

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

S

1

SENATE BILL 440

Short Title: Accounting Practice Review/CPAs.

(Public)

Sponsors: Senators Winner; and Odom.

Referred to: Judiciary II.

March 15, 1989

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR ACCOUNTING PRACTICE REVIEW OF CERTIFIED
PUBLIC ACCOUNTANTS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 93-12 reads as rewritten:

"§ 93-12. Board of Certified Public Accountant Examiners.

The name of the State Board of Accountancy is hereby changed to State Board of Certified Public Accountant Examiners and said name State Board of Certified Public Accountant Examiners is hereby substituted for the name State Board of Accountancy wherever the latter name appears or is used in Chapter 93 of the General Statutes. Said Board is created as an agency of the State of North Carolina and shall consist of seven members to be appointed by the Governor, five persons to be holders of valid and unrevoked certificates as certified public accountants issued under the provisions of this Chapter and two persons who are not certified public accountants who shall represent the interest of the public at large. Members of the Board shall hold office for the term of three years and until their successors are appointed. Appointments to the Board shall be made under the provisions of this Chapter as and when the terms of the members of the present State Board of Accountancy expire; provided, that all future appointments to said Board shall be made for a term of three years expiring on the thirtieth day of June. All Board members serving on June 30, 1980, shall be eligible to complete their respective terms. No member appointed to a term on or after July 1, 1980, shall serve more than two complete consecutive terms. The powers and duties of the Board shall be as follows:

- 1 (1) To elect from its members a president, vice-president and secretary-
2 treasurer. The members of the Board shall be paid, for the time
3 actually expended in pursuance of the duties imposed upon them by
4 this Chapter, an amount not exceeding ten dollars (\$10.00) per day,
5 and they shall be entitled to necessary traveling expenses.
- 6 (2) To employ legal counsel, clerical and technical assistance and to fix
7 the compensation therefor, and to incur such other expenses as may be
8 deemed necessary in the performance of its duties and the enforcement
9 of the provisions of this Chapter. Upon request the Attorney General
10 of North Carolina will advise the Board with respect to the
11 performance of its duties and will assign a member of his staff, or
12 approve the employment of counsel, to represent the Board in any
13 hearing or litigation arising under this Chapter. The Board may, in the
14 exercise of its discretion, cooperate with similar boards of other states,
15 territories and the District of Columbia in activities designed to bring
16 about uniformity in standards of admission to the public practice of
17 accountancy by certified public accountants, and may employ a
18 uniform system of preparation of examinations to be given to
19 candidates for certificates as certified public accountants, including the
20 services and facilities of the American Institute of Certified Public
21 Accountants, or of any other persons or organizations of recognized
22 skill in the field of accountancy, in the preparation of examinations
23 and assistance in establishing and maintaining a uniform system of
24 grading of examination papers, provided however, that all
25 examinations given by said Board shall be adopted and approved by
26 the Board and that the grade or grades given to all persons taking said
27 examinations shall be determined and approved by the Board.
- 28 (3) To formulate rules for the government of the Board and for the
29 examination of applicants for certificates of qualification admitting
30 such applicants to practice as certified public accountants.
- 31 (4) To hold written or oral examinations of applicants for certificates of
32 qualification at least once a year, or oftener, as may be deemed
33 necessary by the Board.
- 34 (5) To issue certificates of qualification admitting to practice as certified
35 public accountants, each applicant who, having the qualifications
36 herein specified, shall have passed an examination to the satisfaction
37 of the Board, in 'accounting theory,' 'accounting practice,' 'auditing,'
38 'business law,' and other related subjects.

39 From and after July 1, 1961, any person shall be eligible to take the
40 examination given by the Board, or to receive a certificate of
41 qualification to practice as a certified public accountant, who is a
42 citizen of the United States or has declared his intention of becoming a
43 citizen or is a resident alien, and has been domiciled in or resided for at
44 least four months within the State of North Carolina immediately prior

1 to the filing of an application to take the examination or to receive a
2 certificate of qualification, is 18 years of age or over, and is of good
3 moral character, and submits evidence satisfactory to the Board that:

- 4 a. He holds a bachelor's degree from a college or university
5 accredited by one of the regional accrediting associations or
6 from a college or university determined by the Board to have
7 standards substantially equivalent to a regionally accredited
8 institution, and
9 b. His degree studies included a concentration in accounting as
10 defined by the Board or that he supplemented his degree studies
11 with courses that the Board determines to be substantially
12 equivalent to a concentration in accounting, and
13 c. Satisfactory evidence of the completion of two years in an
14 accredited college or university or its equivalent with a
15 concentration in accounting as defined by the Board and two
16 years experience in the practice of public accountancy under the
17 direct supervision of a certified public accountant, in addition to
18 other experience requirements in this section, may be
19 substituted for a bachelor's degree.

20 Provided, however, the Board may, in its discretion, waive the
21 education requirement of any candidate if the Board is satisfied from
22 the result of a special written examination given the candidate by the
23 Board to test his educational qualifications that he is as well equipped,
24 educationally, as if he met the education requirements specified above.
25 The Board may provide by regulation for the general scope of such
26 examinations and may obtain such advice and assistance as it deems
27 appropriate to assist it in preparing, administering and grading such
28 special examinations.

29 Such applicant, in addition to passing the examination given by the
30 Board, shall have the endorsement as to his eligibility of three certified
31 public accountants who currently hold licenses in any state or territory
32 of the United States or the District of Columbia and shall have had
33 either:

- 34 a. Two years experience in the field of accounting under the direct
35 supervision of a certified public accountant who currently holds
36 a valid license in any state or territory of the United States or
37 the District of Columbia, or
38 b. Five years experience teaching accounting in a four-year
39 college or university accredited by one of the regional
40 accrediting associations or in a college or university determined
41 by the Board to have standards substantially equivalent to a
42 regionally accredited institution, or
43 c. Five years experience in the field of accounting; or five years
44 experience teaching college transfer accounting courses at a

1 community college or technical institute accredited by one of
2 the regional accrediting associations, or

3 d. Any combination of such experience determined by the Board
4 to be substantially equivalent to the foregoing.

5 A Master's or more advanced degree in accounting, tax law,
6 economics, business administration, or the equivalent thereof, or a law
7 degree with emphasis in taxation or accounting from an accredited
8 college or university may be substituted for one year of experience.
9 The Board may permit persons otherwise eligible to take its
10 examinations and withhold certificates until such person shall have had
11 the required experience.

12 (6) In its discretion to grant certificates of qualification admitting to
13 practice as certified public accountants such applicants who shall be
14 the holders of valid and unrevoked certificates as certified public
15 accountants, or the equivalent, issued by or under the authority of any
16 state, or territory of the United States or the District of Columbia,
17 when in the judgment of the Board the requirements for the issuing or
18 granting of such certificates or degrees are substantially equivalent to
19 the requirements established by this Chapter: Provided, however, that
20 such applicant has been a bona fide resident of this State for not less
21 than four months or, if a nonresident, he has maintained or has been a
22 member of a firm that has maintained for not less than four months a
23 bona fide office within this State for the public practice of accounting
24 and, provided further, that the state or political subdivision of the
25 United States upon whose certificate the reciprocal action is based
26 grants the same privileges to holders of certificates as certified public
27 accountants issued pursuant to the provisions of this Chapter. The
28 Board, by general rule, may grant temporary permits to applicants
29 under this subsection pending their qualification for reciprocal
30 certificates.

31 (7) To charge for each examination provided for in this Chapter a fee not
32 exceeding two hundred dollars (\$200.00). This fee shall be payable to
33 the secretary-treasurer of the Board by the applicant at the time of
34 filing application. In no case shall the examination fee be refunded,
35 unless in the discretion of the Board the applicant shall be deemed
36 ineligible for examination.

37 (7a) To charge for each initial certificate of qualification provided for in
38 this Chapter a fee not exceeding seventy-five dollars (\$75.00).

39 (7b) To require an annual registration of each firm and to charge an annual
40 registration fee not to exceed two hundred dollars (\$200.00) for each
41 firm with one office, and a fee not to exceed twenty-five dollars
42 (\$25.00) for each additional North Carolina office of the firm, to
43 defray the administrative costs of accounting practice review
44 programs. The Board may charge an annual fee not to exceed twenty-

- 1 five dollars (\$25.00) for each firm application for exemption from the
2 accounting practice review program.
- 3 (8) To require the renewal of all certificates of qualification annually on
4 the first day of July, and to charge an annual renewal fee not to exceed
5 fifty dollars (\$50.00).
- 6 (8a) To require the registration of certified public accountant firms which
7 have offices both within and outside of North Carolina, and the
8 payment by such firms of an annual registration fee based on the total
9 number of partners in each such firm, but not to exceed two thousand
10 five hundred dollars (\$2,500) per firm per year.
- 11 (8b) To formulate rules and regulations for the continuing professional
12 education of all persons holding the certificate of certified public
13 accountant, subject to the following provisions:
- 14 a. After January 1, 1983, any person desiring to obtain or renew a
15 certificate as a certified public accountant must offer evidence
16 satisfactory to the Board that such person has complied with the
17 continuing professional education requirement approved by the
18 Board. The Board may grant a conditional license for not more
19 than 12 months for persons who are being licensed for the first
20 time, or moving into North Carolina, or for other good cause, in
21 order that such person may comply with the continuing
22 professional education requirement.
- 23 b. The Board shall promulgate rules and regulations for the
24 administration of the continuing professional education
25 requirement with a minimum number of hours of 20 and a
26 maximum number of hours of 40 per year, and the Board may
27 exempt persons who are retired or inactive from said continuing
28 professional education requirement. The Board may also permit
29 any certified public accountant to accumulate hours of
30 continuing professional education in any calendar year of as
31 much as two additional years annual requirement in advance of
32 or subsequent to the required calendar year.
- 33 c. Any applicant who offers satisfactory evidence on forms
34 promulgated by the Board that he has participated in a
35 continuing professional education program of the type required
36 by the Board shall be deemed to have complied with this
37 section.
- 38 (8c) The Board may formulate rules and regulations for report review and
39 peer review of audits, reviews, compilations, and other reports issued
40 on financial information in the public practice of accountancy of all
41 firms, as herein defined, subject to the following provisions:
- 42 a. After June 30, 1992, any firm desiring to obtain or maintain a
43 registration as a firm must offer satisfactory evidence to the
44 Board that such firm has complied with the peer review and

- 1 report review requirements approved by the Board; provided,
2 however, that the Board shall give to every firm subject to this
3 section not less than 12 months advance notice of each peer
4 review and report review required of the firm.
- 5 b. The Board may grant a conditional registration for not more
6 than 24 months for firms which are being registered for the first
7 time, or moving into North Carolina, or for other good cause, in
8 order that such firm may comply with the report review and
9 peer review requirements, and in order that the Board may
10 develop a system of review rotation among the various firms
11 that must comply with this section.
- 12 c. The peer review and report review shall be valid for a minimum
13 of three years subject to the power of the Board to require
14 remedial action by any firm with a deficiency in the review
15 according to the rules established by the Board.
- 16 d. The Board shall promulgate rules and regulations for the
17 administration of the report review and peer review
18 requirements and the Board shall exempt firms that show to the
19 satisfaction of the Board that they are not engaged in the public
20 practice of accountancy or that the scope of their practice does
21 not come within the peer review and report review guidelines
22 established by the Board.
- 23 e. Any firm that offers satisfactory evidence to the Board that the
24 firm has satisfactorily participated in and successfully
25 completed a peer review or a report review of the type required
26 by the Board shall be deemed to have complied with this
27 section and the Board shall promulgate rules and regulations for
28 the administration of this procedure.
- 29 f. For purposes of this section, a firm means an entity, individual
30 proprietorship, partnership or professional association through
31 which one or more certificate holder engages in the public
32 practice of accountancy through an office or offices.
- 33 (9) Adoption of Rules of Professional Conduct; Disciplinary Action. –
34 The Board shall have the power to adopt rules of professional ethics
35 and conduct to be observed by certified public accountants and public
36 accountants in this State. The Board shall have the power to revoke,
37 either permanently or for a specified period, any certificate issued
38 under the provisions of this Chapter to a certified public accountant or
39 public accountant or to censure the holder of any such certificate or to
40 assess a civil penalty not to exceed one thousand dollars (\$1,000) for
41 any one or combination of the following causes:
- 42 a. Conviction of a felony under the laws of the United States or of
43 any state of the United States.

- 1 b. Conviction of any crime, an essential element of which is
2 dishonesty, deceit or fraud.
3 c. Fraud or deceit in obtaining a certificate as a certified public
4 accountant.
5 d. Dishonesty, fraud or gross negligence in the public practice of
6 accountancy.
7 e. Violation of any rule of professional ethics and professional
8 conduct adopted by the Board.

9 Any disciplinary action taken shall be in accordance with the
10 provisions of Chapter 150B of the General Statutes. Any civil penalty
11 assessed under this section shall be collected by the Board and
12 transferred to the State Treasurer for use in the General Fund.

13 (10) Within 60 days after March 10, 1925, the Board shall formulate rules
14 for the registration of those persons, firms, copartnerships, associations
15 or corporations who, not being holders of valid and unrevoked
16 certificates as certified public accountants issued under the provisions
17 of Chapter 157 of the Public Laws of 1913, and who, having on March
18 10, 1925, been engaged in the practice of public accounting and
19 maintaining an office as a public accountant in the State of North
20 Carolina, shall, under the provisions of G.S. 93-7 apply to the Board
21 for registration as public accountants. The Board shall maintain a
22 register of all persons, firms, copartnerships, associations or
23 corporations who have made application for such registration and have
24 complied with the rules of registration adopted by the Board.

25 (11) Within 60 days after March 10, 1925, the Board shall formulate rules
26 for registration of these public accountants who are qualified to
27 practice under this Chapter and who under the provisions of G.S. 93-
28 10 are permitted to engage in work within the State of North Carolina.
29 The Board shall have the power to deny or withdraw the privilege
30 herein referred to for good and sufficient reasons.

31 (12) To submit annually on or before the first day of May to the Secretary
32 of Revenue the names of all persons who have qualified under this
33 Chapter as certified public accountants or public accountants.
34 Privilege license issued under G.S. 105-41 shall designate whether
35 such license is issued to a certified public accountant, a public
36 accountant, or an accountant.

37 (13) The Board shall keep a complete record of all its proceedings and shall
38 annually submit a full report to the Governor.

39 (14) All fees collected on behalf of the Board and all receipts of every kind
40 and nature, as well as the compensation paid the members of the Board
41 and the necessary expenses incurred by them in the performance of
42 the duties imposed upon them, shall be reported annually to the State
43 Treasurer. All fees and other moneys received by the Board pursuant
44 to the provisions of the General Statutes shall be kept in a separate

1 fund by the treasurer of the Board, to be held and expended only for
2 such purposes as are proper and necessary to the discharge of the
3 duties of the Board and to enforce the provisions of this Chapter. No
4 expense incurred by the Board shall be charged against the State.
5 (15) Any certificate of qualification issued under the provisions of this
6 Chapter, or issued under the provisions of Chapter 157 of the Public
7 Laws of 1913, shall be forfeited for the failure of the holder to renew
8 same and to pay the renewal fee therefor to the State Board of
9 Accountancy within 30 days after demand for such renewal fee shall
10 have been made by the State Board of Accountancy."
11 Sec. 2. This act shall become effective September 1, 1989.