of documents from NASBA related to the educational requirements in the UAA Rules. In the packet are responses suggested by staff, based on current requirements and policy previously adopted by the Board. **(See Attachment 6.)** He indicated that the CPC recommends that the Board adopt the responses recommended by staff except for the responses to questions 28, 29, and 30. For those questions, the CPC recommends the Board adopt the responses that were distributed the morning of this meeting. **(See Attachment 7.)** These



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Appendix 7.b.vi

DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY  
C.P.A. QUALIFICATIONS COMMITTEE

MINUTES OF MEETING

January 10, 2007

Waterfront Plaza Hotel  
Jack London Square  
Ten Washington Street  
Oakland, CA 94607

- I The CPA Qualifications Committee (QC) of the California Board of Accountancy was called to order at approximately 10:00 A.M. on January 10, 2007, by Mr. Bulosan.

Present

Roger Bulosan, Chair  
Gary Bong  
Maurice Eckley, Jr.  
Tracy Garone  
Michael Haas  
Fausto Hinojosa  
Alan Lee  
Kristina Mapes  
Janet Rosman  
Michael Williams

Board Liaison

Richard Charney, D.C.

Staff

Patti Franz, Licensing Chief  
Stephanie Hoffman, Licensing Coordinator

Kris McCutchen, Licensing Manager  
Larry Patton, Licensing Analyst

Absent

Carlos Aguila  
Richard Kikuchi  
Gary O'Krent  
Robert Riley  
Ash Shenouda

II. APPROVAL OF MINUTES OF OCTOBER 25, 2006

It was moved by Mr. Williams, seconded by Ms. Garone, and unanimously carried to accept the October 25, 2006, minutes as presented.

III. CHAIRPERSON'S REPORT

Mr. Bulosan stated that the focus of the meeting was twofold; to complete the review and modification of the Certificate of Attest Experience form and to ensure that new Committee members are provided training and protocols related to QC member responsibilities. Ms. Garone provided the training.

A. Update on Committee Membership

Mr. Bulosan informed the Committee that Mr. Riley, current Vice Chair of the Committee, accepted a position with his former employer in a foreign country and would resign as the Vice Chair of the QC.

Mr. Bulosan provided a brief account of Mr. Riley's background and acknowledged the work that he performed for the QC. Mr. Bulosan asked if the Board staff could prepare a resolution reflecting Mr. Riley's contributions. Ms. Franz replied that she would ensure this item was placed on a future Board agenda so that Mr. Bulosan could acknowledge Mr. Riley in that venue. Mr. Bulosan stated that he would also recommend to the Vice President of the Board, Ms. Garone for Vice Chair.

Mr. Bulosan announced that there are still two vacancies left on the QC, and urged QC members to recruit qualified individuals that would be interested in filling the positions. He stated that he would accept contact information or resumes relative to filling the vacancies.

B. Proposed Changes to the Certificate of Attest Experience Form (**Action**).

Mr. Bulosan presented background information on the Certificate of Attest Experience form (formerly Form E) to the Committee, including the five recommendations that were a manifestation of the Certificate of Attest Experience review. The review was performed by the QC Subcommittee, which consisted of Mr. Riley and Ms. Corrigan. The recommendations were

presented to the Board at its December 1, 2006, meeting, and are as follows with corresponding Board action(s):

- More prominently display information that is currently displayed on the Board's Web License Look Up regarding whether the licensee completed the experience required to sign attest reports on attest engagements. **Recommendation approved.**
- Utilize Outside Resources to coordinate with colleges, universities, and professional societies to better educate stakeholders regarding requirements for CPA licensure. **This item was referred back to the QC to work with the Board's Communications Manager to implement a plan.**
- Issue two different types of licenses (Attest and Non Attest) to California CPAs. **This item was referred to the CPC for review.**
- Increase the minimum attest experience requirement for CPA licensure from 500 hours to 1,000 hours. **This item was referred to the CPC for review.**
- Discontinue accepting compilations as qualifying attest experience for licensure. The Board unanimously passed the recommendation to disallow compilation hours as attest. **Recommendation approved.**

The Committee then reviewed, at length, the proposed modifications to the Certificate of Attest Experience form. Discussion ensued regarding changing some of the language on the form, particularly related to the instructions to the user. Ms. Franz informed the Committee that when drafting forms and instructions that advise applicants of specific requirements, the Board must consider two factors: the statutory language, and the regulatory language. In order for the Board to add requirements to the forms and its instructions, it must have the legal authority to do so.

The Committee continued a lengthy review of the modified Certificate of Attest Experience Form, and upon completion of the review, additional changes were proposed to the form. Mr. Bulosan suggested the form be modified again by Board staff to reflect the changes proposed during this meeting.

It was moved by Mr. Williams, seconded by Mr. Eckley and unanimously carried to adopt the changes to the Certificate of Attest Experience form recommended during the meeting.

#### IV. PAST BOARD MEETINGS

##### A. Report of the December 1, 2006, Board Meeting

Mr. Bulosan stated that the Board expressed its appreciation for the work and efforts of the QC and that, Board members continually give positive comments regarding the QC's work and commitment.

During the December 1, 2006, Board meeting, Mr. Bulosan advised that the Board acknowledged the retirements of former Board President Ms. Renata Sos and Ms. Mary Crocker from Board staff. Ms. Crocker's replacement as Assistant Executive Officer is Mr. Dan Rich. Mr. Bulosan added that the Board approved the appointments of the six new QC Member appointments.

Mr. Bulosan stated that there was in-depth discussion regarding proposed amendments to Sections 68.3 and 68.4 of Title 16 of the California Code of Regulations related to audit documentation. The objective of this proposal was to make the Board's audit documentation requirements more consistent with the requirements of the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA). He further reported that the Board unanimously voted to reopen the comment period and have an additional Regulatory Hearing at the March 2007 Board meeting.

## V. STAFF REPORT

### A. Update on Staffing

Ms. McCutchen announced that the Board hired a new licensing analyst, Mr. Peter Marcellana, effective December 18, 2006. Mr. Marcellana is a limited term employee, whose term will expire on September 30, 2007. Ms. McCutchen announced that Mr. Marcellana may attend the April 25, 2007, QC meeting.

Ms. McCutchen also advised that management is still working on adding additional positions to the Board staff.

## VI. OTHER BUSINESS

### A. New Committee Member Training

Ms. Garone conducted new member training and provided an overview of housekeeping rules and protocol for interviewing applicants. Mr. Bulosan stated the need to observe confidentiality of applicant information, whether written in their file or in discussions outside of the interview itself. Ms. Franz briefed the new members on the overall licensing process and how an applicant's file is eventually referred to the QC for review.

## VII. FUTURE AGENDA ITEMS

Discussion Regarding the Implementation of an Outreach/Communication Plan to Better Educate Stakeholders Regarding the Requirements for CPA Licensure.





## CALIFORNIA BOARD OF ACCOUNTANCY

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## Appendix 7.b.vii

Department of Consumer Affairs

California Board of Accountancy

Minutes of Meeting

CPA Qualifications Committee

April 25, 2007

Four Points by Sheraton LAX  
9750 Airport Boulevard  
Los Angeles, CA 90045

- I. The regularly scheduled meeting of the CPA Qualifications Committee (QC) of the California Board of Accountancy was called to order at approximately 10:00 A.M. on April 25, 2007, by Chair, Roger Bulosan.

Present

Roger Bulosan  
Gary Bong  
Maurice Eckley, Jr.  
Tracy Garone  
Michael Haas  
Fausto Hinojosa  
Alan Lee  
Gary O'Krent  
Janet Rosman  
Ash Shenouda  
Michael Williams

Board Liaison

Donald Driftmier

Staff

Patti Franz, Licensing Chief  
Dottie Hays, Licensing Analyst  
Stephanie Hoffman, Licensing Coordinator  
Kris McCutchen, Licensing Manager

Absent

Carlos Aguila  
Richard Kikuchi  
Kristina Mapes

II. APPROVAL OF MINUTES OF JANUARY 10, 2007

**It was moved by Mr. Hinojosa, seconded by Mr. Eckley and unanimously carried to accept the minutes of January 10, 2007, as presented.**

III. CHAIRPERSON'S REPORT

Mr. Bulosan welcomed Committee members and staff to the meeting. He recognized the Board's appointment of Ms. Tracy Garone as the Committee's new Vice-Chair replacing Mr. Robert Riley, who resigned to accept an assignment out of the country.

Mr. Bulosan stated that at this meeting the Committee would review a sample of the Certificate of Attest Experience (CAE) - Public-Accounting form, revised by the Committee at the January 10, 2007, meeting. He also reported that a strikeout version of the Certificate of Attest Experience - Non-Public Accounting form had been provided for the Committee to review and provide input.

A. Revised Certificate of Attest Experience – Public Accounting Form

After reviewing a sample of the revised CAE form reflecting the changes made by the Committee, minor editorial changes were made, and staff was asked to incorporate these changes into the CAE.

B. Review of Certificate of Attest Experience - Non-Public Accounting Form

The Committee reviewed a strikeout version of the CAE - Non-Public Accounting form. The proposed changes to the certificate itself are identical to the public accounting document while the instructions are slightly different. Minor editorial changes were made by the Committee. Those changes and the editorial changes made to the Public Accounting CAE will be incorporated in the Non-Public Accounting form.

**It was moved by Mr. O'Krent, and seconded by Ms. Rosman and unanimously carried, to adopt the changes to the CAE - Non-Public Accounting form recommended during the meeting.**

IV. PAST BOARD MEETINGS

Mr. Bulosan reported that Governor Schwarzenegger had appointed two new members to the Board, Ms. Lorraine Hariton and Mr. Marshall Oldman. Ms. Hariton will serve as a Board Liaison to the QC. She is from Northern California and has a strong information technology background.

**M e m o r a n d u m**

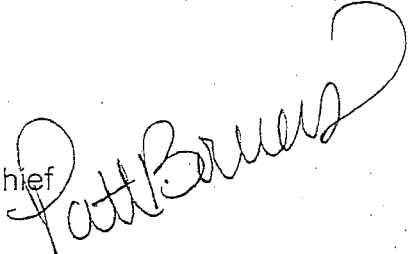
CPC Agenda Item V  
September 18, 2008

Board Agenda Item IX.C.6.  
September 19, 2008

To : CPC Members  
Board Members

Date : September 9, 2008

Telephone : (916) 561-1740  
Facsimile : (916) 263-3676  
E-mail : pbowers@cba.ca.gov

From : Patti L. Bowers, Chief  
Licensing Division 

Subject : Consideration of the Elimination of the Option for Obtaining CPA Licensure with  
General Accounting Experience

Attached for consideration is the background paper related to the elimination of the option for obtaining CPA licensure with general accounting experience that was deferred from the July CPC/Board meetings. As provided in the previous memo, should the CPC decide to recommend that the Board pursue the elimination of the general accounting experience requirement, draft proposed statutory and regulatory language will be brought before the CPC and Board in November 2008.

I will be available at the meeting to answer any questions related to this agenda item.

Attachment

## BACKGROUND PAPER

### ELIMINATION OF THE OPTION FOR OBTAINING CPA LICENSURE WITH GENERAL ACCOUNTING EXPERIENCE

#### INTRODUCTION

Prior to January 2002, Certified Public Accountants (CPA) were required to meet an attest experience requirement for licensure in California. All licensed CPAs at that time were authorized to perform the full range of accounting services, including signing reports on attest engagements.

On January 1, 2002, the California Board of Accountancy (Board) implemented statutory and regulatory law changes that provided the option of obtaining licensure in California as a CPA with general accounting experience pursuant to Business and Professions Code Sections 5092 and 5093 and California Code of Regulations Section 12 (**See Attachment 1**). Individuals licensed without the attest experience requirement are not authorized to sign reports on attest engagements. However, individuals licensed with the attest experience requirement must meet the requirements of Business and Professions Code Section 5095 and California Code of Regulations Section 12.5 (**See Attachment 2**).

At the request of the CPC, staff has provided a background document to assist in the discussion regarding the elimination of the general accounting experience requirement for California licensure. In addition to the background of the experience requirement, this document provides information on the work the Qualifications Committee (QC) has completed related to the experience requirement and issues for further consideration.

#### BACKGROUND – EXPERIENCE REQUIREMENT

In June 1978, the Board appointed a Subcommittee on Experience to review and make recommendations on the existing attest experience requirement and other related issues. At that time, there was no minimum hours of attest experience required for licensure for applicants employed in public accounting. However, applicants employed in government accounting were required to complete 2,000 hours of audit work in order to satisfy the attest experience requirement. The Board established the Subcommittee on Experience to research this issue in response to concern raised that the attest experience requirement was excessive, unfair and created a barrier to entry into the profession.

In February 1980, the Subcommittee on Experience presented its recommendation to the Board to eliminate the 2,000 hour experience requirement for applicants employed in government, and to instead make the experience requirement uniform for all applicants. The Board adopted the recommendation and initially planned to amend

Section 11.5 of the Accountancy Regulations to specifically require a minimum of 500 hours in audit work and activities associated with the preparation of financial statements. However, subsequent to public comments received at the regulation hearing, the Board deferred taking action to adopt the change

In July 1980, the Board revisited the issue and adopted an amended version of Section 11.5 that did not include the draft version's specific reference to requiring a minimum of 500 hours of attest experience for licensure. The adopted regulation specified instead that the attest experience requirement may be fulfilled by a combination of financial audits, reviews, compliance, operation and management audits. In October 1980, the Board's Certificate of Experience (Form E) was modified to suggest 500 hours of experience as a guideline for employers when opining whether or not the applicant had satisfied the experience requirement for licensure.

### **1995 Sunset Review Report**

In its September 29, 1995, Sunset Review Report to the Joint Legislative Sunset Review Committee (JLSRC) of the California Legislature, the Board recommended that the experience requirement for CPA licensure be redefined to consist of public accounting experience gained under the supervision of a licensee, with no specified attest experience requirement.

This recommendation was based upon the Board's view that experience performed in accordance with applicable professional standards is an important prerequisite for licensure. However, the Board also recognized that as a result of tremendous changes occurring in the business and technological environment, the majority of CPAs no longer perform audits and the audit function may no longer be reflective of the current public accounting environment. Accordingly, the Board was concerned that the attest experience requirement was rapidly becoming irrelevant, and as such, may be an unnecessary barrier to entry.

This viewpoint proved to be controversial and opposed by many, including the JLSRC. Subsequent to the JLSRC hearings, Senate Bill (SB) 1077 directed the Board to study the need for continuation of the attest experience requirement, among other requirements, and to provide a report to the Legislature at the next Sunset Review.

### **Education and Experience Study**

Oriel J. Strickland, Ph.D. of California State University, Sacramento prepared a study for the Board, *A Series of Studies Related to the Education and Experience Requirements for Licensure in California*, in the fall of 1997 which concluded in the spring of 1999. The purpose of the study was to comprehensively assess the education and experience requirements for licensure to determine value and benefit to consumer protection. Among the many research tools, the study utilized four surveys to examine the opinions

of approximately 2,500 examination candidates, licensure applicants, licensees, and hiring managers. Although many findings came out of the study, of particular interest regarding California's experience requirement are the following excerpts:

Survey findings suggest the general experience requirement is appropriate. Licensees and hiring managers responding to the surveys indicated that two to three years of general experience was necessary for professional competency.

Findings regarding the attest experience requirement were less clear. Licensees expressed support for the attest experience requirement indicating it is an assurance of entry-level competency and has helped them develop objectivity and independence. On the other hand, applicants who were unable to obtain licensure perceived the attest experience requirement as the major barrier.

Statistical information collected from the Board's licensing files indicated that approximately 97 percent of all licensure applicants, who actively pursued licensure eventually are able to satisfy all experience requirements and become licensed. The study was not able to assess the number of potential applicants who never submit applications because of perceived or actual difficulties in meeting the attest experience requirement.

Also of interest from the study, hiring managers responding to the survey indicated that 24 percent could not provide attest experience to any of their new hires and were split with regards to the difficulty in acquiring attest experience. However, over 70 percent of the licensees who responded were supportive of the attest requirement, indicating that it is an assurance of entry-level competency.

**SUNSET REVIEW COMMITTEE  
UAA TASK FORCE  
PEER REVIEW/ATTEST FIRM TASK FORCE**

In 1998 the Board instituted a Sunset Review Committee (SRC) to deal with the many issues for the Sunset Review Report due to the Legislature in fall of 2000. There were a total of 28 issues the SRC and Board needed to consider for the report, including the Board's licensure attest experience requirement (**See Attachment 3**).

The main focus by the SRC was on the "3 Es" of the UAA: education, examination, and experience. The SRC strived to amend statutory and regulatory language related to California's examination and licensure requirements in order to qualify for substantial equivalency under the Uniform Accountancy Act (UAA). One such change was the attest experience requirement. Under the UAA, attest experience is not a requirement for licensure. However, attest work can only be performed in a licensed firm by a licensee who meets the necessary experience requirements to perform the attest services. (**See Attachment 4**) The SRC indicated that the adoption of the "3 Es" would

serve consumers because licensees will be better qualified and the change would ease reciprocity for California licensees.

At the September 16, 1999 meeting, members of the SRC and UAA Task Force adopted the UAA general experience requirement in addition to a peer review requirement for firms performing attest services and directed staff to draft statutory and regulatory language for consideration at the next scheduled meeting. At the November 18, 1999 and January 20, 2000 SRC and UAA Task Force meetings, staff provided draft statutory and regulatory language for Committee consideration. The SRC and UAA Task Force unanimously carried to recommend to the Board to adopt the final proposed language. At its meeting on January 21, 2000, the Board unanimously adopted the statutory and regulatory language related to the examination and licensure requirements:

- Implement the UAA exam passage standards and conditional credit requirements.
- Implement the 150-hour educational requirement. Applicants would be required to have a baccalaureate degree with 120 semester units of education to sit for the Uniform CPA Examination and a baccalaureate degree with 150 semester units of education for licensure.
- Eliminate the attest experience requirement and require only one year of general accounting experience performed in accordance with professional standards and under the supervision of a licensee.
- Provide for the transition to the new education and experience requirements for three years after enactment of the new requirements.

As previously mentioned, it was important to the SRC to pursue consistency with the UAA, including in the area of attest firms and peer review. The Peer Review/Attest Firm (PRAF) Task Force was organized to develop the details of that proposal. The following PRAF Task Force recommendations related to the registration and renewal of attest firms and the implementation of a peer review requirement were considered at the joint SRC and UAA Task Force meeting on May 18, 2000:

- All partnerships, corporations, and sole proprietors providing audit or review services (attest firms) would be required to undergo a system review type of peer review in accordance with professional standards.
- Acceptable system reviews could be obtained from any provider as long as the system review is performed in accordance with professional standards and the provider is approved by the Board.
- Partnerships and corporations not providing attest services would continue to register with the Board.
- Firms issuing compilations as their highest level of service would not need to undergo peer review, and instead would be reviewed by the Board's Report Quality Monitoring Program.
- A sole proprietor providing attest services would be required to register as a firm.

Based upon the above approved recommendations, staff drafted statutory language to implement the attest firm concept, which was reviewed and approved by the SRC and UAA Task Force at their joint July 20, 2000 meeting. The Board adopted the above attest firm/peer review recommendations and statutory language at its meeting on July 21, 2000.

## **2000 SUNSET REVIEW REPORT**

The SRC approved the draft Sunset Review Report at its meeting on July 20, 2000. At its September 22, 2000 meeting, the Board adopted the finalized Sunset Review Report. The report was submitted to the JLSRC in October 2000.

Of interest for this background document, the following excerpt was taken from the Sunset Review Report regarding issue 10 "Should the 'attest' experience requirement for licensure be eliminated pursuant to the UAA?"

"To achieve consistency with the UAA, the Board proposes to eliminate the attest experience requirement for licensure. The Board researched the matter and found that only 13 percent of licensees selected auditing as their primary area of practice. Further, applicants who have passed the exam but not received their licenses believed attest experience to be a significant barrier. Based on this and other information, the Board concluded that consumer protection would best be served by permitting attest services to be performed only by specially qualified firms that would be licensed and required to undergo peer review. Existing firms would be 'grandfathered in.' This proposal is consistent with the UAA which is being implemented by a number of other states."

The Board's Sunset Review hearing was held on December 5, 2000. During the hearing, significant time was spent discussing the UAA proposal, especially the 150-hour educational requirement, which proved to be a controversial issue. Following the hearing, the Board had 30 days to provide a written response to questions posed by the JLSRC. In responding to the questions posed by the JLSRC, the Board urged the JLSRC to give consideration to the UAA proposal.

## **LEGISLATION TO IMPLEMENT NEW EXPERIENCE REQUIREMENTS**

Two bills were introduced subsequent to the submission of the Board's Sunset Review Report – Senate Bill (SB) 133 and Assembly Bill (AB) 585.

SB 133 was a spot bill introduced by Senator Figueroa on January 29, 2001, to implement outcomes from the JLSRC hearings and extend the existence of this Board and identify a new sunset date upon successful completion of the review process.

AB 585 was introduced by Assembly Member Nation on February 21, 2001, and included the recommendations from the Board's UAA Task Force and the SRC with



regard to the examination and licensure requirements. The language included the following amendments/inclusions:

- Implementation of the UAA exam passage standards and conditional credit requirements.
- Implementation of the 150-hour educational requirement.
- Elimination of the attest experience requirement for licensure and require only one year of general accounting experience.
- Implementation of the attest firm concept.
- Provide a three-year transition plan for applicants in the pipeline under the old examination and licensure requirements (Pathway 0).

At the May 18, 2001, CPC meeting, a compromise to the two bills was presented related to the proposed new licensure requirements adopted by the Board in January 2000. The compromise was suggested by Senator Machado at the Senate Business and Professions Committee hearing to address the concerns of the various parties in the sunset review process. Of particular concern was the fact that the Board was considering requiring a conferred baccalaureate degree to sit for the Uniform CPA Examination and the completion of 150 hours of education for CPA licensure and the potential impact the changes would have on universities and applicants.

The compromise instead created two new pathways to licensure. The educational requirements in the first pathway (Pathway 1) are most similar to the educational requirements in place at the time of the proposed new requirements: a conferred baccalaureate degree and a two year general accounting experience requirement. The exam passage and conditional credit requirements remained the same as those in place at that time. The second pathway (Pathway 2) established consistency with the UAA requirements: 150 hours of education and one year of general accounting experience would be required for licensure. Also, the candidate would have to pass the Uniform CPA Examination meeting the UAA exam passage standards. Neither pathway requires attest experience at the time of licensure unless the individual wants to perform attest services. Applicants obtaining CPA licensure under either pathway with general accounting experience would be able to satisfy the attest experience requirement post-licensure, thereby qualifying to perform attest services. Both bills were signed by the Governor on October 11, 2001, and became law on January 1, 2002.

## QUALIFICATIONS COMMITTEE INPUT

In 2004 the Board requested the QC to appoint a Subcommittee on Attest Experience to review the attest experience certification forms and instructions for consistency with the changes in statute regarding the new licensure requirements and changes in professional standards. Two members of the QC were appointed to the subcommittee and began their review in January 2006.

As the project proceeded, the QC identified policy issues that warranted further consideration. One of the issues was a concern derived from possible confusion surrounding the licensing requirements and the differences between being licensed with attest or with general accounting experience.

The QC made the following recommendations to the Board at its meeting on December 1, 2006:

1. More prominently display information that is currently displayed on the Board's Web License Look Up regarding whether the licensee completed the experience required to sign attest reports on attest engagements.
2. Utilize outside resources to coordinate with colleges, universities and professional societies to better educate stakeholders regarding the requirements for CPA licensure.
3. Issue two different types of licenses (Attest and Non-Attest) to California CPAs.
4. Increase the minimum attest experience requirement for CPA licensure from 500 hours to 1,000 hours.
5. Discontinue accepting compilations as qualifying attest experience for licensure.

Recommendation 1 to more prominently display on the Board's Web site the experience type the licensee completed for licensure in California was adopted by the Board and completed by staff. In addition, Recommendation 5, to discontinue accepting compilations as qualifying attest experience for licensure, was adopted by the Board and went into effect on January 1, 2008. Recommendation 2 to utilize outside resources to better educate stakeholders regarding the requirements for CPA licensure was assigned back to the QC and has been accomplished with assistance from the California Society of CPAs and the QC.

Recommendations 3 and 4 have been assigned to Board staff for development of issue papers and are presently scheduled for CPC/Board consideration at the September 2008 meeting.

## ISSUES FOR CONSIDERATION

In considering whether to pursue elimination of the option for obtaining licensure with general accounting experience, the Committee may wish to consider the following:

1. Applicants continue to apply for licensure under the general accounting experience requirement. Although the Board has noticed an increase in the number of applicants obtaining licensure under Pathway 2 (150-hour education requirement), more individuals are licensed without attest experience than individuals licensed with attest experience (See Attachment 5).
2. The Board has licensed 17,432 applicants since 2002 under Pathway 1 and Pathway 2. Of the individuals licensed with general accounting experience, currently

7,216 maintain an active CPA license. If the general accounting experience requirement is eliminated, will these individuals be required to complete the attest experience requirement?

3. The Enforcement Division has not received any complaints alleging consumer harm by CPAs licensed with general accounting experience. Therefore, it may be difficult for the Board to demonstrate to the Legislature that there is need to eliminate the option for licensure with general accounting experience.
4. A transition plan for applicants in the pipeline for licensure will need to be developed, similar to the transition plan used for implementation of Pathway 1 and Pathway 2. When does the Board envision the elimination of the general accounting experience requirement would go into effect? How will applicants who have successfully passed the Uniform CPA Examination and are unable to satisfy the attest experience requirement be impacted?

#### **ALTERNATIVE OPTION FOR CONSIDERATION**

In lieu of pursuing the elimination of the general accounting experience requirement, the Board may wish to consider the QC's recommendation to issue two distinct licenses reflecting the type of experience obtained for licensure. Although staff have not yet fully explored this alternative, some obvious advantages are identified below:

##### **Advantages:**

- Statutory and regulatory revisions would not be required. The Board already has the authority to implement this alternative solution.
- This change would not create a barrier to licensure for those applicants who are unable to obtain attest experience.
- The two distinct licenses and wall certificates would alleviate consumer confusion.
- Applicants would continue to have the option to obtain CPA licensure with general accounting experience and satisfy the attest experience requirement at a later date.
- The Board may have difficulty getting statutory language through the Legislature without compelling evidence there is a need to eliminate the general experience requirement.

##### **Disadvantages:**

- No obvious disadvantages were identified regarding the recommendation made by the QC to issue two distinct licenses and wall certificates.

If the Board chooses to pursue the QC's recommendation to issue two distinct licenses and wall certificates, staff can fully research this alternative and present an issue paper for consideration at the September 2008 meeting.

## CONCLUSION

As indicated on page 3 of this background paper, the UAA does not require attest experience to qualify for licensure as a CPA. However, it does require that individuals performing attest services complete an attest experience requirement.

Further, as indicated previously in this paper, acquiring attest experience has been perceived by some as a potential barrier to entry into the accountancy profession. With the increasing need to have qualified individuals enter the profession to meet the needs of California consumers, it may be counter-productive to create requirements that impede entry into the profession but offer little to no consumer protection.

As stated in the cover memorandum, the Board would need to pursue both statutory and regulatory changes to implement the elimination of the general accounting experience requirement. In addition, a comprehensive communication plan would need to be developed to ensure current and future applicants are aware of the impending change in the experience requirement.



# CALIFORNIA BOARD OF ACCOUNTANCY

## SUNSET REVIEW REPORT

OCTOBER 2000

Submitted to the Joint Legislative Sunset Review Committee  
of the California Legislature

Prepared in compliance with Senate Bill 2036  
(Chapter 908, Statutes of 1994)

Part 2:  
Board's Response to  
Issues Identified by and  
Former Recommendations Made by  
the Joint Legislative Sunset Review Committee

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# **Uniform Accountancy Act**

**Fifth Edition  
July, 2007**

Standards for Regulation Including  
Substantial Equivalency

Published jointly by the  
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and  
National Association of State Boards of Accountancy  
150 4th Avenue, North, Nashville, TN 37219-2417

1 SECTION 5  
2 QUALIFICATIONS FOR A CERTIFICATE AS A CERTIFIED PUBLIC  
3 ACCOUNTANT  
4

5 (a) The certificate of "certified public accountant" shall be granted to persons of good  
6 moral character who meet the education, experience and examination requirements  
7 of the following subsections of this Section and rules adopted thereunder and who  
8 make application therefor pursuant to Section 6 of this Act.  
9

10 *COMMENT:* As mentioned in the introductory comments, this Uniform Act, like many  
11 accountancy laws now in effect, involves a licensure system that eliminates questions as to who  
12 may use the CPA title. All individuals who wish to use the CPA title in a state must have a  
13 certificate from that state or have practice privileges pursuant to Section 23.  
14

15 It may be noted that this provision contemplates that there will be no certificate requirements  
16 with respect to citizenship, age, or residency. A citizenship requirement would not be  
17 constitutional; in view of the education requirement, a separate age requirement seems without  
18 utility; and in light of the desirability, explained in the introductory comments, of achieving  
19 maximum uniformity and reciprocity among the various states, a residency requirement seems  
20 not merely useless but counterproductive.  
21

22 (b) Good moral character for purposes of this Section means the propensity to provide  
23 professional services in a fair, honest, and open manner. The Board may refuse to  
24 grant a certificate on the ground of failure to satisfy this requirement only if there is  
25 a substantial connection between the lack of good moral character of the applicant  
26 and the professional responsibilities of a licensee and if the finding by the Board of  
27 lack of good moral character is supported by clear and convincing evidence. When  
28 an applicant is found to be unqualified for a certificate because of a lack of good  
29 moral character, the Board shall furnish the applicant [a] statement containing the  
30 findings of the Board, a complete record of the evidence upon which the  
31 determination was based, and a notice of the applicant's right of appeal.  
32

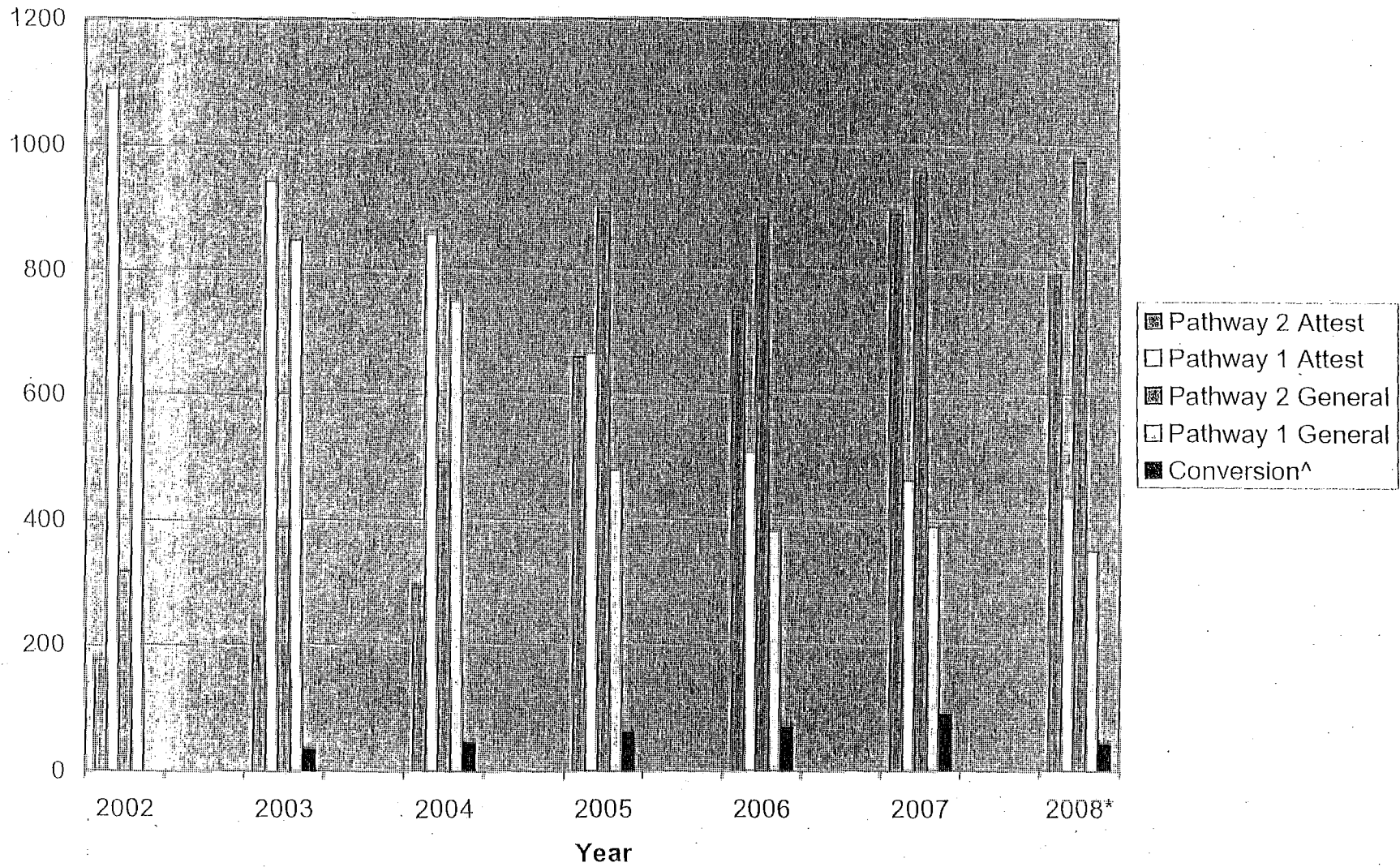
33 *COMMENT:* The precise meaning of a "good moral character" is difficult to prescribe, but the  
34 definition offered in this section has been understood and sustained by courts. This provision is  
35 intended both to assure that the requirement of good moral character will be narrowly and  
36 precisely construed, avoiding problems of both vagueness and over breadth and to assure  
37 procedural fairness in any instance where a certificate is denied on the basis of lack of good  
38 moral character. The right of appeal referred to would presumably be prescribed by a statute of  
39 general application, such as an Administrative Procedure Act.  
40

41 (c) The education requirement for a certificate, which must be met before an applicant  
42 is eligible to apply for the examination prescribed in subsection (d), shall be as  
43 follows:  
44

1 (f) An applicant for initial issuance of a certificate under this Section shall show that  
2 the applicant has had one year of experience. This experience shall include  
3 providing any type of service or advice involving the use of accounting, attest,  
4 compilation, management advisory, financial advisory, tax or consulting skills all of  
5 which was verified by a licensee, meeting requirements prescribed by the Board by  
6 rule. This experience would be acceptable if it was gained through employment in  
7 government, industry, academia or public practice.  
8

9 *COMMENT:* Before an applicant may obtain a certificate, the applicant must obtain actual  
10 experience; however, that experience can be obtained in any area of employment involving the  
11 use of accounting or business skills. In addition, experience should be acceptable whether it is  
12 gained through employment in government, industry, academia or public practice. The  
13 experience may be supervised by a non-licensee but must be verified by a licensee.

### CPAs Licensed Under Pathway 1 and Pathway 2



\* Statistics through June 30, 2008

^ Conversion refers to a licensee who is licensed under the general accounting experience requirement and satisfies the attest experience requirement post licensure



## CALIFORNIA BOARD OF ACCOUNTANCY

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## Appendix 7.c.ii

Board Agenda Item IX.C.1.  
November 20-21, 2008

COMMITTEE ON PROFESSIONAL CONDUCT  
MINUTES OF THE MEETING

September 18, 2008  
Westin Hotel  
400 W. Broadway  
San Diego, CA 92101

## CALL TO ORDER

Manuel Ramirez, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 9:00 a.m. Mr. Ramirez indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full California Board of Accountancy (Board) are present at a committee meeting, members who are not members of that committee may attend that meeting only as observers. The Board members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

Present:

Manuel Ramirez, Chair  
Sally Anderson  
Richard Charney  
Donald Driftmier  
Lorraine J. Hariton  
Marshal Oldman  
David Swartz

Board Members Observing:

Robert Petersen

Board Staff and Legal Counsel

Marisa Becerra-Garcia, Executive Analyst  
Patti Bowers, Chief, Licensing Division  
Paula Bruning, Executive Assistant  
Gary Duke, Legal Counsel, DCA  
Dominic Franzella, Coordinator, Renewal and Continuing Competency Unit  
Lauren Hersh, Communications and Planning Officer  
Greg Newington, Chief, Enforcement Division  
Deanne Pearce, Manager, Renewal and Continuing Competency Unit  
Dan Rich, Acting Executive Officer  
George Ritter, Legal Counsel, DCA

Matthew Stanley, Legislation/Regulation Analyst  
Liza Walker, Coordinator, Practice Privilege Unit

Other Participants

Julie D'Angelo Fellmeth, Center for Public Interest Law (CPIL)  
Elliott J. Fils  
Tracy Garone, Chair, Qualifications Committee  
Kenneth Hansen, KPMG LLP  
Scott Harris, Deputy Attorney General, Department of Justice  
Harrish Khanna, Chair, Administrative Committee  
Tracy Logan, CPIL  
Richard Robinson, E&Y, PWC, D&T, GT, KPMG  
Gregory Santiago, Legislative Analyst, DCA  
Hal Schultz, California Society of Certified Public Accountants (CalCPA)  
Jeannie Tindel, CalCPA  
David B. Tolkan, Society of California Accountants (SCA)

- I. Draft Minutes of the July 24, 2008, CPC Meeting.

**It was moved by Mr. Driftmier, seconded by Mr. Swartz, and carried unanimously to approve the draft minutes of the July 24, 2008, CPC meeting.**

- II. Reconsideration of the Draft Peer Review Report to the Legislature.

Staff requested that the CPC first address CPC Agenda Item III. as it would directly impact the discussion of CPC Agenda Item II., Reconsideration of the Draft Peer Review Report to the Legislature. After considering CPC Agenda Item III., the discussion then moved to the Draft Peer Review Report (see **Attachment 1**).

Mr. Rich summarized the changes that had been made at the request of the Board at the July meeting including removing reference to Enron and WorldCom, removing reference to the AICPA Standards, and clarification in the 'Resource Identification' section regarding the Administrative Committee (AC). Mr. Rich recommended a further change to clarify the recap on transparency on page 23 of the report. Mr. Rich expressed his opinion that the recap should include a discussion on the Board's intent to increase the transparency of the peer review process. The CPC expressed concern that the change emphasize that the goal is more transparency, not less; the CPC then directed staff to prepare the change for the next day's Board meeting.

**It was moved by Mr. Swartz, seconded by Ms. Anderson, that the CPC recommend that the Board adopt the Peer Review Report with the recommended changes.**

**It was moved by Mr. Driftmier, seconded by Mr. Swartz, and carried unanimously, that the CPC recommend that the Board adopt the proposed plan of action that was recommended by staff.**

IV. Further Discussion of Enforcement Staffing Needs and Costs Analysis Related to Peer Review.

Mr. Newington provided a synopsis of his memorandum outlining the anticipated costs to the Enforcement Division associated with the implementation of mandatory peer review (see **Attachment 3**). He reviewed previous discussions on this item and presented two options and the associated costs to the Board for handling failed peer reviews. The first option involved the Board giving specific direction that only two consecutive fails or one egregious fail be referred to Enforcement for investigation. The cost for Option 1 was projected at \$280,000 annually. The second option would allow the AC to use their best judgment in referring cases to Enforcement for investigation. The projected cost for Option 2 was \$560,000 annually.

The CPC discussed cost-benefit, the cost to the Board for an additional Enforcement position, and the potential burden to firms. The CPC also discussed expedited peer reviews for firms that fail.

**It was moved by Mr. Driftmier, seconded by Mr. Oldman, and carried unanimously that the CPC recommend that the Board adopt Option 1 as outlined in the memorandum.**

V. Consideration of the Elimination of the Option for Obtaining CPA Licensure with General Accounting Experience.

Ms. Bowers indicated that the issue paper provided for this topic was previously circulated at the July 2008 meetings and was deferred to the September 2008 meeting due to time constraints (see **Attachment 4**). Ms. Bowers stated that she had previously provided a detailed overview of the issue at the July 2008 meeting. She elected to highlight a few selected areas.

The CPC discussed several options including a two-tier license, issuing two different licenses, indicating the difference on the wall certificate, explaining it on the Board website, and maintaining the status quo. The CPC also discussed the origin of this particular item.

Mr. Fils, who had submitted a letter regarding the topic (see **Attachment 5**), expressed his support of consumer protection and indicated that the Board's education, experience, and continuing education are designed to achieve that. He further indicated that in reviewing Ms. Bower's report that the Board had not received any complaints regarding licensees with general experience

performing attest work. Therefore, Mr. Fils noted his desire to maintain an option for licensure with general accounting experience.

Mr. Rich discussed an upcoming report that DCA is preparing regarding workforce planning to ensure sufficient licensees for the state of California. He indicated that, at this time, the Board is projecting a sufficient licensee population. However, it is based on the presumption the Board will continue to license individual's with the general accounting experience.

The CPC discussed that CPAs are the only group that can perform attest services, and whether it was important that all CPAs obtain attest experience prior to licensure.

Mr. Schultz indicated an opposition to requiring all CPAs to have attest experience. He also indicated opposition to two distinct licenses as this could increase confusion. Other members of the public expressed their views.

**It was moved by Ms. Hariton, seconded by Dr. Charney, and carried unanimously that the CPC table the question until such time that a member of the CPC place it back on the agenda.**

VI. Comments from Members of the Public.

No comments were received.

VII. Agenda Items for Next Meeting.

No agenda items were identified.

There being no further business, the meeting was adjourned at 11:35 a.m.





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& Public Affairs

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CPC Agenda Item V  
September 18, 2008

Board Agenda Item IX.C.6.  
September 19, 2008

September 15, 2008

Mr. Donald Drifunier  
President  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

Dear Mr. Drifunier:

I am writing to encourage the Board of Accountancy to continue its practice of allowing CPAs to be licensed with general accounting experience.

I am one of the many proud CPAs in California. My wall plaque hangs prominently in my office and I'm active in California Society of CPAs and a member of AICPA. My road to becoming a CPA was not a traditional one, though. I became interested in becoming an accountant after graduating college and after obtaining my first accounting job. I went back to night school to complete the educational requirement and studied at night again to pass the CPA exam. I passed the CPA exam in May of 1993. At that time, I was also heading the financial department at a reputable firm, and had a young family at home. I looked into what would be involved in getting the attest experience to complete the requirements for a license and decided that my personal and professional responsibilities would make it impossible. In 2003, I learned that a new option was available to obtain a CPA license by having general accounting experience. The final step in the process took another year, but I became licensed in August of 2004.

I'm sure this same story could be told by countless other CPAs who took the same path as I did. And, the profession and the public have benefited in many ways. Here are a few examples:

- CPAs, like me, ARE licensed, just like all other CPAs. That means we are required to take courses on ethics and meet other continuing education requirements to keep our professional knowledge current.
- There has been an increase in the diversity of experience and the number of licensed professionals. As stated by Tom Dalton, Ph.D., CPA, in the January/February 2002 issue of CPA magazine, the profession added "a new path to becoming part of the most diverse profession in California. No longer will everyone pay their dues the same way. What it means to be a CPA will take on new meaning, both within the profession and within the court of public opinion."

Mr. Donald Driftnier  
California Board of Accountancy  
September 15, 2008  
Page 2 of 2

- Opportunity to obtain the best accounting talent is now equal for all businesses, in that CPA candidates can choose to obtain their licenses through a large national accounting firm that provides audit experience, as well as a smaller firm or business that provides other accounting services, as long as they are supervised by a CPA with an active license.

We do not need to create a new category within the profession, beyond that which we already have, to signify CPAs that have not met the attest requirement. WE know that we can't perform attest engagements and the Board's website clearly makes the distinction under the "license look-up" function. I think that suffices. The public doesn't appear to be confused and I have yet to see a documented harm to the profession since the new option was implemented eight years ago.

While I respect and admire my colleagues who took the path to becoming a CPA by meeting the attest requirement, I think the Board took a bold and positive step forward in 2001 by allowing CPAs to become licensed with general experience, and I support maintaining it.

Sincerely,



Elliott J. Fils, CPA

CC: Members of the Board of Accountancy  
Jeannie Tindell, Director, Legislation, California Society of CPAs



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Appendix 7.c.iii

DEPARTMENT OF CONSUMER AFFAIRS  
 CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE  
 SEPTEMBER 19, 2008  
 BOARD MEETING

The Westin San Diego  
 400 West Broadway  
 San Diego, CA 92101  
 Telephone: (619) 239-4500  
 Facsimile: (619) 239-3274

## I. Call to Order.

President Donald Driftmier called the meeting to order at 8:32 a.m. on Friday, September 19, 2008, and the Board and Administrative Law Judge (ALJ) James Ahler heard Agenda Item XII.A. The Board convened into closed session at 9:45 a.m. to deliberate Agenda Item XII.A. The Board then considered Agenda Items XII.B.-H. The meeting reconvened into open session at 10:46 a.m., and adjourned at 3:18 p.m.

Board MembersSeptember 19, 2008

Donald Driftmier, President	8:32 a.m. to 3:18 p.m.
Robert Petersen, Vice President	8:32 a.m. to 3:18 p.m.
Rudy Bermúdez, Secretary-Treasurer	8:38 a.m. to 3:18 p.m.
Sally Anderson	8:32 a.m. to 3:18 p.m.
Richard Charney	8:32 a.m. to 2:07 p.m.
Angela Chi	8:32 a.m. to 3:18 p.m.
Lorraine Hariton	8:32 a.m. to 3:18 p.m.
Louise Kirkbride	8:32 a.m. to 3:18 p.m.
Leslie LaManna	8:32 a.m. to 3:18 p.m.
Bill MacAloney	8:32 a.m. to 3:16 p.m.
Marshal Oldman	8:32 a.m. to 3:18 p.m.
Manuel Ramirez	8:32 a.m. to 3:18 p.m.
David Swartz	8:32 a.m. to 3:18 p.m.
Lenora Taylor	Absent
Stuart Waldman	Absent

Staff and Legal Counsel

Marisa Becerra-Garcia, Executive Analyst  
Patti Bowers, Chief, Licensing Division  
Paula Bruning, Executive Assistant  
Gary Duke, Legal Counsel, Department of Consumer Affairs  
Dominic Franzella, Renewal Coordinator  
Scott Harris, Deputy Attorney General, Department of Justice  
Lauren Hersh, Information and Planning Officer  
Gregory Newington, Chief, Enforcement Division  
Deanne Pearce, Licensing Manager  
Dan Rich, Acting Executive Officer  
George Ritter, Legal Counsel, Department of Consumer Affairs  
Theresa Siefert, Manager, Administrative Division  
Matthew Stanley, Legislative/Regulation Analyst  
Liza Walker, Practice Privilege Coordinator

Committee Chairs and Members

Harish Khanna, Chair, Administrative Committee  
Tracy Garone, Chair, Qualifications Committee

Other Participants

Hon. James Ahler, Administrative Law Judge  
Mike Duffy, Ernst & Young, LLP  
Julie D'Angelo Fellmeth, Center for Public Interest Law (CPIL)  
Elliott J. Fills, Certified Public Accountant (CPA)  
Ed Howard, CPIL  
Tracy Logan, CPIL  
Glen Morinaka  
Carl Olson  
Richard Robinson, E&Y, DT, PWC, KPMG, GT  
Edward A. Rose, Jr., Attorney at Law  
Gregory Santiago, Legislative Analyst, Department of Consumer Affairs  
Hal Schultz, California Society of Certified Public Accountants  
Val Sheehan, Val Sheehan Consulting  
Jeannie Tindel, California Society of Certified Public Accountants  
David B. Tolkan, Society of California Accountants  
Laura Zuniga, Deputy Director, Policy and Legislative Review, Department of Consumer Affairs

II. Board Minutes.

The draft Board minutes of the July 25, 2008, Board meeting were adopted on the Consent Agenda (See Agenda Item XIII.C.).

2008.

4. Further Discussion of Revised Statutory and Regulatory Language Related to Peer Review.

Mr. Ramirez reported that Board staff presented the CPC with an action plan and a projected timeline for legislation and regulation adoption to implement a peer review program. He further reported that the CPC discussed meeting personally with DCA and legislative staff to present the Peer Review Report. Mr. Ramirez reported that Board staff was directed to prepare talking points in advance of anticipated meetings.

The CPC recommended that the Board adopt the action plan recommended by Board staff.

**It was moved by Mr. Ramirez, seconded by Mr. Driftmier, and carried to accept the CPC's recommendation with regards to the statutory and regulatory language related to peer review as presented by staff. Dr. Charney was temporarily absent.**

5. Further Discussion of Enforcement Staffing Needs and Costs Analysis Related to Peer Review.

Mr. Ramirez reported that Board staff reviewed previous discussions and presented a memorandum containing two options, along with their associated costs.

The CPC recommended that the Board proceed with staff's recommendation outlined in Option 1 of the memorandum. Option 1 directs that Enforcement investigations should be pursued whenever two consecutive reviews result in "fail" reports, or when a single "fail" report documents egregious unprofessional conduct that warrants immediate investigation.

**It was moved by Mr. Ramirez, seconded by Mr. Oldman, and carried to approve the CPC's recommendation to proceed with Option 1 of the memorandum. Dr. Charney was temporarily absent.**

6. Consideration of the Elimination of the Option for Obtaining CPA Licensure with General Accounting Experience.

Mr. Ramirez reported that the CPC discussed at length the elimination of the option for obtaining licensure with general accounting experience. He stated that public comment was offered in support, as well as in opposition.

The CPC recommended to the Board that the general experience requirement be retained at this time, and the Board concurred with the CPC's recommendation.

D. Legislative Committee.

1. Draft Minutes of the July 24, 2008, Legislative Committee Meeting.

The draft minutes of the July 24, 2008, Legislative Committee meeting were adopted on the Consent Agenda (see Agenda Item XIII.C.).

2. Update on Legislation.

a. SB 963 (Ridley-Thomas) – Regulatory Board: Operations.

Ms. Hariton reported that the legislative session is closed, and this bill is currently with the Governor's Office.

b. SB 1869 (Lowenthal and Negrete McLeod) – Local Agencies: Redevelopment.

Ms. Hariton reported that the legislative session is closed, and this bill is currently with the Governor's Office.

E. Enforcement Program Oversight Committee (EPOC).

There was no report on this agenda item.

F. Ethics Education and Licensing Frequency Task Force.

1. Draft Minutes of the July 24, 2008; EELF Task Force Meeting.

The draft minutes of the July 24, 2008, EELF Task Force meeting were adopted on the Consent Agenda (see Agenda Item XIII.C.), with a typographical correction on page 7.

2. Report on the September 18, 2008, EELF Task Force Meeting.

Ms. Anderson reported that the EELF Task Force met the previous day to discuss and take action on the following agenda items.

3. Consideration of the Proposed Changes to the Current Ethics Education Requirements for License Renewal.

a. Content of Ethics Courses.

Ms. Anderson reported that the Task Force considered various

## Memorandum

Appendix 7.d.i

QC Agenda Item III.C.  
April 22, 2009

To : Tracy Garone  
Qualifications Committee Members

Date : April 17, 2009

Telephone : (916) 561-1739

Facsimile : (916) 263-3676

E-mail : kmccutchen@cba.ca.gov

From : Kris McCutchen  
Licensing Manager

Subject : Discussion Regarding Increasing the Minimum Number of Hours of Attest Experience Required from 500 Hours to 1,000 Hours

At the December 2006 California Board of Accountancy (Board) meeting, the Qualifications Committee (QC) made a recommendation to the Board to increase the attest experience requirement from 500 hours to 1,000 hours, for Certified Public Accountant (CPA) licensure with the authorization to sign attest reports. The Board referred this issue to the Committee on Professional Conduct (CPC) to be discussed at a future meeting. In anticipation of scheduling for CPC consideration later this year, the matter is being brought back before the QC to clarify the necessity for the increase.

### BACKGROUND ON QC'S RECOMMENDATION FOR INCREASE

In the Fall of 2004, the Board requested that the QC appoint a subcommittee to review the Certificate of Attest Experience form and instructions for consistency with the changes in statutes related to the implementation of two pathways for licensure and changes in professional standards. Along with the review of the Certificate of Attest Experience form, the subcommittee also reviewed, analyzed and discussed other experience and licensing-related issues in which the subcommittee felt changes were needed. As a result of these discussions, the subcommittee recommended that the Board increase the number of hours of attest experience required from 500 hours to 1,000 hours, for CPA licensure with the authorization to sign attest reports.

According to the subcommittee report (**Attachment 1**), the recommendation was based on the following reasoning,

"... [the] growing complexity of the attest function in financial reporting, the changing and increasingly difficult times with regard to protecting the public and, as a result, the development of new services in the attest area."

In addition, the subcommittee opined that,

"... in furthering its mission to protect the public and as a response to these critical factors, we recommend that the Board consider increasing the number of hours currently required for licensure from 500 to a minimum of 1,000 hours of attest experience. We believe that this minimum also eliminates the confusion that previous 'guideline requirements' created and will promote technical quality within the licensing arena."

## **BACKGROUND ON ATTEST REQUIREMENT**

The Board has always had an experience requirement for licensure. A portion of that experience had to be in attest work and, although there was no minimum hourly attest requirement, 500 hours was used as a guideline by Board staff in determining if experience requirements were satisfied.

In 2001, legislation was proposed to create two pathways for licensure. Neither pathway required attest experience at the time of licensure unless the individual wanted the authorization to sign attest reports. Applicants obtaining CPA licensure under either pathway with general accounting experience would be able to satisfy the attest experience requirement post licensure, thereby authorizing them to sign attest reports.

On January 1, 2002, Section 12.5 of the Accountancy Regulations (**Attachment 2**) became effective reflecting two changes to the licensure requirements: 1) creating two pathways for licensure, and 2) establishing the 500-hour minimum attest experience requirement for the authorization to sign attest reports.

## **UNIFORM ACCOUNTANCY ACT AND OTHER STATES' REQUIREMENTS**

Under the Uniform Accountancy Act (UAA), an applicant for initial licensure must complete one year of experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills all of which must be verified by a licensee, meeting requirements prescribed by a board. This experience is acceptable if it is gained through employment in government, industry, academia or public practice.

The UAA requires that all licensees responsible for supervising attest or compilation services and who sign, or authorize someone to sign, reports on financial statements on behalf of their firm must meet the competency requirements contained in professional standards before they may perform attest or compilation services.

In a review of other states' requirements for attest experience, staff found that there is a wide variation of attest experience requirements for licensure. Thirty-two states have no specific requirement for attest experience, and the remaining eighteen states, including California have differing requirements for attest experience or the option to be licensed without the authority to sign attest reports. One state, West



Virginia, requires a copy of the last peer review report in order to be approved for the authority to sign attest reports.

### **OPTIONS FOR CONSIDERATION**

The following have been identified by staff as options the QC can consider:

Option 1: Status Quo – Do not increase the minimum number of hours of attest experience required from 500 hours to 1,000 hours.

Staff is unaware of any problems resulting from the current 500-hour attest experience requirement. We are unable to provide a compelling argument that an increase to 1,000 hours will better protect consumers. In addition, without evidence the current 500-hour requirement is insufficient, concern may be raised that this would create an unnecessary barrier to licensure.

Option 2: Recommend to the CPC that the minimum number of hours of attest experience required be increased from 500 hours to 1,000 hours.

Should the QC decide to recommend that the 500-hour attest experience requirement be increased, the QC would need to be able to provide justification and reasoning to the CPC regarding the rationale for the increase. Given that the increase in attest hours would require a regulation change, in addition to providing the CPC with a basis for the increase, the Administrative Procedure Act requires that six legal standards be met for a regulatory change, one of which is "necessity".

In providing justification to the CPC, the QC will need to consider and provide answers to the following issues:

- 1) Why 1,000 hours? Why not more or less (750, 1,500 or 2,000)?
- 2) What is the problem the increase in attest hours will solve?
- 3) How are consumers being harmed under the current 500-hour requirement?
- 3) Will this create an unnecessary barrier to licensure?

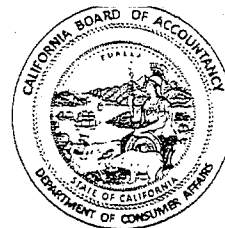
### **STAFF RECOMMENDATION**

Staff is recommending Option 1. There is no evidence at this time that an increase is necessary and staff is unable to identify how an increase to 1,000 hours of attest experience will benefit the consumer. The current requirements provide safeguards by having a CPA, who has served as the applicant's supervisor, opine that the applicant has satisfied the experience requirements. Should the experience appear questionable, there is authority in place that allows the Board to require the applicant to appear before the QC with work papers to demonstrate their understanding of the requirements of planning and conducting an audit with minimum supervision, which results in an opinion on full disclosure financial statements.



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Department of Consumer Affairs  
 California Board of Accountancy

Minutes of Meeting  
 April 22, 2009  
 CPA Qualifications Committee

Four Points by Sheraton LAX  
 9750 Airport Blvd.  
 Los Angeles, CA 90045

The regularly scheduled meeting of the CPA Qualifications Committee (QC) of the California Board of Accountancy (Board) was called to order at approximately 9:05 A.M. on April 22, 2009 by Vice-Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Vice Chair  
 Carlos Aguila  
 Gary Bong  
 Brian Cates  
 Maurice Eckley, Jr.  
 Michael Haas  
 Bobbie Hales  
 Alan Lee  
 Gary O'Krent  
 Robert Ruehl  
 Ash Shénouda  
 Jeremy Smith

Board Liaison Present

Sally Anderson

Staff Present

Patti Bowers, Executive Officer  
 Melissa Cardenas, Licensing Analyst  
 Stephanie Hoffman, Licensing Coordinator  
 Kris McCutchen, Licensing Manager  
 Deanne Pearce, Acting Chief, Licensing Division

- The Board continues to focus on customer service and responses to the current online survey will be brought to the July 2009 Board Meeting.
- The Licensing Division is now making every effort to answer all calls live.
- Melissa Cardenas will now be the assigned analyst to the QC, along with Stephanie Hoffman.

### III. OTHER BUSINESS

#### A. Finalize Licensing Handbook and Qualifications Committee Manual.

The Licensing Applicant Handbook and QC Policy Manual were finalized, and the handbook will soon be posted to the Board's Web site.

#### B. Discussion Related to Eliminating the Option to Obtain CPA Licensure with General Accounting Experience.

The QC had discussions regarding the proposal to eliminate the option of obtaining licensure with general accounting experience. Ms. Bowers gave a brief synopsis of how the general experience licensure option came into effect in 2001. Although the QC members were interested in the Board revisiting the elimination of licensure with general accounting experience, Ms. Bowers provided several issues to consider before the QC should continue to pursue this matter:

- Is there sufficient compelling evidence of consumer harm?
- Would this increase consumer protection?
- Would it provide a barrier to entry into the accounting profession?

Ms. Anderson stated that the California Society of CPAs made note that many states do not have an attest experience requirement, and all that is required is general accounting experience. Ms. Anderson questioned how then do those states protect consumers, and they answered that is what peer review does. In those states, everyone who performs an audit has to be peer reviewed every three years. Any licensee providing an audit is reviewed on the qualifications of their work. Those states, therefore, do not feel the need to designate the type of experience required for licensure.

Although the QC chose to not recommend to the Board that they pursue the elimination of licensure with general accounting experience at this time, the QC does want to express its support if the Board decides to later pursue the option to eliminate licensure with general accounting experience.

#### C. Discussion Regarding Increasing the Minimum Number of Hours of Attest Experience Required from 500 to 1,000.

The QC had discussions related to the option of increasing the minimum number of hours of attest experience from 500 to 1,000. Without compelling evidence that consumer protection is strengthened by increasing the hours, consumer harm may result from leaving the number of hours at 500, and opposition to the concept as representing a barrier to entry, it was determined that it may not be the time to bring forward a recommendation to increase the

number of hours. A discussion related to forming a task force or subcommittee to study the issue was made, however, not acted upon. The QC requested that staff provide statistics related to the number of applicants applying for licensure with attest experience with 1,000 or less hours. This information will be brought to the July 2009 QC Meeting.

D. Qualifications Committee Member Training.

Training for new QC members was completed, which consisted of the QC roles and responsibilities, meeting information, staff in-house application processing, subcommittee review of personal and Section 69 appearances, the interview process, and the outcome of the interview process.

**IV. AGENDA ITEMS FOR FUTURE QUALIFICATIONS COMMITTEE MEETINGS.**

1. Approval of April 22, 2009 QC Minutes.
2. Statistics related to the number of applicants with 1,000 or less hours.

**V. INTERVIEWS OF INDIVIDUAL APPLICANTS [Closed session in Accordance with Government Code Section 11126(c) (2)].**

C08-031 – Applicant appeared and presented work papers from her government experience (78.5 months) for the Committee's review. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C09-007 – Applicant appeared and presented work papers from his private industry experience (13 months) for the Committee's review. Applicant has 48 additional months of experience with a previous employer. Applicant has a 36-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C09-008 – Applicant appeared and presented work papers from her government experience (184.5 months) for the Committee's review. Applicant has a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

Memorandum

QC Agenda Item III.C.  
July 8, 2009

To : Tracy Garone, Chair  
Qualifications Committee Members

Date : July 3, 2009

Telephone : (916) 561-1739

Facsimile : (916) 263-3676

E-mail : kmccutchen@cba.ca.gov

From : Kris McCutchen  
Licensing Manager

Subject: Statistics Related to Attest Hours

At the December 2006 California Board of Accountancy (Board) meeting, the Qualifications Committee (QC) made a recommendation to the Board to increase the attest experience requirement from 500 hours to 1,000 hours, for Certified Public Accountant (CPA) licensure with the authorization to sign attest reports. The Board referred this issue to the Committee on Professional Conduct (CPC) to be discussed at a future meeting. In anticipation of scheduling this topic for CPC consideration later this year, the matter was brought back before the QC at the April 22, 2009 meeting, to clarify the need for the increase.

At the April 22, 2009 meeting, the QC had discussions related to the option of increasing the minimum number of hours of attest experience from 500 to 1,000. It was determined that without compelling evidence that increasing the hours would strengthen consumer protection, while not creating a barrier to entry, and that leaving the number of hours at 500 may result in consumer harm, there may not be sufficient justification to bring forward a recommendation to increase the number of hours.

The QC requested that staff provide statistics related to the number of applicants applying for licensure with attest experience with 1,000 or less audit and review hours. While attempting to extract the data from the licensing database it was determined that information resulting from this query would be misleading as the database captures all audit, review and compilation hours, including hours which may not be qualifying. As an example, if a negatively completed *Certificate of Attest Experience* is submitted, the applicant receives credit for the period of employment, and the audit, review and compilation hours are entered into the database. However, these hours would not be accepted toward the minimum of 500 hours of attest experience required for licensure.

To obtain an accurate number of applicants applying for licensure with the authorization to sign attest reports, who have 500 to 1,000 qualifying hours of attest and/or review, staff will need to continue working with information technology staff in an effort to extract attest data. Alternatively, staff will need to manually review applicant files to obtain this information. It is anticipated this information and a report will be provided at the October 2009 QC meeting.



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Department of Consumer Affairs  
California Board of Accountancy

Minutes of Meeting  
July 8, 2009  
CPA Qualifications Committee

2000 Evergreen St. Ste 250  
Sacramento, CA 95815

The regularly scheduled meeting of the CPA Qualifications Committee (QC) of the California Board of Accountancy (Board) was called to order at approximately 10:11 A.M. on July 8, 2009 by Chair, Tracy Garone.

QC Members Present

Tracy Garone, Chair  
Maurice Eckley, Jr.  
Michael Haas  
Alan Lee  
Kristina Mapes  
Gary O'Krent  
Robert Ruehl  
Jeremy Smith  
James Woyce

Staff Present

Melissa Cardenas, Licensing Analyst  
Stephanie Hoffman, Licensing Coordinator  
Kris McCutchen, Licensing Manager  
Deanne Pearce, Acting Chief, Licensing Division

QC Members Absent

Fausto Hinojosa  
Carlos Aguila  
Gary Bong  
Brian Cates  
Bobbie Hales  
Charles Hester  
Ash Shenouda

## I. CHAIRPERSON'S REPORT

### A. Approval of Minutes of April 22, 2009 QC Meeting.

**It was moved by Mr. Eckley, seconded by Ms. Mapes and unanimously carried to accept the minutes of the April 22, 2009 QC Meeting.**

### B. Report of May 15, 2009, and July 6, 2009 Board Meetings.

Tracy Garone and Deanne Pearce provided a report of the May 15, 2009, and July 6, 2009 Board Meetings. Items of interest were:

- Board President Robert Petersen testified before the Assembly Business and Professions (B&P) Committee in April 2009 on Assembly Bill 138 (AB 138) regarding Peer Review. The Board adopted staff's recommendation to amend AB 138 to allow for the absorption of peer review costs by the Accountancy Fund. Ms. Pearce indicated that AB 138 passed the Senate Business and Professions (B&P) Committee and is set for hearing at the Senate Appropriations Committee on Monday July 13, 2009. It is anticipated that it will go on the suspense file and will not be taken up for a vote until August 2009.
- The Board has put together a committee to review the Board Member Guidelines and Procedure Manual.
- The Administrative Committee Chair, Harish Khanna's term was extended through December 31, 2010.
- The Board's Enforcement Program has four individuals set to retire, including Greg Newington, Enforcement Chief, who retired June 30, 2009.
- The Board held a discussion, initiated by Don Driftmier, regarding Board members' opportunity to provide feedback on issues and exposure drafts related to regulatory issues. No action was taken by the Board in regard to this topic.
- The Department of Consumer Affairs (DCA) is now utilizing the California Automated Travel Expense Reimbursement System.
- Ms. Pearce reported on the Licensing Division Activities, including statistics related to exam and licensing processing timeframes. Ms. Garone indicated that she has had positive feedback related to the expedient processing of initial licensure applications.
- The definition of supervision as defined in Sections 12 and 12.5 of the Accountancy Regulations was to be discussed at the Board meeting, but due to pending litigation, this item was tabled.
- Ms. Pearce reported on Senate Bill 691 (SB 691) regarding the elimination of Pathway 1. The Board had a special meeting on July 6, 2009, and changed its position on the bill from a support position to a neutral position. Originally, SB 691 eliminated Pathway 1 as a pathway to licensure effective January 1, 2014. In June 2009, the bill was amended to maintain Pathway 1, with the amendment that exam candidates acknowledge at the time of application that applying under

Pathway 1 may not be substantially equivalent. The Board will be issuing a letter to the 54 states and jurisdictions requesting information to determine if other states would consider California substantially equivalent if Pathway 1 was maintained. It is anticipated that the Board will hold a special meeting in September 2009 to review the information received. The information received may dictate the Board's future position on SB 691. Ms. Pearce also reported that the Chair of the Senate Business, Professions, and Economic Development Committee requested the California Research Bureau to perform a study on California's pathways to licensure. The results of the study are due to the Legislature in November 2009.

## II. STAFF REPORT

### A. Update on Staffing.

Kris McCutchen introduced Valerie Riazzi, Licensing Technician, who observed the QC meeting.

- The Governor has signed an Executive Order to furlough all state employees on the first, second, and third Fridays of each month. July furlough days will be July 10, 17, and 24, 2009. Although the Board will be closed the first three Fridays of each month, staff will attempt to maintain the zero backlog and the 30-days or less processing timeframes. The Web site and Board voicemail will indicate the days the Board is closed.
- The Board is attempting to fill the vacant Permanent Intermittent Licensing Technician position by August 1, 2009. This technician will process applications; answer e-mails and telephone calls.
- The Licensing Division report indicates the current timeframes (through March 2009) to process an initial licensure application, ranges from 16 days in February 2009 to 14 days in March 2009.
- Ms. Pearce thanked Kris McCutchen and the Initial Licensing Unit for the expedient application processing timeframes.
- QC Members Michael Haas and James Woyce inquired as to why the Board is undergoing furloughs and why the Board is not exempt as the Board is funded through licensing fees. An inquiry was also made as to whether or not the general fund would be borrowing from the Board. Ms. Pearce indicated that we are following the direction of DCA related to furloughs and there has been no mention of any borrowing from the Board of Accountancy funds.
- Mr. Haas requested information about Continuing Professional Education audits. Ms. Pearce reported that the selection of the licensees audited is random, and licensees will be notified 90 days in advance. It was anticipated that a minimum of 425 licensees would be audited per month; however, this may change as a result of furloughs.



B. Update on E-mail Alert System.

The QC was updated on the status of the Board's new e-mail alert system, recently renamed E-News, which is expected to be launched on the Board's Web site by August 1, 2009. The QC was the catalyst in launching this method of consumer outreach and it has now become a joint effort between the QC and various units within the Board. Interested parties will have the ability to subscribe online to Board news by topics, such as Examination, Licensing, Renewal, etc.

III. OTHER BUSINESS

A. Reschedule January 6, 2010, Qualifications Committee Meeting.

Staff requested that the QC meeting scheduled for January 6, 2010 be rescheduled to January 27, 2010 in order to allow staff time to prepare for both the QC and Board meetings.

**It was moved by Mr. O'Krent, seconded by Mr. Eckley and unanimously carried to change the date of the January 6, 2010 QC meeting to January 27, 2010.**

B. Proposed Meeting Dates for 2010 and January 2011.

The following were proposed dates for the 2010 and January 2011 QC Meetings.

January 27, 2010 – Northern California  
April 21, 2010 – Southern California  
July 28, 2010 – Northern California  
October 20, 2010 – Southern California  
January 26, 2011 – Northern California

**It was moved by Mr. Woyce, seconded by Ms. Mapes, and unanimously carried to recommend the above proposed 2010 and January 2011 QC meeting dates to the Board.**

C. Statistics Related to Attest Hours.

At the April 22, 2009 meeting, the QC had discussions related to increasing the minimum number of hours of attest experience from 500 to 1,000. The QC requested that staff provide statistics related to the number of applicants applying for licensure with attest experience with 1,000 or less audit and review hours.

While attempting to extract the data from the licensing database, it was determined that information resulting from this query would be misleading as the database captures all audit, review and compilation hours, including hours that may not be qualifying. Therefore, it was determined that in order

to provide the requested statistics, staff would be required to manually pull and review the files of those licensed with the authorization to sign attest reports since 2002. It was also determined based upon this new information that going forward staff will capture the information differently in the current database, therefore allowing for this type of statistic to be pulled at a later date if necessary.

After further discussion, it was decided that the statistics, had they been available, would not have provided compelling evidence to recommend a change in the number of hours required to obtain licensure with the authorization to sign attest reports. Therefore, this agenda item was tabled until further notice. However, the QC requested that staff work with the Enforcement Division to gain information related to whether the Enforcement Division notices a correlation between the amount of hours a licensee obtained towards licensure with the authorization to sign attest reports and the types of complaints received against a licensee.

#### **IV. AGENDA ITEMS FOR FUTURE QUALIFICATIONS COMMITTEE MEETINGS.**

1. Approval of July 8, 2009 QC Minutes.
2. Staff report regarding whether a correlation exists between the amount of hours obtained toward licensure with the authorization to sign attest reports and the types of complaints received against a licensee.
3. Internal Audit of Approved Applications for Licensure.

#### **V. INTERVIEWS OF INDIVIDUAL APPLICANTS [Closed session in Accordance with Government Code Section 11126(c) (2)].**

C09-011 – Applicant appeared and presented work papers from her foreign (Korea) experience (42 months) for the Committee's review. Applicant is applying under Pathway 0 and has a 36-month experience requirement.

The work reviewed consisted of three sets of work papers; however, they were not performed in accordance with United States Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS).

Recommendation: Defer. Applicant has applied for licensure under Pathway 0. She must obtain additional experience (under US GAAP and GAAS) that will enable her to demonstrate an understanding of the requirements of planning and conducting an audit with minimum supervision that results in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to sign attest reports. An affirmative Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether she needs to reappear with the work papers for the Committee's review. Due to the impending elimination of Pathway 0, all requirements must be met by December 31, 2009.

C09-019 – Applicant and his employer appeared for a Section 69 review. He has 28 months of experience, with a 12-month experience requirement.

The work performed by the applicant was reviewed and no deficiencies were noted. The employer was put on reappearance as a result of the April 30, 2009 Section 69 meeting and as a result of this appearance, no change was recommended. The employer will remain on reappearance status.

Recommendation: Approve.

C09-022 – Applicant appeared and presented work papers from her government experience (29 months) for the Committee's review. Applicant has a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C09-023 – Applicant appeared and presented work papers from her government experience (40.25 months) for the Committee's review. Applicant has a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C09-024 – Applicant appeared and presented work papers from her government experience (71.25 months) for the Committee's review. Applicant has a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C09-025 – Applicant appeared and presented work papers from her government experience (30.25 months) for the Committee's review. Applicant has a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

**Memorandum**

To : Tracy Garone, Chair  
Qualifications Committee Members

Date : September 22, 2009

Telephone : (916) 561-1739

Facsimile : (916) 263-3676

E-mail : kmccutchen@cba.ca.gov

From : Kris McCutchen  
Licensing Manager

Subject : Discussion on Whether a Correlation Exists Between Enforcement Actions and the Attest Hours Experience Requirement

At the December 2006 California Board of Accountancy (Board) meeting, the Qualifications Committee (QC) made a recommendation to the Board to increase the attest experience requirement from 500 hours to 1,000 hours, for Certified Public Accountant (CPA) licensure with the authorization to sign attest reports. The Board referred this issue to the Committee on Professional Conduct (CPC) to be discussed at a future meeting. In anticipation of scheduling for CPC consideration, the matter was brought back before the QC to clarify the need for the increase.

At the April 22, 2009 QC meeting, it was determined that without compelling evidence that increasing the hours would strengthen consumer protection, while not creating a barrier to entry, or, conversely, that leaving the number of hours at 500 may result in consumer harm, there may not be sufficient justification to bring forward a recommendation to increase the number of hours. The QC requested that staff provide statistics at the July 8, 2009 QC meeting related to the number of applicants with 1,000 or less audit and review hours that apply for licensure with the authorization to sign attest reports.

At the July 8, 2009 QC meeting, staff reported that while attempting to extract the data from the licensing database, it was determined that information resulting from this query would be misleading as the database captures all audit, review and compilation hours, including hours that may not be qualifying. Therefore, it was determined that in order to provide the requested statistics, staff would be required to manually pull and review the files of those licensed with the authorization to sign attest reports since 2002. It was determined that based upon this new information that going forward staff will capture the information differently in the current database, therefore allowing for this type of statistic to be pulled at a later date if necessary. After further discussion it was determined by the QC that the statistics, had they been available, would not have provided compelling evidence to recommend a change in the number of hours required to obtain licensure with the authorization to sign attest reports. Therefore, the agenda item was deferred until further notice.

However, the QC requested that staff work with the Enforcement Division to gain information related to whether the Enforcement Division has identified a correlation between the number of hours a licensee obtained towards licensure with the authorization to sign attest reports and the types of complaints received against a licensee.

Larry Knapp, Board Supervising Investigative CPA, indicated that when the Enforcement Division receives a complaint against a licensee related to a potential substandard audit engagement, the investigation concentrates on whether the audit engagement was performed in accordance with professional standards. If it is determined the licensee was grossly negligent in performing the audit, the case will proceed to discipline. As part of the investigative process, enforcement staff verify the license status and firm name, if applicable, that the licensee practices under, to ensure it is properly registered with the Board. Enforcement staff, however, do not review the licensing application to evaluate a licensee's prior attest experience.

Providing a licensee holds a valid license with the authority to sign attest reports, the number of attest hours the licensee obtained to acquire a CPA license would have no bearing on the extent of the discipline imposed by the Board on the licensee. In addition, the Administrative Law Judge would not consider experience at initial licensure as a factor if the matter went to hearing. Therefore, the Board has not historically devoted enforcement resources in evaluating the experience obtained at initial licensure, as it would only add time and costs to the investigation with no direct impact on the outcome of the case.

Based upon the above information from the Enforcement Division and the lack of statistical information supporting the increase in attest hours, staff recommends that the issue of increasing the attest hours for licensure remain deferred until compelling evidence is available that shows increasing the hours would strengthen consumer protection, or that leaving the numbers of hours at 500 may result in consumer harm.



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Department of Consumer Affairs  
California Board of Accountancy

Minutes of Meeting  
October 21, 2009  
CPA Qualifications Committee

Four Points by Sheraton LAX  
9750 Airport Blvd.  
Los Angeles, CA 90045

The regularly scheduled meeting of the CPA Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 A.M. on October 21, 2009 by Vice-Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Vice-Chair  
Carlos Aguila  
Gary Bong  
Brian Cates  
Maurice Eckley, Jr.  
Michael Haas  
Bobbie Hales  
Charles Hester  
Alan Lee  
Kristina Mapes  
Gary O'Krent  
Robert Ruehl  
Ash Shenouda  
Jeremy Smith  
James Woyce

Board Liaison

Sally Anderson

Staff Present

Melissa Cardenas, Licensing Analyst  
Stephanie Hoffman, Licensing Coordinator  
Kris McCutchen, Licensing Manager  
Deanne Pearce, Chief, Licensing Division

- QC Chair Tracy Garone's term ends December 2009. Vice-Chair Fausto Hinojosa was appointed Chair of the QC, effective January 1, 2010.
- The Peer Review Oversight Committee.
- Discussion regarding defining supervision will be brought before the QC at the January 2010 QC Meeting.

## II. STAFF REPORT

### A. Update on Staffing.

Ms. McCutchen provided a report on staffing within the Licensing Unit. Items of interest were:

- The Initial Licensing Unit is currently recruiting for two Office Technicians, one Office Technician Permanent Intermittent, and one seasonal position.
- The Licensing Division report indicates the current timeframes (through July 2009) to process an initial licensure application is being maintained under 30 days.

### B. Update on E-mail Alert System.

E-News was launched on the CBA's Web site on August 20, 2009. There have been three E-News alerts sent out to date.

Information about the upcoming elimination of Pathway 0 has been added to the CBA's Web site.

Information is being sent out to EAC and QC members in regard to the Examination Unit's Secret Shopper and Site Evaluator Programs.

## III. OTHER BUSINESS

### A. Discussion on whether a correlation exists between enforcement actions and the attest hours experience requirement.

Staff discussed with Larry Knapp, Supervising Investigative Certified Public Accountant, whether a correlation exists between enforcement actions and the attest hours experience. Mr. Knapp stated that when the Enforcement Division receives a complaint against a licensee related to a potential substandard audit engagement, the investigation concentrates on whether the audit engagement was performed in accordance with professional standards. According to Mr. Knapp, he does not believe the number of attest hours the licensee obtained to acquire a CPA license would have a bearing on the extent of the discipline imposed by the CBA on the licensee. The CBA has not historically devoted enforcement resources in evaluating the experience obtained at initial licensure, as it would likely have no direct impact on the outcome of the case.

After discussion, it was suggested that information be gathered as to other states requirements for a licensee to have the authority to sign attest reports.

**It was moved by Mr. Eckley, seconded by Mr. Haas and unanimously carried to request that staff provide information on the attest hour requirements of the other 53 states and jurisdictions. This information will be gathered and brought before the QC at the April 2010 meeting.**

#### **IV. AGENDA ITEMS FOR FUTURE QUALIFICATIONS COMMITTEE MEETINGS.**

1. Approval of October 21, 2009 QC Minutes.
2. Discussion related to further defining general accounting experience.
3. Consideration of Defining Supervision in Section 12 and 12.5 of the California Accountancy Regulations
4. Discussion related to other states' attest requirements.
5. July 2010 QC meeting date change.

#### **V. INTERNAL AUDIT OF APPROVED APPLICATIONS FOR LICENSURE [Closed session in Accordance with Government Code Section 11126(c) (2)].**

The QC conducted its annual internal audit of one percent of randomly selected staff approved applications for licensure. A total of 3,421 files were approved from July 1, 2008 through June 30, 2009. The QC reviewed 34 files and concurred with staff's approval of all applications.

#### **VI. INTERVIEWS OF INDIVIDUAL APPLICANTS [Closed session in Accordance with Government Code Section 11126(c) (2)].**

##### **GALINA ATENCIO**

C09-041 – Applicant and her employer appeared for a Section 69 review. She has 28 months of experience with this employer and is currently licensed with general accounting experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and deficiencies were noted. The work papers did not include documentation that a CPA supervisor reviewed the applicant's work. Applicant submitted review hours but no work papers were submitted.

Recommendation: Defer. In order to satisfy the experience requirements for authorization to sign attest reports, the applicant must obtain additional audit experience. Any new experience must be obtained under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to perform attest services. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether she will need to reappear with work papers for the Committee's review.



Memorandum

QC Agenda Item III.B.  
April 21, 2010

To : Fausto Hinojosa, Chair  
QC Members

Date : March 23, 2010

Telephone : (916) 561-1739

Facsimile : (916) 263-3676

E-mail : kmccutchen@cba.ca.gov

From : Kris McCutchen  
Licensing Manager

Subject: Discussion Related to Other States' Attest Requirements

At the October 2009 Qualifications Committee (QC) meeting, California Board of Accountancy (CBA) staff were requested to compile other states' attest requirements for licensure and provide this information to the QC at the April 21, 2010, QC meeting. Also provided are the experience requirements under the Uniform Accountancy Act.

**OTHER STATES' ATTEST REQUIREMENTS**

In a review of other states' requirements for attest experience, staff found that there is a wide variation of attest experience requirements for licensure with the authority to sign attest reports. Of the fifty-five states and jurisdictions, forty-six have no specific requirement for attest experience, and the remaining nine states, including California, have differing requirements for attest experience or the option to be licensed without the authority to sign attest reports.

State	# of attest hours required for licensure	Option to be licensed without the authority to sign attest reports
Alaska	500	No
California	500	Yes
Iowa	2,000	Yes
Maine	400	No
Massachusetts	1,000	Yes
Mississippi	One financial audit	No
Montana	500	No
Nevada	1,000	No
Pennsylvania	800	No

**UNIFORM ACCOUNTANCY ACT**

Under the Uniform Accountancy Act (UAA), an applicant for initial licensure must complete one year of experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills all of which must be verified by a licensee, meeting requirements prescribed by a board. This experience is acceptable if it is gained through employment in government, industry, academia or public practice.

The UAA requires that all licensees responsible for supervising attest or compilation services and who sign, or authorize someone to sign, reports on financial statements on behalf of their firm must meet the competency requirements contained in professional standards before they may perform attest or compilation services.

#### **STAFF RECOMMENDATION**

At this time staff is recommending that the QC maintain the status quo and not pursue increasing the minimum number of hours of attest experience from 500 hours to 1,000 hours.

Staff have been unable to identify any problems resulting from the current 500-hour attest experience requirement. We are unable to provide a compelling argument that an increase to 1,000 hours will better protect consumers. Without evidence the current 500-hour requirement is insufficient, concern may be raised that this would create an unnecessary barrier to licensure. In addition, with mandatory peer review there will be a focus on California firms who perform accounting and auditing services to ensure work performed conforms to professional standards. The focus will be on the quality control system of a firm rather than only looking at the work of each individual licensee.

The current requirements provide safeguards by having a CPA, who has served as the applicant's supervisor, opine that the applicant has satisfied the experience requirements. Should the experience appear questionable, there is authority in place that allows the CBA to require the applicant to appear before the QC with work papers to demonstrate their understanding of the requirements of planning and conducting an audit with minimum supervision, which results in an opinion on full disclosure financial statements.



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Department of Consumer Affairs  
California Board of Accountancy

Minutes of Meeting  
April 21, 2010  
CPA Qualifications Committee

Four Points by Sheraton LAX  
9750 Airport Boulevard  
Los Angeles, CA 90045

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on April 21, 2010, by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair  
Maurice Eckley, Jr., Vice-Chair  
Carlos Aguila  
Gary Bong  
Brian Cates  
Michael Haas  
Charles Hester  
Kristina Mapes  
Robert Ruehl  
James Woyce

Staff Present

Stephanie Hoffman, Licensing Coordinator  
Kris McCutchen, Licensing Manager  
Deanne Pearce, Chief, Licensing Division

QC Members Absent

Alan Lee  
Bobbie Hales  
Gary O'Krent  
Ash Shenouda  
Jeremy Smith

**It was moved by Mr. Hester, seconded by Ms. Mapes, and carried to adopt the above recommendation.**

- C. Review Proposed Changes to the Initial Licensing Handbook, Application, and Forms.

The proposed changes to the information published in the Initial Licensing Handbook, Application, and forms will be updated to reflect any changes made to the language in Sections 12 and 12.5 of the CBA's Regulations.

- D. Presentation of the Subcommittee's Findings and Suggestions Related to Further Defining General Accounting Experience in Section 12 of the CBA's Regulations.

The subcommittee presented its findings and suggestions related to further defining general accounting experience in Section 12 of the CBA Regulations. Following discussion on the subcommittee's findings, the QC adopted the following recommendations suggested by the subcommittee:

The QC recommends no change to Section 12 of the regulations because based on the current statutory language contained in Section 5092 and 5093, there is no effective way to further define general accounting experience.

**It was moved by Mr. Hester, seconded by Mr. Ruehl, and carried to adopt the above recommendation.**

The QC recommends the CBA consider a change to the statutory language for Sections 5092 and 5093 regarding qualifying experience.

**It was moved by Mr. Hester, seconded by Mr. Aguila, and carried to adopt the above recommendation.**

The QC recommends better disclosure and outreach to inform consumers of the limitations of Certified Public Accountants licensed with general experience.

**It was moved by Mr. Hester, seconded by Ms. Mapes, and carried to adopt the above recommendation.**

The QC Chair and CBA staff will present these recommendations at the May 12-13, 2010 CBA meeting.

- E. Discussion Related to Other States' Attest Experience Requirements.

The QC reviewed a compilation of other states' attest experience requirements in an effort to determine whether or not to pursue increasing the minimum number of hours of attest experience from 500 hours to 1,000

hours.

Staff have been unable to identify any problems resulting from the current 500-hour attest experience requirement. Without evidence the current 500-hour requirement is insufficient, concern may be raised that this would create an unnecessary barrier to licensure. In addition, with mandatory peer review there will be a focus on California firms who perform accounting and auditing services to ensure work performed conforms to professional standards. The focus will be on the quality control system of a firm rather than only looking at the work of each individual licensee.

The current requirements provide safeguards by having a CPA, who has served as the applicant's supervisor, opine that the applicant has satisfied the experience requirements. Should the experience appear questionable, there is authority in place that allows the CBA to require the applicant to appear before the QC with work papers to demonstrate their understanding of the requirements of planning and conducting an audit with minimum supervision, which results in an opinion on full disclosure financial statements. Staff recommended that the QC maintain the status quo and not pursue increasing the minimum number of hours of attest experience from 500 hours to 1,000 hours.

After discussion it was decided to maintain the status quo and not pursue an increase.

#### **IV. AGENDA ITEMS FOR FUTURE QUALIFICATIONS COMMITTEE MEETINGS.**

##### **A. July 2010**

1. Approval of April 21, 2010 QC Meeting Minutes.

#### **V. INTERVIEWS OF INDIVIDUAL APPLICANTS [Closed session in Accordance with Government Code Section 11126(c)(2)].**

##### **DAVID WIDERMAN**

C10-008 – Applicant and his employer appeared for a Section 69 review. Applicant is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was inadequate. The documentation did not support the firm's certification that the work demonstrates satisfactory knowledge of current standards and pronouncements.

The work performed by the applicant was reviewed and it was noted that the workpapers presented did not document knowledge and application of current Generally Accepted Auditing Standards (GAAS).

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must obtain additional audit

State of California  
Department of Consumer Affairs

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

**Memorandum**

QC Meeting Agenda Item III.B.  
January 27, 2010

To : Qualifications Committee Members

Date : January 13, 2010

Telephone : (916) 561- 1739

Facsimile : (916) 263- 3676

E-mail : kmccutchen@cba.ca.gov

From : Kris McCutchen, Manager  
Licensing Division

Subject : Discussion Related to Further Defining General Accounting Experience in Section 12 of the California Accountancy Regulations

Concerns have recently been raised by licensee supervisors, California Board of Accountancy (CBA) members and Qualifications Committee (QC) members as to whether or not certain experience obtained by applicants in public, government and non-public settings should be considered general accounting experience.

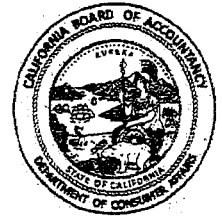
Based upon the current issues, the CBA members requested that the QC discuss this issue at their January 2010 meeting and make a recommendation to the CBA at a future meeting as to whether or not general accounting experience should be further defined in Section 12 of the California Code of Regulations.

To assist QC members in their deliberations regarding this matter, staff have provided background information on the CBA's general accounting experience requirements, general accounting experience requirements as defined by the Uniform Accountancy Act (UAA), and other states' general accounting experience requirements. Also provided are options for QC consideration.

Attachments



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## Discussion Related to Further Defining General Accounting Experience in Section 12 of the California Accountancy Regulations

### INTRODUCTION

Concerns have recently been raised by licensee supervisors, California Board of Accountancy (CBA) members and Qualifications Committee (QC) members as to whether or not certain experience obtained by applicants in public, government and non-public settings should be considered qualifying for satisfying the general accounting experience requirement for Certified Public Accountant (CPA) licensure.

Although supervisors are referred by staff to the CBA's laws and regulations, they are unable to obtain the clarification needed to determine what qualifies towards meeting the general accounting experience requirement and therefore are hesitant to sign the general accounting experience form on behalf of the applicant. The confusion seems to stem from language contained in Section 12 (**Attachment 1**) of the California Code of Regulations (CCR) which uses the term "the use of accounting."

Based upon the current issues, the CBA members requested that the QC discuss this issue at the January 2010 QC meeting and make a recommendation to the CBA at a future meeting as to whether or not general accounting experience should be further defined in Section 12 of the CCR.

### CALIFORNIA GENERAL ACCOUNTING EXPERIENCE REQUIREMENTS

On January 1, 2002, the CBA implemented statutory and regulatory changes that provided the option of obtaining licensure in California as a CPA with general accounting experience pursuant to Sections 5092 and 5093 of the Business and Professions Code (B&P Code) (**Attachment 2**) and Section 12 of the CCR.

Following successful completion of the Uniform CPA Examination, candidates have two pathway options for licensure:

- Pathway 1, Section 5092 of the B&P Code, requires that an applicant have a baccalaureate degree, 24 semester units of accounting subjects, 24 semester units of business subjects, and a minimum of 24 months of general accounting experience.
- Pathway 2, Section 5093 of the B&P Code, requires that an applicant have a baccalaureate degree, 24 semester units of accounting subjects, 24 semester units of business subjects, and 150 total semester units of education, along with a minimum of 12 months of general accounting experience.

The experience required by Sections 5092 and 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, tax or consulting services performed in accordance with applicable professional standards. Individuals licensed with general accounting experience are not authorized to sign reports on attest engagements.

## **BACKGROUND – EXPERIENCE REQUIREMENT**

### **Study Related to the Education and Experience Requirements for Licensure in California**

Prior to January 2002, applicants for licensure were required to meet an attest experience requirement. Once licensed, CPAs were authorized to perform the full range of accounting services, including signing reports on attest engagements.

Developing the option of obtaining licensure with general accounting experience was influenced by a study<sup>1</sup> completed in 1999 to comprehensively assess the education and experience requirements for licensure to determine value and benefit to consumer protection. Although many findings came out of the study, of particular interest regarding California's experience requirement is the following excerpt:

Survey findings suggest the general accounting experience requirement is appropriate. Licensees and hiring managers responding to the surveys indicated that two to three years of general accounting experience was necessary for professional competency.

### **Sunset Review Committee Recommendations**

In 1998, the CBA instituted a Sunset Review Committee (SRC) to deal with the many issues for the Sunset Review Report due to the Legislature in fall of 2000. The main focus of the SRC was on the "3 Es" of the UAA: education, examination, and experience. The SRC strived to amend statutory and regulatory language related to California's examination and licensure requirements in order to qualify for substantial equivalency under the Uniform Accountancy Act (UAA). One such change was to the attest experience requirement. Under the UAA, attest experience is not a requirement for CPA licensure.

At its meeting on January 21, 2000, the CBA unanimously adopted the statutory and regulatory language related to the licensure requirements, specifically:

- Eliminate the attest experience requirement and require only one year of general accounting experience performed in accordance with professional standards and under the supervision of a licensee.

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<sup>1</sup> Senate Bill (SB) 1077 directed the CBA to study the need for continuation of the attest experience requirement, among other requirements, and to provide a report to the Legislature at the next Sunset Review. Oriel J. Strickland, Ph.D. of California State University, Sacramento prepared a study for the CBA, *A Series of Studies Related to the Education and Experience Requirements for Licensure in California*, in the fall of 1997 which concluded in the spring of 1999.



Two bills were introduced subsequent to the CBA's Sunset Review Report – Senate Bill (SB) 133 and Assembly Bill (AB) 585. SB 133 was a spot bill introduced by Senator Figueroa on January 29, 2001, to implement outcomes from the Joint Legislative Sunset Review Committee (JLSRC) hearings and extend the existence of the CBA and identify a new sunset date upon successful completion of the review process.

AB 585 was introduced by Assembly Member Nation on February 21, 2001, and included the recommendations from the CBA's UAA Task Force and the SRC with regard to the examination and educational experience requirements for licensure. The language included the following amendment/inclusion:

- Elimination of the attest experience requirement for licensure and require only one year of general accounting experience.

#### **May 2001 Committee on Professional Conduct (CPC) Meeting**

At the May 18, 2001, CPC meeting, a compromise to the two bills was presented related to the proposed new licensure requirements adopted by the CBA in January 2000. The compromise was suggested by Senator Machado at the Senate Business and Professions Committee hearing to address the concerns of the various parties in the Sunset Review process.

The compromise created California's two pathways to licensure. The educational requirements in Pathway 1 are most similar to the educational requirements in place at the time of the proposed new requirements: a conferred baccalaureate degree and a two year general accounting experience requirement. Pathway 2 established consistency with the UAA requirements: 150 hours of education and one year of general accounting experience. Neither pathway required attest experience at the time of licensure unless the individual wants the authorization to sign attest reports. Applicants obtaining CPA licensure under either pathway with general accounting experience would be able to satisfy the attest experience requirement post-licensure, thereby qualifying to sign reports on attest engagements. Both bills were signed by the Governor on October 11, 2001, and became law on January 1, 2002.

The CBA adopted regulations to implement the new laws, however the regulations nearly mirror the statutory language as it relates to defining general accounting experience and does not provide additional clarification on the definition of "accounting."

#### **UNIFORM ACCOUNTANCY ACT AND OTHER STATES' REQUIREMENTS**

Under the UAA, an applicant for initial licensure must complete one year of experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills all of which must be verified by a licensee, meeting requirements prescribed by a board. The UAA language is similar to that of the CBA's.

During a review of other state boards requirements for general accounting experience, staff found that most of the states have very similar requirements to California and the UAA and therefore, provide no further definition of general accounting experience. Staff found a few examples of other definitions that states use for general accounting experience (**Attachment 3**). In most cases, the language does not provide a clear definition of general accounting experience. The Washington Board of Accountancy does not provide a clear definition of general accounting experience in their laws and regulations, however they do provide a helpful resource to applicants that provides definitions of qualifying experience (**Attachment 4**).

### **ISSUE FOR CONSIDERATION**

Both the B&P Code Sections 5092 and 5093 and Section 12 of the CCR contain nearly the exact same language in regards to what qualifies as general accounting experience. The core text states:

“This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.”

The only difference between the language in the statute and the regulation is that in statute there is a reference to having completed these services “in accordance with applicable professional standards.”

The CBA would need to pursue a regulatory change to further define the terms referenced in the general accounting experience requirement.

### **OPTIONS FOR CONSIDERATION**

The QC may wish to consider the following options regarding the general accounting experience requirement.

1. The QC could provide guidance to staff on how general accounting experience should be further defined. Staff would then work with legal counsel to draft language for consideration at the April 2010 QC meeting. Following the QC's review and approval of proposed language, the QC would recommend the clarifying language to the CBA.
2. The QC could recommend to the CBA to maintain status quo, to not further define general accounting experience, but provide guidance to staff. Should the QC consider this option, the information regarding what constitutes general accounting experience would be considered “guidance” and could not be enforced, as it would not be in either regulation or statute. This option may address those questions received by staff and resolve confusion for applicants and licensees.

Staff will be available at the QC meeting to answer any questions members may have.

**CALIFORNIA CODE OF REGULATIONS  
SECTION 12**

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the firm or agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the firm holding a valid license or comparable authority to practice public accounting. If the person supervising the experience is also an owner of the public accounting firm, no second signature is required. If the experience is obtained at a private business, no second signature is required if the person supervising the experience is also an owner of the private business.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3) All verifications shall be signed under penalty of perjury.

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience may be gained through employment in public practice, industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full time employment for an applicant qualifying under Section 5092 or at least one year of full time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying under Section 5092 or Section 5093 of the Business and Professions Code with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include general accounting, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.

**CALIFORNIA ACCOUNTANCY ACT  
SECTION 5092  
(PATHWAY 1)**

(a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements specified in subdivisions (b), (c), and (d), or otherwise prescribed pursuant to this article. The board may adopt regulations as necessary to implement this section.

(b) An applicant for the certified public accountant license shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects and 24 semester units in business related subjects. This evidence shall be provided prior to admission to the examination for the certified public accountant license, except that an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board pursuant to this article.

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had two years of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

**CALIFORNIA ACCOUNTANCY ACT**  
**SECTION 5093**  
**(PATHWAY 2)**

(a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements specified in subdivisions (b), (c), and (d), or otherwise prescribed pursuant to this article. The board may adopt regulations as necessary to implement this section.

(b) (1) An applicant for admission to the certified public accountant examination under the provisions of this section shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects and 24 semester units in business related subjects. This evidence shall be provided at the time of application for admission to the examination, except that an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(2) An applicant for issuance of the certified public accountant license under the provisions of this section shall present satisfactory evidence that the applicant has completed at least 150 semester units of college education including a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects and 24 semester units in business related subjects. This evidence shall be presented at the time of application for the certified public accountant license.

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board.

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

## **Examples of Other State's General Accounting Experience Requirement**

### **Alabama**

For qualifying experience in industry or business, the Applicant must have been employed by a person or entity in the performance of duties primarily involving the use of financial accounting and auditing skills; the installation of internal control systems; the use of management advisory, financial advisory, or consulting skills; or compliance with accounting aspects of tax or regulatory laws. For qualifying experience in government, the Applicant must have been employed by a government agency recognized by the Alabama Board as having the responsibility and organizational structure for performing auditing and accounting functions.

### **Georgia**

Public accounting work shall mean the performance of any combination of services involving the use of accounting, auditing or attestation skills, one or more types of consulting services, the preparation of tax returns or the furnishing of advice on tax matters. The work must involve the application of appropriate technical and behavioral standards such as standards contained in the Code of Professional Conduct, GAAS, SSAE, SSARS, the Statement on Standards for Tax Services (AICPA), the Statements on Standards for Management Consulting Services (AICPA), International Financial Reporting Standards (IASB) or other such standards as designated by policy statements of the Board.

### **Hawaii**

Applicant must have 1,500 chargeable hours in performance of audits involving generally accepted accounting principles and auditing standards earned while in public accounting practice.

### **Louisiana**

Experience may consist of providing any type of services or advice using accounting, attest, management advisory, financial advisory, tax or consulting skills. Such experience shall be of sufficient depth and quality and have been supervised by an active certificate holder or one from another state who has significant exposure to and review of the Applicant's work.

### **Maine**

Applicant must have two years of acceptable experience and must include a minimum of 400 hours of experience in audit, review, or compilation procedures and a minimum of 200 hours of experience in at least one of the following: the provision of management advisory, financial advisory or consulting services, the

preparation of tax returns, or the furnishing of advice on tax matters. One year of experience consists of 2,080 hours of work experience. Experience must include the use of accounting or auditing skills including the issuance of reports on financial statements and at least one of the following: the provision of management advisory services, financial advisory services or consulting services, the preparation of tax returns, the furnishing of advice on tax matters or equivalent activities as determined by the Maine Board. Applicant must have experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in accounting records in accordance with Generally Accepted Accounting Principles; preparation of audit working papers covering the examination of the accounts usually found in accounting records; in the preparation of written explanations and comments on the findings of the examination and on the content of the accounting records; personal involvement in the preparation of audited financial statements in accordance with Generally Accepted Accounting Principles together with explanations and notes thereon and such as to acquaint the individual with the preparation of the compilation and review of financial statements in accordance with generally accepted professional standards such as Statements on Standards for Accounting and Review Services; and involvement in the planning process of an audit.

### **Mississippi**

Acceptable experience includes the use of accounting or auditing skills that include but are not limited to the issuance of reports on financial statements, or one or more kinds of management advisory, financial advisory or consulting services or the preparation of tax returns or the furnishing of advice on tax matters or equivalent experience determined by the Mississippi Board.

### **Montana**

Applicant must have at least one year (2,000 hours) of accounting experience, including 500 hours of attest oriented experience requiring application of generally accepted standard and issuance of reports requiring applications of generally accepted accounting principles; or two years (4,000 hours) of private, governmental or public accounting experience that is acceptable to the Montana State Board.

### **New Hampshire**

The experience requirement shall consist of public accounting experience in providing one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements, or one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters, or the equivalent.

### **New Jersey**

The experience includes evidence of intensive and diversified experience in auditing or accounting as determined by regulation of the New Jersey Board. (This has not been determined in regulation)

### **New York**

Applicant must present evidence, satisfactory to the State Board, of experience using the skills and competencies of a professional accountant in the area(s) of accounting, tax, finance and/or management advisory services.

### **North Carolina**

One year of experience *in the public practice of accountancy* under the direct supervision of an active licensed CPA or one year experience *in the field of accountancy* under the direct supervision of an active licensed CPA.

### **Oregon**

Qualifying experience may be obtained in the following categories: attest or assurance experience; experience based on other professional standards; or industry, government and other experience.

### **Rhode Island**

The applicant shall demonstrate to the Board that he or she has obtained a portfolio of experience consisting of providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills all of which was verified and supervised by a licensee, meeting the requirements of these regulations. Such portfolio of experience obtained in the following categories, or in any combination thereof, shall be acceptable:

Public practice. Experience may be gained through employment as a staff accountant of a firm of certified public accountants or a firm of public accountants where such experience is of a non-routine accounting nature that continually requires independent thought and judgment on important accounting matters. The work must involve application of appropriate technical and behavioral standards such as the standards contained in the Code of Professional Conduct, Generally Accepted Auditing Standards, Statements on Standards for Attestation



Engagements, Statements on Standards for Accounting and Review Services, the Statement on Standards for Tax Services, or the Statements on Standards for Management Consulting Services (the "Professional Standards").

Government. Experience may be gained through employment with accounting agencies or groups within federal, state or municipal government where such experience is of a non-routine accounting nature that continually requires independent thought and judgment on important accounting matters. The applicant shall obtain experience in assessing the adequacy of the accounting agency or group's internal controls by developing an understanding of the accounting agency or group's transaction streams and information systems. Such experience will include obtaining an understanding of the areas and/or industries with which the applicant's agency operates, including the operations of similar service providers.

Acceptable government work experience includes: This experience shall include providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills all of which was verified and supervised by a licensee, meeting requirements prescribed by the Rhode Island State Board by rule.

## **Texas**

At least two years of work experience under the supervision of a certified public accountant; or At least one year of work experience acceptable to the Texas Board, including experience providing a service or advice involving accounting, attest services, management or financial advisory or consulting services, tax services, or other services the Texas Board considers appropriate for an accountant. Applicable work experience is defined as non-routine accounting involving the use of independent judgment, applying entry level professional accounting knowledge to select, correct, organize, interpret, and present real-world data as accounting entries, reports, statements, and analyses extending over a diverse range of tax, accounting, assurance and control situations. Work experience must be gained in at least one of the following areas:

1. Attest and/or compilation services.
2. Preparation of financial statements and reports.
3. Preparation of tax returns and/or consultation on tax matters.
4. Consultation, design, and/or implementation of computer software when the consultation, design, and/or implementation imply the possession of accounting or auditing skills or expert knowledge in accounting or auditing.
5. Supervision of activities (2) and (3) above.

Work experience can be gained in the following categories:

1. Client practice of public accountancy
2. Industry
3. Government
4. Law firm

5. Education

6. Internship

### **Utah**

Accounting experience means applying accounting and auditing skills and principles that are taught as part of the professional education.

### **Vermont**

Such employment shall include practical public accounting experience, or the equivalent of such experience, of reasonable variety and importance and requiring independent thought and judgment. Public accounting experience shall consist of the application of United States generally accepted accounting principles (GAAP) and the application of one or more of the following: generally accepted auditing standards (GAAS), standards of accounting and review services (SSARS), standards for accountants' services on prospective financial information, financial forecasts and projections, and other services subject to comprehensive sets of generally accepted professional standards issued by an appropriate standard setting body which the Board determines is equivalent.

For non-Public Accounting experience, the Board shall consider whether: the applicant performed work resulting in opinions on financial statements or in reports on financial analyses or accounts;

the applicant participated with an independent auditor who relied on the applicant's work, wholly or partially, in attesting to the entity's finances;

the applicant performed substantial financial work, compliance work, systems design, or tax accounting;

any limitations on scope, approach or work were imposed;

significant proportions of work consisted of field work as opposed to desk or office work;

there was exposure to two or more types of industries;

the work was of sufficient duration to permit meaningful involvement in the process; and

the applicant's accounting duties required fiduciary responsibilities, or does the applicant treat accounting related duties as a fiduciary to a third party.

### **Washington**

Qualifying experience may be obtained through the practice of public accounting and/or employment in industry, academia, or government. Your experience may be obtained through one or more employers, with or without compensation, and may consist of a combination of full-time and part-time employment.

(1) Your experience must support the attainment of the competencies defined by subsection (2) of this section and (a) Cover a minimum twelve-month period (this

time period does not need to be consecutive); (b) Consist of a minimum of two thousand hours; (c) Be obtained through the use of accounting, attest, management advisory, financial advisory, tax, tax advisory or consulting skills; **Please Note: Although the Washington Board does not define accounting the Board does provide guidance to applicants. See attachment 4.**

### **Wisconsin**

***Experience that may be considered equivalent includes:***

Experience in accounting in industry and government may be considered equivalent to public accounting when it requires high levels of knowledge, competence and judgment.

Experience in teaching accounting may be considered equivalent to public accounting when it is at an advanced and specialized level of accounting. Courses taught in areas other than accounting do not qualify as public accounting experience.

Experience in law may be considered equivalent to public accounting when it is at a level with responsibility for independent accounting decisions and requires high levels of accounting knowledge, competence and judgment.

## Definitions of Qualifying Experience

A candidate's qualifying experience may be obtained through the practice of public accounting and/or paid or volunteer employment in industry, academia, or government. Experience must be obtained through the use of accounting, attest, management advisory, financial advisory, tax, tax advisory, or consulting skills. The Board provides the following definitions of these skill areas to assist you in classifying your experience.

These definitions are not intended to be all-inclusive. The Board acknowledges that there are other types of experience that have not been specifically identified in these definitions but could be considered a part of the definition. The Board also recognizes that experience may not be clearly identified with only one skill area or that experience may have elements of more than one skill area. For example, experience with a client's accounting system may have exposed the candidate to both accounting and tax skill areas or experience in consulting may have exposed the candidate to both management advisory and consulting skill areas. Nevertheless, it is the candidate's responsibility to match the experience with the required skill area(s) in order to determine if a particular type of experience fits within a specific skill area. The definitions that the Board has provided are intended to help you match and classify your experience with a skill area.

### Accounting

Accounting is the process of providing quantitative information about economic entities to aid users in making decisions concerning the allocation of economic resources. An economic entity means all types of business and includes churches, hospitals, charitable organizations, municipalities, governments and other organizations. Users of accounting information include individuals external and internal to the entity. External users are outside the business or other entities that need to decide whether to engage or continue to engage in some activity (for example, investing, granting credit, business partnerships, or procuring goods or services) with the entity. Internal users are inside the business or other entities that need to make decisions (planning, controlling, and problem solving) concerning the operations and activities of the entity. Providing information includes the series of activities leading up to and including communicating the information through a report or some other communication process. These activities include

- Bookkeeping activities including
  - Identifying the information that has an economic impact on the entity;
  - Measuring the information in quantitative terms, usually monetary;
  - Recording the information in the accounting system;
  - Retaining the information for future use, and
  - Communicating the information by means of an accounting system.
- Managing accounts payable or accounts receivable;
- Managing fixed asset accounts;
- Managing inventory accounts.

## Issuing Reports on Financial Statements

Issuing reports on financial statements includes the examination of financial statements that are intended to present financial position (balance sheet and statement of retained earnings), results of operations (income statement), and statement of cash flows in conformity with generally accepted accounting principles accompanied by the expression of a competent opinion concerning the fairness of the presentation of those financial statements in accordance with generally accepted auditing standards. Issuing reports on financial statements also covers participating in performing an examination, an audit, a review, a compilation or an agreed-upon procedures report on subject matter, or an assertion about the subject matter that is the responsibility of another party. Attestation engagements concern examining, auditing reviewing, compiling or performing agreed upon procedures on a subject matter or an assertion about a subject matter and reporting on the results. The subject matter may take many forms, including historical or prospective performance or condition, physical characteristics, historical events, analyses, systems and processes, or behavior. Engagements can cover a broad range of financial or non-financial objectives and can be part of a financial statement audit or other type of audit. A CPA candidate's experience in issuing reports on financial statements also includes participation in preparing and/or advising on:

- Specified elements, accounts, or items of a financial statement;
- Interim financial information or segments of financial statements;
- Letters for underwriters and certain other requesting parties;
- Year-end audit. This may include assisting the client in calculating the amount of the income taxes owed, valuing stock options and other stock compensation arrangements under FAS 123, and drafting and typing up the financial statements.
- Review of interim (monthly, quarterly) financial statements.
- Compilation of financial statements.
- Valuations of derivatives at fair market value for accounting purposes.
- Assistance in preparation of and review of filings with the SEC, including initial public offerings.
- Underwriter comfort letters for SEC and non-SEC filings.
- Audit of Management's Discussion and Analysis in SEC filings.
- Agreed upon procedures engagement (the client and auditor agree to procedures the auditor is to perform with respect to tasks such as testing a royalty arrangement or compliance with a loan agreement, and the auditor then issues a report on his or her findings).
- Audit or review of financial forecasts or projections. This includes such documents included in offering memoranda.
- Providing advice on how to interpret new accounting pronouncements, including providing sample journal entries.
- Audits of financial statements of pension plan financial statements.
- Director examinations of financial institutions.
- CPA WebTrust - an engagement to review the security of a company's website that is conducting electronic commerce over the internet.

- Assisting international companies in conforming their financial reporting to U.S. financial reporting practices (GAAP conversions).
- Technical opinions on accounting matters to clients of other accounting firms.

### **Tax Preparation and Tax Advisory Service**

Tax preparation includes federal, state, or local tax returns. Tax advisory service includes analyzing financial and tax problems, formulating solutions and making recommendations designed to provide advice on taxation for clients ranging from individuals to business. A tax advisor helps an entity translate personal and/or business goals into targeted action steps designed to maximize the entity's tax position. Tax planning helps clients understand the tax effects of each financial decision. Candidates' experience in tax preparation and tax advisory services may include participation in preparing and/or advising on:

- Federal and state individual income tax returns;
- Federal and state corporation tax returns;
- Tax consequences of acquiring existing businesses and business assets;
- Reorganization of corporations and partnerships;
- Estate tax planning;
- Individual and corporate tax planning (including federal, state, and local taxes);
- Tax ramifications of corporate and real estate transactions;
- Personal financial planning for individuals including client employees and executives;
- Income tax planning for executives including employee compensation and benefit plans;
- Investment planning;
- Tax efficiency of proposed gift and charitable contribution programs;
- Tax impact of income and deductions, contributions, major purchases and investments;
- Programs for planning for college;
- Retirement planning programs;
- Estate planning including preparation of wills, trusts, etc.;
- Representation of clients in tax negotiations and disputes with the IRS;
- Representation of clients in IRS, State, or local audit;
- Property tax assessments;
- Succession planning;
- Tax advice to executors and trustees;
- Tax credit reviews to determine maximum allowable credits (e.g., research and development credits);
- Trade and customs services - ensures compliance with trade laws and regulations while trying to avoid, reduce, or defer overall customs duties;
- Transfer pricing studies and evaluation, documentation, and modification of existing policies;
- Valuation services; and
- Value Added Tax (VAT) Services.

## Management Advisory

Management advisory includes the assessment of the performance and the management of a program against objective criteria. It also includes an assessment of best practices and other information that is intended to improve program operations. Management may seek help in selecting new computer hardware and software or suggestions on how clients can improve their operations. For example, improvements in the design and installation of an accounting system, the electronic processing of accounting data, inventory control, or budgeting. A CPA candidate's experience in management advisory services may include participation in preparing and/or advising on:

- Ethics and Responsible Business Practices - a service that helps clients address the sources of internal wrongdoing and eliminate barriers to responsible business practices;
- Evaluation, design and implementation of:
  - Internal accounting and financial reporting controls;
  - Financial reporting policies and procedures; and
  - Effectiveness of an entity's internal control over compliance with specified requirements;
- Evaluation, design and implementation of management and business controls over various business functions such as management reporting systems, research and development, etc.;
- Business Fraud and Investigation Services - helps companies identify, manage and minimize integrity risks, such as suspected management or alleged employee fraud;
- Benchmarking of best practices including business and financial reporting practices.
- Reengineering of business processes including:
  - Manufacturing processes;
  - Research and development processes;
  - Review of spending levels (e.g., for general and administrative expenses).
  - Plant layout design;
- Review of manual processes that feed into computerized information systems; and
- Staff reduction programs.

## Financial Advisory

Financial advising is concerned with the efficient use of assets including funds within the enterprise and raising of funds. This is a service which considers all the client's financial affairs and which develops a plan to achieve a client's financial objectives. It can include internal audit but also include investments such as life insurance, pensions, mutual funds/unit trusts. A CPA candidate's experience in financial advisory services may include participation in preparing and/or advising on:

- Internal audits including government internal auditors and internal audits in a company that is not related to financial statement preparation.
- An entity's compliance with requirements of specified laws, regulations, rules;
- Contracts, or grants; including final contract cost and reasonableness of proposed contract costs.
- Compliance with regulations relating to governmental financial assistance;
- Processing of transactions by service organizations;
- Prospective financial statements or pro forma financial information;
- Reliability of performance measures;
- Treasury management services including design, development and implementation of policies and procedures;
- Credit management services including design, development and implementation of credit policies and procedures;
- Design and structuring of financial instruments;
- Assisting investment banking firms with the design of financial instruments and financing transactions;
- Assistance with finding/identifying equity parties or financing parties;
- Identification and selection of banks;
- Assistance with or preparation of financing and loan applications;
- Loan review services;
- Financial markets and banking regulatory advisory service;
- Due diligence reviews;
- Lead advisor for private placements;
- Preparation of offering memorandums;
- Merger/acquisition candidate targeting;
- Merger transaction advice on:
  - Structuring of transactions;
  - Tax implementations;
  - Sourcing capital;
  - Preparation of pro forma financial statements and projections;
  - Reengineering acquired businesses;
  - Cost reduction and synergistic studies;
- Appraisal and valuation of targets assets, including receivables, inventories, property, plant and equipment, intangible assets and in-process research and development;
- In some foreign jurisdictions, the firms act as stock transfer agents; and
- "Turnaround" business advisors.



## Consulting Services

Consulting services includes professional or expert advice to clients covering major consulting practice areas including but not limited to:

Marketing & Sales	Engineering
Human Resources	Manufacturing
Government	Safety
Finance	Environment
Health Care	Energy
Scientific	Telecommunications
Legal	

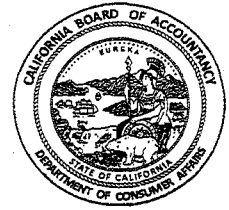
A CPA candidate's experience in consulting services for these, and other practice areas, may include participation in preparing and/or advising on:

- Selection of new hardware and software systems. This may include activities such as performing a "needs analysis," preparation of a request for proposals, and overseeing, assistance with, or performance of demonstrations;
- Implementation of new hardware and software systems. This may include:
  - Full on-site team to perform all implementation services;
  - Project administration of another consulting team;
  - Development of necessary manual and computer control systems;
  - Providing necessary computer programmers;
  - Software design and programming;
  - Ongoing support functions;
- Development of IT management and/or strategic plans;
- Development of IT disaster recovery and security plan;
- System security audits;
- Application controls consulting;
- Business continuity planning and information security services;
- Electronic commerce services;
- Evaluation and selection of telephone systems;
- Consulting on information technology issues;
- Designing and developing employee compensation programs including:
  - Stock option programs;
  - Retirement plans;
  - Executive compensation arrangements;
  - Deferred compensation and bonus arrangement;
- Evaluation of marketing and distribution channels;
- Development of marketing and distribution channel plans and consulting on the implementation of such plans;
- Corporate and commercial legal services to national and international companies worldwide;
- Assistance to law departments and general counsel to enhance and measure performance;

- Litigation support which would include:
  - Case management;
  - Expert accounting and financial reporting witnesses;
  - Damages experts and witnesses;
  - Environmental litigation experts;
  - Securities litigation experts;
  - Antitrust services;
  - Construction disputes;
  - Service of detailed data to provide cost-effective, proactive strategies and solutions to complex business disputes;
- Outsourcing of such client functions as information systems. This may include outsourcing management or the entire data processing and information systems group:
  - Internal audit function;
  - Tax department;
  - Office of the Chief Financial Officer;
  - Accounting department;
  - Human resource department;
  - Risk management function;
- Government Contract Consulting - helps companies understand and address business risks associated with negotiating, contracting with, and performing under contracts for the sale of goods or services with U.S. federal, state, local and foreign governments;
- Advise government entities that are privatizing on commercialization, restructuring, competition, changing organization attitudes, customer satisfaction and policy adjustment; provides other grant-aided work in emerging markets;
- Real Estate - provides advice about increasing the profitability of real estate assets through the acquisition, development, management and disposition of single assets or portfolios of properties. Services also include strategic planning, consolidation studies, surplus property planning, valuations, and outsourcing consulting;
- Services for middle-sized companies - includes cash management, payroll needs, business relocation services, and shareholder meetings;
- Insolvency/executor services - acting as receivers, liquidators, bankruptcy trustees, or advisors to debtor or creditor groups; and
- Specific services for health insurers and other health care organizations.



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Department of Consumer Affairs  
California Board of Accountancy

Minutes of Meeting  
January 27, 2010  
CPA Qualifications Committee

Waterfront Hotel  
Ten Washington Street  
Oakland, CA 94607

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 9:05 a.m. on January 27, 2010, by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair  
Maurice Eckley, Jr., Vice-Chair  
Carlos Aguila  
Gary Bong  
Brian Cates  
Michael Haas  
Charles Hester  
Alan Lee  
Kristina Mapes  
Robert Ruehl  
Jeremy Smith

CBA Liaison

Angela Chi

Staff Present

Melissa Cardenas, Licensing Analyst  
Stephanie Hoffman, Licensing Coordinator  
Rich Andres, Information Technology Staff  
Matthew Stanley, Legislation/Regulations Analyst  
Kris McCutchen, Licensing Manager  
Deanne Pearce, Chief, Licensing Division  
Patti Bowers, Executive Officer

### QC Members Absent

Bobbie Hales  
Gary O'Krent  
Ash Shenouda  
James Woyce

### Other Participants

Roger Bulosan, former QC Chair  
Hal Schultz, California Society of Certified Public Accountants  
Robert Petersen, CBA Board Member

## I. CHAIRPERSON'S REPORT

Mr. Hinojosa announced the recent appointment of Maurice Eckley Jr. as Vice-Chair of the QC.

- A. Approval of the October 21, 2009 QC Meeting Minutes.

**It was moved by Ms. Mapes, seconded by Mr. Hester and unanimously carried to accept the minutes of the October 21, 2009 QC Meeting.**

- B. Report of the November 18-19, 2009 and January 20-21, 2010 CBA Meetings.

Mr. Hinojosa provided a report of the November 2009 and January 2010 CBA Meetings. Items of interest were reported on, including:

#### November 2009 CBA Meeting

CBA Member Appointments, Elections, Committee Appointments.

1. Andrea Valdez was appointed as a public member to the CBA.
2. Manuel Ramirez was elected President of the CBA.
3. Sally Anderson was elected Vice-President of the CBA.
4. Marshal Oldman was elected Secretary/Treasurer of the CBA and was appointed as the Southern California QC liaison, replacing Sally Anderson.

Legislation.

1. Assembly Bill 1005 Regarding Transparency was signed by the Governor, thus creating the following requirements:
  - Provide an audio webcast of the CBA meetings.
  - Post CBA meeting minutes and formal accusations on the Web site.
2. Senate Bill 819 created the Accounting Education Committee (AEC) and the Ethics Curriculum Committee (ECC). Committee members for the AEC will be appointed at the March 2010 CBA Meeting. ECC members will be appointed by various appointing organizations.

### III. OTHER BUSINESS

#### A. July 2010 QC Meeting Date Change.

The Department of Consumer Affairs is holding its yearly conference, Regulatory Next Practices: A Working Conference, on July 28, 2010. Therefore it was necessary to change the July 28, 2010 QC meeting date to July 29, 2010.

**It was moved by Mr. Hester, seconded by Mr. Bong and unanimously carried to change the QC meeting date to July 29, 2010.**

#### B. Discussion Related to Further Defining General Accounting Experience in Section 12 of the CBA Regulations.

The QC discussed further defining general accounting experience in Section 12 of the CBA Regulations. Staff provided information on how the general experience requirement was established and identified options for consideration.

Comments were made indicating that the current definition is too broad, however if an applicant is working in public accounting it was felt that there are safeguards in place in regard to adequate supervision. The challenge is to define supervision within private and governmental accounting.

After deliberating on the topic, the QC decided to proceed with option #1, which is for the QC to provide guidance to staff on how general accounting experience should be further defined. Staff would then work with legal counsel to draft language for consideration at the April 2010 QC meeting. Following the QC's review and approval of proposed language, the QC would recommend the clarifying language to the CBA.

**It was moved by Mr. Bong, seconded by Ms. Mapes and carried to proceed with option #1. In addition, Mr. Hester, Mr. Lee, and Mr. Smith opposed.**

Subsequent to the motion to proceed with Option #1, the QC formed a subcommittee of two members to meet and assist staff by developing proposed language to further define general accounting experience. The subcommittee will present their recommendations at the April 21, 2010 meeting.

**It was moved by Ms. Mapes, seconded by Mr. Ruehl and unanimously carried to adopt the formation of a subcommittee of two QC members. The two QC members on the subcommittee are Gary Bong and Charles Hester.**

C. Consideration of Defining Supervision in Sections 12 and 12.5 of the CBA Regulations.

The QC discussed defining supervision in Sections 12 and 12.5 of the CBA Regulations.

Comments were made about including the word "direct", as in direct supervision. The problem with direct is that an applicant may work under many supervisors, and in public accounting firms, there is usually one person who signs the Certificates of Experience, it may not be the direct supervisor.

The members agreed that there should be a definition of supervision and directed staff regarding what to include in the proposed definition. Staff will prepare the language for the QC's consideration at the April 21, 2010 meeting. Once the language is approved, it is anticipated that the QC will present it's recommendation to the CBA in July 2010.

In addition, inconsistencies were noted with the terminology used in the code sections, the handbook and both the Certificate of Attest Experience, and the Certificate of General Experience.

**It was moved by Mr. Hester, seconded by Mr. Bong, and unanimously carried to adopt a definition of supervision and amend the language in the CBA Regulations and correct inconsistencies within the Initial Licensure publications and forms.**

**IV. AGENDA ITEMS FOR FUTURE QUALIFICATIONS COMMITTEE MEETINGS.**

A. April 2010

1. Approval of January 27, 2010 QC Meeting Minutes.
2. Presentation of the subcommittee's findings and suggestions related to further defining general experience.
3. Presentation related to defining supervision and correcting the inconsistencies within the CBA Regulations and printed materials.
4. Discussion related to other states' attest requirements.

B. July/October 2010

1. Discussion related to the QC members roles and responsibilities when conducting interviews of initial licensing applicants.

**V. INTERVIEWS OF INDIVIDUAL APPLICANTS [Closed session in Accordance with Government Code Section 11126(c) (2)].**

**C09-004** – Applicant appeared and presented workpapers for his public accounting experience. He has 25 months of experience, with a 24-month experience requirement.

## Memorandum

Appendix 7.e.iii

QC Agenda Item III.E.  
April 21, 2010

To : Fausto Hinojosa, Chair  
Qualifications Committee Members

Date : April 13, 2010  
Telephone : (916) 561-1739  
Facsimile : (916) 263-3676  
E-mail : kmccutchen@cba.ca.gov

From : Gary Bong, Qualifications Committee Member  
Charles Hester, Qualifications Committee Member

Subject : Subcommittee's Findings and Suggestions Related to Further Defining General Accounting Experience in Section 12 of the California Board of Accountancy's (CBA) Regulations

At its January 27, 2010 meeting, the Qualifications Committee (QC) formed a subcommittee to further review and discuss defining general accounting experience in Section 12 of the CBA's Regulations.

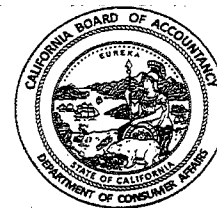
After receiving input from other QC members, we discussed the issues to try and identify possible regulatory language revisions. We will be presenting our findings at the April 21, 2010 meeting. Attached for your reference is the issue paper regarding general accounting experience which was presented by staff at the January 27, 2010 meeting.

Please provide any comments or suggestions that you may have during the discussion. Once the QC has formulated a recommendation, it will be presented at the May 2010 CBA meeting.

Attachment



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WEB ADDRESS: <http://www.cba.ca.gov>



Department of Consumer Affairs  
California Board of Accountancy

Minutes of Meeting  
April 21, 2010  
CPA Qualifications Committee

Four Points by Sheraton LAX  
9750 Airport Boulevard  
Los Angeles, CA 90045

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on April 21, 2010, by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair  
Maurice Eckley, Jr., Vice-Chair  
Carlos Aguila  
Gary Bong  
Brian Cates  
Michael Haas  
Charles Hester  
Kristina Mapes  
Robert Ruehl  
James Woyce

Staff Present

Stephanie Hoffman, Licensing Coordinator  
Kris McCutchen, Licensing Manager  
Deanne Pearce, Chief, Licensing Division

QC Members Absent

Alan Lee  
Bobbie Hales  
Gary O'Krent  
Ash Shenouda  
Jeremy Smith



**It was moved by Mr. Hester, seconded by Ms. Mapes, and carried to adopt the above recommendation.**

- C. Review Proposed Changes to the Initial Licensing Handbook, Application, and Forms.

The proposed changes to the information published in the Initial Licensing Handbook, Application, and forms will be updated to reflect any changes made to the language in Sections 12 and 12.5 of the CBA's Regulations.

- D. Presentation of the Subcommittee's Findings and Suggestions Related to Further Defining General Accounting Experience in Section 12 of the CBA's Regulations.

The subcommittee presented its findings and suggestions related to further defining general accounting experience in Section 12 of the CBA Regulations. Following discussion on the subcommittee's findings, the QC adopted the following recommendations suggested by the subcommittee:

The QC recommends no change to Section 12 of the regulations because based on the current statutory language contained in Section 5092 and 5093, there is no effective way to further define general accounting experience.

**It was moved by Mr. Hester, seconded by Mr. Ruehl, and carried to adopt the above recommendation.**

The QC recommends the CBA consider a change to the statutory language for Sections 5092 and 5093 regarding qualifying experience.

**It was moved by Mr. Hester, seconded by Mr. Aguila, and carried to adopt the above recommendation.**

The QC recommends better disclosure and outreach to inform consumers of the limitations of Certified Public Accountants licensed with general experience.

**It was moved by Mr. Hester, seconded by Ms. Mapes, and carried to adopt the above recommendation.**

The QC Chair and CBA staff will present these recommendations at the May 12-13, 2010 CBA meeting.

State of California  
Department of Consumer Affairs

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

## Memorandum

CPC Agenda Item V.  
July 28, 2010

CBA Agenda Item X.A.5.  
July 28, 2010

To : CBA Members  
Committee on Professional Conduct Members

Date : July 7, 2010  
Telephone : (916) 561-1741  
Facsimile : (916) 263-3676  
E-mail : dpearce@cba.ca.gov

From : Fausto Hinojosa, Chair, Qualifications Committee  
Deanne Pearce, Chief, Licensing Division

Subject : Qualifications Committee (QC) Recommendation Regarding Further Defining  
General Accounting Experience in CBA Regulation Section 12.

The CBA requested the QC to discuss and make a recommendation on whether to further define general accounting experience in Section 12 of the CBA Regulations. This request was made to address concerns raised by licensee supervisors, CBA members and QC members regarding whether or not certain experience obtained by applicants in public, government and non-public settings would qualify as general accounting experience.

For your reference, is the issue paper (**Attachment 1**) regarding general accounting experience which was presented by staff at the January 27, 2010 QC meeting. The QC members discussed various issues including the Uniform Accountancy Act and reviewed other state's general accounting experience requirements. Following discussions, the QC formed a subcommittee to further review and discuss whether general accounting experience should be further defined in Section 12 of the CBA Regulations.

At its April 21, 2010 meeting, the QC continued its discussions, which began with an overview of CBA members comments and suggestions regarding general accounting experience from the March 26, 2010 CBA meeting. The subcommittee then provided an oral presentation of its findings, which concluded with a recommendation to not further define general accounting experience.

One of the issues at the core of the QC's deliberations, and identified specifically by CBA members, was whether bookkeeping services should qualify as general accounting experience. Complicating the matter is how general accounting experience is defined in statute. Section 5092 of the Business and Professions Code uses the terms, "any type of service or advice..." and includes broad experience areas such as, "accounting, management advisory, and consulting skills". In addition, the way the statute is worded limits the CBA's ability to require experience be obtained in any one area.

Following an extensive discussion and input from all QC members, the QC adopted the following recommendations for further consideration by the CBA:

1. The QC recommends no change to Section 12 of the regulations because based on the current statutory language contained in Section 5092 and 5093, there is no effective way to further define general accounting experience.
2. The QC recommends that if the CBA wants to further define general accounting experience in regulation that it first consider a change to how general accounting experience is defined in statute. A statutory change may allow for further flexibility when defining it in regulation.
3. The QC recommends better disclosure and outreach to inform consumers of the limitations of Certified Public Accountants licensed without the authorization to sign attest reports (general experience).

Provided for your reference are Section 12 of the CBA Regulations (Attachment 1 to January 13, 2010 Issue Paper) and Business and Professions Code Sections 5092 and 5093 (Attachment 2 to January 13, 2010 Issue Paper).

Ms. Pearce and I will be available at the meeting to respond to any questions members may have regarding the above recommendations.

Attachments



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DEPARTMENT OF CONSUMER AFFAIRS  
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE  
 SEPTEMBER 22-23, 2010  
 CBA MEETING

CBA Office  
 2000 Evergreen Street, Suite 250  
 Sacramento, CA 95815  
 Telephone: (916) 263-3680  
 Facsimile: (916) 263-3674

Roll Call and Call to Order.

President Manuel Ramirez called the meeting to order at 1:30 p.m. on Wednesday, September 22, 2010 at the CBA Office in Sacramento. The CBA members heard Agenda Items I – VI. The CBA members convened into closed session at 2:25 p.m. to deliberate Agenda Items III.A. – C., and into executive closed session at 3:22 p.m. to deliberate Agenda Item III.D. The meeting reconvened into open session at 3:55 p.m., and the meeting adjourned at 3:56 p.m. CBA President Ramirez reconvened the meeting to order at 9:05 a.m. on Thursday, September 23, 2010, and the meeting adjourned at 3:44 p.m.

CBA Members

September 22, 2010

Manuel Ramirez, President	1:30 p.m. to 3:56 p.m.
Sally Anderson, Vice President	1:30 p.m. to 3:56 p.m.
Marshal Oldman, Secretary-Treasurer	Absent.
Diana Bell	1:30 p.m. to 3:56 p.m.
Rudy Bermudez	1:40 p.m. to 3:56 p.m.
Michelle Brough	Absent.
Angela Chi	1:30 p.m. to 3:56 p.m.
Donald Driftmier	1:30 p.m. to 3:56 p.m.
Herschel Elkins	Absent.
Louise Kirkbride	Absent.
Leslie LaManna	1:30 p.m. to 3:56 p.m.
Robert Petersen	1:30 p.m. to 3:56 p.m.
David Swartz	Absent.
Lenora Taylor	1:33 p.m. to 3:56 p.m.
Andrea Valdez	Absent.

CBA Members

September 23, 2010

Manuel Ramirez, President	9:05 a.m. to 3:44 p.m.
Sally Anderson, Vice President	9:05 a.m. to 3:44 p.m.
Marshal Oldman, Secretary-Treasurer	Absent.
Diana Bell	9:05 a.m. to 3:44 p.m.
Rudy Bermudez	9:23 a.m. to 3:44 p.m.
Michelle Brough	9:21 a.m. to 3:44 p.m.
Angela Chi	9:05 a.m. to 3:44 p.m.
Donald Driftmier	9:05 a.m. to 3:44 p.m.
Herschel Elkins	Absent.
Louise Kirkbride	Absent.
Leslie LaManna	9:05 a.m. to 3:44 p.m.
Robert Petersen	9:05 a.m. to 3:44 p.m.
David Swartz	Absent.
Lenora Taylor	9:05 a.m. to 3:44 p.m.
Andrea Valdez	Absent.

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Dan Rich, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Veronica Daniel, Board Relations Analyst  
Gary Duke, Legal Counsel, Department of Consumer Affairs (DCA)  
Paul Fisher, Supervising Investigative CPA  
Dominic Franzella, Manager, Licensing Division  
Scott Harris, Deputy Attorney General, Department of Justice (DOJ)  
Lauren Hersh, Information and Planning Officer  
Rafael Ixta, Chief, Enforcement Division  
Vincent Johnston, Outreach Analyst  
Nick Ng, Manager, Administration Division  
Deanne Pearce, Chief, Licensing Division  
Carl Sonne, Deputy Attorney General, DOJ  
Matthew Stanley, Legislation/Regulation Analyst  
Kathy Tejada, Manager, Enforcement Division  
Liza Walker, Manager, Licensing Division  
Spencer Walker, Legal Counsel, DCA

Committee Chairs and Members

Cheryl Gerhardt, Vice Chair, Enforcement Advisory Committee (EAC)  
Maurice Eckley, Vice Chair, Qualifications Committee (QC)

Other Participants

G.V. Ayers, Senate Business Professions & Economic Development

Committee

Ken Bishop, National State Boards of Accountancy (NASBA)

Gil DeLuna, DCA

James Gross, Nielson, Merksamer, Parrinello, Mueller & Naylor LLP

David Helphrey, Center for Public Interest Law (CPIL)

Ed Howard, CPIL

Deidre Johnson, Administrative Law Judge (ALJ)

Doreatha Johnson, Deputy Director, DCA Legal Affairs

Brian Joseph, Orange County Register

Pilar Onate-Quintana, KP Public Affairs, for national firms

Kurt Oneto, Nielson, Merksamer, Parrinello, Mueller & Naylor LLP

Jonathan Ross, KP Public Affairs, for national firms

Hal Schultz, California Society of Certified Public Accountants (CalCPA)

Jeannie Tindel, CalCPA

Kristy Wiese, Nielson, Merksamer, Parrinello, Mueller & Naylor LLP

Bill Young, Chief Deputy Director, DCA

I. Roll Call and Call to Order.

CBA President Ramirez called the meeting to order at 1:30 p.m. on Wednesday, September 22, 2010.

II. Report of the President.

A. Update on California Research Bureau (CRB) Study.

Ms. Bowers stated the CRB report should be ready in advance of the CBA Working Conference in October 2010. Ms. Bowers further stated that she will continue to provide information regarding this matter.

B. Update on Peer Review Implementation.

Mr. Franzella provided an overview of the memorandum for this item **(see Attachment 1)**.

Mr. Ramirez suggested that staff conduct testing to validate the self-certification of attest services and requested staff to provide ideas on how to accomplish this. Ms. Bowers stated that the peer review program is currently transitioning from the Licensing Division to the Enforcement Division and this would be handled by the Non-technical Unit.

Ms. Anderson recommended the Outreach Committee provide notification to consumers suggesting that they request to see their CPA firm's peer reviews.

C. Resolution for Retiring Enforcement Advisory Committee (EAC) Chair, Harish Khanna.

assigned to the individual and not the position.

**It was moved by Mr. Driftmier to adopt and approve the regulatory language and incorporate changes to mirror the delegation of authority language adopted by the EPOC. Mr. Driftmier later withdrew this motion.**

Ms. Taylor opposed the incorporation of language in the regulation and suggested the CBA issue the delegation of authority letter to each Executive Officer in order to maintain control of what is being delegated.

**It was moved by Ms. Taylor, seconded by Ms. Brough and carried by those present to not move forward with the regulatory change. Ms. LaManna and Ms. Bell opposed.**

- b. Discussion on a Retired Option for CPA/PA License.

Ms. LaManna stated that this item will be covered under Agenda Item XI.B.2.b. – Continued Consideration of a Retired Option for CPA/PA License.

- c. Qualifications Committee (QC) Recommendation Regarding Defining Supervision in CBA Regulations Sections 12 and 12.5.

**It was moved by Ms. LaManna, seconded by Ms. Chi and carried by those present to adopt the CPC's recommendation that the CBA proceed with rulemaking to incorporate the recommendations made by the QC. Mr. Petersen abstained.**

- d. QC Recommendation Regarding Further Defining General Accounting Experience in CBA Regulation Section 12.

The CBA took no action regarding this item.

- 2. Report of the September 22, 2010 CPC Meeting.

- a. Consideration of Regulatory Language for Section 48.3 – Peer Review Provider Reporting Responsibilities.

**It was moved by Mr. Driftmier, seconded by Ms. Anderson and unanimously carried by those present to adopt the CPC's recommendation that the CBA approve the language of the proposal with the 60 day requirement for the reporting of deficiencies.**

- b. Continued Consideration of Retired Status for CPA/PA Licensure.