



Senate

General Assembly

File No. 437

February Session, 2008

Substitute Senate Bill No. 684

Senate, April 3, 2008

The Committee on Government Administration and Elections reported through SEN. SLOSSBERG of the 14th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE PRACTICE AND PRIVILEGES OF CERTIFIED PUBLIC ACCOUNTANTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 20-279b of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 As used in this section, [and] sections 20-280 to 20-281m, inclusive
4 and section 7 of this act:

5 (1) "Board" means the State Board of Accountancy established by
6 section 20-280;

7 (2) "Certificate" means a "certified public accountant" certificate
8 issued either prior to October 1, 1992, or pursuant to section 20-281c of
9 the 2008 supplement to the general statutes or a "certified public
10 accountant" certificate issued after examination pursuant to the laws of
11 any other state;

12 (3) "Firm" means any person, proprietorship, partnership,
13 corporation, limited liability company or association and any other
14 legal entity which practices public accountancy;

15 (4) "License" means a public accountancy license issued pursuant to
16 section 20-281b or 20-281d, as amended by this act;

17 (5) "Licensee" means the holder of a certificate issued pursuant to
18 section 20-281c of the 2008 supplement to the general statutes, the
19 holder of a license issued pursuant to section 20-281b or 20-281d, as
20 amended by this act, or a holder of a permit to practice public
21 accountancy issued pursuant to sections 20-281b and 20-281e, as
22 amended by this act;

23 (6) "Permit" means a permit to practice public accountancy issued to
24 a firm pursuant to section 20-281e, as amended by this act;

25 (7) "Practicing public accountancy" means performing for the public
26 or offering to perform for the public for a fee by a person or firm
27 holding himself or itself out to the public as a licensee one or more
28 kinds of services involving the use of accounting or auditing skills,
29 including, but not limited to, the issuance of reports on financial
30 statements, or of one or more kinds of management advisory, financial
31 advisory or consulting services, or the preparation of tax returns or the
32 furnishing of advice on tax matters;

33 (8) "Quality review" means any study, appraisal or review of one or
34 more aspects of the professional work of a person or firm which
35 practices public accountancy by a person or persons who holds or hold
36 licenses under section 20-281b or 20-281d, as amended by this act, or
37 their equivalent under the laws of any other state and who are not
38 affiliated with the person or firm being reviewed;

39 (9) "Registration" means the process by which the holder of a
40 certificate may register his certificate annually and pay a fee of twenty
41 dollars in lieu of an annual renewal of a license and be entitled to use
42 the abbreviation "CPA" and the title "certified public accountant"

43 under conditions and in the manner prescribed by the board by
44 regulation;

45 (10) "Profession" means the profession of public accountancy;

46 (11) "Report" means any writing which refers to a financial
47 statement and (A) expresses or implies assurance as to the reliability of
48 said financial statement, and includes, but is not limited to, any writing
49 disclaiming an opinion, when such writing contains language
50 conventionally understood in the profession to express or imply
51 assurance as to the reliability of such financial statement, and (B)
52 expresses or implies that the person or firm issuing such writing has
53 special competence in accounting or auditing, which expression or
54 implication arises from, among other things, the use of written
55 language which is conventionally understood in the profession to
56 express or imply assurance as to the reliability of financial statements;

57 (12) "AICPA" means the American Institute of Certified Public
58 Accountants;

59 (13) "Attest" means the provision of any of the following financial
60 statement services:

61 (A) Any audit or other engagement to be performed in accordance
62 with the Statements on Auditing Standards (SAS);

63 (B) Any review of a financial statement to be performed in
64 accordance with the Statements on Standards for Accounting and
65 Review Services (SSARS);

66 (C) Any examination of prospective financial information to be
67 performed in accordance with the Statements on Standards for
68 Attestation Engagements (SSAE); and

69 (D) Any engagement to be performed in accordance with the
70 Auditing Standards of the PCAOB;

71 (14) "Compilation" means the provision of a service to be performed

72 in accordance with Statements on Standards for Accounting and
73 Review Services (SSARS) that is presented in the form of financial
74 statements that is the representation of management without
75 undertaking to express any assurance on the statements;

76 (15) "Home office" means the location specified by the client as the
77 address to which a service described in section 7 of this act is directed;

78 (16) "NASBA" means the National Association of State Boards of
79 Accountancy;

80 (17) "PCAOB" means the Public Company Accounting Oversight
81 Board;

82 (18) "Practice privilege" means the privilege for a person or firm to
83 practice public accountancy described in, and subject to the conditions
84 contained in, section 20-281e, as amended by this act, and section 7 of
85 this act;

86 (19) "Principal place of business" means the office location
87 designated by an individual or firm for purposes of section 20-281e, as
88 amended by this act, and section 7 of this act;

89 (20) "Substantial equivalency" is a determination by the board of
90 accountancy or its designee that the education, examination and
91 experience requirements contained in the statutes and administrative
92 rules of another jurisdiction are comparable to, or exceed, the
93 education, examination and experience requirements contained in the
94 Uniform Accountancy Act or that an individual certified public
95 accountant's education, examination and experience qualifications are
96 comparable to, or exceed, the education, examination and experience
97 requirements contained in the Uniform Accountancy Act.

98 Sec. 2. Section 20-281 of the general statutes is repealed and the
99 following is substituted in lieu thereof (*Effective from passage*):

100 (a) No firm shall practice public accountancy in this state unless
101 such firm: [has] (1) Has obtained a permit to practice, or (2) is exempt

102 from the permit requirement contained in section 20-281e, as amended
103 by this act.

104 (b) The State Board of Accountancy shall require, by regulation, that
105 on and after January 1, 1990, as a condition to renewal of a permit to
106 practice issued under section 20-281e, as amended by this act, that
107 permit holders undergo a quality review, conducted in such manner as
108 the board may by regulation specify, to determine and report on the
109 degree of compliance by the permit holder with generally accepted
110 accounting principals, generally accepted auditing standards and other
111 similarly recognized authoritative technical standards. Such a review
112 shall be required every three years, except as provided in subsection
113 (c) of this section. Any such regulations shall provide that an applicant
114 may comply with such regulations by furnishing sufficient evidence to
115 the board that a similar quality review has been completed for other
116 purposes. Each such review shall be performed by a reviewer having
117 such qualifications as shall be set forth by regulation. Each reviewer
118 shall be independent of the firm being reviewed. The firm which is the
119 subject of the review shall furnish a copy of the opinion letter
120 accompanying the report of the review performed by the reviewer to
121 the board within thirty days of the acceptance of the final report by a
122 qualified oversight body as determined by the board. Such letter shall
123 not be a public record unless it is made part of the record of a
124 disciplinary hearing. If the review report is designated "modified", the
125 board may require the firm which is the subject of the review to submit
126 an affidavit, within such time as the board may specify, indicating that
127 the remedial action suggested by the reviewer has been completed.
128 Payment for any review shall be the responsibility of the firm which is
129 the subject of the review.

130 (c) A permit holder may be granted a waiver from the quality
131 review requirements under subsection (b) of this section: (1) If it
132 annually represents to the board that: (A) It does not engage in
133 financial reporting areas of practice, including audits, compilations
134 and reviews, (B) it does not intend to engage in such a practice during
135 the following year, and (C) it will immediately notify the board if it

136 engages in such practice; (2) for reasons of health; (3) due to military
137 service; (4) in instances of individual hardship; or (5) for other good
138 cause as the board may determine. Any such requests for waivers and
139 any such representations shall be made in writing, under oath, and
140 upon forms provided by the board. Such requests and representations
141 shall be made at the time the firm applies for renewal of its firm
142 permit. Any firm which has been granted a waiver pursuant to
143 subdivision (1) of this subsection shall immediately notify the board if
144 it engages in the financial reporting area of practice and shall undergo
145 a quality review during the first calendar year after its initial
146 acceptance of such an engagement.

147 Sec. 3. Section 20-281a of the general statutes is repealed and the
148 following is substituted in lieu thereof (*Effective from passage*):

149 (a) After notice and hearing pursuant to section 20-280c, the board
150 may revoke any certificate, license or permit issued under section 20-
151 281c of the 2008 supplement to the general statutes, 20-281d, as
152 amended by this act, or 20-281e, as amended by this act, or the practice
153 privilege of an individual who qualifies under section 7 of this act;
154 suspend any such certificate, registration, license, practice privilege or
155 permit or refuse to renew any such certificate, license or permit;
156 reprimand, censure, or limit the scope of practice of any licensee or
157 individual that qualifies for the practice privilege; impose a civil
158 penalty not exceeding fifty thousand dollars upon licensees,
159 individuals who qualify for the practice privilege or others violating
160 provisions of section 20-281g, as amended by this act, or place any
161 licensee or individual that qualifies for the practice privilege on
162 probation, all with or without terms, conditions and limitations, for
163 any one or more of the following reasons:

164 (1) Fraud or deceit in obtaining a certificate, registration, license,
165 practice privilege or permit;

166 (2) Cancellation, revocation, suspension or refusal to renew
167 authority to engage in the practice of public accountancy in any other
168 state for any cause;

169 (3) Failure, on the part of a holder of a license or permit under
170 section 20-281d, as amended by this act, or 20-281e, as amended by this
171 act, to maintain compliance with the requirements for issuance or
172 renewal of such license or permit or to report changes to the board
173 under subsection [(g)] (h) of section 20-281d, as amended by this act, or
174 subsection (f) of section 20-281e, as amended by this act;

175 (4) Revocation, limitation or suspension of the right to practice
176 before any state or federal agency or the Public Company Accounting
177 Oversight Board under the Sarbanes-Oxley Act of 2002, or any of the
178 following actions taken by any such state or federal agency or said
179 board against a licensee or individual who qualifies for the practice
180 privilege: (A) Suspension of or barring a licensee from serving as a
181 corporate officer or director, (B) requiring [a] such individual or
182 licensee to disgorge funds, or (C) suspension or barring such
183 individual or a licensee from association with a public accounting firm;

184 (5) Dishonesty, fraud or negligence in the practice of public
185 accountancy or in the filing or failure to file his own income tax
186 returns;

187 (6) Violation of any provision of sections 20-279b to 20-281m,
188 inclusive, as amended by this act, or regulation adopted by the board
189 under said sections;

190 (7) Violation of any rule of professional conduct adopted by the
191 board under subdivision (4) of subsection (g) of section 20-280;

192 (8) Conviction of a felony, or of any crime an element of which is
193 dishonesty or fraud, under the laws of the United States, of this state,
194 or of any other state if the acts involved would have constituted a
195 crime under the laws of this state, subject to the provisions of section
196 46a-80;

197 (9) Performance of any fraudulent act while holding a registration,
198 certificate, license, practice privilege or permit issued under sections
199 20-279b to 20-281m, inclusive, as amended by this act, or prior law;

200 (10) Any conduct reflecting adversely upon the licensee's fitness to
201 engage in the practice of public accountancy; and

202 (11) Violation by anyone of any provision of section 20-281g, as
203 amended by this act.

204 (b) In lieu of or in addition to any remedy specifically provided in
205 subsection (a) of this section, the board may require a licensee or
206 individual who qualifies for a practice privilege to: (1) Submit to a
207 quality review conducted in such fashion as the board may specify; or
208 (2) complete such continuing professional education programs as the
209 board may specify, or both.

210 (c) In any proceeding in which a remedy provided by subsection (a)
211 or (b) of this section is imposed, the board may also require the
212 respondent to pay the costs of the proceeding.

213 Sec. 4. Section 20-281e of the general statutes is repealed and the
214 following is substituted in lieu thereof (*Effective from passage*):

215 (a) The board shall grant or renew permits to practice public
216 accountancy to firms that make application and demonstrate their
217 qualifications [therefor] in accordance with subsections (b) to (f),
218 inclusive, of this section.

219 (b) Permits shall be initially issued and renewed annually.
220 Applications for permits shall be made in such form, and in the case of
221 applications for renewal, between such dates as the board may by
222 regulation specify.

223 (c) An applicant for initial issuance or renewal of a permit to
224 practice under this section shall be required to show that each
225 proprietor, partner or shareholder of such firm whose principal place
226 of business is in this state, who performs professional services in this
227 state and who works in this state holds a valid license to practice
228 issued under section 20-281b or 20-281d, as amended by this act. An
229 individual who has practice privileges under section 7 of this act and
230 performs services, for which a firm permit is required under such

231 section, shall not be required to obtain a certificate under section
232 20-281c of the 2008 supplement to the general statutes or a license
233 under section 20-281d, as amended by this act.

234 (d) An applicant for initial issuance or renewal of a permit to
235 practice under this section shall be required to register each office of
236 the firm within this state with the board and to show that [each such
237 office is] all attest services and compilation services rendered in this
238 state are under the charge of a person holding a valid license issued
239 under section 20-281b, [or] 20-281d, as amended by this act, or by some
240 other state.

241 (e) The board shall charge an annual fee for each application for
242 initial issuance or renewal of a permit under this section in the amount
243 of seventy-five dollars; provided, no such fee shall be charged to a firm
244 having not more than one licensee.

245 (f) Applicants for initial issuance or renewal of permits under this
246 section shall list in their application all states in which they have
247 applied for or hold licenses to practice public accountancy, and each
248 holder of or applicant for a permit under this section shall notify the
249 board in writing, within thirty days after its occurrence, of any change
250 in the identities of any proprietors, partners, officers or shareholders of
251 such firm who work regularly within this state, any change in the
252 number or location of offices within this state, any change in the
253 identity of the persons in charge of such offices, and any issuance,
254 denials, revocation or suspension of a license by any other state.

255 (g) The following firms shall be required to hold a permit issued
256 pursuant to this section:

257 (1) Any firm with an office in this state performing attest services;

258 (2) Any firm with an office in this state that uses the title "CPA" or
259 "CPA firm"; or

260 (3) Any firm that does not have an office in this state but performs
261 attest services described in subparagraph (A), (C) or (D) of subdivision

262 (13) of section 20-279b, as amended by this act, for a client having its
263 home office in this state.

264 (h) A firm that does not have an office in this state may perform
265 services described in subparagraph (B) of subdivision (13) of section
266 20-279b, as amended by this act, or subdivision (14) of section 20-279b,
267 as amended by this act, for a client having its home office in this state
268 and may use the title "CPA" or "CPA firm" without a permit issued
269 under this section if:

270 (1) Such firm has the qualifications described in section 20-281, as
271 amended by this act, concerning quality reviews; and

272 (2) Such firm performs such services through an individual who has
273 practice privileges under section 7 of this act.

274 (i) Any firm that is not subject to the requirements of subsection (g)
275 or (h) of this section may perform other professional services while
276 using the title "CPA" or "CPA firm" in this state without a permit
277 issued under this section if:

278 (1) Such firm performs such services through an individual who has
279 practice privileges under section 7 of this act; and

280 (2) Such firm can lawfully do so in the state where said individuals
281 with practice privileges have their principal place of business.

282 Sec. 5. Section 20-281f of the general statutes is repealed and the
283 following is substituted in lieu thereof (*Effective from passage*):

284 (a) In any case where the board has suspended or revoked a
285 registration, certificate, license, practice privilege or a permit or
286 refused to renew a certificate, license or permit, the board may, upon
287 application in writing by the person or firm affected and for good
288 cause shown, modify the suspension, or reissue the certificate, license
289 or permit. Any individual whose practice privilege has been
290 suspended or revoked may not reenter this state to practice until such
291 individual complies with the provisions of this section.

292 (b) The board shall specify by regulation the manner in which such
293 applications shall be made and the times within which they shall be
294 made.

295 (c) Before reissuing or terminating the suspension of a registration,
296 certificate, license, practice privilege or permit under this section, and
297 as a condition thereto, the board may require the applicant to show
298 successful completion of specified continuing professional education;
299 and the board may make the reinstatement of a registration, certificate,
300 license, practice privilege or permit conditional and subject to
301 satisfactory completion of a quality review conducted in such fashion
302 as the board may specify.

303 Sec. 6. Section 20-281g of the general statutes is repealed and the
304 following is substituted in lieu thereof (*Effective from passage*):

305 (a) A person or a firm which does not hold a valid license and
306 permit issued under section 20-281b or 20-281d, as amended by this
307 act, and section 20-281e, as amended by this act, shall not issue a report
308 on financial statements of any other person, firm, organization or
309 governmental unit. This prohibition does not apply to an officer,
310 partner or employee of any firm or organization affixing his signature
311 to any statement or report in reference to the financial affairs of such
312 firm or organization with any wording designating the position, title
313 or office that he holds therein; nor prohibit any act of a public official
314 or employee in the performance of his duties as such; nor prohibit the
315 performance by any persons of other services involving the use of
316 accounting skills, including the preparation of tax returns,
317 management advisory services and the preparation of financial
318 statements without the issuance of reports thereon.

319 (b) The prohibition contained in subsection (a) of this section is
320 applicable to the issuance, by a person or a firm not holding a valid
321 license and permit, of a report using any language conventionally used
322 in the profession by licensees regarding a review of financial
323 statements.

324 (c) The prohibition contained in subsection (a) of this section is
325 applicable to the issuance by a person or a firm not holding a valid
326 license and permit of a report using any language conventionally used
327 in the profession by licensees with respect to a compilation of financial
328 statements.

329 (d) A person who does not hold a valid registration or license and
330 who does not qualify for practice privilege under section 7 of this act
331 shall not use or assume the title or designation "certified public
332 accountant", or the abbreviation "CPA" or any other title, designation,
333 words, letters, abbreviations, sign card or device tending to indicate
334 that such person is a certified public accountant, provided that a
335 holder of a certificate who does not also hold a license may use the title
336 pertaining to such certification only in the manner permitted by
337 regulations adopted by the board under subdivision (6) of subsection
338 (g) of section 20-280.

339 (e) No firm shall assume or use the title or designation "certified
340 public accountant", or the abbreviation "CPA", or any other title,
341 designation, words, letters, abbreviation, sign, card or device tending
342 to indicate that such firm is composed of certified public accountants,
343 unless (1) the firm holds a valid permit issued under section 20-281e,
344 as amended by this act, (2) all proprietors, partners and shareholders
345 practicing public accountancy in this state hold valid certificates and
346 licenses issued under section 20-281d, as amended by this act, and (3)
347 all proprietors, officers and shareholders of the firm hold licenses. The
348 prohibitions contained in this section shall not be construed to apply to
349 a firm that meets the requirements of section 20-281e, as amended by
350 this act.

351 (f) No person shall assume or use the title or designation "public
352 accountant", or the abbreviation "PA", or any other title, designation,
353 words, letters, abbreviation, sign, card or device which tends to
354 indicate that such person is a public accountant unless he holds a valid
355 license issued under section 20-281b.

356 (g) A firm which does not hold a valid permit issued under section

357 20-281e, as amended by this act, shall not assume or use the title or
358 designation "public accountant", the abbreviation "PA", or any other
359 title, designation, words, letters, abbreviation, sign, card or device
360 which tends to indicate that such firm is composed of public
361 accountants.

362 (h) A person or firm which does not hold a valid license and permit
363 issued under sections 20-281d, as amended by this act, and 20-281e, as
364 amended by this act, shall not assume or use the title or designation
365 "certified accountant", "certified professional accountant", "chartered
366 accountant", "enrolled accountant", "licensed accountant", "registered
367 accountant", "accredited accountant", or any other title or designation
368 likely to be confused with the titles "certified public accountant" or
369 "public accountant" or use any of the abbreviations "CA", "EA", "LA",
370 "RA", "AA" or similar abbreviation likely to be confused with the
371 abbreviations "CPA" or "PA", provided that a holder of a certificate
372 who does not also hold a license may use the titles pertaining to such
373 certificate only in the manner permitted by regulations adopted by the
374 board under subdivision (6) of subsection (g) of section 20-280. This
375 subsection shall not prevent persons designated as "enrolled agents" of
376 the Internal Revenue Service from using such title or the abbreviation
377 "EA".

378 (i) A person or firm which does not hold a valid license and permit
379 issued under section 20-281b or 20-281d, as amended by this act, and
380 section 20-281e, as amended by this act, shall not assume or use any
381 title or designation that includes the words "accountant", "auditor" or
382 "accounting" in connection with any other language, including the
383 language of a report, that implies that such person or firm holds such a
384 permit or has special competence as an accountant or auditor,
385 provided this subsection shall not prohibit any officer, partner or
386 employee of any firm or organization from affixing his signature to
387 any statement in reference to the financial affairs of such firm or
388 organization with any wording designating the position, title or office
389 that he holds therein, nor prohibit any act of a public official or
390 employee in the performance of his duties as such.

391 (j) A person who holds a certificate shall not engage in the practice
392 of public accountancy unless he also holds a valid license issued under
393 section 20-281d, as amended by this act, and a permit issued under
394 section 20-281e, as amended by this act, or unless such person is
395 qualified for the practice privilege pursuant to section 7 of this act.

396 (k) A firm which holds a permit under sections 20-279b to 20-281m,
397 inclusive, as amended by this act, shall not engage in the practice of
398 public accountancy using a professional or firm name or designation
399 that is misleading about the legal form of the firm, or about the
400 persons who are partners, officers or shareholders of the firm, or about
401 any other matter, provided names of one or more former partners or
402 shareholders may be included in the name of a firm or its successor.

403 (l) None of the foregoing provisions of this section shall apply to
404 any firm holding a certification, designation, degree or license granted
405 in a foreign country entitling the holder thereof to engage in the
406 practice of public accountancy or its equivalent in such country, whose
407 activities in this state are limited to the provision of professional
408 services to persons or firms who are residents of, governments of, or
409 business entities of the country in which he holds such entitlement,
410 who issues no reports with respect to the financial statements of any
411 other persons, firms or governmental units in this state, and who does
412 not use in this state any title or designation other than the one under
413 which he practices in such country, followed by a translation of such
414 title or designation into the English language, if it is in a different
415 language, and by the name of such country.

416 (m) The prohibitions contained in subsections (a), (b), (c), (h) and (i)
417 of this section shall not be construed to apply to any person or firm
418 that qualifies for a practice privilege under section 7 of this act or who
419 are exempt from the firm permit requirement contained in section 20-
420 281e, as amended by this act.

421 (n) Notwithstanding any provision of this section, a firm that does
422 not hold a valid permit under section 20-281e, as amended by this act,
423 and that does not have an office in this state may provide its

424 professional services and practice public accountancy in this state,
425 provided such firm complies with any applicable requirements of
426 subsection (a) of section 20-281e, as amended by this act.

427 Sec. 7. (NEW) (*Effective from passage*) (a) Any individual whose
428 principal place of business is not in this state shall be presumed to
429 have qualifications substantially equivalent to this state's requirements
430 and shall qualify for a practice privilege and have all the privileges of
431 licensees of this state without the need to obtain a license pursuant to
432 section 20-281d of the general statutes, as amended by this act, if:

433 (1) Such individual holds a valid license as a Certified Public
434 Accountant from any state which the NASBA National Qualification
435 Appraisal Service has verified to be in substantial equivalence with the
436 CPA licensure requirements of the AICPA/NASBA Uniform
437 Accountancy Act; or

438 (2) Such individual holds a valid license as a Certified Public
439 Accountant from any state which the NASBA National Qualification
440 Appraisal Service has not verified to be in substantial equivalence with
441 the CPA licensure requirements of the AICPA/NASBA Uniform
442 Accountancy Act and the individual obtains from the NASBA National
443 Qualification Appraisal Service verification that such individual's CPA
444 qualifications are substantially equivalent to the CPA licensure
445 requirements of the AICPA/NASBA Uniform Accountancy Act. Any
446 individual who passed the Uniform CPA Examination and holds a
447 valid license issued by any other state prior to January 1, 2012, may be
448 exempt from the education requirement in the Uniform Accountancy
449 Act for purposes of this subdivision.

450 (b) Notwithstanding any provision of the general statutes, any
451 individual who qualifies for a practice privilege under this section may
452 offer or render professional services, whether in person or by mail,
453 telephone or electronic means, based on a practice privilege, and no
454 notice, fee or other submission shall be required of any such
455 individual. Such individual shall be subject to the requirements in
456 subsection (c) of this section.

457 (c) Any individual licensee of another state exercising the privilege
458 afforded under this section and the firm that employs such licensee
459 shall consent, as a condition of the grant of such privilege:

460 (1) To the personal and subject matter jurisdiction and disciplinary
461 authority of the board;

462 (2) To comply with any applicable provision of state law and the
463 board's rules;

464 (3) That in the event the license from the state of such individual's
465 principal place of business is no longer valid, such individual shall
466 cease offering or rendering professional services in this state
467 individually and on behalf of a firm; and

468 (4) To the appointment of the state board that issued such license as
469 the agent upon whom process may be served in any action or
470 proceeding by the board against such licensee.

471 (d) Any individual who qualifies for practice privileges under this
472 section who, for any entity with its home office in this state, performs
473 any of the following services: (1) Any financial statement audit or other
474 engagement to be performed in accordance with Statements on
475 Auditing Standards; (2) any examination of prospective financial
476 information to be performed in accordance with Statements on
477 Standards for Attestation Engagements; or (3) any engagement to be
478 performed in accordance with PCAOB Auditing Standards may only
479 provide such services through a firm that has obtained a permit issued
480 under section 20-281e of the general statutes, as amended by this act.

481 (e) Any licensee of this state that offers or renders services or uses
482 their CPA title in another state shall be subject to disciplinary action in
483 this state for an act committed in another state for which the licensee
484 would be subject to discipline for an act committed in the other state.
485 Notwithstanding the provisions of section 20-280c of the general
486 statutes, the board shall investigate any complaint made by the board
487 of accountancy of another state against any such licensee.

488 (f) In determining substantial equivalency pursuant to this section,
489 the board shall take into account the qualifications of such person
490 without regard to the sequence in which experience, education or
491 examination requirements were attained.

492 Sec. 8. Section 20-280e of the general statutes is repealed and the
493 following is substituted in lieu thereof (*Effective from passage*):

494 [The State Board of Accountancy shall adopt regulations, in
495 accordance with chapter 54, to permit the holder of a Connecticut
496 public accountant license to convert such license to a certified public
497 accountant license without any testing requirements.] The State Board
498 of Accountancy shall issue a Connecticut Certified Public Accountant's
499 Certificate to any person who has been granted the designation
500 "certified public accountant" and who submits an application and pays
501 the applicable fee for an initial certified public accountant certificate.
502 No person issued an initial certificate, pursuant to this section, shall
503 engage in the practice of public accountancy or use the title or
504 designation "certified public accountant", or the abbreviations "CPA",
505 or any other title, designation, words, letters, abbreviation, sign, card
506 or device tending to indicate that such person is a certified public
507 accountant, except as permitted in accordance with sections 20-280 and
508 20-281g, as amended by this act.

509 Sec. 9. Section 20-281d of the general statutes is repealed and the
510 following is substituted in lieu thereof (*Effective from passage*):

511 (a) The board shall issue or renew licenses to persons who make
512 application and demonstrate their qualifications [therefor] in
513 accordance with subsections (b) to (g), inclusive, of this section.

514 (b) Licenses shall be initially issued for one year and renewed
515 annually. Applications for such licenses shall be made in such form,
516 and in the case of applications for renewal, between such dates, as the
517 board shall by regulation specify.

518 (c) An applicant for initial issuance of a license under this section

519 shall show:

520 (1) That he holds a valid certificate;

521 (2) If the applicant's certificate was issued more than four years
522 prior to his application for issuance of an initial license under this
523 section, that he has fulfilled the requirements of continuing
524 professional education that would have been applicable under
525 subsection (e) of this section if he had secured his initial license within
526 four years of issuance of his certificate and was now applying under
527 subsection (e) of this section for renewal of such license.

528 (d) The board shall issue a certificate to a holder of a certificate
529 issued by another state upon a showing that:

530 (1) The applicant passed the examination required for issuance of
531 his certificate with grades that would have been passing grades at the
532 time in this state; and

533 (2) The applicant meets all current requirements in this state for
534 issuance of a certificate at the time the application is made; or the
535 applicant, at the time of the issuance of the applicant's certificate in the
536 other state, met all such requirements then applicable in this state; or
537 the applicant has had five years of experience in the practice of public
538 accountancy no earlier than the ten years immediately preceding the
539 applicant's application or meets equivalent requirements prescribed by
540 the board by regulation.

541 (e) For renewal of a license under this section an applicant shall
542 show that he has completed forty hours of continuing professional
543 education during each year from the date of issuance or last renewal.
544 The board may prescribe, by regulation, the content, duration and
545 organization of continuing professional education courses which
546 contribute to the general professional competence of the applicant.

547 (f) For renewal of a license under this section, the board shall charge
548 the following fees for failure to earn continuing education credits by
549 the June thirtieth deadline:

550 (1) Two hundred fifty dollars for reporting on a renewal application
 551 a minimum of forty hours of continuing professional education, any of
 552 which was earned after June thirtieth and on or by September thirtieth;

553 (2) Five hundred dollars for reporting on a renewal application a
 554 minimum of forty hours of continuing professional education any of
 555 which was earned after June thirtieth and on or by December thirty-
 556 first.

557 ~~[(f)]~~ (g) The board shall charge a fee of seventy-five dollars for the
 558 initial issuance and the professional services fee for class I, as defined
 559 in section 33-182l, for each annual renewal of such license.

560 ~~[(g)]~~ (h) Applicants for initial issuance or renewal of licenses under
 561 this section shall in their applications list all states in which they have
 562 applied for or hold certificates or licenses, and each holder of or
 563 applicant for a license under this section shall notify the board in
 564 writing, within thirty days after its occurrence, of any issuance, denial,
 565 revocation or suspension of a certificate or license by another state.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	20-279b
Sec. 2	<i>from passage</i>	20-281
Sec. 3	<i>from passage</i>	20-281a
Sec. 4	<i>from passage</i>	20-281e
Sec. 5	<i>from passage</i>	20-281f
Sec. 6	<i>from passage</i>	20-281g
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>from passage</i>	20-280e
Sec. 9	<i>from passage</i>	20-281d

Statement of Legislative Commissioners:

In the introductory text of section 1, "and section 7 of this act" was added for statutory consistency. Internal references were changed in section 3 (a) (3) and section 4 (g) and (h) for accuracy. In section 7 (a), "qualify for a practice privilege and" was inserted for consistency with section 1 (18) and other provisions of the bill. Throughout this bill "as amended by this act" was added wherever appropriate.

GAE *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Accountancy, Bd. of	GF - Revenue Gain	Potential Minimal	Potential Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill allows practice mobility for out-of-state certified public accountants (CPAs) whose principal place of business is not in Connecticut. There is no fiscal impact associated with this provision of the bill.

This bill also allows the State Board of Accountancy to impose fees for failures to earn continuing education credits by a specified date. This imposition of fees could have a potential revenue gain since these fees would be added to the General Fund.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 684*****AN ACT CONCERNING THE PRACTICE AND PRIVILEGES OF CERTIFIED PUBLIC ACCOUNTANTS.*****SUMMARY:**

This bill allows qualified out-of-state certified public accountants (CPAs) to practice in Connecticut without a state-issued license by adopting certain provisions of the Uniform Accountancy Act (UAA) (see BACKGROUND). To do so, an individual or firm must have a “practice privilege.”

The bill authorizes the State Board of Accountancy to regulate and discipline individuals who have practice privilege in much the same way that it regulates and disciplines in-state CPAs. It similarly subjects in-state CPAs who render services in another state to disciplinary action here for an act committed in the other state if it would subject them to disciplinary action there.

The bill eliminates the requirement that the State Board of Accountancy adopt regulations to allow licensed “public accountants” to convert their licenses to “certified public accountant” licenses without requiring any testing.

It requires the board to issue a “Connecticut Certified Public Accountant’s Certificate” to any person who was granted the CPA designation, presumably by any board in any jurisdiction, and who submits an application and pays the applicable fee for an initial certificate.

The bill establishes a schedule of fees for failure to earn all continuing education credits by the annual deadline. By law, a CPA

who fails to meet continuing education requirements is subject to disciplinary action.

Finally, it makes conforming and technical changes.

EFFECTIVE DATE: Upon passage

PRACTICE PRIVILEGE

The bill allows out-of-state CPAs to practice in-state by qualifying for their practice privilege, subject to certain conditions. When out-of-state CPAs qualify for their practice privilege, the bill states that they are presumed to have qualifications substantially equivalent to Connecticut's requirements for licensure. Current law prohibits individuals or firms from practicing public accountancy in Connecticut without a state-issued license or permit, respectively.

"Substantial equivalency" is a determination made by the board of accountancy, or its designee, that the education, examination, and experience requirements of an individual CPA or of another jurisdiction's statutes and administrative rules are comparable to, or exceed, those contained in the UAA. In determining substantial equivalency, the bill prohibits the board from taking into account the order in which an individual obtained his or her experience, education, or examination requirements.

An individual qualifies for practice privilege if he or she:

1. holds a valid license as a CPA from any state the National Association of State Boards of Accountancy (NASBA) National Qualification Appraisal Service has verified as having substantially equivalent licensure requirements as the Uniform Accountancy Act or
2. obtains verification from NASBA National Qualification Appraisal Service that his or her CPA qualifications are substantially equivalent to the licensure requirements of the UAA, if he or she does not hold a valid license from a NASBA

National Qualification Appraisal Service-verified state.

Consent to Practice Privilege

The bill makes practice privilege a grant that is conditional upon an individual licensee's consent to:

1. comply with the personal and subject matter jurisdiction and disciplinary authority of the State Board of Accountancy;
2. comply with any applicable state law and the board's rules; and
3. cease offering or rendering professional services in Connecticut, individually or on behalf of a firm, if his or her license from the state of his or her principal place of business becomes invalid.

The licensee must also consent to the appointment of the state board that issued his or her license as the agent upon whom process may be served in any action or proceeding by Connecticut's State Board of Accountancy against the individual.

When Service Must Be Provided Through an In-State Firm

Under the bill, an individual who qualifies for practice privilege may provide services for an entity with its home in Connecticut only through a firm that has a Connecticut permit if he or she performs:

1. a financial statement audit or other engagement in accordance with Statements on Auditing Standards,
2. an examination of prospective financial information in accordance with Statements on Standards for Attestation Engagements, or
3. an engagement in accordance with Public Company Accounting Oversight Board (PCAOB) Auditing Standards.

Exemption from Fees and Notices

The bill authorizes individuals who qualify for practice privilege to offer or render professional services in person or by email, telephone,

or electronic means. They may practice without submitting any notice, fee, or other submission.

Disciplinary Actions

After notice and a hearing, the State Board of Accountancy may discipline an individual who has qualified for practice privilege in much the same way it can discipline those who hold in-state licenses or permits. Specifically, the board may revoke or suspend such an individual's practice privilege. It may reprimand or censure the individual or limit his or her scope of practice. It may impose a civil penalty of up to \$50,000 on the individual. Finally, the board may place an individual who has qualified for practice privilege on probation for any of the following reasons:

1. fraud or deceit in obtaining a certificate, registration, license, practice privilege, or permit;
2. cancellation, revocation, suspension, or refusal to renew authority to practice public accountancy in any other state for any reason;
3. revocation, limitation, or suspension of the right to practice before any state or federal agency of the Public Company Accounting Oversight Board under the Sarbanes-Oxley Act of 2002;
4. dishonesty, fraud, or negligence in practicing public accountancy or in filing or failure to file personal income tax returns;
5. violation of any Connecticut state law concerning public accountants or regulation of the State Board of Accountancy;
6. violation of any rule of professional conduct the board adopts;
7. felony conviction, or any crime involving dishonesty or fraud, under any state or federal law if the act constitutes a crime in Connecticut;

8. engaging in any fraudulent act while being qualified for practice privilege; or
9. any conduct reflecting adversely upon the licensee's fitness to practice public accountancy.

The board may also place an individual who qualifies for practice privilege on probation if a state or federal agency of the Public Company Accounting Oversight Board under the Sarbanes-Oxley Act (1) suspends or bars such individual from serving as a corporate officer or director, (2) requires such individual to disgorge funds, or (3) suspends or bars such individual from association with a public accounting firm.

In lieu of or in addition to any of these disciplinary actions, the board may require the individual to (1) submit to a quality review, (2) complete continuing professional education programs, or (3) both. "Quality review" means a study, appraisal, or review of one or more aspects of an individual's or firm's professional work by a licensed CPA who is not affiliated with such individual.

The board may require the respondent to pay the costs of any proceeding.

By law, if the board suspends or revokes a registration, certificate, license, or permit, it may, upon written application, modify the suspension or reissue the certificate, license, or permit. The bill gives the board the same discretion with respect to an individual's practice privilege. It also allows the board to require an applicant to show successful completion of specified continuing professional education. The board may make reinstatement of practice privilege conditional on and subject to satisfactory completion of a quality review (see BACKGROUND).

Connecticut CPAs

The bill subjects in-state licensees who offer or render services, or use their CPA title in another state, to disciplinary action in

Connecticut for an act committed in another state that would subject them to disciplinary action there. It requires Connecticut's State Board of Accountancy to investigate any complaint made by another state's board against a Connecticut licensee.

PERMITS

Under current law, firms must obtain and renew permits to practice public accountancy in Connecticut. They must demonstrate that each of their proprietors, partners, and shareholders who work in-state hold a valid license to practice. The bill narrows this requirement by making it apply to those proprietors, partners, and shareholders whose principal place of business, or office location, is in this state. The bill explicitly exempts an individual who works for a firm holding a permit and has practice privilege from the requirement to obtain a Connecticut CPA certificate and license.

The bill eliminates a requirement that a firm applying for an initial permit or a renewal show that a person who holds a valid license is in charge of each of its offices. It instead requires such a firm to show that a person who holds a valid license is in charge of all attest and compilation services.

The bill defines "attest" as the provision of any of the following financial statement services:

1. audit or other engagement performed in accordance with the Statements on Auditing Standards;
2. review of a financial statement performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);
3. examination of prospective financial information performed in accordance with the Statements on Standards for Attestation Engagements; or
4. engagement performed in accordance with the Auditing

Standards of the PCAOB.

It defines “compilation” as providing a service in accordance with SSARS and presented in the form of financial statements that represents management without expressing any assurance on the statements.

Firms that Require a Permit

The bill specifies that firms must hold a valid Connecticut permit if they:

1. have an office in this state performing attest services;
2. have an office in this state using the title “CPA” or “CPA firm;”
or
3. do not have an office in Connecticut but perform an attest service for a client with its home office here, except if the only attest service performed is to review financial statements in accordance with SSARS.

Firms that Do Not Require a Permit

Under the bill, an out-of-state firm that does not have a permit but meets certain requirements may (1) review financial statements, in accordance with SSARS, or perform compilation services for a client with its home office in Connecticut or (2) use the title “CPA” or “CPA firm.” Such a firm may do so when it (1) performs services through an individual who has his or her practice privilege or (2) has the qualifications required for firms that undergo a quality review.

The bill specifies that a firm that is not subject to the above provision concerning out-of-state firms may perform other professional services in Connecticut without a permit while using the title “CPA” or “CPA firm” if it (1) performs services through an individual who has his or her practice privilege here or (2) can lawfully perform these services in the state where the individuals with practice privilege have their principal place of business.

EXEMPTION FROM PROHIBITIONS

The bill specifies that when individuals or firms qualify for practice privilege, or when firms do not require permits, as described above, they are exempt from certain prohibitions.

Generally, the bill exempts these individuals and firms from the prohibitions on:

1. issuing a report on financial statements, including a review or compilation, for a person, firm, organization, or governmental unit without a valid license or permit, whichever is applicable;
2. using the title or designation “certified accountant,” “certified professional accountant,” “chartered accountant,” “enrolled accountant,” “licensed accountant,” “registered accountant,” “accredited accountant,” or any other title or designation likely to be confused with the titles “certified public accountant” or “public accountant;” or use any of the abbreviations “CA,” “EA,” “LA,” “RA,” “AA,” or a similar abbreviation likely to be confused with the abbreviations “CPA” or “PA;” and
3. using, in any other language, any title or designation including the words “accountant,” “auditor,” or “accounting,” including in a report, that implies such individual or firm holds a license or permit or has special competence as an accountant or auditor.

But the bill prohibits a firm that does not have a valid permit or an office in this state from issuing a report on financial statements, including a review or compilation, for a person, firm, organization, or governmental unit.

LICENSE RENEWAL FEES

By law, in-state CPAs must renew their licenses annually. To qualify for renewal, an applicant must demonstrate that he or she has completed 40 hours of continuing professional education during the prior year.

The bill establishes fees for failure to earn all 40 continuing education credits by the annual deadline the board has set in regulation, June 30. It requires the board to charge (1) \$250 for reporting on a renewal application a minimum of 40 continuing professional education credits, any of which was earned between July 1 and September 30 and (2) \$500 for reporting on a renewal application a minimum of 40 credits, any of which was earned between July 1 and December 31.

By law, the board may also take disciplinary action against a CPA who fails to obtain the continuing education credits. For failure to comply with the requirement, the board may, after notice and a hearing, (1) revoke a license; (2) suspend a license; or (3) limit the scope of a licensee's practice, among other things.

BACKGROUND

Uniform Accountancy Act

In 1984, the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) published the first joint model bill, later renamed the UAA. Ultimately, a substantial majority of the state accountancy laws followed, in their principal provisions, the example provided by earlier model accountancy bills and the UAA. While the UAA is a comprehensive piece of legislation, it is also designed with separable provisions that may, with appropriate amendments, be added to existing state laws instead of replacing them entirely.

In its latest revision (Fifth Edition, July, 2007), the UAA seeks to enact uniform state accountancy laws that foster interstate professional practice, among other things. It provides a system for permitting licensee mobility while making explicit the state boards' authority to regulate those who offer or render professional services within their jurisdiction, regardless of how those services are provided.

Quality Review

State law requires firms to undergo a quality review to renew their

permit. The goal of a quality review is to determine and report on a permit holder's degree of compliance with generally accepted accounting principals, generally accepted auditing standards, and other similarly recognized authoritative technical standards. It covers the financial reporting areas of practice, including audit engagements, review engagements, and compilation engagements with historical and prospective financial information. Firms must undergo a review every three years, unless granted a waiver, and provide the board with a copy of the opinion letter accompanying the report within 30 days of receiving the report (Conn. Agencies Regs. § 21-281-1 *et seq*).

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable

Yea 13 Nay 0 (03/17/2008)