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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO BUSINESSES AND PROFESSIONS -- ACCOUNTANCY

Introduced By: Senator William A. Walaska

Date Introduced: March 23, 2016

Referred To: Senate Commerce

(Business Regulation)

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 5-3.1 of the General Laws entitled "Public Accountancy" is hereby  
2 amended by adding thereto the following section:

3 **5-3.1-26. Conversion of public accountant license to certified public accountant**  
4 **license. -- (a) The board shall no longer renew public accountant (PA) licenses. Any person**  
5 **practicing as a PA shall apply for conversion of their permit to a certified public accountant**  
6 **(CPA) pursuant to subsection (b) of this section.**

7 **(b) The board may issue a permit to practice as a CPA to an individual licensed as a PA**  
8 **by the board who meets all the following requirements:**

9 **(1) The PA files an application with the board for the conversion of the PA permit to a**  
10 **CPA permit;**

11 **(2) At the time of application for conversion of the PA permit, the PA holds a current**  
12 **permit issued by the board;**

13 **(3) At the time of application for conversion of the PA permit, any public accounting firm**  
14 **that employs the PA or in which the PA has an interest holds a current practice unit permit issued**  
15 **by the board and meets the peer review requirements of §5-3.1-10; and**

16 **(4) For the five (5) year period prior to the effective date of this provision (or for the**  
17 **duration of licensure as a PA by the board, if less than five (5) years), the PA maintained a**  
18 **current PA permit issued by the board and completed all continuing education hours as required**  
19 **pursuant to the board's rules and regulations.**

1 (c) Subsequent to the approval of the application for conversion from a PA permit to a  
2 CPA permit, the licensee must cease to utilize the designation "PA" in all forms of practice and is  
3 limited to utilizing the designation "CPA" in all forms of practice.

4 SECTION 2. Sections 5-3.1-3, 5-3.1-4, 5-3.1-7, 5-3.1-9 and 5-3.1-12 of the General  
5 Laws in Chapter 5-3.1 entitled "Public Accountancy" are hereby amended to read as follows:

6 **5-3.1-3. Definitions.** -- As used in this chapter, unless the context requires otherwise, the  
7 following terms are construed as follows:

8 (1) "Attest" means providing the following ~~financial statement~~ services:

9 (i) Any audit or other engagement to be performed in accordance with the Statements on  
10 Auditing Standards (SAS) ~~as adopted by the American Institute of Certified Public Accountants;~~

11 (ii) Any review of a financial statement to be performed in accordance with the  
12 Statement on Standards for Accounting and Review Services (SSARS) ~~as adopted by the~~  
13 ~~American Institute of Certified Public Accountants;~~

14 (iii) Any examination of prospective financial information to be performed in accordance  
15 with the Statements on Standards for Attestation Engagements (SSAE) ~~as adopted by the~~  
16 ~~American Institute of Certified Public Accountants;~~

17 (iv) ~~Any services considered attest by the American Institute of Certified Public~~  
18 ~~Accountants~~ Any engagement to be performed in accordance with the standards of the public  
19 company accounting oversight board;

20 (v) ~~Any services that will provide assurance on financial information and will be~~  
21 ~~performed in accordance with appropriate professional standards;~~ Any examination, review, or  
22 agreed upon procedures engagement to be performed in accordance with the SSAE, other than an  
23 examination described in subsection (1)(iii) of this section; and

24 (vi) The statements on standards specified in this definition shall be adopted by reference  
25 by the board pursuant to rulemaking and shall be those ~~standards developed by the American~~  
26 ~~Institute of Certified Public Accountants~~ developed for general application by recognized national  
27 accountancy organizations, such as the American Institute of Certified Public Accountants, and  
28 the public company accounting oversight board.

29 (2) "Authority" means an authority to practice as a public accountant in this state granted  
30 by the public accountants advisory commission under former § 5-3-6, (P.L. 1962, chapter 228,  
31 Section 1, as amended by P.L. 1970, chapter 272, Section 1).

32 (3) "Board" means the board of accountancy, a public authority created by § 5-3.1-4.

33 (4) "Certificate" means a certificate as certified public accountant issued under this  
34 chapter or corresponding provisions of prior law, or a corresponding certificate as certified public

1 accountant issued after examination under the law of any other state.

2 (5) "Certified public accountant" or "CPA" means a person holding a certificate issued  
3 under this chapter or corresponding provisions of prior law or under the accountancy act or  
4 similar law of any other state.

5 (6) "Compilation" means providing a service to be performed in accordance with the  
6 Statement on Standards for Accounting and Review Services (SSARS) as adopted by the  
7 American Institute of Certified Public Accountants that is presenting in the form of financial  
8 statements, information that is the representation of management without undertaking to express  
9 any assurance on the statements.

10 (7) "Entity" includes a general partnership, limited liability company, limited liability  
11 partnership, a corporation, a sole proprietor, a trust and joint venture.

12 (8) "Good moral character" for purposes of this section, means lack of a history of  
13 dishonest or felonious acts.

14 (9) "Licensee" means the holder of a certificate, authority or permit issued under this  
15 chapter or under the prior laws of this state.

16 (10) "Majority" refers to more than fifty percent (50%) ownership in terms of financial  
17 interests and voting rights.

18 (11) "Peer review" means a study, appraisal, or review of one or more aspects of the  
19 professional work of a practice unit engaged in the practice of public accountancy in this state, by  
20 a licensee or licensees who are not affiliated with the practice unit being reviewed.

21 (12) "Permit" means a permit to practice public accountancy issued under § 5-3.1-7, 5-  
22 3.1-8, or 5-3.1-9, or under corresponding provisions of prior law, or under corresponding  
23 provisions of the law of any other state.

24 (13) "Practice of (or practicing) public accounting or accountancy" means the  
25 performance of or the offering to perform, in an independent posture, for a client or potential  
26 client, one or more kinds of services involving the use of accounting or auditing skills, in  
27 connection with the issuance of reports ~~on financial statements~~ [as defined in §5-3.1-3](#).

28 (14) "Practice unit" means a sole proprietorship, corporation, partnership or other entity  
29 engaged in the practice of public accounting in this state. For the purpose of this chapter, the  
30 office of the Auditor General is considered a practice unit.

31 (15) "Principal residence" means the state in which a person has the right to register to  
32 vote for, or the right to vote in, general elections and in which he or she qualifies to file a resident  
33 state income tax return.

34 (16) "Public accountant" or "PA" means a person holding an authority as a public

1 accountant issued under the prior laws of this state.

2 (17) "Report" means an opinion, report, or other form of language that states or implies  
3 assurance as to the reliability of [the attested information or compiled](#) financial statements and that  
4 also includes or is accompanied by a statement or implication that the person or practice unit  
5 issuing the financial statements has special knowledge or competence in accounting or auditing.  
6 A statement or implication of special knowledge or competence may arise from use by the issuer  
7 of the report of names or titles indicating that the issuer is an accountant or auditor, or from the  
8 language of the report itself. The term "report" includes any form of language which disclaims an  
9 opinion when that language is conventionally understood to imply any positive assurance as to  
10 the reliability of the [attested information or compiled](#) financial statements referred to and/or any  
11 special competence on the part of the person or practice unit issuing that language; and it also  
12 includes any other form of language that is conventionally understood to imply that assurance  
13 and/or special knowledge or competence.

14 (18) "State" means the states of the United States, the District of Columbia, Puerto Rico,  
15 Guam, and the U.S. Virgin Islands. The term "this state" means the state of Rhode Island.

16 (19) "Substantial equivalency" means a determination by the board of accountancy that  
17 the education, examination and experience requirements contained in the statutes and  
18 administrative rules of another state or jurisdiction are comparable to or exceed the education,  
19 examination and experience requirements included in this chapter or that an individual CPA's  
20 education, examination and experience qualifications are comparable to or exceed the education,  
21 examination and experience requirements contained in this chapter. In ascertaining substantial  
22 equivalency as used in this chapter the board shall take into account the qualifications without  
23 regard to the sequence in which experience, education or examination requirements were attained.

24 **5-3.1-4. Board of accountancy.** -- (a) There is created a board of accountancy in and for  
25 the state of Rhode Island, to be known as the Rhode Island board of accountancy. The board shall  
26 consist of five (5) members. All members shall be appointed by the governor. Membership of the  
27 board shall consist of ~~three (3)~~ [four \(4\)](#) members who hold certificates and valid permits to  
28 practice as certified public accountants in this state and who are in public practice as certified  
29 public accountants in this state, ~~and one member who holds an authority and a valid permit to~~  
30 ~~practice as a public accountant in this state unless the governor shall not be able to find a~~  
31 ~~qualified appointee within the class of public accountants at which time the governor shall~~  
32 ~~appoint a certified public accountant.~~ All four (4) of those members shall have at least ten (10)  
33 years' experience in a full-time practice of public accountancy. The fifth member shall be from  
34 the public sector and shall have professional or practical experience in the use of accounting

1 services and financial statements as to be qualified to evaluate whether the qualifications,  
2 activities, and professional practice of those persons and firms regulated under this chapter  
3 conform with the standards established to protect the public interest. The board member from the  
4 public sector shall be designated as the public's member to the board for the term of service  
5 appointed. Except as provided, the term of the members of the board shall be five (5) years. No  
6 member of the board shall be associated in the practice of accountancy, either individually or as a  
7 member of a firm, with any other member of the board. The members of the Rhode Island board  
8 of accountancy appointed and serving under prior law on July 1, 1995, shall serve out the terms  
9 for which they were originally appointed as members of the board created by this section.  
10 Vacancies occurring during any term shall be filled by appointment by the governor for the  
11 unexpired term. Upon the expiration of his or her term of office, a member shall continue to serve  
12 until his or her successor has been appointed and has assumed office. The governor shall remove  
13 from the board any member whose certificate, authority, or permit has been revoked, suspended,  
14 or not renewed. No person who has served two (2), consecutive, complete terms is eligible for  
15 reappointment. Serving the remainder of an unexpired term upon appointment by the governor to  
16 fill a vacancy on the board shall not be considered as serving a complete term.

17 (b) The board shall elect annually from among its members a chairperson and any other  
18 officers that it deems appropriate. The board shall meet at any times and places that are fixed by  
19 the board and in any event shall meet no less than four (4) times each year. Three (3) members of  
20 the board shall constitute a quorum for the transaction of business. The board shall have a seal  
21 which shall be judicially noticed. The board shall retain or arrange for the retention of all  
22 applications and documents under oath that are filed with the board, and shall maintain a registry  
23 of the names and addresses of all licensees. The board shall keep records of its proceedings, and  
24 in any proceeding in court, civil or criminal, arising out of, or founded upon, any provision of this  
25 chapter, copies of the records certified as correct under the seal of the board are admissible in  
26 evidence.

27 (c) Each member of the board shall be reimbursed for actual and necessary expenses  
28 incurred in the discharge of those duties, but shall not receive compensation for their services on  
29 the board.

30 (d) All fees and monies derived under the provisions of this chapter shall be paid to, and  
31 received by, the general treasurer of the state of Rhode Island, who shall keep the monies in a  
32 restricted receipt account. All monies in the restricted receipt account shall be used to reimburse  
33 the board for expenses incurred in the administration and enforcement of this chapter. The board  
34 treasurer is authorized and directed to draw orders upon the general treasurer for payment from

1 the restricted receipt account upon receipt by the board treasurer of vouchers authenticated by the  
2 chairperson, vice chairperson, or secretary of the board.

3 (e) The board shall maintain on its website an annual report of its activities with the  
4 governor and the general assembly of this state. The report shall include, but not be limited to, a  
5 statement of all receipts and disbursements and a listing of all current licensees.

6 (f) The board shall prescribe any rules and regulations not inconsistent with the  
7 provisions of this chapter that it deems consistent with, or required by, the public welfare and  
8 policy established in § 5-3.1-2. Those rules and regulations may include:

9 (1) Rules and regulations of procedure for governing the conduct of matters before the  
10 board;

11 (2) Rules and regulations of professional conduct for establishing and maintaining high  
12 standards of competence and integrity in the profession of public accounting;

13 (3) Rules and regulations governing educational and experience requirements for the  
14 issuance of certificates;

15 (4) Rules and regulations establishing requirements for continuing education to promote  
16 the professional competence of holders of permits, which the board may require those holders to  
17 meet as a condition of their continuing in the practice of public accounting;

18 (5) Rules and regulations governing practice units engaged in the practice of public  
19 accounting, including, but not limited to, rules and regulations concerning the style, name, title,  
20 and affiliation with any other organization, and establishing reasonable standards as to  
21 professional liability insurance;

22 (6) Rules and regulations for reviewing and monitoring professional performance and  
23 conducting peer reviews;

24 (7) Any other rules and regulations, that the board deems necessary or appropriate in  
25 exercising its functions under this chapter.

26 (g) The promulgation of any rule, regulation, or amendment to it under subsection (f) of  
27 this section, or under any other provision of this chapter, shall be in accordance with § 42-35-3.

28 (h) The board may employ any personnel and arrange for any assistance, legal or  
29 otherwise, that it requires for the performance of its duties. It may also establish one or more  
30 advisory committees as it deems necessary in the performance of its duties. The authority and  
31 term of that advisory committee may be permanent or temporary in nature as determined by the  
32 board.

33 (i) In addition to its rulemaking authority, the board has the power to take all action that  
34 is necessary and proper to effectuate the purposes of this chapter, including the power to:

1 (1) Sue and be sued in its official name as an agency of this state;

2 (2) Investigate all complaints and charges of unprofessional conduct, including, but not  
3 limited to, conduct specified under § 5-3.1-12, against any licensee or any applicant for a  
4 certificate or permit, and to hold hearings, in accordance with the provisions of § 5-3.1-14, to  
5 determine whether those complaints and charges are substantiated;

6 (3) Appoint one or more members of the board, legal counsel, and/or an independent  
7 investigator to act on behalf of the board in investigating the conduct of any licensee, or of any  
8 applicant for a certificate or permit, or, in the alternative, to appoint a probable cause committee  
9 to investigate that conduct on its behalf, the committee to be comprised of licensees in good  
10 standing, as the board determines; and

11 (4) Issue subpoenas, administer oaths, and summon and examine witnesses in connection  
12 with any investigation conducted under authority of this chapter. If a subpoena is disobeyed, the  
13 board may invoke the aid of any court of competent jurisdiction in this state to require the  
14 attendance and testimony of witnesses and the production of documentary evidence.

15 (j) The board and its members and agents are immune from personal liability for actions  
16 taken in good faith in the discharge of the board's responsibilities, and the state of Rhode Island  
17 shall indemnify the board and those members and agents for, and hold them harmless from, any  
18 and all costs, damages, and reasonable attorneys' fees arising from, or related in any way, to  
19 claims or actions against them as to matters to which the immunity applies.

20 (k) The board shall adopt rules and regulations to implement substantial equivalency as  
21 set forth in § 5-3.1-7(g).

22 **5-3.1-7. Permits for public accountants and certified public accountants.** -- (a)

23 Annual permits to engage in the practice of public accounting in this state shall be issued by the  
24 board, upon application for the permit and payment of the required fee, to certified public  
25 accountants qualified under § 5-3.1-5 or eligible under the substantial equivalency standard set  
26 out in subsection (g) of this section, and to public accountants qualified under § 5-3.1-6. Effective  
27 January 1, 2009, all permits issued by the board shall be valid for a period of three (3) years and  
28 shall expire upon the last day of June of the year in which the permit is scheduled to expire. To  
29 transition existing licensees to a three (3) year licensing cycle, the board shall have the authority  
30 and discretion in 2008 to issue permits under this section that are valid for one, two (2), or three  
31 (3) years. All such permits issued during 2008 shall expire upon the last day of June of the year in  
32 which the permit is scheduled to expire. The board's authority to issue permits valid for one or  
33 two (2) years shall cease as of December 31, 2008.

34 (b) A certified public accountant who holds a permit issued by another state and who

1 desires to practice in this state shall apply for a permit in this state if that person does not qualify  
2 for reciprocity under the substantial equivalency standard set out in subsection (g) of this section.  
3 Upon the date of filing the completed application with the board, the applicant is deemed  
4 qualified to practice and may practice public accounting in this state pending board review of the  
5 application; provided, that the applicant meets all other applicable requirements under this  
6 chapter. Submission of the application constitutes the appointment of the secretary of state as an  
7 agent for the applicant for service of process in any action or proceeding arising out of any  
8 transaction or operation connected with or incidental to the practice of public accounting in this  
9 state by the applicant.

10 (c) Applications for renewal of a permit under this section shall be submitted to the  
11 board by February 15 of the year in which the permit is scheduled to expire and shall be  
12 accompanied by evidence that the applicant has satisfied the continuing professional education  
13 requirements promulgated by board regulation. That evidence shall be in a form that the board  
14 requires. Failure to furnish that evidence constitutes grounds for refusal to renew the permit  
15 unless the board in its discretion determines that the failure was due to reasonable cause or  
16 excusable neglect.

17 (d) Applications for renewal of a permit under this section shall also identify any  
18 practice unit with which the applicant is affiliated. In the event the practice unit fails to comply  
19 with § 5-3.1-9 or 5-3.1-10, the board may refuse to renew the applicant's individual permit if the  
20 board determines that the applicant was personally and substantially responsible for the failure of  
21 the practice unit to meet the requirements of §§ 5-3.1-9 and 5-3.1-10.

22 (e) All applicants for a permit under this section shall list in the application all other  
23 states in which the applicant has applied for or holds a permit to practice. Each applicant for or  
24 holder of a permit issued under this section or any individual who has entered the state under the  
25 provisions of substantial equivalency shall, within thirty (30) days of the occurrence of the event,  
26 notify the board in writing:

27 (1) Of the issuance, denial, revocation, or suspension of any certificate, license, degree,  
28 or permit by any other state; or

29 (2) Of the commencement of any disciplinary or enforcement action against the  
30 applicant, holder or individual by any other state.

31 (f) Fees for the issuance and renewal of permits under this section shall be established  
32 from time to time by the board. In no case shall the three (3) year renewal fee be less than three  
33 hundred and seventy-five dollars (\$375). The required fee shall be paid by the applicant at the  
34 time the application is filed with the board.



1 (g) Substantial equivalency.

2 (1) An individual ~~whose principal place of business or principal residence is not in this~~  
3 ~~state~~ having a valid certificate or license as a certified public accountant from any state whose  
4 licensure requirements are determined to be substantially equivalent with the conditions of this  
5 section shall have all the privileges of certificate holders and licensees of this state without the  
6 need to obtain a certificate or permit from this state under this section as long as the conditions of  
7 this section are met. The individual must have one year or more of experience. This experience  
8 shall include providing any type of service or advice involving the use of accounting, attest,  
9 management advisory, financial advisory, tax or consulting skills all of which was verified by a  
10 licensee, meeting requirements prescribed by the board by rule. This experience is acceptable if it  
11 was gained through employment in government, industry, academia or public practice.  
12 Notwithstanding any other provision of law, an individual who offers or renders professional  
13 services, whether in person, by mail, telephone or electronic means, under this section shall be  
14 granted practice privileges in this state and no notice or other submission shall be provided by any  
15 such individual. Such an individual shall be subject to the requirements in subdivision (g)(3). If  
16 this individual is responsible for supervising attest services and signs or authorizes another  
17 licensee to sign the accountant's report on the financial statements on behalf of the firm, this  
18 individual shall meet the experience requirements set out in the professional standards for such  
19 services. If this individual is responsible for signing or authorizing another licensee to sign the  
20 accountant's report on the financial statements on behalf of the firm, this individual shall meet the  
21 experience requirements set out in the professional standards for such services. The board may  
22 use the NASBA National Qualification Appraisal Service to determine which other states have  
23 substantial equivalence with this chapter.

24 (2) An individual ~~whose principal place of business is not in this state and~~ who holds a  
25 valid certificate or license as a certified public accountant from any state which the NASBA  
26 National Qualification Appraisal Service has not verified to be in substantial equivalence with the  
27 CPA licensure requirements if the AICPAASBA Uniform Accountancy Act shall be presumed to  
28 have qualifications substantially equivalent to this state's requirements and shall have all the  
29 privileges of certificate holders and licenses of this state without the need to obtain a certificate or  
30 permit under this section if such individual obtains from the NASBA National Qualification  
31 Appraisal Service verification that such individual's CPA qualifications are substantially  
32 equivalent to the CPA licensure requirements of the AICPAASBA Uniform Accountancy Act.  
33 Any individual who passed the Uniform CPA Examination and holds a valid license issued by  
34 any other state prior to January 1, 2012 may be exempt from the education requirement in

1 subdivision 5-3.1-5(a)(3) for purposes of this section.

2 (3) Any individual licensee of another state exercising the privilege afforded under this  
3 section and the CPA firm which employs that licensee hereby simultaneously consents, as a  
4 condition of the granting of this privilege:

5 (i) To the personal and subject matter jurisdiction and disciplinary authority of the board;

6 (ii) To comply with this chapter and the board's rules;

7 (iii) That in the event the certificate or license from the state of the individual's principal  
8 place of business is no longer valid, the individual will cease offering or rendering professional  
9 services in this state individually and on behalf of a CPA firm; and

10 (iv) To the appointment of the board which issued their license as their agent upon whom  
11 process may be served in any action or proceeding by this board against the licensee.

12 (4) A licensee of this state offering or rendering services or using their CPA title in  
13 another state shall be subject to disciplinary action in this state for an act committed in another  
14 state for which the licensee would be subject to discipline for an act committed in the other state.

15 **5-3.1-9. Permits for practice units.** -- (a) Permits to engage in the practice of public  
16 accounting in this state as a practice unit shall be issued by the board, upon application therefore  
17 and payment of the required fee, to an entity that demonstrates its qualifications in accordance  
18 with this chapter or to certified public accounting firms originally licensed in another state that  
19 establish an office in this state. A practice unit must hold a permit issued under this section in  
20 order to provide attest and compilation services as defined or to use the title "CPAs" or "CPA  
21 firm." An applicant entity for initial issuance or renewal of a permit to practice under this section  
22 shall be required to register each office of the firm within this state with the board and to show  
23 that all attest and compilation services as defined in this chapter rendered in this state are under  
24 the charge of a person holding a valid certificate issued under this chapter, or the corresponding  
25 provision of prior law or some other state.

26 (b) An entity shall satisfy the following requirements:

27 (1) For [corporations](#), general partnerships, joint ventures, limited liability partnerships  
28 and limited liability companies:

29 (i) The principal purpose and business of the partnership must be to furnish public  
30 accounting services to the public not inconsistent with this chapter and the rules and regulations  
31 of the board;

32 (ii) A majority of the ownership of the entity, in terms of financial interests and voting  
33 rights of all partners, shareholders or members, belongs to holders of a certificate who shall hold  
34 a certificate and a permit from some state, and such partners, shareholders or members, whose

1 principal place of business is in this state and who perform professional services in this state, hold  
2 a valid permit issued under this chapter or are public accountants registered under § 5-3.1-7.  
3 Although firms may include non-licensee owners, the firm and its ownership and all parties must  
4 comply with rules promulgated by the board. For firms of public accountants, a majority of the  
5 ownership of the firm, in terms of financial interests and voting rights, must belong to holders of  
6 permits under § 5-3.1-7, and provided, that any such entity as defined by this subsection may  
7 include non-licensee owners provided that:

8 (A) The entity designates a licensee of this state, who is responsible for the proper  
9 registration of the firm and identifies that individual to the board;

10 (B) All non-licensee owners are active individual participants in the entity;

11 (C) The entity complies with such other requirements as the board may impose by rule;

12 (D) Any individual licensee who is responsible for supervising attest and compilation  
13 services and signs or authorizes another licensee to sign the accountant's report on the financial  
14 statements on behalf of the firm, shall meet the experience requirements as set out in professional  
15 standards for such services;

16 (E) Any individual licensee who signs or authorizes another licensee to sign the  
17 accountants' report on the financial statements on behalf of the firm shall meet the experience  
18 requirement as set out in professional standards for such services.

19 (iii) At least one partner, shareholder or member must be a certified public accountant or  
20 a public accountant holding a certificate or authority under this chapter and a permit to practice in  
21 this state under § 5-3.1-7;

22 (iv) The address of every office of the entity located in this state must be listed in the  
23 application for the permit.

24 (2) For a sole proprietorship:

25 (i) The principal purpose and business of the sole proprietorship must be to furnish  
26 public accounting services to the public not inconsistent with this chapter and the rules and  
27 regulations of the board;

28 (ii) The sole proprietor must be a certified public accountant or a public accountant  
29 holding a certificate or authority under this chapter and a permit to practice in this state under § 5-  
30 3.1-7;

31 (iii) The address of every office of the sole proprietorship located in this state must be  
32 listed in the application for the permit.

33 (iv) Any individual licensee who is responsible for supervising attest and compilation  
34 services and signs or authorizes another licensee to sign the accountant's report on the financial

1 statements on behalf of the sole proprietor shall meet the experience requirements as set out in  
2 professional standards for such services; and

3 (v) Any individual licensee who signs or authorizes another licensee to sign the  
4 accountants' report on the financial statements on behalf of the firm shall meet the experience  
5 requirement as set out in professional standards for such services.

6 (c) Application for a permit under this section must be made upon the affidavit of the  
7 partner, shareholder, member or sole proprietor who holds a permit to practice in this state under  
8 § 5-3.1-7 as a certified public accountant or a public accountant. All applications for a permit  
9 under this section must include, in addition to any other information required by this chapter or  
10 by rule or regulation of the board to be stated in the application, a list of all other states in which  
11 the entity has applied for or holds a permit. Upon receipt of the application, the board shall  
12 determine whether the entity is eligible for a permit. In the event the board determines the entity  
13 is ineligible for a permit under this section, that determination shall be stated in writing and  
14 delivered to the applicant at the address that is stated in the application.

15 (d) All applicants for or holders of a permit under this section shall notify the board in  
16 writing within thirty (30) days of the occurrence of the event:

17 (1) Of any change in the identities of the partners, officers, directors, or shareholders  
18 who are personally engaged in this state in the practice of public accounting;

19 (2) Of any change in the number or location of offices within this state required to be  
20 listed in the application pursuant to this section;

21 (3) Of any change in the identities of the persons supervising the offices;

22 (4) Of any issuance, denial, revocation, or suspension of a permit by any other state. The  
23 board may prescribe fees, which are to be paid by the applicants or holders upon the notification;  
24 and

25 (5) Of a reduction below a majority of the ownership in the entity in terms of financial  
26 interests and voting rights.

27 (e) All permits issued by the board under this section subsequent to January 1, 2009,  
28 shall be valid for a period of three (3) years and shall expire on the last day of June of the year in  
29 which the permit is scheduled to expire unless the permit is renewed in accordance with the  
30 provisions of this section. To transition existing licensees to a three (3) year licensing cycle, the  
31 board shall have the authority and discretion in 2008 to issue permits under this section that are  
32 valid for one, two (2), or three (3) years. All such permits issued during 2008 shall expire upon  
33 the last day of June of the year in which the permit is scheduled to expire. The board's authority  
34 to issue permits valid for one or two (2) years shall cease as of December 31, 2008.

1           Effective January 1, 2009, permits issued pursuant to this section may be renewed for a  
2 period of three (3) years, and the renewed permit shall expire on the last day of June of the year in  
3 which the renewed permit is scheduled to expire, unless the renewed permit is again renewed by  
4 its holder. All applications for renewal of permits under this section shall be submitted to the  
5 board by February 15 of the year in which a permit or renewed permit is scheduled to expire. All  
6 applicants for permit renewal shall satisfy the quality review requirements prescribed in § 5-3.1-  
7 10.

8           (f) Fees to be paid upon application for initial issuance or renewal of a permit under this  
9 section shall be established from time to time by the board. Fees shall be paid at the time the  
10 application is filed with the board.

11           (g) An annual permit to engage in the practice of public accounting in this state shall be  
12 issued by the board, upon application for it and payment of the required fee, to the office of the  
13 auditor general provided the office is in compliance with § 5-3.1-10.

14           (h) An entity which falls out of compliance with the provisions of this section due to  
15 changes in firm ownership or personnel, after receiving or renewing a permit, shall take  
16 corrective action to bring the firm into compliance as quickly as possible. The board may grant a  
17 reasonable period of time for a firm to take such corrective action. Failure to bring the firm into  
18 compliance within a reasonable period as defined by the board will result in the suspension or  
19 revocation of the permit.

20           **5-3.1-12. Revocation or suspension of certificate, authority or permit.** -- (a) After  
21 notice and a hearing as provided in § 5-3.1-14, the board may: (1) suspend, ~~for a period not to~~  
22 ~~exceed two (2) years,~~ or revoke any certificate issued under § 5-3.1-5, or any predecessor  
23 provision, and any authority as a public accountant issued under the prior laws of this state; (2)  
24 revoke or suspend any permit issued under §§ 5-3.1-7, 5-3.1-8, 5-3.1-9, or their predecessor  
25 provisions; and (3) reprimand or censure in writing, limit the scope of practice, impose an  
26 administrative fine upon, not to exceed one thousand dollars (\$1,000), or place on probation, all  
27 with or without terms, conditions, or limitations, a licensee, for any of the causes specified in  
28 subsection (b) of this section.

29           (b) The board may take action specified in subsection (a) of this section for any one or  
30 more of the following causes:

- 31           (1) Fraud or deceit in obtaining a certificate or permit under this chapter;
- 32           (2) Dishonesty, fraud, or gross negligence in the practice of public accounting or in the  
33 filing or failing to file the licensee's own income tax returns;
- 34           (3) Violation of any of the provisions of this chapter;

1           (4) Violation of any rules and regulations, including, but not limited to, any rules of  
2 professional conduct, promulgated by the board under the authority granted by this chapter;

3           (5) Conviction of, or pleading guilty or nolo contendere to, a crime or an act constituting  
4 a crime of forgery, embezzlement, obtaining money under false pretenses, bribery, larceny,  
5 extortion, conspiracy to defraud, misappropriation of funds, tax evasion, or any other similar  
6 offense or offenses involving moral turpitude, in a court of competent jurisdiction of this or any  
7 other state or in federal court;

8           (6) Cancellation, revocation, or suspension of, or refusal to renew, the licensee's  
9 certificate or permit from another state by the other state for any cause other than failure to pay a  
10 fee or to meet the requirements of continuing education in that other state;

11           (7) Suspension or revocation of the right to practice public accounting before any state or  
12 federal agency;

13           (8) As to accountants licensed by foreign countries, cancellation, revocation, suspension,  
14 or refusal to renew the person's certificate, license, or degree evidencing his or her qualification to  
15 practice public accounting by the foreign country issuing the certificate, license, or degree, the  
16 certificate, license, or degree having qualified the accountant for issuance of an annual limited  
17 permit to practice under § 5-3.1-8;

18           (9) Failure to furnish the board or any persons acting on behalf of the board any  
19 information that is legally requested by the board;

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

22           (11) Any other conduct discreditable to the public accounting profession.

23           SECTION 3. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO BUSINESSES AND PROFESSIONS -- ACCOUNTANCY

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1           This act would amend certain provisions of the general laws governing the licensing of  
2 accountants to eliminate outmoded, inconsistent and unnecessary regulations.

3           This act would take effect upon passage.

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LC005124  
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