

CERTIFIED PUBLIC ACCOUNTANT LICENSING ACT

AMENDMENTS

2017 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Curtis S. Bramble

House Sponsor: Steve Eliason

LONG TITLE

General Description:

This bill modifies provisions related to the Certified Public Accounting Licensing Act.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ provides continuing education requirements for a person licensed by endorsement;

and

- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

58-26a-102, as last amended by Laws of Utah 2013, Chapter 278

58-26a-302, as last amended by Laws of Utah 2009, Chapter 183

58-26a-304, as last amended by Laws of Utah 2008, Chapter 265

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **58-26a-102** is amended to read:

58-26a-102. Definitions.

30 In addition to the definitions in Section 58-1-102, as used in this chapter:

31 (1) "Accounting experience" means applying accounting and auditing skills and
32 principles that are taught as a part of the professional education qualifying a person for
33 licensure under this chapter and generally accepted by the profession, under the supervision of
34 a licensed certified public accountant.

35 (2) "AICPA" means the American Institute of Certified Public Accountants.

36 (3) (a) "Attest and attestation engagement" means providing any or all of the following
37 financial statement services:

38 (i) an audit or other engagement to be performed in accordance with the Statements on
39 Auditing Standards (SAS);

40 (ii) a review of a financial statement to be performed in accordance with the Statements
41 on Standards for Accounting and Review Services (SSARS);

42 (iii) an examination of prospective financial information to be performed in accordance
43 with the Statements on Standards for Attestation Engagements (SSAE); [or]

44 (iv) an examination, review, or agreed upon procedures engagement to be performed in
45 accordance with the Statements on Standards for Attestation Engagements (SSAE), other than
46 an examination described in Subsection (3)(a)(iii); or

47 [~~(iv)~~] (v) an engagement to be performed in accordance with the standards of the
48 PCAOB.

49 (b) The standards specified in this definition shall be adopted by reference by the
50 division under its rulemaking authority in accordance with Title 63G, Chapter 3, Utah
51 Administrative Rulemaking Act, and shall be those developed for general application by
52 recognized national accountancy organizations such as the AICPA and the PCAOB.

53 (4) "Board" means the Utah Board of Accountancy created in Section 58-26a-201.

54 (5) "Certified Public Accountant" or "CPA" means an individual currently licensed by
55 this state or any other state, district, or territory of the United States of America to practice
56 public accountancy or who has been granted a license as a certified public accountant under
57 prior law or this chapter.

58 (6) "Certified Public Accountant firm" or "CPA firm" means a qualified business entity
59 holding a valid registration as a Certified Public Accountant firm under this chapter.

60 (7) "Client" means the person who retains a licensee for the performance of one or
61 more of the services included in the definition of the practice of public accountancy. "Client"
62 does not include a CPA's employer when the licensee works in a salaried or hourly rate
63 position.

64 (8) "Compilation" means providing a service to be performed in accordance with
65 Statements on Standards for Accounting and Review Services (SSARS) that is presenting, in
66 the form of financial statements, information that is the representation of management or
67 owners, without undertaking to express any assurance on the statements.

68 (9) "Experience" means:

69 (a) accounting experience; or

70 (b) professional experience.

71 (10) "Licensee" means the holder of a current valid license issued under this chapter.

72 (11) "NASBA" means the National Association of State Boards of Accountancy.

73 (12) "PCAOB" means the Public Company Accounting Oversight Board.

74 (13) "Practice of public accounting" means ~~[the offer to perform or the performance by~~
75 ~~a person holding himself out as a certified public accountant of],~~ while holding oneself out as a
76 certified public accountant, offering to perform or performing one or more kinds of services
77 involving the use of auditing or accounting skills, including ~~[the issuance of]~~ issuing reports or
78 opinions on financial statements, performing attestation engagements, ~~[the performance of]~~
79 performing one or more kinds of advisory or consulting services, ~~[or the preparation of]~~
80 preparing tax returns, or ~~[the furnishing of]~~ furnishing advice on tax matters for a client.

81 (14) "Peer review" means a ~~[study, appraisal, or review of one or more aspects of the~~
82 ~~professional work of a person or qualified business entity in the practice of public accountancy,~~
83 ~~by a licensee or any other qualified person in accordance with rules adopted pursuant to this~~
84 ~~chapter and who is not affiliated with the person or qualified business entity being reviewed]~~
85 board approved study, appraisal, or review of one or more aspects of the attest and compilation

86 services rendered by a licensee in the practice of public accounting, performed by a licensee
87 holding an active license in this or another state who is not affiliated with the licensee being
88 reviewed.

89 (15) "Principal place of business" means the office location designated by the licensee
90 for purposes of substantial equivalency and licensure by endorsement.

91 (16) "Professional experience" means experience lawfully obtained while licensed as a
92 certified public accountant in another [~~jurisdiction~~] state, recognized by rule, in the practice of
93 public accountancy performed for a client, which includes expression of assurance or opinion.

94 (17) "Qualified business entity" means a sole proprietorship, corporation, limited
95 liability company, or partnership engaged in the practice of public accountancy.

96 (18) "Qualified continuing professional education" means a formal program of
97 education that contributes directly to the professional competence of a certified public
98 accountant.

99 (19) "Qualifying examinations" means:

100 (a) the AICPA Uniform CPA Examination;

101 (b) the AICPA Examination of Professional Ethics for CPAs;

102 (c) the Utah Laws and Rules Examination; and

103 (d) any other examination approved by the board and adopted by the division by rule in
104 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

105 (20) (a) "Report," when used with reference to financial statements, means:

106 (i) [~~when used with reference to financial statements,~~] an opinion, report, or other form
107 of language that:

108 (A) states or implies assurance as to the reliability of [~~any financial statements~~] the
109 attested information or compiled financial statements; or

110 (B) implies that the person or firm issuing [it] the report has special knowledge or
111 competence in accounting or auditing and specifically includes compilations and reviews; such
112 an implication of special knowledge or competence may arise from use by the issuer of the
113 report of names or titles indicating that the person or firm is a public accountant or auditor, or

114 from the language of the report itself; or

115 (ii) any disclaimer of opinion when it is conventionally understood to imply any
116 positive assurance as to the reliability of the attested information or compiled financial
117 statements referred to or language suggesting special competence on the part of the person or
118 firm issuing such language; and [it] the report includes any other form of language that is
119 conventionally understood to imply such assurance or such special knowledge or competence.

120 (b) "Report" does not include a financial statement prepared by an unlicensed person if:

121 (i) that financial statement has a cover page which includes essentially the following
122 language: "I (we) have prepared the accompanying financial statements of (name of entity) as
123 of (time period) for the (period) then ended. This presentation is limited to preparing, in the
124 form of financial statements, information that is the representation of management (owners). I
125 (we) have not audited or reviewed the accompanying financial statements and accordingly do
126 not express an opinion or any other form of assurance on them."; and

127 (ii) the cover page and any related footnotes do not use the terms "compilation,"
128 "review," "audit," "generally accepted auditing standards," "generally accepted accounting
129 principles," or other similar terms.

130 (21) "Review of financial statements" means [~~performing inquiry and analytical~~
131 ~~procedures which provide a reasonable basis for expressing limited assurance that there are no~~
132 ~~material modifications that should be made to the statements in order for them to be in~~
133 ~~conformity with generally accepted accounting principles or, if applicable, with another~~
134 ~~comprehensive basis of accounting; and, the issuance of a report on the financial statements~~
135 ~~stating that a review was performed in accordance with the standards established by the~~
136 ~~American Institute of Certified Public Accountants] providing a service in accordance with the
137 Statements on Standards for Accounting and Review Services (SSARS) in which the
138 accountant obtains limited assurance as a basis for reporting whether the accountant is aware of
139 any material modifications that should be made to the financial statements for them to be in
140 accordance with the applicable financial reporting framework, primarily through the
141 performance of inquiry and analytical procedures.~~

142 (22) (a) "Substantial equivalency" means a determination by the division in
143 collaboration with the board or ~~[its]~~ the board's designee that:

144 (i) the education, examination, and experience requirements set forth in the statutes and
145 administrative rules of another ~~[jurisdiction]~~ state are comparable to or exceed the education,
146 examination, and experience requirements set forth in the Uniform Accountancy Act; or

147 (ii) an individual CPA's education, examination, and experience qualifications are
148 comparable to or exceed the education, examination, and experience requirements set forth in
149 the Uniform Accountancy Act.

150 (b) In ascertaining whether an individual's qualifications are substantially equivalent as
151 used in this chapter, the division in collaboration with the board shall take into account the
152 qualifications without regard to the sequence in which the education, examination, and
153 experience requirements were attained.

154 (23) "Uniform Accountancy Act" means the model public accountancy legislation
155 developed and promulgated by national accounting and regulatory associations that contains
156 standardized definitions and regulations for the practice of public accounting as recognized by
157 the division in collaboration with the board.

158 (24) "Unlawful conduct" is as defined in Sections [58-1-501](#) and [58-26a-501](#).

159 (25) "Unprofessional conduct" is as defined in Sections [58-1-501](#) and [58-26a-502](#) and
160 as may be further defined by rule.

161 (26) "Year of experience" means 2,000 hours of ~~[cumulative]~~ experience[-:]:

162 (a) generally accepted by the profession; and

163 (b) under the supervision of a licensed certified public accountant.

164 Section 2. Section **58-26a-302** is amended to read:

165 **58-26a-302. Qualifications for licensure and registration -- Licensure by**
166 **endorsement.**

167 (1) Each applicant for licensure under this chapter as a certified public accountant
168 shall:

169 (a) submit an application in a form prescribed by the division;

170 (b) pay a fee determined by the department under Section 63J-1-504;
171 (c) show evidence of good moral character;
172 (d) submit a certified transcript of credits from an accredited institution acceptable to
173 the board showing:

174 (i) successful completion of a total of 150 semester hours or 225 quarter hours of
175 collegiate level education with a concentration in accounting, auditing, and business;

176 (ii) a baccalaureate degree or its equivalent at a college or university approved by the
177 board; and

178 (iii) compliance with any other education requirements established by rule by the
179 division in collaboration with the board in accordance with Title 63G, Chapter 3, Utah
180 Administrative Rulemaking Act;

181 (e) submit evidence of one year of accounting experience in a form prescribed by the
182 division;

183 (f) submit evidence of having successfully completed the qualifying examinations in
184 accordance with Section 58-26a-306; and

185 (g) submit to an interview by the board, if requested, for the purpose of examining the
186 applicant's competence and qualifications for licensure.

187 (2) (a) The division may issue a license under this chapter to a person who holds a
188 license as a certified public accountant issued by any other [jurisdiction] state of the United
189 States of America if the applicant for licensure by endorsement:

190 (i) submits an application in a form prescribed by the division;

191 (ii) pays a fee determined by the department under Section 63J-1-504;

192 (iii) shows evidence of good moral character;

193 (iv) submits to an interview by the board, if requested, for the purpose of examining
194 the applicant's competence and qualifications for licensure; and

195 (v) (A) (I) shows evidence of having passed the qualifying examinations; and

196 (II) (Aa) meets the requirements for licensure which were applicable in this state at the
197 time of the issuance of the applicant's license by the [jurisdiction] state from which the original

198 licensure by satisfactorily passing the AICPA Uniform CPA Examination was issued; or

199 (Bb) had four years of professional experience after passing the AICPA Uniform CPA
200 Examination upon which the original license was based, within the 10 years immediately
201 preceding the application for licensure by endorsement; or

202 (B) shows evidence that the applicant's education, examination record, and experience
203 are substantially equivalent to the requirements of Subsection (1), as provided by rule.

204 (b) This Subsection (2) applies only to a person seeking to obtain a license issued by
205 this state and does not apply to a person practicing as a certified public accountant in the state
206 under Subsection 58-26a-305(1).

207 (3) (a) Each applicant for registration as a Certified Public Accountant firm shall:

208 (i) submit an application in a form prescribed by the division;

209 (ii) pay a fee determined by the department under Section 63J-1-504;

210 (iii) have, notwithstanding any other provision of law, a simple majority of the
211 ownership of the Certified Public Accountant firm, in terms of financial interests and voting
212 rights of all partners, officers, shareholders, members, or managers, held by individuals who
213 are certified public accountants, licensed under this chapter or another [jurisdiction] state of the
214 United States of America, and the partners, officers, shareholders, members, or managers,
215 whose principal place of business is in this state, and who perform professional services in this
216 state hold a valid license issued under Subsection 58-26a-301(2) or the corresponding
217 provisions of prior law; and

218 (iv) meet any other requirements established by rule by the division in collaboration
219 with the board in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

220 (b) Each separate location of a qualified business entity within the state seeking
221 registration as a Certified Public Accountant firm shall register separately.

222 (c) A Certified Public Accountant firm may include owners who are not licensed under
223 this chapter as outlined in Subsection (3)(a)(iii), provided that:

224 (i) the firm designates a licensee of this state who is responsible for the proper
225 registration of the Certified Public Accountant firm and identifies that individual to the

226 division; and

227 (ii) all nonlicensed owners are active individual participants in the CPA firm.

228 Section 3. Section **58-26a-304** is amended to read:

229 **58-26a-304. Continuing education.**

230 (1) [~~As~~] Except as provided in Subsections (2) through (4), as a condition precedent for
231 a license renewal, each licensee shall, during each two-year licensure cycle or other cycle
232 defined by rule, complete 80 hours of qualified continuing professional education in
233 accordance with standards defined by rule.

234 (2) A person practicing as a certified public accountant in the state under Subsection
235 58-26a-302(2) and who is seeking a license renewal in this state shall be determined to have
236 met the continuing professional education requirement of this section by:

237 (a) meeting the continuing professional education requirements for license renewal in
238 the state in which the licensee's principal place of business is located;

239 (b) demonstrating compliance with the requirements of Subsection (2)(a) by signing a
240 statement to that effect on the renewal application of this state;

241 (c) complying with all continuing professional education requirements described in
242 Subsection (1) if the state where the person's principal place of business is located has no
243 continuing professional education requirements for license renewal;

244 (d) completing at least one hour of continuing professional education that covers:

245 (i) this chapter; and

246 (ii) Utah Administrative Code, R156-26a, Utah Certified Public Accountant Licensing
247 Act Rule; and

248 (e) completing at least three hours of ethics education that cover one or more of the
249 following areas:

250 (i) the AICPA Code of Professional Conduct;

251 (ii) case-based instruction focusing on real-life situational learning;

252 (iii) ethical dilemmas faced by accounting professionals; or

253 (iv) business ethics.

254 ~~[(2)]~~ (3) If a renewal cycle is extended or shortened under Section 58-26a-303, the
255 continuing education hours required for license renewal under this section shall be increased or
256 decreased proportionally.

257 ~~[(3)]~~ (4) (a) A licensee may request a waiver of the requirements of Subsection (1) for
258 a period not exceeding three years by:

259 (i) submitting an application for waiver in a form approved by the division; and

260 (ii) demonstrating that the licensee will be engaged in activities or be subject to
261 circumstances which prevent the licensee from meeting the requirements of Subsection (1)
262 during the period of the waiver.

263 (b) An application for waiver shall be granted upon a showing of good cause.

264 (c) A licensee who is granted a waiver under this section shall complete 30 hours of
265 continuing professional education within the six months immediately following the expiration
266 of the waiver that includes at least 16 hours of continuing professional education focusing on
267 auditing and accounting.