

**HB 13**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/2/91

FURTHER:

DATE TURNED INTO OFFICE: 5-6-91

The Finance Committee considered CS FOR HOUSE BILL NO. 13 (L&C)

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

and recommended:

replace with Senate CS CS HB 13 (FIN)  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_  
 attached amendment(s)  
 \_\_\_\_\_ letter of intent adopted

same title  
 new title  
 technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):  
Dept/Date:

fiscal note(s) \_\_\_\_\_  
\_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_  
Way A 5/2/91

appropriation-no fiscal note

APPROVES PREVIOUS:  
Dept/Date:

fiscal note(s) \_\_\_\_\_  
Decd. 1/29/91 15.7

zero fiscal note(s) \_\_\_\_\_  
\_\_\_\_\_

SIGNING DO PASS:

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1. [Signature] 2. [Signature]  
Co-Chairs: Signatures and Recommendations

CS05HB13

Revision Date:  
Title: An Act relating to Public Accounting

Department Affected: University of Alaska  
BRU: UAA/UAF/UAS  
Component:

Sponsor: Rep. Boyer  
Requestor: Sen. Pourchoe

Component Serial No.

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY92	FY93	FY94	FY95	FY96	FY97
PERSONAL SERVICES	0.0	0.0	0.0	0.0	103.0	103.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	4.5	4.5
SUPPLIES	0.0	0.0	0.0	0.0	10.3	10.3
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS . . .	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	123.3	123.3

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)						
GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
STUDENT FEES	0.0	0.0	0.0	0.0	123.3	123.3
TOTAL	0.0	0.0	0.0	0.0	123.3	123.3

POSITIONS:						
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None.

ANALYSIS: (Attach a separate page if necessary.)

Please see attached analysis.

Prepared by: Marsha A. Hubbard  
 Division: Statewide Budget Office

Approved by: Brian Rogers, Vice President for Finance  
 Agency: University of Alaska

Phone: 474-7593  
 Date: 4/29/91 *REV 5/2/91*

Date: 4/29/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, CMS, & Impacted Agency(ies).

Changes in CS05HB13 (FIN)  
 have no fiscal impact. This  
 fiscal note is appropriate.

5-4-91 UAP  
 date Comte Aide (initial)

## CSHB 13 Fiscal Note Analysis

Passage of CSHB 13 would not statutorily require the University of Alaska to offer formal 150-credit hour programs in Public Accountancy. The legislation is intentionally vague as to the specific curriculum of such programs. Candidates for CPA licensure might complete the enhanced educational requirement by completing additional existing courses within the University. Under such course of action, the operating expenditures of the University would not be impacted by the additional educational requirements, but revenues generated by increased registration in existing courses would be collected. In such an event, the net fiscal impact would be positive for the State of Alaska.

It is presumed, however, that formal 150-credit hour programs would be implemented in the event of passage of this legislation. As similar legislation has been enacted in other accounting jurisdictions, institutions of higher education have responded with formal programs. Pressure for such formal programs has come from both the public accounting community and the general public to insure that the enhanced educational requirements do improve the quality of services rendered by Certified Public Accountants. This fiscal note has been prepared under the assumption that the formal 150-credit hour programs in public accountancy would be established at the University of Alaska. Presently, baccalaureate programs in accounting are offered at UAA, UAF and UAS. It is anticipated that each of these institutions would implement a formal program.

Academic institutions in jurisdictions which have adopted the 150-credit hour educational requirement have responded with various types of formal programs. Some institutions have implemented new Masters of Public Accountancy Programs while other institutions have offered programs at the undergraduate level. These undergraduate programs typically award a 150-credit hour Certificate of Completion at the conclusion of the program. The movement nationally toward the 150-credit hour educational requirement has recognized the innovative role educational institutions can provide in devising educational programs to meet differing needs and objectives of various jurisdictions. The University of Alaska plans to work closely with the Alaskan public accounting community, the Alaska State Legislature, the Alaska State Board of Public Accountancy and the general public to devise programs at each of our campuses to effectively address state and local considerations. The University must also consider the evolving accreditation standards of the American Assembly of Collegiate Schools of Business (AACSB) as it plans implementation of these new programs.

The cost of the new programs will vary considerably depending on the exact nature of the new program offered. If programs are offered at the undergraduate level and existing courses are primarily utilized to fulfill the increased requirement, the additional costs would be minimal. The costs increase as new courses are offered to meet the additional requirements and the costs increase still more if new Masters programs are adopted.

This fiscal note takes an intermediate position with regard to increased costs incurred under the newly implemented formal programs. We assume that each institution would implement an additional 30-credit formal program composed of ten, 3-credit hour courses. We assume that 60% of these courses would represent

new coursework while the remaining 40% would utilize existing courses. Under such assumption, 18 of the 30 courses in the three formal programs would represent new courses. We assume that one of the three programs would be at the Masters level while the other two programs would be at the undergraduate level.

On the funding side of the fiscal note, we assume that students' fees would increase as a result of enrollment in these courses. From a review of baccalaureate graduation rates and first time sittings for the CPA examination, we assume that approximately 72 students would enroll on a statewide basis in these programs. We assume that 48 of these students would enroll in the two undergraduate programs and 24 would enroll in the graduate program.

The attached six-year summary shows that these programs would approximately break even given these operating cost and funding assumptions. It must be emphasized, however, that the actual budgetary impact will be directly dependent on the programs finally adopted after consideration of public input and accreditation standards.

The following analysis shows the computations for each amount appearing on the fiscal note. There is no budgetary impact for FY 92 through FY 95. It is assumed that these years will be devoted to public input and curriculum planning for the new programs. The new programs are assumed to be implemented in FY 96 which would put the programs into operation by the effective date of the legislation. Such planning time may not be sufficient especially for those institutions most impacted by evolving AACSB standards. In the event that formal programs are not implemented before the effective date of the legislation, students would still be able to meet the increased requirements by completion of existing additional courses. It is anticipated that students would enroll in such courses after consultation with accounting faculty and academic advisors.

The operating cost and funding amounts have not been adjusted for any changes in the value of the dollar. It is assumed that any inflationary changes would equally impact both operating costs and funding sources.

Personal Services

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - 18 new courses are assumed. The 12 at the undergraduate level are assumed to cost \$5000 each. The 6 at the graduate level are assumed to cost \$8000 each.

<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
12 x \$5000		\$60,000
	6 x \$8000	48,000
		<u>\$108,000</u>

Travel, Equipment, Land & Structures, Grants, Claims and Miscellaneous

Each of these operating costs is assumed to be zero for all fiscal years. These programs would be implemented in established academic departments in all three institutions. There is assumed to be no impact on the budgetary demands from these departments as a result of the new 150-credit hour programs in these cost categories.

Contractual

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - \$1500 per year for each of the three programs. These funds would allow each institution to offer minimal special enhancement features to the 150-credit hour programs such as special seminars or lectures. Such enhancements will allow the institutions to better prepare the graduates for the practice and ethical problems of active Certified Public Accountants.

Supplies

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - \$10,800 per year. This amount is based on 10% of the personal services budget. This rate approximates the expected cost of supporting the new academic offerings.

Funding, Other

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - Student fees are assumed to cover the increased operating costs. 72 students are assumed to enroll in the new programs each year. Each of these students is assumed to enroll in 30 credit hours. 48 students are assumed to enroll in the undergraduate programs at the rate of \$50 per credit hour. 24 students are assumed to enroll in the graduate program at a rate of \$72 per credit hour.

Undergraduate Fees

48 students x 30 credit hours = 1440 credit hours x \$50 per credit hour = \$72,000.

FISCAL NOTE

No. 1  
 Bill Version: CSHB 13(L&C)  
 (H) Publish Date: 2/19/91

STATE OF ALASKA  
 1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Commerce & Economic Dev  
 Title: Relating to public accountancy: BRU: Occupational Licensing  
providing for an effective date. Component: Administration  
 Sponsor: Rep. Boyer  
 Requestor: Rep. Boyer COMPONENT SERIAL NO. 

0	3	5	6
---	---	---	---

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	11.7	11.7	11.7	11.7	11.7	11.7
CONTRACTUAL	4.0	4.0	4.0	4.0	4.0	4.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	38.5	0	38.5	0	38.5	0
---------	------	---	------	---	------	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (GF/PR)	15.7	15.7	15.7	15.7	15.7	15.7
<b>TOTAL</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Changes in SCS CSHB 13 (FIN) 1 PAGE  
 reflect NO FISCAL CHANGE from the original  
 fiscal note. This fiscal note is appropriate.

Changes in SCS CSHB 13 (Sec)  
 reflect NO FISCAL CHANGE from the original  
 fiscal note. This fiscal note is appropriate.

4/2/91 RAM  
 date Comte Aide (initial)

date 5-6-91 AL Comte Aide (initial) \_\_\_\_\_  
 \_\_\_\_\_, Administrative Office Phone: 465-2144  
 Division: Occupational Licensing Date: January 28, 1991  
 Approved by Commissioner: Glenn A. Otds  
 Agency: Department of Commerce & Economic Development Date: January 28, 1991

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

## FISCAL NOTE FOR CSHB 13

CSHB 13 makes a number of amendments to the public accountancy licensure statutes. The fiscal impact of this bill stems from: (1) requiring a minimum of four board meetings each year; and (2) the need to adopt regulations concerning education and experience requirements, and to establish criteria for the quality review program.

The operating budget request of the department already provides for two meetings of the Board of Public Accountancy. Travel funds provided in this fiscal note will fund two additional meetings to fulfill the minimum requirement of four meetings as required in Section 3.

The funding in contractual services will cover costs to provide public notices of meetings and regulations, teleconferences for public hearings, printing needs, and other communication costs.

Revenues: Currently, expenditures of the board exceed revenues generated from licensing fees. In the past, at least three board meetings were held each year although revenues did not cover its expenses. Therefore, the mandate of four meetings each year, coupled by the increases in air fare and per diem, will require an increase in licensing fees to support the board's activities.

This fiscal note reflects a license fee increase of \$60 (\$30 per year) paid by 600 active licensees and \$10 (\$5 per year) paid by 250 inactive licensees. Although the fee increase will be recommended to the board in FY 91, it is conceivable that the increase will not take effect until FY 92 and each renewal thereafter. The increase will be sufficient to cover the \$15.7 identified in this fiscal note and to cover the current deficit by bringing fees closer to covering board costs.

SENATE CS FOR CS FOR HOUSE BILL NO. 13 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

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 08.04.120 is repealed and reenacted to read:

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

6 (1) a baccalaureate degree or its equivalent conferred by a college or university  
7 acceptable to the board and additional semester hours of post-baccalaureate study so that the total  
8 educational program includes at least 150 hours, with an accounting concentration or equivalent  
9 as determined by the board by regulation to be appropriate, and two years of accounting  
10 experience satisfactory to the board; or

11 (2) a baccalaureate degree or its equivalent conferred by a college or university  
12 acceptable to the board and additional semester hours of post-baccalaureate study so that the total  
13 educational program includes at least 150 hours, and three years of accounting experience  
14 satisfactory to the board.

15 \* Sec. 7. AS 08.04.130 is amended to read:

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

23 \* Sec. 8. AS 08.04.150 is amended to read:

24 Sec. 08.04.150. [EXPERIENCE] PREREQUISITE FOR CERTIFICATE. An applicant  
25 who is within 18 semester hours of meeting or has met [MEETS] the  
26 undergraduate educational requirements of AS 08.04.120 may take the examination whether or  
27 not the applicant has met the other [EXPERIENCE] requirements of that section. However an  
28 applicant shall meet the other [EXPERIENCE] requirements of AS 08.04.120 before the  
29 applicant is entitled to receive a certificate.

30 \* Sec. 9. AS 08.04.160 is amended to read:

31 Sec. 08.04.160. REEXAMINATION. An applicant who fails an examination may take

1 as many examinations as the applicant chooses. An applicant who receives a passing grade in  
2 at least two subjects or who has received a passing grade in accounting practice before  
3 May 1, 1994. [OR IN AT LEAST TWO OF THE OTHER SUBJECTS] has the right to be  
4 reexamined in only the remaining subjects at succeeding examinations within five years after the  
5 first examination if the applicant takes an examination in the remaining subjects at least once  
6 each calendar year unless excused by the board for good cause. An applicant who receives a  
7 passing grade in the remaining subjects has passed the entire examination. An applicant must  
8 attain a minimum grade of 50 percent on each subject required to be written but not passed  
9 at an examination sitting to receive credit for passing subjects on which a grade of at least  
10 75 percent was attained at that sitting.

11 \* Sec. 10. AS 08.04.170 is amended to read:

12 Sec. 08.04.170. EXAMINATION STANDARDS. An applicant passes the examination  
13 by attaining a grade of at least 75 percent in each subject in which the applicant is examined.  
14 The board may give credit to an applicant who has passed all or part of the examination in  
15 another state if the board determines that the standards under which the examination was held  
16 are as high as the standards established for the examination in this state.

17 \* Sec. 11. AS 08.04.170 is amended by adding new subsections to read:

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

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

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

27 \* Sec. 12. AS 08.04 is amended by adding a new section to read:

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

31 The regulations must

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

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

4 (3) include a provision that allows an applicant to show that the applicant has  
5 satisfied the requirement of this section by undergoing a satisfactory quality review performed  
6 for other purposes that was substantially equivalent to quality reviews generally required under  
7 this section; the board may not require that a copy of the review report for a review found to be  
8 substantially equivalent under this paragraph be submitted to the board if the organization that  
9 administered the review requires termination of the person's firm from its quality review program  
10 if the firm refuses to cooperate with required remedial or corrective actions, fails to correct  
11 material deficiencies, or is found to be so seriously deficient in its performance that education  
12 and remedial corrective actions are not adequate, the board shall by regulation require an  
13 organization that performs reviews that are substantially equivalent under this paragraph to report  
14 to the board concerning which firms are in its quality review program, their most recent report  
15 dates, and whether they have been terminated from the program.

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

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

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

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

31 \* Sec. 13. AS 08.04.450 is amended to read:

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

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

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

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

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

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

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

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

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

20                    (9) [REPEALED

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

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

27   \* Sec. 14. AS 08.04 is amended by adding a new section to read:

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

31                    (1) an officer, partner, or employee of a firm or organization affixing that person's

1 signature to a statement or report in reference to the financial affairs of the firm or organization  
2 with wording designating the position, title, or office that the person holds in the firm or  
3 organization;

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

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

8 \* Sec. 15. AS 08.04.580 is amended to read:

9 Sec. 08.04.580. PARTNERSHIP POSING AS ACCOUNTANTS OR AUDITORS. A  
10 person may not sign or affix a partnership name to any accounting or financial statement, or  
11 opinion or report on any accounting or financial statement with any wording indicating that  
12 it is a partnership composed of certified public accountants or public accountants or with  
13 any wording indicating that the [IT IS A] partnership has [COMPOSED OF ACCOUNTANTS  
14 OR AUDITORS OR PERSONS HAVING] expert knowledge in accounting or auditing [TO ANY  
15 ACCOUNTING OR FINANCIAL STATEMENT, OR TO ANY OPINION ON, REPORT ON,  
16 OR CERTIFICATE TO ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the  
17 partnership holds a live permit, is practicing under its registered name, and its offices in this state  
18 for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

19 \* Sec. 16. AS 08.04.590 is amended to read:

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

31 \* Sec. 17. AS 08.04 is amended by adding a new section to read:

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

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

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

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

10                  (4) information revealed in ethical investigations conducted by private professional  
11 organizations; or

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

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

15 \* Sec. 18. AS 08.04.680 is amended by adding new subsections to read:

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

20                   (6) "report," when used with reference to financial statements, means an opinion,  
21 report, or other form of language that states or implies assurance as to the reliability of financial  
22 statements and that also includes or is accompanied by a statement or implication that the person  
23 or firm issuing it has special knowledge or competency in accounting or auditing; a statement  
24 or implication of special knowledge or competence may arise from use by the issuer of the report  
25 of names or titles indicating that the issuer is a certified public accountant or auditor, or from the  
26 language of the report itself; "report" includes any form of language that disclaims an opinion  
27 when the form of the language is conventionally understood to imply a positive assurance as to  
28 the reliability of the financial statements referred to or special competence on the part of the  
29 person or firm issuing the language; and "report" includes any other form of language that is  
30 conventionally understood to imply such assurance or such special knowledge or competence;  
31 "report" does not include compilation of financial statement language that does not express or

1           imply assurance or special knowledge or competence.

2   \* **Sec. 19.** Section 5 of this Act takes effect January 1, 1992.

3   \* **Sec. 20.** Section 10 of this Act and AS 08.04.170(d), enacted by sec. 11 of this Act, take effect  
4 January 1, 1994.

5   \* **Sec. 21.** Section 6 of this Act takes effect September 1, 1997.

**CS CHANGES:**

- Page 3, Section 6  
Ed. Requirement
- Page 9, Section 21  
Sept. 1, 1997 effective date  
for Educational requirement.

**SENATE CS FOR CS FOR HOUSE BILL NO. 13 (FINANCE)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**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 08.04.120 is repealed and reenacted to read:

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

6 (1) a baccalaureate degree or its equivalent conferred by a college or university  
7 acceptable to the board and additional semester hours of post-baccalaureate study so that the total  
8 educational program includes at least 150 hours, with an accounting concentration or equivalent  
9 as determined by the board by regulation to be appropriate, and two years of accounting  
10 experience satisfactory to the board; or

11 (2) a baccalaureate degree or its equivalent conferred by a college or university  
12 acceptable to the board and additional semester hours of post-baccalaureate study so that the total  
13 educational program includes at least 150 hours, and three years of accounting experience  
14 satisfactory to the board.

15 \* Sec. 7. AS 08.04.130 is amended to read:

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

23 \* Sec. 8. AS 08.04.150 is amended to read:

24 Sec. 08.04.150. [EXPERIENCE] PREREQUISITE FOR CERTIFICATE. An applicant  
25 who is within 18 semester hours of meeting or has met [MEETS] the  
26 undergraduate educational requirements of AS 08.04.120 may take the examination whether or  
27 not the applicant has met the other [EXPERIENCE] requirements of that section. However an  
28 applicant shall meet the other [EXPERIENCE] requirements of AS 08.04.120 before the  
29 applicant is entitled to receive a certificate.

30 \* Sec. 9. AS 08.04.160 is amended to read:

31 Sec. 08.04.160. REEXAMINATION. An applicant who fails an examination may take

1 as many examinations as the applicant chooses. An applicant who receives a passing grade in  
2 at least two subjects or who has received a passing grade in accounting practice before  
3 May 1, 1994, [OR IN AT LEAST TWO OF THE OTHER SUBJECTS] has the right to be  
4 reexamined in only the remaining subjects at succeeding examinations within five years after the  
5 first examination if the applicant takes an examination in the remaining subjects at least once  
6 each calendar year unless excused by the board for good cause. An applicant who receives a  
7 passing grade in the remaining subjects has passed the entire examination. An applicant must  
8 attain a minimum grade of 50 percent on each subject required to be written but not passed  
9 at an examination sitting to receive credit for passing subjects on which a grade of at least  
10 75 percent was attained at that sitting.

11 \* Sec. 10. AS 08.04.170 is amended to read:

12 Sec. 08.04.170. EXAMINATION STANDARDS. An applicant passes the examination  
13 by attaining a grade of at least 75 percent in each subject in which the applicant is examined.  
14 The board may give credit to an applicant who has passed all or part of the examination in  
15 another state if the board determines that the standards under which the examination was held  
16 are as high as the standards established for the examination in this state.

17 \* Sec. 11. AS 08.04.170 is amended by adding new subsections to read:

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

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

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

27 \* Sec. 12. AS 08.04 is amended by adding a new section to read:

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

31 The regulations must

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

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

4 (3) include a provision that allows an applicant to show that the applicant has  
5 satisfied the requirement of this section by undergoing a satisfactory quality review performed  
6 for other purposes that was substantially equivalent to quality reviews generally required under  
7 this section; the board may not require that a copy of the review report for a review found to be  
8 substantially equivalent under this paragraph be submitted to the board if the organization that  
9 administered the review requires termination of the person's firm from its quality review program  
10 if the firm refuses to cooperate with required remedial or corrective actions, fails to correct  
11 material deficiencies, or is found to be so seriously deficient in its performance that education  
12 and remedial corrective actions are not adequate; the board shall by regulation require an  
13 organization that performs reviews that are substantially equivalent under this paragraph to report  
14 to the board concerning which firms are in its quality review program, their most recent report  
15 dates, and whether they have been terminated from the program.

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

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

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

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

31 \* Sec. 13. AS 08.04.450 is amended to read:

1           Sec. 08.04.450. REVOCATION OR SUSPENSION OF CERTIFICATE, LICENSE,  
2           REGISTRATION, OR PERMIT. In addition to its powers under AS 08.01.075, the [THE]  
3           board may revoke or suspend a certificate or license, or may revoke, suspend, or refuse to ~~re~~ ~~u~~  
4           any permit, or may censure any certificate holder, licensee, registrant, or permit holder for

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

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

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

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

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

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

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

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

20                      (9) [REPEALED

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

24                      (10) failure of a certified public accountant to satisfactorily complete a quality  
25           review under AS 08.04.425 except as conditioned, relaxed, or suspended by the board under  
26           AS 08.04.426(b) - (d).

27           \* Sec. 14. AS 08.04 is amended by adding a new section to read:

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

31                      (1) an officer, partner, or employee of a firm or organization affixing that person's

1 signature to a statement or report in reference to the financial affairs of the firm or organization  
2 with wording designating the position, title, or office that the person holds in the firm or  
3 organization;

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

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

8 \* Sec. 15. AS 08.04.580 is amended to read:

9 Sec. 08.04.580. PARTNERSHIP POSING AS ACCOUNTANTS OR AUDITORS. A  
10 person may not sign or affix a partnership name to any accounting or financial statement, or  
11 opinion or report on any accounting or financial statement with any wording indicating that  
12 it is a partnership composed of certified public accountants or public accountants or with  
13 any wording indicating that the [IT IS A] partnership has [COMPOSED OF ACCOUNTANTS  
14 OR AUDITORS OR PERSONS HAVING] expert knowledge in accounting or auditing [TO ANY  
15 ACCOUNTING OR FINANCIAL STATEMENT, OR TO ANY OPINION ON, REPORT ON,  
16 OR CERTIFICATE TO ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the  
17 partnership holds a live permit, is practicing under its registered name, and its offices in this state  
18 for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

19 \* Sec. 16. AS 08.04.590 is amended to read:

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

31 \* Sec. 17. AS 08.04 is amended by adding a new section to read:

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

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

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

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

10          (4) information revealed in ethical investigations conducted by private professional  
11 organizations; or

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

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

15 \* Sec. 18. AS 08.04.680 is amended by adding new subsections to read:

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

20          (6) "report," when used with reference to financial statements, means an opinion,  
21 report, or other form of language that states or implies assurance as to the reliability of financial  
22 statements and that also includes or is accompanied by a statement or implication that the person  
23 or firm issuing it has special knowledge or competency in accounting or auditing; a statement  
24 or implication of special knowledge or competence may arise from use by the issuer of the report  
25 of names or titles indicating that the issuer is a certified public accountant or auditor, or from the  
26 language of the report itself; "report" includes any form of language that disclaims an opinion  
27 when the form of the language is conventionally understood to imply a positive assurance as to  
28 the reliability of the financial statements referred to or special competence on the part of the  
29 person or firm issuing the language; and "report" includes any other form of language that is  
30 conventionally understood to imply such assurance or such special knowledge or competence;  
31 "report" does not include compilation of financial statement language that does not express or

1 imply assurance or special knowledge or competence.

2 \* Sec. 19. Section 5 of this Act takes effect January 1, 1992.

3 \* Sec. 20. Section 10 of this Act and AS 08.04.170(d), enacted by sec. 11 of this Act, take effect  
4 January 1, 1994.

\* 5 \* Sec. 21. Section 6 of this Act takes effect September 1, 1997.

CSHB 13: An Act relating to public accountancy; and providing for an effective date.

CSHB 13 makes several amendments to the public accountancy statutes (AS 08.04) including: (1) changing the composition of the board to include eligibility of an accountant who is not certified or licensed; (2) mandating a minimum of four meetings each year; (3) amend educational and experience requirements to require a baccalaureate degree for licensure; (4) amend examination requirements; and (5) establish Quality Review requirements.

The department and the State Board of Accountancy both feel that provisions of CSHB 13 are needed to bring Alaska's Accountancy Act, originally written in 1960, up-to-date and into conformity with most other states. Although the department chooses to remain neutral on the past controversy between the independent accountants and the certified public accountants concerning composition of the board, the department feels CSHB 13 contains positive changes which will improve the quality and competency of public accountancy services in Alaska; and therefore, the department supports passage of CSHB 13.



Glenn A. Olds, Commissioner  
Department of Commerce and Economic  
Development

Date: February 20, 1991

Intent Language for SCSCSHB 13 (L&C)

It is the intent of the Legislature that the State Board of Public Accountancy will prepare a plan of implementation for the educational and experience requirements for an applicant to obtain licensure that requires 150 total hours (5-year degree program) or additional semester hours of post-baccalaureate study so that the total educational program includes at least 150 hours with or without an accounting concentration.

It is also the intent of the Legislature that the plan will be initiated in the year 2000, and include addressing projected fiscal and course impacts to the University of Alaska system. This plan should be submitted to the Legislature on the first day of the 1993 legislative session.

# Alaska State Legislature

REPRESENTATIVE  
MARK BOYER  
VICE-CHAIRMAN  
HOUSE FINANCE COMMITTEE



FAIRBANKS  
1098 LAKEVIEW TERRACE  
FAIRBANKS, ALASKA 99701  
(907) 456-6473

JUNEAU  
P.O. BOX V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3466

## House of Representatives

### MEMORANDUM

TO: Senator Jay Kerttula, Co-Chair  
Senator Pat Pourchot, Co-Chair

FROM: Representative Mark Boyer *MB*

DATE: April 4, 1991

SUBJECT: Scheduling of SCSCSHB 13 (L&C)

The above referenced bill entitled "An Act relating to public accountancy; and providing for an effective date", has been referred to your committee.

Title 8, chapter 04 of the Alaska Statutes, Accountancy Act of 1960, has not had any major amendments since the '60s. This legislation is a major reconstruction of the act in order to bring the state's accounting practice into technical proficiency with the Model Public Accountancy Act, as endorsed by the American Institute of Certified Public Accountants (AICPA), enacted by a number of other states and under consideration by others this spring.

Section two defines the purpose of the Accountancy Act and explicitly expresses the manner in which the public interest is enhanced by the Act. This statement of legislative purpose reflects the fundamental principles governing the regulation of public accountancy.

Section three, Appointment and Qualifications of the Board, was the focal point of controversy between licensed and non-licensed accountants. The non-licensed accountants wanted a designated seat on the State Board of Accountancy in order to protect their current right to issue compilation reports. As a result of efforts by the State Board of Accountancy, the State Society of Certified Public Accountants, and the Alaska Society of Independent Accountants, a non-licensed accountant may be seated on the board under the public member designation. (Copy of Attorney General opinion attached) In section 17, language has been added to insure that compilations can be issued by non-licensed accountants as long as the language used does not

FAIRBANKS 20B

express or imply assurance or special knowledge or competence.

The educational and experience requirements, section five, have been repealed and reenacted to require a baccalaureate degree with or without an accounting concentration along with two or three years of accounting experience. The non-accounting degree requires three years of accounting experience. Alaska is currently among a very small number of states not requiring a baccalaureate degree for certification as a certified public accountant. The general public expects a certain level of proficiency, technical competence, and professional maturity from a certified public accountant. This revision is consistent with the public's expectations.

In fact, practically all of Alaska's successful applicants do hold a baccalaureate degree since such a formal educational preparation is generally required to successfully complete the CPA exam. The degree requirement will bring Alaska in agreement with most other states, it will not restrict entry into the profession as once perceived. Throughout House and Senate hearings, several things became clear from CPA's and non-licensed accountants. Absent a requirement for additional educational requirements:

- 1) The profession in Alaska will be viewed with skepticism by professional peers outside Alaska; and

- 2) Alaskan CPAs who wish to practice or move to another state will not meet their qualifications for a reciprocal certificate.

This bill moved out of the Senate Labor and Commerce Committee April 2, 1991. The Committee amended the House Labor and Commerce substitute by deleting the additional educational requirement of 150 hours of semester work beyond addition to the baccalaureate degree, and added intent language requiring a plan to implement additional educational requirements only after the University has added sufficient ability to handle the additional student load. The Committee also extended the sunset date by one year.

I would greatly appreciate your scheduling this bill for a hearing as early as possible. Please contact Nanci Jones at extension 3466 for any further information. Thanks for your prompt consideration.

# MEMORANDUM

State of Alaska  
Department of Law

TO: Jane Angvik, Commissioner  
Department of Commerce and  
Economic Development

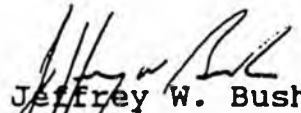
DATE: November 28, 1990

FILE NO.: 663-91-0171

TEL. NO.: 465-3600

SUBJECT: Membership on Board of  
Public Accountancy

FROM:

  
Jeffrey W. Bush  
Assistant Attorney General  
Commercial Section-Juneau

You have asked our advice on who may serve as public members on the Board of Public Accountancy ("Board"). Specifically, you have asked whether a so-called "unlicensed accountant" may serve as a public member on the Board. Although the question is a close one, we conclude that an unlicensed accountant may serve on the Board as a public member.

## DISCUSSION

Under AS 08.04.020, the Board of Public Accountancy is made up of seven members; five must be certified public accountants or public accountants (i.e., licensed), and two must be public members who qualify under AS 08.01.025. AS 08.01.025 provides:

A public member of a board may not:

(1) be engaged in the occupation that the board regulates;

(2) be associated by legal contract with a member of the occupation that the board regulates except as a consumer of the services provided by a practitioner of the occupation; or

(3) have a direct financial interest in the occupation that the board regulates. <sup>1/</sup>

The issue, therefore, is whether unlicensed accountants are either engaged in, or have a direct financial interest in, the "occupation" that is regulated by the Board of Public Accountancy. AS 08.01.110(6) defines "occupation" to mean "a trade or profession listed in AS 08.01.010," which in turn states that the centralized

---

<sup>1/</sup> AS 08.04.020 also specifically provides that a public member on the Board of Public Accountancy may not be employed by a licensed public accountant or firm.

Jane Angvik, Commissioner  
Department of Commerce and Economic Development  
663-91-0171

November 28, 1990  
Page 3

associated with persons who not only hold themselves out to the public as skilled in the knowledge and practice of accounting, but also represent themselves to be public accountants or CPA's.

1976 Op. Att'y Gen. No. 8 (Feb. 2) (citations omitted). This distinction between the practice of "accounting" and the practice of "public accounting" is consistent with AS 08.04.500--08.04.610, which require licensure for anyone claiming to be a CPA, a public accountant, or having "expert knowledge in accounting or auditing" (AS 08.04.560), but not those who maintain only "a bookkeeping or tax service." AS 08.04.570. Thus, those accountants who are unlicensed, either because they are employed in the public sector and do not offer their services as public accountants or because they are engaged only in bookkeeping or tax services, are not engaged in the occupation of "public accounting" that is regulated by this Board.

Further, these unlicensed accountants generally do not appear to have any "direct financial interest" in the occupation of "public accounting." A direct financial interest would include having an ownership interest in, or a professional or contractual relationship with, a licensed business. It would also include holding any position in such a business. See AS 39.52.960(9). Of course, if an unlicensed accountant did have a direct financial interest in a licensed business, that person would be ineligible for appointment to the Board under AS 08.01.025(3). 2/

We hope this answers your questions.

JWB:jf

cc: Thomas E. Bartlett, Chairman  
Board of Public Accountants  
1095 Bruhn Road  
Fairbanks, AK 99709

---

2/ Although we do not believe the factor is legally significant, we are also aware that this opinion alleviates a potential problem raised in your request for advice. If unlicensed accountants were not permitted to be appointed to the public-member positions on the Board, they would be the only people who could never obtain a position on the Board, because they cannot sit as professional members; AS 08.04.020 requires that the professional members on the Board be licensed.

licensing chapter, AS 08.01, applies to the Board of Public Accountancy. AS 08.01.010(1).

The Alaska Accountancy Act of 1960, AS 08.04, provides for the licensure of persons, partnerships and corporations practicing public accountancy. However, the Act does not apply to, and does not require the licensure of, either public officials or persons performing merely bookkeeping or tax services. AS 08.04.570. These are the so-called "unlicensed accountants." This is consistent with case law from other jurisdictions, which have historically required licensing only for persons who hold themselves out to the public as skilled in the knowledge, science and practice of accounting and qualified to render professional accounting services. State v. Bookkeepers Business Service Co., 382 S.W.2d 559 (Tenn. App. 1964); Florida Accountants Ass'n v. Dandelake, 98 So. 2d 323 (Fla. 1957).

A valid argument can be made that unlicensed accountants should not be appointed as public members of the Board. One of the purposes of the restriction in AS 08.01.025 on association with the regulated occupation is to ensure that a diversity of interests and viewpoints will be represented on the Board. See 1987 Inf. Op. Att'y Gen. (661-87-0514; May 22). It is likely that unlicensed accountants will have similar interests and views to licensed accountants, and thus if unlicensed accountants are appointed to the public-member positions, this occupational diversity requirement will arguably be undermined. However, although we believe the possibility of a similarity of interests should be a consideration used by the governor in making his appointments to the public-member positions of any board, we do not believe that this consideration is legally significant enough to prohibit the appointment of an unlicensed accountant to a public-member position on the Board of Public Accountancy.

As noted above, the term "occupation" is defined in AS 08.01.110(6) to be directly tied, through the reference to AS 08.01.010, to the functions of the Board. AS 08.01.010(1). Since the Board does not regulate all practice of accounting, but only the practice of "public accounting," we believe that those who are not engaged in the practice of "public accounting" are not engaged in the regulated occupation. We have noted the distinction between "accounting" and "public accounting" in an earlier opinion.

The term "accounting" has been interpreted in other jurisdictions as a broad and comprehensive term referring to a bookkeeping process whereby debts [sic] and credits are balanced. But "public accounting" has a more specialized meaning and is

# Alaska Society of Independent Accountants

Organized September 1, 1972

1603 College Road • Fairbanks, Alaska 99701 • (907) 561-1302 • (907) 452-4407



**BOARD OF DIRECTORS**

President  
Bernadette Biehnemann  
North Pole, Alaska

First Vice President  
Michael Currier  
Anchorage, Alaska

Second Vice President  
Kathie Wiley  
Anchorage, Alaska

Secretary  
Joanne Beal  
Fairbanks, Alaska

Treasurer  
Thomas Wells  
Fairbanks, Alaska

Past President  
David B. Stephenson  
Fairbanks, Alaska

President  
ASIA North  
Fairbanks Chapter  
Sharon Mackwell  
Fairbanks, Alaska

President  
Greater Anchorage  
Area Chapter  
Diane Buckbee  
Anchorage, Alaska

District Representative  
Southeastern Region  
Pete Ennis  
Petersburg, Alaska

District Representative  
Southcentral Region  
Joe Ryback  
Soldotna, Alaska

NSA State Director  
for Alaska  
David Stephenson  
Fairbanks, Alaska

February 22, 1991

Representative Mark Boyer  
State Office Building, Room 411  
Juneau, Alaska 99811

Re: CSHB13

Dear Rep. Boyer

The Alaska Society of Independent Accountants (ASIA) has reviewed the CS for House Bill No. 13. ASIA is prepared to accept and to endorse this compromise legislation in its present form. We appreciate the amount of work that has gone into producing this bill, and ask that it be allowed to progress smoothly, and without change, through the legislative process.

ASIA continues to support statutory safe-harbor compilation language and a designated board seat for the independent accountants in this State. We still believe that this is in the best interest of the public. These issues have been addressed, to some degree, in the CS.

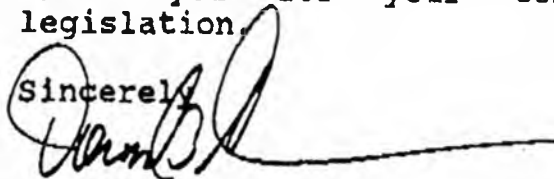
Notwithstanding our reservations regarding the absence of the specific items that we had hoped for, we feel that CSHB13(L&C) represents a compromise that, while short of the expectations of our organization, should be supported in its present form. The majority of the legislation present in CSHB13(L&C) is necessary to enhance the quality of services provided by Certified Public Accountants in Alaska.

We would expect that the Alaska Society of Certified Public Accountants will also be forthcoming with their written support of CSB(L&C).

Page 2

Thank you for your continued interest in our  
legislation.

Sincerely,



David B. Stephenson  
Chairman, Legislative Affairs Committee  
Alaska Society of Independent Accountants

xc: Bernadette Illichmann, ASIA President  
Julie Froning, Governor District IX  
William Golden, SROC Chairman  
William Sager, NSPA Legal Counsel  
Richard Garlock, NSPA President

# ASCPA

Alaska Society of Certified Public Accountants



February 22, 1991

Representative Mark Boyer  
Alaska State Legislature  
P. O. Box V  
Juneau, Alaska 99811

RE: Committee Substitute for House Bill No. 13

Dear Representative Boyer:

I am writing on behalf of the Board for the Alaska Society of Certified Public Accountants to reflect our endorsement of the committee substitute for House Bill No. 13 (CSHB 13). At our February 20, 1991 Board meeting we unanimously endorsed CSHB 13. We are very hopeful that there will not be any changes to the committee substitute and that we will see passage of this legislation this year.

Sincerely,

Kevin E. Branson, CPA  
President  
Alaska Society of CPA's



UNIVERSITY OF ALASKA FAIRBANKS

School of Management
Fairbanks, Alaska 99775-1070

February 18, 1991

Representative Mark Boyer
P.O. Box V
State Capitol
Juneau, Alaska 99811

Dear Representative Boyer,

The Alaska State Board of Public Accountancy has carefully considered the Committee Substitute to HB 13 which passed out of the House Labor and Commerce Committee last week. We endorse the Committee Substitute and advocate its swift passage through the Alaska House of Representatives.

The Board has worked diligently over the last three years to draft accounting legislation that protects the public interest and addresses the concerns of the various professional accounting organizations in our state. We believe the Committee Substitute settles the controversial issues in a fair and appropriate manner. More importantly, we believe the proposed legislation effectively addresses the public interest concerns that initially prompted the Board to seek legislative action.

We greatly appreciate your efforts in negotiating the various compromises and in drafting the Committee Substitute. We strongly support the committee substitute to House Bill 13.

Sincerely,

Tom Bartlett

Thomas E Bartlett, CPA
Chair, Alaska State Board
of Public Accountancy

\*\*\*\*\* FAX TRANSMITTAL MEMO \*\*\*\*\*

TO: Representative Mark Boyer
DEPT: AK House of Rep FAX #: 586-6246
FROM: Tom Bartlett PHONE: 474-6527
CO: UAF AK State Board of Public Acct FAX #: 474-5219
Post-it brand fax transmittal memo 7671

NO. OF PAGES
1

## EXECUTIVE SUMMARY

■ THE PROFESSION currently is examining its regulatory structure in an effort to seek uniformity in state regulation, eliminate the differences, promote the mobility of CPAs and the services they provide the public as well as remove from CPA firms the administrative burden of dealing with regulatory differences.

■ THERE ARE 54 distinctly separate licensing jurisdictions. The only uniform licensing requirement is passing the Uniform CPA Examination. Diversity exists in the following areas:

1. Education. Requirements range from a high school diploma to 150 hours of education.

2. Experience. The range goes from none to six years and from experience in public accounting only to a mix of public and nonpublic.

3. General qualifications. Age, citizen-

ship and residency or employment all vary widely.

4. Exam. There are various requirements for how many parts can be taken at any sitting, minimum grades in parts failed and the timing for passing the remaining subjects.

5. CPE. The variations cover reporting dates and frequency, number of credit hours and types of courses.

■ INDIVIDUAL STATE regulatory design is out of sync with the way today's business world works. CPAs' mobility is essential because of the national and international nature of commerce.

■ UNIFORMITY of regulation is a major goal of the AICPA and NASBA. They recently exposed a revised model accountancy bill—the Uniform Accountancy Act—expected to be issued this fall, and have set up a committee to promote uniformity through the act.

FUNK, BAXTER, ELGEE & REHFELD*Certified Public Accountants*

LeRoy T. Funk, CPA

(907) 789-3178

(907) 789-7128 Fax

9309 Glacier Highway • Suite B 200 • Juneau, Alaska 99801