

SENATE CS FOR CS FOR HOUSE BILL NO. 13 (L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR & COMMERCE COMMITTEE

Offered: 4/2/91
Referred: Finance

Sponsor(s): REPRESENTATIVE BOYER

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to public accountancy; and providing for an effective date."

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 08.03.010(c)(17) is amended to read:

4 (17) Board of Public Accountancy (AS 08.04.010) - June 30, 1993 [1992];

5 * Sec. 2. AS 08.04 is amended by adding a new section to read:

6 Sec. 08.04.005. PURPOSE. It is the policy of the state, and the purpose of this chapter,
7 to promote the reliability of information that is used for guidance in financial transactions or
8 assessing the financial status or performance of commercial, noncommercial, and governmental
9 enterprises. The public interest requires that

10 (1) persons professing special competence in accountancy or who offer assurance
11 as to the reliability or fairness of presentation of financial information should demonstrate their
12 qualifications to do so, and that persons who have not demonstrated and maintained adequate
13 qualifications should not be permitted to hold themselves out as having special competence or
14 to offer assurance about their actions;

1 (2) the professional conduct of persons licensed as having special competence in
2 accountancy should be regulated in all aspects of the practice of public accountancy;

3 (3) a public authority competent to prescribe and assess the qualifications and to
4 regulate the professional conduct of practitioners of public accountancy should be established;
5 and

6 (4) the use of titles relating to the practice of public accountancy that are likely
7 to mislead the public as to the status or competence of the persons using these titles should be
8 prohibited.

9 * Sec. 3. AS 08.04.020 is amended to read:

10 Sec. 08.04.020. APPOINTMENT AND QUALIFICATIONS OF BOARD. (a) The board
11 consists of seven members appointed by the governor. Each member shall be a resident of this
12 state for at least one year. Five members shall be certified public accountants or public
13 accountants and two members shall be public members [IN ACCORDANCE WITH
14 AS 08.01.025].

15 (b) Except for public members, no one may be appointed who does not hold a current
16 certificate or license and who is not eligible to receive permits under this chapter. Public
17 members may not be employed by a person licensed under this chapter or by a business entity
18 holding a permit under this chapter. Notwithstanding AS 08.01.025, an accountant who is not
19 certified or licensed under this chapter and is not engaged in the practice of public
20 accountancy in violation of this chapter is eligible for appointment as a public member
21 under this section.

22 * Sec. 4. AS 08.04 is amended by adding a new section to read:

23 Sec. 08.04.025. MEETINGS OF BOARD. The board shall hold a minimum of four
24 meetings a year.

25 * Sec. 5. AS 08.04.120 is repealed and reenacted to read:

26 Sec. 08.04.120. EDUCATIONAL AND EXPERIENCE REQUIREMENTS. The
27 education and experience requirements for an applicant are as follows:

28 (1) a baccalaureate degree or its equivalent conferred by a college or university
29 acceptable to the board, with an accounting concentration or equivalent as determined by the
30 board by regulation to be appropriate, and two years of accounting experience satisfactory to the
31 board; or

1 (2) a baccalaureate degree or its equivalent conferred by a college or university
2 acceptable to the board and three years of accounting experience satisfactory to the board.

3 * Sec. 6. AS 08.04.130 is amended to read:

4 Sec. 08.04.130. EXAMINATION. An applicant shall pass a written examination in
5 accounting and reporting, in auditing, and in other related subjects that [THEORY OF
6 ACCOUNTS, IN ACCOUNTING PRACTICE, IN AUDITING AND IN OTHER RELATED
7 SUBJECTS WHICH] the board determines appropriate. The examination shall be designated in
8 advance by the board as an examination for the certificate of certified public accountant. The
9 board shall use the uniform certified public accountant [ACCOUNTANTS'] examination and
10 advisory grading service, if available.

11 * Sec. 7. AS 08.04.150 is amended to read:

12 Sec. 08.04.150. [EXPERIENCE] PREREQUISITE FOR CERTIFICATE. An applicant
13 who is within 18 semester hours of meeting or has met [MEETS] the
14 undergraduate educational requirements of AS 08.04.120 may take the examination whether or
15 not the applicant has met the other [EXPERIENCE] requirements of that section. However an
16 applicant shall meet the other [EXPERIENCE] requirements of AS 08.04.120 before the
17 applicant is entitled to receive a certificate.

18 * Sec. 8. AS 08.04.160 is amended to read:

19 Sec. 08.04.160. REEXAMINATION. An applicant who fails an examination may take
20 as many examinations as the applicant chooses. An applicant who receives a passing grade in
21 at least two subjects or who has received a passing grade in accounting practice before
22 May 1, 1994, [OR IN AT LEAST TWO OF THE OTHER SUBJECTS] has the right to be
23 reexamined in only the remaining subjects at succeeding examinations within five years after the
24 first examination if the applicant takes an examination in the remaining subjects at least once
25 each calendar year unless excused by the board for good cause. An applicant who receives a
26 passing grade in the remaining subjects has passed the entire examination. An applicant must
27 attain a minimum grade of 50 percent on each subject required to be written but not passed
28 at an examination sitting to receive credit for passing subjects on which a grade of at least
29 75 percent was attained at that sitting.

30 * Sec. 9. AS 08.04.170 is amended to read:

31 Sec. 08.04.170. EXAMINATION STANDARDS. An applicant passes the examination

1 by attaining a grade of at least 75 percent in each subject in which the applicant is examined.
2 The board may give credit to an applicant who has passed all or part of the examination in
3 another state if the board determines that the standards under which the examination was held
4 are as high as the standards established for the examination in this state.

5 * Sec. 10. AS 08.04.170 is amended by adding new subsections to read:

6 (b) A candidate must, at each examination taken, be examined or reexamined in all
7 subjects for which conditional credit has not been given.

8 (c) The board may in particular cases waive or defer any of the requirements of
9 AS 08.04.160 - 08.04.170 regarding the circumstances in which the various subjects of the
10 examination must be passed upon a showing that, by reason of circumstances beyond the
11 applicant's control, the applicant was unable to meet the requirement.

12 (d) The applicant must attain a minimum grade of 50 percent on each part not passed at
13 that examination sitting to receive credit for passing subjects on which a grade of at least 75
14 percent was attained at that sitting.

15 * Sec. 11. AS 08.04 is amended by adding a new section to read:

16 Sec. 08.04.426. QUALITY REVIEW. (a) The board may by regulation require, on
17 either a uniform or a random basis, as a condition to issuance and renewal of permits under this
18 section, that applicants undergo a quality review conducted in a manner the board may specify.
19 The regulations must

20 (1) be adopted reasonably in advance of the time when they are first required to
21 be met;

22 (2) provide that the cost of a quality review is borne by the applicant;

23 (3) include a provision that allows an applicant to show that the applicant has
24 satisfied the requirement of this section by undergoing a satisfactory quality review performed
25 for other purposes that was substantially equivalent to quality reviews generally required under
26 this section; the board may not require that a copy of the review report for a review found to be
27 substantially equivalent under this paragraph be submitted to the board if the organization that
28 administered the review requires termination of the person's firm from its quality review program
29 if the firm refuses to cooperate with required remedial or corrective actions, fails to correct
30 material deficiencies, or is found to be so seriously deficient in its performance that education
31 and remedial corrective actions are not adequate; the board shall by regulation require an

1 organization that performs reviews that are substantially equivalent under this paragraph to report
2 to the board concerning which firms are in its quality review program, their most recent report
3 dates, and whether they have been terminated from the program.

4 (b) The board may by regulation establish criteria for determining when the results of
5 a quality review under this section are satisfactory to the board. The board may renew a permit
6 to practice when the results of a quality review under this section are unsatisfactory to the board
7 if the applicant agrees to follow a particular education or remedial program prescribed by the
8 board.

9 (c) Failure by an applicant for renewal of a permit to practice to undergo a quality review
10 under this section constitutes grounds for revocation, suspension, or refusal to renew the permit
11 under AS 08.04.450 unless the board determines that failure to have been due to reasonable cause
12 or excusable neglect.

13 (d) The board may relax or suspend the quality review requirement for applicants who
14 certify that they have not issued a report on audited or reviewed financial statements during the
15 two years immediately preceding the application.

16 (e) A report received by the board for a quality review under this section is confidential
17 and not subject to public inspection or copying under AS 09.25.110 - 09.25.120 unless the report
18 becomes part of the record of a disciplinary hearing.

19 * Sec. 12. AS 08.04.450 is amended to read:

20 Sec. 08.04.450. REVOCATION OR SUSPENSION OF CERTIFICATE, LICENSE,
21 REGISTRATION, OR PERMIT. In addition to its powers under AS 08.01.075, the [THE]
22 board may revoke or suspend a certificate or license, or may revoke, suspend, or refuse to renew
23 any permit, or may censure any certificate holder, licensee, registrant, or permit holder for

24 (1) fraud or deceit in obtaining any certificate, license, registration, or permit
25 required by this chapter;

26 (2) dishonesty or gross negligence in the practice of public accounting, or other
27 acts discreditable to the accounting profession;

28 (3) violation of any provision of AS 08.04.500 - 08.04.610;

29 (4) violation of a rule of professional conduct or other regulation adopted by the
30 board;

31 (5) conviction of a felony under the laws of any state or of the United States;

1 (6) conviction of any crime, an essential element of which is dishonesty or fraud,
2 under the laws of any state or of the United States;

3 (7) cancellation, revocation, suspension, or refusal to renew authority to practice
4 as a certified public accountant or public accountant in any other state for any cause other than
5 failure to pay an annual registration fee;

6 (8) suspension or revocation of the right to practice before any state or federal
7 agency; [OR]

8 (9) [REPEALED]

9 (10) failure of a certified public accountant to satisfy the continuing education
10 requirements prescribed by the board under AS 08.04.425, except as conditioned, relaxed or
11 suspended by the board under AS 08.04.425(c) and (d); or

12 (10) failure of a certified public accountant to satisfactorily complete a quality
13 review under AS 08.04.426 except as conditioned, relaxed, or suspended by the board under
14 AS 08.04.426(b) - (d).

15 * Sec. 13. AS 08.04 is amended by adding a new section to read:

16 Sec. 08.04.505. ISSUANCE OF REPORTS. Only a person or firm that holds a valid
17 permit issued under this chapter may issue a report on financial statements of another person,
18 firm, organization, or governmental unit. This restriction does not apply to

19 (1) an officer, partner, or employee of a firm or organization affixing that person's
20 signature to a statement or report in reference to the financial affairs of the firm or organization
21 with wording designating the position, title, or office that the person holds in the firm or
22 organization;

23 (2) an act of a public official or employee in the performance of official duties;

24 (3) the performance by persons of other services involving the use of accounting
25 skills, including the preparation of tax returns, management advisory services, and the preparation
26 of financial statements without the issuance of reports on them.

27 * Sec. 14. AS 08.04.580 is amended to read:

28 Sec. 08.04.580. PARTNERSHIP POSING AS ACCOUNTANTS OR AUDITORS. A
29 person may not sign or affix a partnership name to any accounting or financial statement, or
30 opinion or report on any accounting or financial statement with any wording indicating that
31 it is a partnership composed of certified public accountants or public accountants or with

1 any wording indicating that the [IT IS A] partnership has [COMPOSED OF ACCOUNTANTS
2 OR AUDITORS OR PERSONS HAVING] expert knowledge in accounting or auditing [TO ANY
3 ACCOUNTING OR FINANCIAL STATEMENT, OR TO ANY OPINION ON, REPORT ON,
4 OR CERTIFICATE TO ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the
5 partnership holds a live permit, is practicing under its registered name, and its offices in this state
6 for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

7 * Sec. 15. AS 08.04.590 is amended to read:

8 Sec. 08.04.590. USE OF TITLE WITH CORPORATE NAME. A person may not sign
9 or affix a corporate name to any accounting or financial statement, or opinion or report on
10 any accounting or financial statement with any wording indicating that it is a corporation
11 composed of certified public accountants or public accountants or with any wording
12 indicating that the [IT IS A] corporation has [PERFORMING SERVICES AS ACCOUNTANTS
13 OR AUDITORS, OR COMPOSED OF ACCOUNTANTS OR AUDITORS OR PERSONS
14 HAVING] expert knowledge in accounting or auditing [TO ANY ACCOUNTING OR
15 FINANCIAL STATEMENT, OR TO ANY OPINION OR REPORT ON OR CERTIFICATE TO
16 ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the corporation holds a live
17 permit, is practicing under its registered name, and its offices in this state for the practice of
18 public accounting are maintained as required by AS 08.04.360 - 08.04.380.

19 * Sec. 16. AS 08.04 is amended by adding a new section to read:

20 Sec. 08.04.662. CONFIDENTIAL COMMUNICATIONS. (a) A licensee, or a partner,
21 officer, shareholder, or employee of a licensee, may not reveal information communicated to the
22 licensee by a client about a matter concerning which the client has employed the licensee in a
23 professional capacity. This section does not apply to

24 (1) information required to be disclosed by the standards of the public
25 accountancy profession in reporting on the examination of financial statements;

26 (2) the release of information the client has authorized the licensee to reveal;

27 (3) information revealed as part of the discovery of evidence related to a court
28 or administrative proceeding or introduced in evidence in a court or administrative proceeding;

29 (4) information revealed in ethical investigations conducted by private professional
30 organizations; or

31 (5) information revealed in the course of a quality review under AS 08.04.426.

1 (b) Client information obtained by the board under (a)(3) - (5) of this section is
2 confidential and is not a public record for purposes of AS 09.25.110 - 09.25.140.

3 * Sec. 17. AS 08.04.680 is amended by adding new subsections to read:

4 (5) "quality review" means a study, appraisal, or review of one or more aspects
5 of the professional work of a person or firm in the practice of public accountancy, by a person
6 or persons who hold certificates and who are not affiliated with the person or firm being
7 reviewed, conducted as prescribed under AS 08.04.426;

8 (6) "report," when used with reference to financial statements, means an opinion,
9 report, or other form of language that states or implies assurance as to the reliability of financial
10 statements and that also includes or is accompanied by a statement or implication that the person
11 or firm issuing it has special knowledge or competency in accounting or auditing; a statement
12 or implication of special knowledge or competence may arise from use by the issuer of the report
13 of names or titles indicating that the issuer is a certified public accountant or auditor, or from the
14 language of the report itself; "report" includes any form of language that disclaims an opinion
15 when the form of the language is conventionally understood to imply a positive assurance as to
16 the reliability of the financial statements referred to or special competence on the part of the
17 person or firm issuing the language; and "report" includes any other form of language that is
18 conventionally understood to imply such assurance or such special knowledge or competence;
19 "report" does not include compilation of financial statement language that does not express or
20 imply assurance or special knowledge or competence.

21 * Sec. 18. Section 5 of this Act takes effect January 1, 1992.

22 * Sec. 19. Section 9 of this Act and AS 08.04.170(d), enacted by sec. 11 of this Act, take effect
23 January 1, 1994.