

2016 -- S 2784 SUBSTITUTE A

LC005124/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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

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

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

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

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

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

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

17 (v) ~~Any services that will provide assurance on financial information and will be~~
18 ~~performed in accordance with appropriate professional standards;~~ Any examination, review, or
19 agreed upon procedures engagement to be performed in accordance with the SSAE, other than an

1 [examination described in subsection \(1\)\(iii\) of this section; and](#)

2 (vi) The statements on standards specified in this definition shall be adopted by reference
3 by the board pursuant to rulemaking and shall be those ~~standards developed by the American~~
4 ~~Institute of Certified Public Accountants~~ [developed for general application by recognized national](#)
5 [accountancy organizations, such as the American Institute of Certified Public Accountants, and](#)
6 [the public company accounting oversight board.](#)

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

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

11 (4) "Certificate" means a certificate as certified public accountant issued under this
12 chapter or corresponding provisions of prior law, or a corresponding certificate as certified public
13 accountant issued after examination under the law of any other state.

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

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

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

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

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

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

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

33 (12) "Permit" means a permit to practice public accountancy issued under § 5-3.1-7, 5-
34 3.1-8, or 5-3.1-9, or under corresponding provisions of prior law, or under corresponding

1 provisions of the law of any other state.

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

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

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

12 (16) "Public accountant" or "PA" means a person holding an authority as a public
13 accountant issued under the prior laws of this state.

14 (17) "Report" means an opinion, report, or other form of language that states or implies
15 assurance as to the reliability of [the attested information or compiled](#) financial statements and that
16 also includes or is accompanied by a statement or implication that the person or practice unit
17 issuing the financial statements has special knowledge or competence in accounting or auditing.
18 A statement or implication of special knowledge or competence may arise from use by the issuer
19 of the report of names or titles indicating that the issuer is an accountant or auditor, or from the
20 language of the report itself. The term "report" includes any form of language which disclaims an
21 opinion when that language is conventionally understood to imply any positive assurance as to
22 the reliability of the [attested information or compiled](#) financial statements referred to and/or any
23 special competence on the part of the person or practice unit issuing that language; and it also
24 includes any other form of language that is conventionally understood to imply that assurance
25 and/or special knowledge or competence.

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

28 (19) "Substantial equivalency" means a determination by the board of accountancy that
29 the education, examination and experience requirements contained in the statutes and
30 administrative rules of another state or jurisdiction are comparable to or exceed the education,
31 examination and experience requirements included in this chapter or that an individual CPA's
32 education, examination and experience qualifications are comparable to or exceed the education,
33 examination and experience requirements contained in this chapter. In ascertaining substantial
34 equivalency as used in this chapter the board shall take into account the qualifications without

1 regard to the sequence in which experience, education or examination requirements were attained.

2 **5-3.1-7. Permits for public accountants and certified public accountants.** -- (a)

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

14 (b) A certified public accountant who holds a permit issued by another state and who
15 desires to practice in this state shall apply for a permit in this state if that person does not qualify
16 for reciprocity under the substantial equivalency standard set out in subsection (g) of this section.
17 Upon the date of filing the completed application with the board, the applicant is deemed
18 qualified to practice and may practice public accounting in this state pending board review of the
19 application; provided, that the applicant meets all other applicable requirements under this
20 chapter. Submission of the application constitutes the appointment of the secretary of state as an
21 agent for the applicant for service of process in any action or proceeding arising out of any
22 transaction or operation connected with or incidental to the practice of public accounting in this
23 state by the applicant.

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

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

1 the practice unit to meet the requirements of §§ 5-3.1-9 and 5-3.1-10.

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

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

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

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

15 (g) Substantial equivalency.

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

1 experience requirements set out in the professional standards for such services. The board may
2 use the NASBA National Qualification Appraisal Service to determine which other states have
3 substantial equivalence with this chapter.

4 (2) An individual ~~whose principal place of business is not in this state and~~ who holds a
5 valid certificate or license as a certified public accountant from any state which the NASBA
6 National Qualification Appraisal Service has not verified to be in substantial equivalence with the
7 CPA licensure requirements if the ~~AICPAASBA~~ [AICPA/NASBA](#) Uniform Accountancy Act
8 shall be presumed to have qualifications substantially equivalent to this state's requirements and
9 shall have all the privileges of certificate holders and licenses of this state without the need to
10 obtain a certificate or permit under this section if such individual obtains from the NASBA
11 National Qualification Appraisal Service verification that such individual's CPA qualifications
12 are substantially equivalent to the CPA licensure requirements of the ~~AICPAASBA~~
13 [AICPA/NASBA](#) Uniform Accountancy Act. Any individual who passed the Uniform CPA
14 Examination and holds a valid license issued by any other state prior to January 1, 2012 may be
15 exempt from the education requirement in subdivision 5-3.1-5(a)(3) for purposes of this section.

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

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

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

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

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

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

29 **5-3.1-9. Permits for practice units.** -- (a) Permits to engage in the practice of public
30 accounting in this state as a practice unit shall be issued by the board, upon application therefore
31 and payment of the required fee, to an entity that demonstrates its qualifications in accordance
32 with this chapter or to certified public accounting firms originally licensed in another state that
33 establish an office in this state. A practice unit must hold a permit issued under this section in
34 order to provide attest and compilation services as defined or to use the title "CPAs" or "CPA

1 firm." An applicant entity for initial issuance or renewal of a permit to practice under this section
2 shall be required to register each office of the firm within this state with the board and to show
3 that all attest and compilation services as defined in this chapter rendered in this state are under
4 the charge of a person holding a valid certificate issued under this chapter, or the corresponding
5 provision of prior law or some other state.

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

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

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

12 (ii) A majority of the ownership of the entity, in terms of financial interests and voting
13 rights of all partners, shareholders or members, belongs to holders of a certificate who shall hold
14 a certificate and a permit from some state, and such partners, shareholders or members, whose
15 principal place of business is in this state and who perform professional services in this state, hold
16 a valid permit issued under this chapter or are public accountants registered under § 5-3.1-7.
17 Although firms may include non-licensee owners, the firm and its ownership and all parties must
18 comply with rules promulgated by the board. For firms of public accountants, a majority of the
19 ownership of the firm, in terms of financial interests and voting rights, must belong to holders of
20 permits under § 5-3.1-7, and provided, that any such entity as defined by this subsection may
21 include non-licensee owners provided that:

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

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

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

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

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

33 (iii) At least one partner, shareholder or member must be a certified public accountant or
34 a public accountant holding a certificate or authority under this chapter and a permit to practice in

1 this state under § 5-3.1-7;

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

4 (2) For a sole proprietorship:

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

8 (ii) The sole proprietor must be a certified public accountant or a public accountant
9 holding a certificate or authority under this chapter and a permit to practice in this state under § 5-
10 3.1-7;

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

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

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

20 (c) Application for a permit under this section must be made upon the affidavit of the
21 partner, shareholder, member or sole proprietor who holds a permit to practice in this state under
22 § 5-3.1-7 as a certified public accountant or a public accountant. All applications for a permit
23 under this section must include, in addition to any other information required by this chapter or
24 by rule or regulation of the board to be stated in the application, a list of all other states in which
25 the entity has applied for or holds a permit. Upon receipt of the application, the board shall
26 determine whether the entity is eligible for a permit. In the event the board determines the entity
27 is ineligible for a permit under this section, that determination shall be stated in writing and
28 delivered to the applicant at the address that is stated in the application.

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

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

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

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

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

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

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

15 Effective January 1, 2009, permits issued pursuant to this section may be renewed for a
16 period of three (3) years, and the renewed permit shall expire on the last day of June of the year in
17 which the renewed permit is scheduled to expire, unless the renewed permit is again renewed by
18 its holder. All applications for renewal of permits under this section shall be submitted to the
19 board by February 15 of the year in which a permit or renewed permit is scheduled to expire. All
20 applicants for permit renewal shall satisfy the quality review requirements prescribed in § 5-3.1-
21 10.

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

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

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

34 **5-3.1-12. Revocation or suspension of certificate, authority or permit.** -- (a) After

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

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

11 (1) Fraud or deceit in obtaining a certificate or permit under this chapter;

12 (2) Dishonesty, fraud, or gross negligence in the practice of public accounting or in the
13 filing or failing to file the licensee's own income tax returns;

14 (3) Violation of any of the provisions of this chapter;

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

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

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

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

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

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

34 (10) Any conduct reflecting adversely upon the licensee's fitness to engage in the

1 practice of public accountancy; and

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

3 SECTION 2. This act shall take effect upon passage.

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LC005124/SUB A
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO BUSINESSES AND PROFESSIONS -- ACCOUNTANCY

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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