

No. 1996-140

AN ACT

HB 1782

Amending the act of May 26, 1947 (P.L.318, No.140), entitled, as amended, "An act relating to the public practice of certified public accountants; providing for the certification of persons desiring to practice, the registrations of public accountants, requiring continuing education for registrants, and for the suspension and revocation of such certificates, subject to appeal and for their reinstatement; prescribing the powers and duties of the State Board of Accountancy and the Department of State; providing for ownership of working papers; defining unlawful acts and acts not unlawful; providing penalties, and repealing existing laws," amending the title; further providing for the short title, for definitions, for the Public Accountants' Advisory Committee, for the State Board of Accountancy and its general powers, for general qualifications, for education and experience and for reciprocity; providing for foreign reciprocity; further providing for licensure, for partnership and corporate licensure and for registration of public accountants; providing for licensure of firms and for peer review; further providing for discipline, for reinstatement, for revocation and suspension, for agency, for work product, for privilege, for penalties and remedies, for construction and for audits; regulating the professional responsibility of licensees; and reenacting certain provisions.

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

Section 1. The title of the act of May 26, 1947 (P.L.318, No.140), known as The C.P.A. Law, reenacted and amended December 8, 1976 (P.L.1280, No.286) and amended March 7, 1984 (P.L.106, No.23), is amended to read:

AN ACT

Relating to the [public] practice of [certified public accountants] *public accounting*; providing for the [certification of persons desiring to practice, the registrations of public accountants, requiring continuing education for registrants, and for the suspension and revocation of such certificates, subject to appeal and for their reinstatement;] *examination, education and experience requirements for certification of certified public accountants and for the licensing of certified public accountants, public accountants and firms; requiring continuing education and peer review; providing for the organization and ownership of firms and for the procedures and grounds for discipline and reinstatement of licensees*; prescribing the powers and duties of the State Board of Accountancy and the Department of State; providing for ownership of working papers *and confidentiality*; *regulating the professional responsibility of licensees*; defining unlawful acts and acts not unlawful; providing penalties[,]; and repealing existing laws.

Section 2. Section 1 of the act is amended to read:

Section 1. Short Title.—This act shall be known and may be cited as [**“The C.P.A. Law.”**] *the “CPA Law.”*

Section 3. Sections 2, 2.2, 2.3, 3, 3.1 and 4 of the act, amended or added March 7, 1984 (P.L.106, No.23), are amended to read:

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

[**“Biennial period”** The two-year period beginning May 1, 1986 and ending April 30, 1988 and each subsequent two-year period.]

“Attest activity.” *An examination, audit, review, compilation or other agreed-upon procedure with respect to financial information, together with the issuance of a report expressing or disclaiming an opinion or other assurance on the information.*

“Board.” The State Board of Accountancy.

“Business unit.” *A functional group of individuals in a firm or a sole practitioner performing attest activity.*

“Certified public accountant.” [Persons] *An individual to whom a certificate of certified public accountant has been issued under [“The C.P.A. Law” and partnerships, professional corporations or professional associations, composed of certified public accountants, which if engaged in the practice of public accounting, are registered and are current licensees as herein provided.] the laws of this Commonwealth or another state.*

[**“Corporations”** Professional corporations and professional associations as defined by the act of July 9, 1970 (P.L.461, No.160), known as the “Professional Corporation Law,” and the act of August 7, 1961 (P.L.941, No.416), known as the “Professional Association Act,” and any amendments thereof.

“Current licensee” The holder of a certificate to practice as a certified public accountant under this act or a registration to practice as a public accountant under this act, which certificate or registration has not been suspended or revoked and has not expired, and a current license issued under section 8.2, 8.3, 8.4, 8.5 or 8.6.]

“Commission.” *Compensation for recommending or referring a product or service to be supplied by another person. The term does not include a referral fee.*

“Department.” The Department of State acting through the Commissioner of Professional and Occupational Affairs.

[**“Opinions on financial statements”** Any report, opinion or assurance based upon examinations in accordance with generally accepted auditing standards or standards for accounting and review services as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private

or governmental, is in conformity with generally accepted accounting principles or other comprehensive basis of accounting.

“Person” Includes a corporation, partnership and association, as well as a natural person.]

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

“Examination.” The examination for the certificate of certified public accountant provided for in section 3.1(b) of this act.

“Firm.” A qualified association that is a licensee.

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

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

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

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

“Public accountant.” [Persons who are] An individual who was qualified and accepted for registration in accordance with *former section 8.7* of this act [and partnerships, professional corporations or professional associations engaged in practice as public accountants which are registered and are current licensees as herein provided].

“Public accounting.” [The practice of examining financial statements of commercial or noncommercial enterprises and issuing a report

expressing or disclaiming an opinion on such statements or expressing assurance on such statements, which opinion or assurance, when issued, is based on examinations in accordance with generally accepted auditing standards or standards for accounting and review services as to whether the presentation of information is in conformity with generally accepted accounting principles or other comprehensive basis of accounting, and which opinion or assurance may assist in the making of judgments by others. The term also includes the performance of other] *Offering to perform or performing for a client or potential client:*

(1) *Attest activity.*

(2) *Other professional services [in any or all matters relating to accounting procedure and to the recording, presentation or certification of financial information or data.] involving the use of accounting skills, including, but not limited to, management advisory or consulting services, business valuations, financial planning, preparation of tax returns or furnishing of advice on tax matters by a person holding out as a certified public accountant, public accountant or firm.*

["Reporting period" The two-year period beginning January 1, 1986 and ending December 31, 1987 and each subsequent two-year period.]

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

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

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

"Report." Any opinion, statement or other form of written communication that states or implies assurance as to the reliability of any financial information or assessments of the status or performance of any person and that also implies or is accompanied by any statement or implication that the person issuing it has special knowledge or competence in accounting or auditing. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the communication of names or titles indicating that the issuer or any individual employed by or affiliated with it is an accountant or auditor or may arise from the language of the communication itself. The term includes any form of language which disclaims an opinion when the form

of language is conventionally understood to imply any positive assurance as to the reliability of the financial information referred to or special competence on the part of the person issuing the language. The term also includes any other form of language that is conventionally understood to imply assurance or special knowledge or competence.

[Section 2.2. Public Accountants' Advisory Committee.—(a) There is hereby created a Public Accountants' Advisory Committee to consist of five members to be appointed by the Governor. Members shall be appointed for staggered terms of three years. Upon expiration of a term of office, a member shall continue to serve for a period not to exceed six months, if a successor has yet to be duly appointed and qualified according to law. Members shall not serve for more than two consecutive full three year terms and shall not be eligible for reappointment until after three years have elapsed.

(b) Members of the advisory committee shall be registered pursuant to this act as public accountants and shall be current licensees.

(c) Three members of the committee shall constitute a quorum. The committee shall select, from among their number, a chairman who shall conduct meetings of the committee.

(d) The committee shall advise and aid the board in matters which would affect public accountants. The committee shall recommend to the board courses, meetings, or conferences to fulfill the requirements of continuing education for public accountants.]

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

(1) Eight members shall be certified public accountants [~~who have held certificates of certified public accountant issued by this Commonwealth~~], all of whom are [~~current~~] licensees [~~as required by this act~~] and [~~four~~] *at least six* of whom [~~have been~~] *are* actively engaged in the practice of public accounting as their principal occupation at the time of their appointment. Two *of the members who are certified public accountants* shall be appointed from the eastern part of the State, two from the western part, two from the central part, and two from any part of the State. [~~No member of the board shall be a teacher or instructor in any coaching school which has as its primary purpose preparation for the examination under this act or any person who has a financial interest in such coaching school.~~] *At least two of the members who are certified public accountants shall be actively engaged at the time of their appointment in the practice of public accounting with firms that have five or fewer licensees participating in the firm's practice.*

(2) Three members shall be persons **[representing]** *who are not affiliated in any manner with the profession, who shall represent the public at large. [Such public members shall not be affiliated in any manner with the profession and shall not hold public office during the term of membership on the board.]*

(3) Two members shall be public accountants **[registered under this act and shall be current licensees.]** *who are licensees engaged in the practice of public accounting as their principal occupation at the time of their appointment. The number of public accountant members shall be reduced by one and the number of certified public accountant members increased by one when the number of public accountants who are licensees falls below five hundred for the first time. The remaining public accountant member shall be eliminated and the number of certified public accountant members increased by one when the number of public accountants who are licensees falls below fifty for the first time. A decrease in the number of members of the board who are required to be public accountants as provided in this clause shall not have the effect of shortening the term of an incumbent member of the board.*

(b) **[The terms of the members]** *A full term of a member of the board shall be four years from the [respective dates of their] date of appointment, [provided] except that a member may continue to serve for a period not to exceed six months beyond the expiration of his term, if a successor has yet to be duly appointed and qualified according to law. A board member shall not serve more than two consecutive four-year terms and shall not be eligible for reappointment until after four years have elapsed.*

(c) **[Eight]** *A majority of the duly appointed and qualified members of the board shall constitute a quorum. [The board shall select, from among their number, a chairman and a secretary.] The board may act by a majority of the members present and voting at a meeting at which a quorum is present, except that action by the board under section 9, 14 or 16(c) of this act may only be taken by:*

(1) a minimum number of eight affirmative votes if there are no vacancies on the board at the time; or

(2) a minimum number of seven affirmative votes if the current membership of the board is less than its full authorized membership.

(d) Each member of the **[State Board of Accountancy]** *board shall be paid reasonable traveling and other expenses and per diem compensation at the rate of sixty dollars (\$60) for each day of actual service while on board business.*

(e) A member who fails to attend three consecutive meetings shall forfeit his seat unless the Commissioner of Professional and Occupational Affairs, upon written request from the member, finds that the member should be excused from a meeting because of illness or the death of an immediate family member.

(f) In the event that any of the said members of the board shall die [or], resign *or be removed* during his term of office, his successor shall be appointed in the same way and with the same qualifications as [above] set forth *in this section* and shall hold office for the unexpired term.

(g) *A member of the board shall not:*

(1) *serve as a peer reviewer in a peer review of a licensee; or*

(2) *be a teacher or instructor in a coaching school that has as its primary purpose preparation for the examination or have a financial interest in such a coaching school.*

(h) *The board shall select from among its number a chairman, vice chairman and secretary.*

(i) *The department shall assign to the board such agents, clerks, stenographers, assistants and investigators as may be necessary to administer this act.*

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

(1) To provide for, regulate and approve the issuance of a certificate of certified public accountant to any person (a) who meets the [general qualifications and education and experience requirements provided herein and who passes the examination required by the board,] *requirements for the issuance of a certificate in section 3.1(e) of this act;* or (b) who meets the requirements for the issuance of a certificate by reciprocity *in section 5 or 5.1 of this act.*

[2) To provide for and to regulate registration and licenses to practice as provided herein but the board shall not have the power to require a photograph as part of an application for a certificate of certified public accountant.]

(3) To contract with a professional testing organization for the preparation and administration of the examination, in accordance with section 812.1(a) of the act of April 9, 1929 (P.L.177, No.175), known as “The Administrative Code of 1929,” and to establish prior to the administration of each examination an appropriate minimum passing score, in keeping with the purposes of this act. [The examination shall be held at least twice in each calendar year, and simultaneously in at least two counties of the Commonwealth, and shall be a written examination in general accounting, theory of accounts, accounting practice, auditing and related subjects. The board may make such use of all or any part of the Uniform Certified Public Accountants’ examination and/or Advisory Grading service of the American Institute of Certified Public Accountants as it deems appropriate to assist in performing its duties hereunder.]

(4) To keep a record showing the names and the places of business of persons to whom [the] *a* certificate of certified public accountant has been issued under this act [and under] *or* prior laws and all [others] *other persons* registered or holding licenses under this act *or prior laws*. The department shall furnish copies of such record to the public upon request and

may establish a reasonable fee for such copies which shall not exceed the cost of reproduction.

(5) To *revoke*, suspend [for a fixed term or revoke], *limit or otherwise restrict* the certificate [and] *or* license of any certified public accountant or the registration [and] *or* license of [all others registered] *any public accountant or the license of any firm* under this act [or], to censure *or publicly reprimand* the holder of [such] *any* certificate, registration or license [as provided for], *to require completion of general or a specific number of continuing professional education courses, to require more frequent peer review or other remedial action and to impose civil penalties as provided in section 16 for violation* of this act.

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

(7) To arrange for assistance in the performance of its duties, [and] to administer and enforce the laws of [the] *this* Commonwealth relating to *certification*, registration [of], *licensing* and practice by certified public accountants, [and all others registered or holding licenses under this act] *public accountants and firms* and to instruct and require its agents to seek an injunction, or bring a prosecution for a violation of this act.

(8) To keep minutes and records of all its transactions and proceedings. [Copies thereof duly certified by the Secretary of the board shall be received as evidence in all courts and elsewhere.] *To the extent required by the act of June 21, 1957 (P.L.390, No.212), referred to as the Right-to-Know Law, the department shall furnish copies of such minutes and records to the public upon request and may establish a reasonable fee for such copies which shall not exceed the cost of reproduction.*

(9) To become a member of the National Association of State Boards of Accountancy, or a similar organization, and pay such dues as said association shall establish and *to send members of the board and staff as delegates* to the meetings of [the] *that* association and defray their expenses.

(10) To adopt, promulgate and enforce [such] rules and regulations consistent with the provisions of this act establishing requirements of continuing education *and peer review* to be met by certified public accountants [and], public accountants [registered under this act] *and firms* as a condition for renewal of biennial licenses to engage in the practice of public accounting in this Commonwealth. *Such rules and regulations shall include, but not be limited to, analysis of continuing education records by a consultant whose analysis shall cover licensee forms and records of continuing education sponsors. The analysis shall be designed to determine compliance with all continuing education regulations of the board, including attendance of licensees, qualifications of sponsors and qualifications of courses for credit.*

(11) To promulgate and amend rules of professional conduct, uniformly applicable to certified public accountants and public accountants [registered

under this act], appropriate to establish and maintain a high standard of integrity, *objectivity* and dignity [in the profession of public accounting.] *by certified public accountants, public accountants and firms.*

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

(13) To submit annually, to the Professional Licensure Committee of the House and the Consumer Protection and Professional Licensure Committee of the Senate, a description of the types of complaints received, status of the cases, board action which has been taken and length of time from the initial complaint to final board resolution.

(14) To submit within a reasonable time following the biennial reporting period ending December 31, 1985, to the Professional Licensure Committee of the House and the Consumer Protection and Professional Licensure Committee of the Senate, a list of names of continuing education sponsors approved by the board and a summary of the types of continuing education courses, indicating the course content and subject matter, taken by current licensees in accordance with section 8.2 of this act during such biennial reporting period.]

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

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

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

Section 3.1. [General Qualifications.—A person] *Examination and Issuance of Certificate.*—(a) *An individual* shall be permitted to take the examination for the certificate of certified public accountant [and the certificate shall be granted by the board to any person (a) who is] *if the individual:*

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

(i) *is a resident of this Commonwealth[,];*

(ii) *is enrolled in or has graduated from a college or university in this Commonwealth[, or is engaged in public accounting therein at the time he first sits for the examination, and (b) who has]; or*

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

(2) *Has attained the age of eighteen years [and (c) who is].*

(3) *Is of good moral character[, and (d) who meets].*

(4) *Meets the education requirements of [education and experience as hereinafter provided and (e) who, with respect to granting a certificate*

shall have passed a written examination as provided in] section [3.] 4 of this act.

(b) *The examination shall be held at least twice in each calendar year and simultaneously in at least two counties of this Commonwealth and shall be a written examination in business law and professional responsibilities, auditing, accounting and reporting, and financial accounting and reporting. The board may use all parts of the Uniform Certified Public Accountants' examination and Advisory Grading Service of the American Institute of Certified Public Accountants to assist in performing its duties hereunder.*

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

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

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

Section 4. Education [and Experience] Requirements.—(a) Before [any person] *an individual* is permitted to take the examination [or is issued a certificate of certified public accountant], the board shall be satisfied that, *except as provided in subsection (b)*, he has [complied with the following requirements]:

(1) [Graduation] *graduated* with a baccalaureate degree from a college or university approved at the time of graduation by the Department of Education[, pursuant to policies and standards promulgated by the State Board of Education, or an education which is the equivalent thereof, and completion of at least twelve semester credits in accounting subjects of a content satisfactory to the board, not necessarily as part of his undergraduate work, and at least two years of public accounting experience or two years experience as an auditor with a unit of Federal, State or local government including, but not limited to, employment with the Department of the Auditor General; provided that the public accounting experience or the experience as an auditor with a unit of government was of a caliber satisfactory to the board, required the use of auditing skills and was supervised by a certified public accountant or public accountant, or] *and also completed at least twenty-four semester credits in accounting, auditing, business law, finance and tax subjects of a content satisfactory to the board, not necessarily as a part of his undergraduate work;*

(2) [Graduation] *graduated* with a Master's Degree [in Accounting or Business Administration or an equivalent Master's Degree] *or other post-*

graduate degree from a college or university approved at the time of graduation by the Department of Education[, pursuant to policies and standards promulgated by the State Board of Education, and completion of] *and completed* at least [twelve] *twenty-four* semester credits in accounting, *auditing, business law, finance and tax* subjects of a content satisfactory to the board, not necessarily as part of his undergraduate or graduate work[, and at least one year of public accounting experience or one year experience as an auditor with a unit of Federal, State or local government including, but not limited to, employment with the Department of the Auditor General; provided that the public accounting experience or the experience as an auditor with a unit of government was of a caliber satisfactory to the board, required the use of auditing skills and was supervised by a certified public accountant or public accountant.]; *or*

(3) Subject to the general qualifications of section 3.1, the department, upon authorization by the board, shall issue a certificate of certified public accountant to a person who has qualified for permission to take the examination under section 4(a)(1) or (2) provided he has passed the written examination of the board in general accounting, theory of accounts, accounting practice, auditing and related subjects.]

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

(b) As an alternative to section 4(a)(1) and (2), a person shall be permitted to take the examination without meeting the experience requirements as provided in section 4(b)(3) and (4) hereof, if the board shall be satisfied that he has complied with one of the following requirements:

(1) Graduation with a baccalaureate degree from a college or university approved at the time of graduation by the Department of Education, or an education which is the equivalent thereof, and completion of at least twenty-four semester credits in accounting subjects of a content satisfactory to the board, not necessarily as a part of his undergraduate work, or

(2) Graduation with a Master's Degree or a Doctor's Degree from a college or university approved at the time of graduation by the Department of Education and completion of at least twenty-four semester credits in accounting subjects of a content satisfactory to the board, not necessarily as part of his undergraduate or graduate work.

(3) Subject to the general qualifications of section 3.1, the department, upon authorization by the board, shall issue a certificate of certified public accountant to a person who has qualified for permission to take the examination under section 4(b)(1) provided he has passed the written examination of the board in general accounting, theory of accounts, accounting practice, auditing and related subjects and, further provided he has at least two years of public accounting experience or two years experience as an auditor with a unit of Federal, State or local government including, but not limited to, employment with the Department of the Auditor General; provided that the public accounting experience or the experience as an auditor with a unit of government was of a caliber satisfactory to the board, required the use of auditing skills and was supervised by a certified public accountant or public accountant.

(4) Subject to the general qualifications of section 3.1, the department, upon authorization by the board, shall issue a certificate of certified public accountant to a person who has qualified for permission to take the examination under section 4(b)(2) provided he has passed the written examination of the board in general accounting, theory of accounts, accounting practice, auditing and related subjects, further provided he has at least one year of public accounting experience or one year experience as an auditor with a unit of Federal, State or local government including, but not limited to, employment with the Department of the Auditor General; provided that the public accounting experience or the experience as an auditor with a unit of government was of a caliber satisfactory to the board, required the use of auditing skills and was supervised by a certified public accountant or public accountant.

(c) Notwithstanding the provisions of section 4(b) above, the board shall permit an applicant to take the examination during the final term, semester or quarter of the school year in which he will graduate, if it is reasonably expected that he will fulfill the educational requirements of section 4(b) and receive the required degree: Provided, however, That he must receive the required degree within ninety days after the date of the examination in order to fulfill the educational requirements set forth in section 4(b).

(d) Subject to such regulations as the board may adopt governing reexaminations, a candidate shall be entitled to retake the examination referred to in section 4(a)(3) and (b)(3) and (4).

(e) Service in the Armed Forces of the United States subsequent to July 1, 1940, shall be substituted for the experience requirements in section 4(a)(1) and (b)(3) above, on the basis of one month's experience credit for each six months' service: Provided, That the maximum credit for such service shall be six months.

(f) A person who has previously taken the examination under the provisions of a prior CPA Law of this Commonwealth shall continue to be permitted to take the examination and receive a certificate subject to such prior provisions.]

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Section 5 of the act, amended March 7, 1984 (P.L.106, No.23), is amended to read:

Section 5. Certificates Issued by *Domestic Reciprocity*.—(a) Without requiring [a written examination] *the examination otherwise required under section 3.1(e) of this act*, the board may, in its discretion, issue a certificate of certified public accountant to a holder of a certificate of certified public accountant then in full force and effect issued [as the result of a written examination] by any other state [or Federal district, territory or insular possession of the United States: Provided, That] *following passage of a written examination if* the applicant shall submit evidence satisfactory to the board that he:

(1) possesses the general qualifications specified in *section 3.1(a) of this act*[; that he], has passed the written examination required to practice as a certified public accountant under the laws of [such] *the other state* [or Federal district, territory or insular possession of the United States; that he], meets the continuing education requirements specified in section 8.2(b) of this act[; and that he has at least two years of public accounting] *and has the experience[.] required under section 4.1 of this act to receive the certificate in this Commonwealth; or*

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

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

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

Section 6. The act is amended by adding a section to read:

Section 5.1. Certificates Issued by *Foreign Reciprocity*.—(a) Without requiring the examination otherwise required under section 3.1(e) of this act, the board may in its discretion issue a certificate of certified public accountant to a holder of a foreign designation, granted and then in full force in a foreign country or other jurisdiction that is not a state, entitling the holder thereof to engage in the practice of public accounting if all of the following conditions are satisfied:

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

(2) *The foreign designation:*

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

(ii) Entitles the holder to issue reports.

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

(3) The applicant:

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

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

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

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

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

Section 7. Section 6 of the act, amended March 7, 1984 (P.L.106, No.23), is reenacted to read:

Section 6. Fees.—(a) All fees required under the provisions of this act shall be fixed by the board, by regulation and shall be subject to review in accordance with the act of June 25, 1982 (P.L.633, No.181), known as the "Regulatory Review Act." If the revenues generated by fees, fines and civil penalties imposed in accordance with the provisions of this act are not sufficient to match expenditures over a two-year period, the board shall increase those fees by regulation, subject to review in accordance with the "Regulatory Review Act," such that the projected revenues will meet or exceed projected expenditures.

(b) If the Bureau of Professional and Occupational Affairs determines that the fees established by the board are inadequate to meet the minimum enforcement efforts required, then the bureau, after consultation with the board, shall increase the fees by regulation, subject to review in accordance with the "Regulatory Review Act," such that adequate revenues are raised to meet the required enforcement effort.

Section 8. Section 7 of the act is amended to read:

Section 7. Status of Existing [Certificates] *Rights Preserved.*—Any person legally authorized to practice [as a certified public accountant] *public accounting* in this Commonwealth at the time this act *or any amendment of this act* takes effect shall thereafter possess the same rights and privileges as persons to whom certificates of certified public accountant shall be issued [pursuant to] *under* this act, subject, however, to the power of the board, as provided in this act, to [suspend or revoke the certificate of] *discipline* any such person [or censure any such person] for any of the causes set forth in this act and subject to the power of the board to provide for and to require permits to practice.

Section 9. Sections 8.2, 8.3, 8.4, 8.5, 8.6 and 8.7 of the act, amended March 7, 1984 (P.L.106, No.23), are amended to read:

Section 8.2. Licenses to Practice.—(a) Biennial licenses to engage in *the practice of public accounting* in this Commonwealth shall be issued by the [department] *Department of State upon payment of the biennial licensing fee* to (i) holders of the certificate of certified public accountant issued by this Commonwealth and public accountants registered [under this act] *in this Commonwealth* who shall have furnished evidence satisfactory to the board of compliance with the requirements of subsection (b) of this section and (ii) [partnerships and corporations registered under sections 8.3 to 8.6 of this act] *qualified associations licensed under section 8.8 of this act*. Licenses to practice [issued September 1, 1983] shall expire on the last day of April of [1986 and on the last day of April of alternate years thereafter,] *even-numbered years* or on such other biennial expiration dates as the department may fix. [Licenses may be renewed, biennially, for a period of two years by such certified public accountants and public accountants upon completion of the continuing education requirement and upon payment of the biennial fee. A certified public accountant or a public accountant registered under this act who is not engaged in the practice of public accounting may request the board, in writing, to place his name on the inactive roll and thus protect his right to obtain a license at such time as he may become engaged in the practice of public accounting. The board, in its discretion, may also review each case of failure to apply for such biennial license and determine whether such failure was due to reasonable cause.]

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

(b) Each [subsequent period, each] certified public accountant and public accountant filing an application for a license or a renewal thereof to engage in the practice of public accounting in this Commonwealth must, during the reporting period immediately preceding [a] *the current biennial [date] period*, complete eighty hours of continuing education, in programs

approved by the board. The reporting period for [licenses to be issued May 1, 1986 shall be September 1, 1983 to December 31, 1985] *licensees shall be January 1 of even-numbered years to December 31 of odd-numbered years*. No carry-over of credits shall be permitted from one biennial license period to another. The continuing education requirement shall not apply to [partnerships, corporations or associations] *firms* but shall apply to all natural persons who apply for a license or a renewal thereof under this section.

(c) Failure by [an applicant for renewal] *a licensed certified public accountant or public accountant applying for renewal* of his biennial license to furnish evidence of completion of the required number of hours of acceptable continuing education shall constitute grounds for denial or refusal to renew such license, unless the board, in its discretion, shall determine such failure to have been due to reasonable cause, in which case the board shall grant an extension.

(d) In issuing rules, regulations and individual orders with respect to requirements of continuing education, the board[, in its discretion,] may rely upon guidelines and pronouncements of recognized educational and professional organizations; may prescribe for content, duration and organization of courses; shall take into account the accessibility of such continuing education as it may require, and any impediments to interstate practice of public accounting which may result from differences in such requirements in other states; and may provide for relaxation or suspension of such requirements in instances of individual hardship such as for reasons of health, military service or other good cause.

(e) *A certified public accountant or public accountant who is also certified, registered or licensed to practice public accounting in any other state or foreign jurisdiction shall report this information to the board on the biennial renewal application. Any disciplinary action taken in any other state or foreign jurisdiction shall be reported to the board on the biennial renewal application or within thirty days of disposition, whichever is sooner. Multiple certification, registration or licensure shall be noted by the board on the record of the certified public accountant or public accountant, and the other state or foreign jurisdiction shall be notified by the board within thirty days after any disciplinary action is taken against the certified public accountant or public accountant in this Commonwealth.*

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

[Section 8.3. Partnerships Composed Solely of Certified Public Accountants.—A partnership composed solely of certified public accountants engaged in this Commonwealth in the practice of public accounting shall register with the board as a partnership of certified public accountants, provided it meets the following requirements:

(1) At least one partner thereof must be a certified public accountant of this Commonwealth and a current licensee, and

(2) Each partner thereof personally engaged within this Commonwealth in the practice of public accounting as a member thereof (i) must be a certified public accountant of this Commonwealth and a current licensee, or (ii) must be a certified public accountant of some state or Federal district, territory or insular possession of the United States in good standing and must have filed with the board, but not have been refused by the board, an application for a certificate of certified public accountant of this Commonwealth by reciprocity and after having received such certificate must have filed for, but not been refused, a license under section 8.2 of this act, and

(3) Each partner thereof engaged in the practice of public accounting in the United States must be a certified public accountant of some state or Federal district, territory or insular possession of the United States in good standing, and

(4) Each individual in charge of an office of a partnership in this Commonwealth must be a certified public accountant of this Commonwealth and a current licensee.

Section 8.4. Corporations Composed Solely of Certified Public Accountants.—A professional corporation or a professional association composed solely of certified public accountants organized in this Commonwealth or any other state or territory of the United States or District of Columbia, and engaged in the practice of public accounting in this Commonwealth as certified public accountants, shall register with the board and file with the board a copy of its Articles of Incorporation, or Articles of Association, and a copy of its bylaws, and such professional corporation, or professional association shall at all times have the following characteristics:

(1) The name under which the professional corporation or professional association renders professional services shall contain only the name of the certified public accountant in the case of a sole practitioner, the names of one or more of the present or former associates or shareholders or of partners who were associated with a predecessor accounting firm. No name of a professional corporation, or professional association shall include the words certified public accountant, public accountant, or any abbreviations thereof. Impersonal or fictitious names, as well as names which indicate a specialty, are prohibited.

(2) The professional corporation, or professional association shall not provide services that are incompatible with the practice of public accounting.

(3) All shareholders of the professional corporation or associates of the professional association shall be persons duly qualified to practice as certified public accountants in a state or territory of the United States

or the District of Columbia, and engaged in the practice of public accounting. At least one shareholder of a professional corporation must be a certified public accountant of this Commonwealth, and each shareholder thereof personally engaged within this Commonwealth in the practice of public accounting as a shareholder thereof, must be a certified public accountant of this Commonwealth. Each individual in charge of an office of a professional corporation in this Commonwealth must be a certified public accountant of this Commonwealth and a current licensee. At least one associate of a professional association must be a certified public accountant of this Commonwealth and each associate thereof personally engaged within this Commonwealth in the practice of public accounting as an associate thereof, must be a certified public accountant of this Commonwealth. Each individual in charge of an office of a professional association in this Commonwealth must be a certified public accountant of this Commonwealth and a current licensee. Shareholders or associates shall at all times own their shares or interest in their own right and shall be the real and beneficial owners of such equity capital or interest ascribed to them.

(4) In the case of professional corporations, transfer of shares shall be in accordance with the provisions of the act of July 9, 1970 (P.L.461, No.160), known as the "Professional Corporation Law." In the case of professional associations, provisions shall be made requiring any associate who ceases to be eligible to be an associate to dispose of all of his interest within a reasonable period to a person qualified to be an associate or to the association. If mutual agreement cannot be reached, and if the method of determining the sale price of the interest of an associate is not expressed in the Articles of Association, the fair value of such interest shall be determined by the American Arbitration Association.

(5) The principal executive officer of a professional corporation shall be a shareholder and a director, and to the extent possible, all other directors and officers shall be certified public accountants. The principal executive officer of a professional association shall be an associate and a governor and, to the extent possible, all other governors and officers shall be certified public accountants. Lay directors, governors, and officers shall not exercise any authority whatsoever over professional matters.

(6) The right to practice as a professional corporation or professional association shall not change the obligation of its shareholders, directors, officers, associates, or board of governors and other employes to comply with the rules of professional conduct promulgated by the board.

(7) In addition to the liability provisions of the "Professional Corporation Law," the professional corporation shall carry professional liability insurance or maintain unimpaired capital in accordance with regulations promulgated by the board. In addition to the liability

provisions of the act of August 7, 1961 (P.L.941, No.416), known as the "Professional Association Act," the professional association shall carry professional liability insurance or maintain unimpaired capital in accordance with regulations promulgated by the board. Liability shall not be limited by the formation of subsidiary or affiliated corporations or associations each with its own limited and unrelated liability.

Section 8.5. Partnerships, Composed of Certified Public Accountants and Public Accountants or Solely of Public Accountants.—A partnership, composed of certified public accountants and public accountants or solely of public accountants, engaged in this Commonwealth in the practice of public accounting shall register with the board as a partnership of public accountants provided it meets the following requirements:

(1) At least one partner thereof must be a certified public accountant or a public accountant registered under this act and a current licensee, and

(2) Each partner thereof personally engaged within this Commonwealth in the practice of public accounting as a member thereof (i) must be a certified public accountant or a public accountant registered under this act and a current licensee, or (ii) must be a certified public accountant of some state or Federal district, territory or insular possession of the United States in good standing and must have filed with the board, but not have been refused by the board, an application for certificate of certified public accountant of this Commonwealth by reciprocity and after having received such certificate, must have filed for, but not have been refused, a license under section 8.2 of this act, and

(3) Each individual in charge of an office of a partnership in this Commonwealth must be a certified public accountant or a public accountant of this Commonwealth and a current licensee.

Section 8.6. Corporations, Composed of Certified Public Accountants and Public Accountants or Solely of Public Accountants.—A professional corporation or a professional association, composed of certified public accountants and public accountants or solely of public accountants, organized under the laws of this Commonwealth and engaged in the practice of public accounting in this Commonwealth as public accountants, shall register with the board and file with the board a copy of its Articles of Incorporation, or Articles of Association, and a copy of its bylaws, and such professional corporation, or professional association shall at all times have the following characteristics:

(1) The name under which the professional corporation or professional association render professional services shall contain only the name of the public accountant in the case of a sole practitioner, the names of one or more of the present or former associates or shareholders or of partners who were associated with a predecessor accounting firm. No name of a professional corporation, or professional association shall

include the words certified public accountant, public accountant, or any abbreviations thereof. Impersonal or fictitious names, as well as names which indicate a specialty, are prohibited.

(2) The professional corporation or professional association shall not provide services that are incompatible with the practice of public accounting.

(3) All shareholders of the professional corporation or associates of the professional association shall be persons duly qualified to practice as certified public accountants in a state or territory of the United States or the District of Columbia, or as public accountants registered under this act, and engaged in the practice of public accounting. At least one shareholder of a professional corporation must be a certified public accountant, or a public accountant registered under this act and each shareholder thereof personally engaged within this Commonwealth in the practice of public accounting as a shareholder thereof, must be a certified public accountant, or a public accountant registered under this act. Each individual in charge of an office of a professional corporation in this Commonwealth must be a certified public accountant and a current licensee. At least one associate of a professional association must be a certified public accountant, or a public accountant registered under this act and each associate thereof personally engaged within this Commonwealth in the practice of public accounting as an associate thereof, must be a certified public accountant, or a public accountant registered under this act. Each individual in charge of an office of a professional association in this Commonwealth must be a certified public accountant, or a public accountant registered under this act and a current licensee. Shareholders or associates shall at all times own their shares of interest in their own right and shall be the real and beneficial owners of such equity capital or interest ascribed to them.

(4) In the case of professional corporations, transfer of shares shall be in accordance with the provisions of the act of July 9, 1970 (P.L.461, No.160), known as the "Professional Corporation Law." In the case of professional associations, provisions shall be made requiring any associate who ceases to be eligible to be an associate to dispose of all of his interest within a reasonable period to a person qualified to be an associate or to the association. If mutual agreement cannot be reached, and if the method of determining the sale price of the interest of an associate is not expressed in the Articles of Association, the fair value of such interest shall be determined by the American Arbitration Association.

(5) The principal executive officer of a professional corporation shall be a shareholder and a director, and to the extent possible, all other directors and officers shall be certified public accountants, or public accountants registered under this act. The principal executive officer of a professional association shall be an associate and a governor and, to

the extent possible, all other governors and officers shall be certified public accountants, or public accountants registered under this act. Lay directors, governors, and officers shall not exercise any authority whatsoever over professional matters.

(6) The right to practice as a professional corporation or professional association shall not change the obligation of its shareholders, directors, officers, associates, or board of governors and other employes to comply with the rules of professional conduct promulgated by the board.

(7) In addition to the liability provisions of the "Professional Corporation Law," the professional corporation shall carry professional liability insurance or maintain unimpaired capital in accordance with regulations promulgated by the board. In addition to the liability provisions of the act of August 7, 1961 (P.L.941, No.416), known as the "Professional Association Act," the professional association shall carry professional liability insurance or maintain unimpaired capital in accordance with regulations promulgated by the board. Liability shall not be limited by the formation of subsidiary or affiliated corporations or associations each with its own limited and unrelated liability.

Section 8.7. Registration of Public Accountants.—Any person (i) who is a resident of this Commonwealth or has a place of business therein, and (ii) who has attained the age of eighteen years, and (iii) who is of good moral character, and (iv) meets the requirements of clause (1) or (2) to the satisfaction of the board as set forth in clause (3) may register with the board as a public accountant within twelve (12) months from publication in the Pennsylvania Bulletin of the announcement that application forms are available and not thereafter:

(1) Persons who held themselves out to the public as public accountants and who were engaged as principals (as distinguished from employes) within this Commonwealth (i) on or before December 8, 1976 in the practice of public accounting as their principal occupation, or (ii) at any time within six (6) years prior to December 8, 1976.

(2) Persons serving in the armed forces of the United States of America on or before December 8, 1976 who immediately prior to entering such service held themselves out to the public as public accountants and were engaged as principals (as distinguished from employes) within this Commonwealth in the practice of public accounting as their principal occupation.

(2.1) The time for registration for persons who meet the requirements of clause (1) or (2) shall be twelve (12) months from publication in the Pennsylvania Bulletin of the announcement that they are eligible for registration and that application forms are available.

(3) In order to meet the requirements of clauses (1) and (2), the applicant must furnish the board with evidence that he, as a principal (as distinguished from an employe), has held himself out to the public as

being engaged in the practice of public accounting as his principal occupation.

(4) The board shall in each case determine whether the applicant qualified for registration. Any individual who is so registered and who holds a permit issued under section 8.2 of this act shall be styled and known as a "public accountant."

(5) The department shall charge a fee for registration hereunder.

(6) Persons who have registered as provided in this section and whose qualifications as set forth in their registration applications are in compliance with this section may continue to hold themselves out to the public as public accountants and engage as principals in the practice of public accounting within this Commonwealth and shall not be subject to sections 12, 14, 15, 16 and 16.2 for a period of one (1) year from the enactment hereof but thereafter shall be subject to the provisions of sections 12, 14, 15, 16 and 16.2.]

Section 10. The act is amended by adding sections to read:

Section 8.8. Licensing of Firms.—(a) An association shall not practice public accounting in this Commonwealth unless it is a qualified association, has been granted a license to practice and satisfies the requirements of this section at all times while it is a licensee. A new firm shall apply for its initial license within thirty days after its formation; thereafter, the firm's license shall be subject to renewal in accordance with section 8.2 of this act.

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

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

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

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

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

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

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

(2) Except as provided in subsections (e) and (f), each shareholder, partner, member or other owner of an equity interest in the firm must be the holder of a current license to practice public accounting as a certified

public accountant or public accountant under the laws of this Commonwealth or another jurisdiction. This clause shall not:

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

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

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

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

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

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

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

(i) own in the aggregate equity interests in the firm entitling them to cast more than one-third of the votes on any issue or to receive more than one-third of any dividend or other distribution of profits or assets of the firm; or

(ii) constitute more than one-third in number of the owners of equity interests in the firm.

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

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

(4) The qualified nonlicensee shall not:

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

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

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

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

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

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

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

Section 8.9. Peer Review.—(a) *As a condition for granting a firm a renewal license, or an initial license in the case of a firm that has previously been engaged in practice in another jurisdiction, the board shall require that the firm undergo a peer review in accordance with this section unless the firm meets one of the exemptions in subsection (g). The firm shall submit to the board with its license application a letter from the organization administering the firm's most recent peer review stating the date on which the peer review was completed. The board shall not require submittal of the letter of acceptance, peer review report, letter of comment, letter of response or working papers related to the peer review process. As used in this section, the term "firm" includes, but is not limited to, a sole practitioner.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) The proceedings, records (including, without limitation, letters of acceptance, peer review reports, letters of comment and letters of response) and working papers related to the peer review process of any reviewer, administering organization or board member are privileged and not subject to discovery, subpoena or other means of legal process and may not be introduced into evidence.

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

(3) No privilege exists under this subsection:

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

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

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

(i) If a peer review report indicates that a firm complies with the appropriate professional standards and practices set forth in the regulations of the board, the administering organization shall destroy all working papers and documents, other than report-related documents, related to the peer review within ninety days after issuance to the firm of the letter of acceptance by the administering organization. If a peer review letter of acceptance indicates that corrective action by a firm is required, the administering organization may retain documents and reports related to the peer review until completion of the next peer review or other agreed-to corrective actions.

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

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

(i) reviewers;

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

(iii) board members.

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

(l) This section shall apply as follows:

(1) Except as provided in clause (2), this section shall take effect on February 3, 1997. This clause includes without limitation effectiveness for the purposes of permitting the board to promulgate the regulations under subsection (c) and of applying subsections (h) and (k).

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

Section 11. Sections 9, 9.1, 9.2 and 9.3 of the act, amended March 7, 1984 (P.L.106, No.23), are amended to read:

Section 9. *Disciplinary Procedure [for the Suspension and Revocation of Certificates]; Appeals.—[The] (a) Except as provided in section 2.3(c) of this act, the procedure to be followed in the [suspension and revocation of certificates, registrations or licenses to practice under this act, censure of certificate holders or registrants,] revocation of a firm's license under section 8.8(g) of this act or the imposition of discipline under section 9.1 of this act and in appeals taken from disciplinary actions of the board shall be that prescribed [by the act, approved the fourth day of June, one thousand nine hundred forty-five (Pamphlet Laws 1388), known as the Administrative Agency Law, and its amendments, and any General Rules of Administrative Practice and Procedure] under 2 Pa.C.S. Ch. 5 Subch. A (relating to practice and procedure of Commonwealth agencies) and Ch. 7 Subch. A (relating to judicial review of Commonwealth agency action), 1 Pa. Code Part II (relating to general rules of administrative practice and procedure) and applicable regulations promulgated by the board [pursuant to said act].*

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

Section 9.1. [Revocation or Suspension of Certificate, Registration or License.—] *Grounds for Discipline.—(a) In accordance with the procedure [referred to] provided in section 9 of this act, the board[, by a majority vote of its maximum authorized membership as provided by law, or by a majority vote of the duly qualified and confirmed membership or a minimum of seven affirmative votes, whichever is greater, if the membership of the board is less than its authorized membership as provided by law,] may revoke [or], suspend [any], limit or otherwise restrict the certificate of a certified public accountant or the registration of [those registered under this act, or] a public accountant, may revoke, suspend [or refuse to renew], limit or otherwise restrict any license issued under this act, [or] may censure or publicly reprimand the holder of any [such] certificate, registration or license, may require completion of general or a specific number of continuing professional education courses or may require more frequent peer review or other remedial action for any one or any combination of the following causes:*

(1) Fraud or deceit in obtaining a certificate [as] *of* certified public accountant or in obtaining registration under this act or in obtaining a license to practice under this act.

(2) Dishonesty, fraud or gross negligence in the practice of public accounting.

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

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

(5) Pleading guilty *to*, entering a plea of *nolo contendere*[,] *to* or being found guilty of a felony under [the laws of any state or Federal district, territory or insular possession of the United States or of the United States.] *any Federal or State law or the laws of any foreign jurisdiction.*

(6) Pleading guilty *to*, entering a plea of *nolo contendere*[,] *to* or being found guilty of any crime, an element of which is dishonesty or fraud under [the laws of any state or Federal district, territory or insular possession of the United States or of the United States.] *any Federal or State law or the laws of any foreign jurisdiction.*

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

(7) Cancellation, revocation, suspension or refusal to renew *his* authority to practice as a certified public accountant[,], *or* public accountant [or foreign accountant] by any other state or [Federal district, territory or insular possession of the United States] *foreign jurisdiction* for any cause other than failure to pay a registration or other fee in such other state or [Federal district, territory or insular possession.] *foreign jurisdiction.*

(8) Suspension or revocation of the right to practice before any [state or] *Federal or State governmental agency.*

(10) Failure of [a certificate holder or registrant] *certified public accountant or public accountant* to furnish evidence of [satisfaction] *completion of the* requirements [of] *for* continuing education [as required by the board under and pursuant to] *under* section 8.2 *of this act* or to meet any conditions [in] *with* respect [of] *to* continuing education [which] *that* the board may have ordered in respect [of] *to* such [certificate holder or registrant] *certified public accountant or public accountant* under that section.

[(11) Conduct discreditable to the public accounting profession.]

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

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

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

(15) Violation of an order of the board.

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

(b) The fact that a certified public accountant or public accountant is on inactive status under section 8.2(a.1) of this act or that a person does not hold a current license for any reason shall not limit or otherwise affect the power of the board to discipline him or it as provided in subsection (a).

(c) For the purposes of this section only, "unprofessional conduct" means:

(1) undertaking to perform professional services that the certified public accountant, public accountant or firm cannot reasonably expect to complete with professional competence;

(2) failure to exercise due professional care in the performance of professional services;

(3) failure to adequately plan and supervise the performance of professional services;

(4) failure to obtain sufficient data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed; or

(5) failure to comply with any standard promulgated by any recognized public or private standard-setting body that is applicable to the professional service being performed.

Section 9.2. Reinstatement.—[Upon] *(a) Except as provided in subsection (b), upon application in writing and after hearing pursuant to notice, the board may [reissue] reinstate or modify the suspension of any license to practice which has been suspended. [Unless ordered to do so by a court, the board shall not reinstate the certificate of a person to practice as a certified public accountant or the registration of a person to practice as a public accountant which has been revoked, and such person shall be required to apply for a certificate in accordance with section 3.1 if he desires to practice at any time after such revocation.] Reinstatement shall not be granted under this subsection:*

(1) To an individual unless he demonstrates that he has completed the biennial continuing education requirements that he would have been required to complete during the immediately preceding two full reporting periods if his license had not been suspended.

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

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

(c) Unless ordered to do so by a court, the board shall not reinstate the certificate of a person to practice as a certified public accountant or the registration of a person to practice as a public accountant which has been

revoked. A person whose certification or registration has been revoked may take the examination and apply for a certificate in accordance with section 3.1 of this act not earlier than five years after his certificate or registration was revoked if he desires to resume the practice of public accounting.

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

(1) In the case of an individual, presentation to the board of satisfactory evidence of having completed one hundred sixty hours of continuing education in programs approved by the board under section 8.2(d) of this act within four years preceding the date of the application for reinstatement, at least eighty hours of which must have been completed within two years preceding the date of the application for reinstatement.

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

[Section 9.3. Revocation or Suspension of Partnership or Corporation Registration or License.—In accordance with the procedure referred to in section 9 of this act, the board shall revoke the registration and license to practice of a partnership or corporation if at any time it does not have all the qualifications prescribed by the section of this act under which it qualified for registration.]

Section 12. Section 10 of the act is amended to read:

[Section 10. Employes and Assistants.—The department shall assign to the board such agents, clerks, stenographers, assistants and investigators as may be deemed necessary to carry out and enforce the provisions of this act.]

Section 13. Sections 11, 11.1, 12, 13 and 14 of the act, amended March 7, 1984 (P.L.106, No.23), are amended to read:

Section 11. Ownership of Working Papers.—(a) All statements, records, schedules, working papers and memoranda prepared by a licensee or a partner, shareholder, *member or other owner of an equity interest in a firm, or an* officer, director [or], employe *or agent* of a licensee incident to or in the course of rendering services to a client pursuant to the practice of public [accountancy] *accounting*, except reports submitted to a client and statements, records, schedules, working papers and memoranda provided by a client to a licensee or a partner, shareholder, *member or other owner of an equity interest in a firm, or an* officer, director [or], employe *or agent* of a licensee, shall be and remain the property of the licensee in the absence of an express agreement between the licensee and the client to the contrary. No such statement, record, schedule, working paper or memorandum shall be sold, transferred or bequeathed, without the consent of the client or his personal representative, successor or assignee, to anyone other than one or more surviving *or new* partners [or], *members*, shareholders or [new partners or shareholders] *other owners of an equity interest* of the licensee

or any combined or merged firm or successor in interest to the licensee. *Nothing in this section shall be construed as prohibiting any temporary transfer of working papers or other material in the course of complying with the peer review provisions of this act or as otherwise interfering with the disclosure of information pursuant to section 8.9 of this act.*

(b) In addition to any statements, records, schedules, working papers, memoranda or reports required to be furnished or returned to the client in accordance with subsection (a), a licensee shall furnish to his *or its* client or former client[,] upon request made within a reasonable time after original issuance of the document in question:

(1) A copy of a tax return of the client.

(2) A copy of any report or other document issued by the licensee to or for such client and not formally withdrawn or disavowed by the licensee prior to the request.

(3) A copy of the licensee's working papers to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client. *However, a licensee may require that fees due the licensee with respect to completed engagements be paid before such information is provided.*

(4) Any accounting or other records belonging to, or obtained from or on behalf of, the client [which] *that* the licensee removed from the client's premises or received for the client's account. The licensee may make and retain copies of such documents of the client whenever those documents form the basis for work done by him.

(5) *If a licensee can document compliance with the foregoing requirements, he need not comply with subsequent requests to again provide such information.*

Section 11.1. Privileged [Communication] *Communications*.—Except by permission of the client [or person or entity] engaging him or the heirs, successors or personal representatives of [such] a client [or person or entity, a certified public accountant, public accountant, partnership or corporation, holding a license to practice under this act, or a person employed by a certified public accountant, public accountant, partnership, or a director of or a person employed by a professional corporation holding a license to practice under this act, or an associate of or a person employed by a professional association holding a license to practice under this act], *a licensee or a person employed by a licensee* shall not be required to, and shall not voluntarily, disclose or divulge information of which he may have become possessed *unless the sharing of confidential information is within the peer review process. This provision on confidentiality shall prevent the board from receiving reports* relative to and in connection with any professional services as a certified public accountant, public accountant[, partnership or corporation] *or firm*. The information derived from or as the result of such professional services shall be deemed confidential and privileged[: **Provided, however, That nothing**

herein]. *Nothing in this section* shall be taken or construed as prohibiting the disclosure of information required to be disclosed by the standards of the profession in reporting on the examination of financial statements, or in making disclosures in a court of law or in disciplinary investigations or proceedings when the professional services of the certified public accountant, public accountant[, partnership or corporation] *or firm* are at issue in an action, investigation or proceeding in which the certified public accountant, public accountant[, partnership or corporation are parties] *or firm is a party*.

Section 12. Unlawful Acts.—(a) It is unlawful for any person [(1) to assume or] *to hold himself out as or otherwise* use the title or designation “certified public accountant,” or the abbreviation “CPA,” or any other title, designation, words, letters[,] *or abbreviation[, sign, card or device,]* tending to indicate that [such] *the* person is a certified public accountant *or engaged in the practice of public accounting* unless [such] *the* person has received[,] or has been notified in writing by the board that he has qualified to receive a certificate of certified public accountant issued by this Commonwealth, which is not revoked or suspended[, or (2) to assume or use such title, designation or abbreviation in the practice of public accounting unless he has received or has been notified in writing that he has qualified to receive a certificate of certified public accountant by this Commonwealth and unless he is a current licensee].

(b) It is unlawful for any person to *hold himself out or otherwise* use the title “certified public accountant,” “public accountant” or any abbreviation thereof, or the letters “CPA” or “PA” by virtue of any certificate, registration or [permit] *license* illegally or fraudulently obtained by [such] *the* person, or issued unlawfully or through any fraudulent representation or deceit, or misstatement of material fact or fraudulent concealment of a material fact made or induced or aided or abetted by [such] *the* person.

(c) It is unlawful for any partnership [or], corporation *or other association* to [assume or] *hold itself out as or otherwise* use the title or designation “certified public accountant[,],” *or “public accountant”* or the abbreviation [“CPA,”] *“CPA” or “PA,”* or any other title, designation, words, letters[,] *or abbreviation[, sign, card or device,]* tending to indicate that [such] *the* partnership [or], corporation *or other association* is composed of *or includes* certified public accountants[, unless such] *or public accountants unless the* partnership [or], corporation [is registered as a partnership or corporation of certified public accountants under sections 8.3 and 8.4 of this act and is a current licensee] *or other association holds a current license under section 8.8 of this act*.

(d) It is unlawful for any person, partnership or corporation to sell or offer to sell or fraudulently obtain, furnish or procure any certificate, registration or license under the provisions of this act or cause or aid or abet another person so to do.

(e) It is unlawful for any person or persons to engage in the practice of public accounting in this Commonwealth as a limited partnership providing for limited liability of the members or partners.]

(f) Except as [prescribed] *provided in this subsection* or in subsections (a) and (c), [with respect to certified public accountants,] it is unlawful for any person[, partnership, or corporation] to use a title[, including] *that includes* the word "certified" as a part thereof, or any other title or designation likely to be confused with "certified public accountant," or any title or designation implying or connoting accreditation by [a state or Federal district, territory or insular possession of the United States,] *any jurisdiction* for the practice of any type of bookkeeping, accounting, auditing, tax or other professional practice related thereto, or to use any abbreviation of such title or designation. *It is not a violation of this subsection for an individual:*

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

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

[(g) It is unlawful for any person to assume or use the title or designation "certified public accountant" or "public accountant" in conjunction with names indicating or implying that there is a partnership or corporation, or in conjunction with the designation "and Company" or "and Co" or a similar designation, if there is, in fact, no bona fide partnership or corporation registered under sections 8.3 through 8.6: Provided, That a sole proprietor or partnership lawfully using such title or designation in conjunction with such names or designation prior to November 1, 1961 may continue to do so if he, or it, otherwise complies with the provisions of this act: And further provided, That any public accountant registered under this act using the title or designation public accountant or the abbreviation "PA" in conjunction with such names or designation prior to the effective date of this act may continue to do so if he otherwise complies with the provisions of this act.

(h) It is unlawful for any person to sign or affix a partnership or corporate name to any opinion or certificate attesting in any way to the reliability of any representation or estimate in regard to any person or organization embracing (1) financial information or (2) facts respecting compliance with conditions established by law or contract, including but

not limited to, statutes, ordinances, regulations, grants, loans, and appropriations, together with any wording, accompanying or contained in such opinion or certificate, which indicates that such partnership or corporation is composed of or employs (i) accountants or auditors or (ii) persons having expert knowledge in accounting or auditing, unless the partnership or corporation is a current licensee.

(i) It is unlawful for a certified public accountant, public accountant, partnership or corporation, engaged in the practice of public accountancy, to use a professional or firm name which is misleading as to the legal form of the firm, or as to the persons who are partners, officers or shareholders of the firm, or as to any other matter: Provided, however, That the names of one or more former partners or shareholders may be included in the name of a firm or its successor.]

(j) It is unlawful for any person to [assume or] *hold himself out as or otherwise* use the title or designation "public accountant" or the abbreviation "PA" or any other title, designation, words, letters[,] or abbreviation[, sign, card or device,] tending to indicate that [such] *the* person is a public accountant, unless such person is registered as a public accountant [under section 8.7 of this act] and is a [current] licensee, or unless such person has received, or has been notified in writing by the board that he has qualified to receive a certificate as certified public accountant issued by this Commonwealth [and is a current licensee].

[(k) It is unlawful for any partnership or corporation to assume or use the title or designation "public accountant" or the abbreviation "PA" or any other title, designation, words, letters, abbreviation, sign, card or device, tending to indicate that such partnership or corporation is composed of public accountants, unless such partnership or corporation is registered as a partnership or corporation of public accountants under section 8.5 or 8.6 of this act, or as a partnership or corporation of certified public accountants under section 8.3 or 8.4 of this act and is a current licensee; and each manager in charge of an office of the firm in this Commonwealth is a certified public accountant or a public accountant registered under this act and is a current licensee.]

(l) It is unlawful for any person, partnership or corporation to [assume or] *hold himself or itself out as or otherwise* use the title or designation "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "licensed public accountant," "registered public accountant[,]" or "accredited accountant[,]" or any other title or designation likely to be confused with "certified public accountant" or "public accountant," or any [of the abbreviations "CA," "EA," "RA," "LA," "RPA," "LPA," or "AA,"] *abbreviation of any of those prohibited titles or designations* or similar abbreviations likely to be confused with ["CPA": Provided, however, That anyone who] "CPA," *except that a person who* is a [current] licensee may hold himself out to the public as an "accountant," "auditor" or "accountant and [auditor]." *auditor.* It is not a

violation of this clause for an individual designated by the Internal Revenue Service as an enrolled agent to use that title or the abbreviation "EA."

(1.1) It is unlawful for any person to sell or offer to sell or fraudulently obtain, furnish or procure any certificate, registration or license under the provisions of this act or cause or aid or abet another person to do so.

(1.2) It is unlawful for any person that is not a licensee to sign, affix a firm name to or otherwise issue any:

(1) report; or

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

(i) accountants or auditors; or

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

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

(m) It is unlawful for any person who is not a licensee to sign or affix his name or any trade or assumed name used by him in his profession or business to [any opinion or certificate attesting in any way to the reliability of any representation or estimate in regard to any person or organization embracing (1) financial information or (2) facts respecting compliance with conditions established by law or contract, including, but not limited to] or otherwise issue any:

(1) report; or

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

(i) that he is an accountant or auditor[,]; or

(ii) that he has expert knowledge in accounting or auditing[, unless he is a current licensee: Provided, however, That the].

The provisions of this subsection shall not prohibit any officer, employe, partner, or principal of any organization from affixing his signature to any [statement or] report or other communication in reference to the affairs of [said] the organization with any wording designating the position, title, or office which he holds in [said] the organization, nor shall the provisions of

this subsection prohibit any act of a public official or public employe in the performance of his duties as such.

(n) It is unlawful for any person[, partnership or corporation] not a [current] licensee to hold himself or itself out to the public as an "auditor" or as an "accountant and auditor" [by use of either designation on any sign, card, letterhead, or in any advertisement or directory: Provided, however, That this]. *This* subsection shall not prohibit any officer, employe, partner, or principal of any organization from describing himself by the position, title or office he holds in [such] *the* organization, nor shall this subsection prohibit any action of a public official or public employe in the performance of his duties as such.

(o) It is unlawful for any person[, partnership or corporation to indicate by printed or written statement, sign, card or other device that such person, foreign accountant, partnership or corporation holds membership in] *to hold himself or itself out as a member of* any society, association or organization of certified public accountants or public accountants, unless such person holds a valid certificate of certified public accountant issued by this Commonwealth or by some state or [Federal district, territory or insular possession of the United States,] is registered as a [foreign accountant or as a] public accountant [under section 8.7, and in the case of a partnership or corporation, they are registered under sections 8.3 through 8.6 of this act.] *in this Commonwealth or, in the case of a firm, is licensed under section 8.8 of this act.*

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

(1) *A licensee in public practice shall not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission when the licensee or the licensee's firm also performs for that client any of the following:*

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

(ii) *A compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence.*

(iii) *An examination of prospective financial information.*

This prohibition applies during the period in which the licensee is engaged to perform any of the services listed in this clause and the period covered by any historical financial statements involved in such listed services.

(2) *A licensee in public practice who is not prohibited by this act from performing services for or receiving a commission and who is paid or expects to be paid commission shall disclose that fact to any person to whom the licensee recommends or refers a product or service to which the commission relates.*

(3) *Any licensee who accepts a referral fee or who pays a referral fee shall disclose such acceptance or payment to the client.*

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

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

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

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

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

(B) the client retains the licensee to whom the client has been referred in the case of a referral fee.

(5) This subsection does not apply to:

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

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

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

(iv) Incentive or bonus payments to a licensee by a firm employing the licensee.

(q) It is unlawful for any person not a licensee to engage in the practice of public accounting in this Commonwealth.

Section 13. Acts Not Unlawful.—(a) Nothing contained in this act shall prohibit any person not a certified public accountant or a public accountant [registered under this act] from serving as an employe of or an assistant to a certified public accountant, a public accountant[, a partnership of certified public accountants or public accountants or a corporation, holding a current license issued under section 8.2 of this act, or a foreign accountant registered under section 8.1 of this act: Provided, That such] or firm, but an employe or assistant shall not issue any *report or* accounting or financial statement over his name.

(b) Nothing contained in this act shall prohibit a certified public accountant, or [partnership or corporation] *association* composed of certified public accountants, of another state [or Federal district, territory or insular possession of the United States, and] who is concurrently engaged in public practice in such state[, Federal district, territory or insular possession] from temporarily practicing in this Commonwealth on professional business[: Provided, That such] *if the* practice is conducted in conformity with the regulations and rules governing temporary practice promulgated by the board.

(c) Nothing contained in this act shall prohibit [persons, partnerships or corporations other than as defined in this act] *a person while not holding himself out as a certified public accountant, public accountant or licensee* from offering and rendering bookkeeping and similar technical services or

other services involving the use of accounting skills, including the preparation of tax returns and the preparation [or compilation] of financial [statements] *information* without issuing a report or *other communication* that expresses an opinion or assurance on the statements. [These persons, partnerships or corporations may use the title or designation “accountant” or “accountants.”] *A letter or other text that accompanies financial information prepared under this subsection shall not constitute a report or other communication that expresses an opinion or assurance if it is limited to the following wording:*

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

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

A person who prepares financial information as permitted by this subsection may use the title or designation “accountant” or “accountants” and may refer to the services being provided as “accounting” if the person includes in any letter or other text accompanying the financial information the following statement:

I am not a certified public accountant or public accountant.

We are not certified public accountants or public accountants.

Section 14. Injunction Against Unlawful Act.—Whenever in the judgment [of a majority of the maximum authorized membership] of the board [as provided by law, or in the judgment of a majority of the duly qualified and confirmed membership or a minimum of seven members, whichever is greater, if the membership of the board is less than its authorized membership as provided by law,] any person[, partnership or corporation,] has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of this act, the board or its agents may make application to the appropriate court for an order enjoining such acts or practices and, upon a showing by the board that [such] *the* person[, partnership or corporation] has engaged or is about to engage in any such acts or practices, an injunction, restraining order or such other order as may be appropriate shall be granted by [such] *the* court without bond.

Section 14. Section 15 of the act is amended to read:

Section 15. Single Act Evidence of Practice.—The willful or knowing display or uttering by a person[, partnership or corporation] of a card, sign, advertisement or other printed, engraved or written instrument or device bearing a person’s name[, or the name of a partnership or corporation] in conjunction with the words “certified public accountant” or “public accountant” or any abbreviation thereof or any designation prohibited by this act, shall be prima facie evidence in any prosecution, proceeding or hearing that the person[, partnership or corporation] whose name is so displayed, caused or procured the display or uttering of [such] *the* card, sign, advertisement or other printed, engraved, or written instrument or device and

that [such person, partnership or corporation] *the person* is holding himself or itself out to be a certified public accountant or a public accountant. In any prosecution or proceeding under this act, evidence of the commission of a single act prohibited by this act[,] shall be sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

Section 15. Section 16 of the act, amended March 7, 1984 (P.L.106, No.23), is amended to read:

Section 16. Penalties.—(a) [Any person, partnership or corporation violating] *A person who violates* any of the provisions of *section 12* of this act shall be guilty of a misdemeanor of the third degree and upon conviction thereof shall be sentenced to pay a fine not exceeding two thousand five hundred dollars (\$2,500) or suffer imprisonment not exceeding one (1) year, or both.

(b) The [right of the board to suspend and revoke certificates and licenses issued under this act and the right to censure certificate holders or registrants] *disciplinary powers of the board* shall be in addition to the penalties set forth in this section.

(c) In addition to any other civil remedy [or], criminal penalty *or discipline* provided for in this act, the board[, by a vote of the majority of the maximum number of the authorized membership of the board as provided by law, or by a vote of the majority of the duly qualified and confirmed membership or a minimum of seven members, whichever is greater,] may levy a civil penalty of up to one thousand dollars (\$1,000) on any [current licensee who violates any provision of this act or on any person who practices accounting without being properly licensed to do so under this act.] *person for a violation of any provision of this act.* The board shall levy [this] *a civil* penalty only after affording the accused party the opportunity for a hearing, as provided in Title 2 of the Pennsylvania Consolidated Statutes (relating to administrative law and procedure). *The maximum civil penalty that may be levied by the board shall not be more than two hundred thousand dollars (\$200,000) for any related series of violations.*

(d) All fines and civil penalties imposed in accordance with this section shall be paid into the Professional Licensure Augmentation Account.

Section 16. Sections 16.1 and 16.2 of the act are amended to read:

[Section 16.1. Construction.—If any provision of this act or the application thereof to anyone or to any circumstances is held invalid, the remainder of the act and the application of such provision to others or other circumstances shall not be affected thereby.]

Section 16.2. Audits Limited to Certified Public Accountants and Public Accountants [Registered Under This Act].—Whenever any statute [or rules and regulations or orders], *regulation or order* of a department, board, agency or commission heretofore or hereafter enacted or adopted requires the audit or examination of finances, accounts, financial statements, books and records or reports of [(1)] any:

(1) department, division, board, bureau, office, commission or agency of this Commonwealth [or];

(2) [of any] municipal authority or other authority or political subdivision within this Commonwealth[, or];

(3) [of any] corporation, [joint stock] *joint-stock* company, nonprofit corporation, association, cooperative or [joint stock] *joint-stock* association or any other business or professional entity; or

(4) [of any] eleemosynary institution,
by a certified public accountant, public accountant, independent accountant or auditor, competent public accountant or other person purporting to have expert knowledge of accounting and auditing, [such] *the* requirement shall be construed to mean [certified public accountant or public accountant registered under this act: Provided however, That nothing] *a licensee*. *Nothing* in this section shall be construed to affect the eligibility of any person to serve as an elected auditor in *a* political [subdivisions] *subdivision*.

Section 17. Section 17 of the act is reenacted to read:

Section 17. Repeals.—The act, approved the twenty-ninth day of March, one thousand eight hundred ninety-nine (Pamphlet Laws 21), entitled “An act to establish a board for the examination of accountants, to provide for the granting of certificates to accountants, and to provide a punishment for the violation of this act,” and its amendments are hereby repealed.

Section 421, act of April 9, 1929 (P.L.177, No.175), known as “The Administrative Code of 1929,” is repealed.

All other acts or parts of acts inconsistent herewith are hereby repealed.

Section 18. This act shall take effect in 60 days.

APPROVED—The 4th day of December, A.D. 1996.

THOMAS J. RIDGE