

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7579 SENATE LABOR & COMMERCE

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 AS 08.04.120 is repealed and reenacted to read: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. EXAMINATICN. 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 appli-
17 cant 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 remain'ng 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 one or more 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.

STATE OF ALASKA
1991 LEGISLATIVE SESSION

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

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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						
TOTAL OPERATING	15.7	15.7	15.7	15.7	15.7	15.7
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
TOTAL	15.7	15.7	15.7	15.7	15.7	15.7

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.)
 SEE ATTACHED PAGE

Prepared By: Jennifer Strickler, Administrative Office Phone: 465-2144
 Division: Occupational Licensing Date: January 28, 1991
 Approved by Commissioner: Glenn A. O'lds
 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 HB 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.

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

VICE-CHAIRMAN
HOUSE FINANCE COMMITTEE



House of Representatives

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Memorandum

To: Senator Drue Pearce, Chair
Labor and Commerce Committee

From: Representative Mark Boyer *MB*

Date: February 28, 1991

Subject: Scheduling of CS for House Bill 13 (L&C)

Pursuant to our previous conversation concerning scheduling of the above referenced bill entitled "An Act relating to public accountancy; and providing for an effective date," please consider my request for scheduling this bill in your committee March 11, 1991.

This bill represents the culmination of efforts by the State Board of Accountancy, the State Society of Certified Public Accountants, and the Alaska Society of Independent Accountants, to update the current practice of accounting for licensed and non-licensed accountants in the State of Alaska. I have enclosed position papers from each of these groups which state that they are in agreement with the committee substitute as passed by the House of Representatives.

To simplify the technical aspects of this bill, I have enclosed the rationale for each section, prepared by the Chairman of the State Board of Accountancy, Tom Bartlett. In summary, this bill renews the existing statutes and makes major changes in the education requirements for licensure; provides consumer protection through mandatory quality assurance reviews for purchased services of certified public accountants; provides an opportunity for non-licensed accountants to have representation on the State Board of Accountancy; and insures that non-licensed accountants can continue to issue compilation reports.

For your convenience, I have also enclosed a copy of the fiscal note. Thanks for your prompt consideration. Please contact Wanci Jones at extension 3466 for any further information.

FAIRBANKS 20B

RATIONALE FOR PROPOSED CHANGES TO
ALASKA'S ACCOUNTANCY STATUTE
COMMITTEE SUBSTITUTE TO HB13

Section 1.

Section 08.04.005 - Purpose - The Alaska Accountancy Act does not currently include a section which explicitly expresses the purpose of the Act or the manner in which the public interest is enhanced through the Act. This statement of legislative purposes reflects the fundamental principles governing the regulation of public accountancy. The language of the proposed amendment is taken directly from the Model Public Accountancy Bill as approved by the Boards of Directors of the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA).

Section 2.

Section 08.04.020 - Appointment and Qualifications of Board - The statute has been revised to specifically allow unlicensed accountants eligibility for appointment to public member seats on Alaska's State Board of Public Accountancy. Legal opinion has been divided on whether unlicensed public accountants are currently eligible for Board membership. Such unlicensed accountants do have an interest in the activities of the Board. It is not fair or appropriate that this category of individuals should be excluded from membership eligibility. This revision makes the legal debate over their membership eligibility moot by changing the statute to make them specifically eligible for public member Board seats.

Section 3.

Section 08.04.025 - Board Meetings - The Statute has been revised to require the State Board of Accountancy to meet four times each year. For several years the workload of the Board has been so substantial as to necessitate four meetings per year. In 1982, a regulation was adopted by the Board to require four meetings each year. Budgetary considerations have unfortunately limited the Board to three yearly meetings in several years since 1982. Following the lead of various other Boards, this revision would grant statutory authority for four yearly meetings and strengthen the legal requirement for holding four meetings.

Section 4.

Section 08.04.120 - Educational Requirements - Alaska is currently among a very small number of states not requiring a baccalaureate degree for certification as a certified public accountant. This revision would require such baccalaureate degree after January 1, 1992. The

accounting profession has long recognized the need for formal education to prepare the applicant with the professional maturity and technical competence expected of certified public accountants by the general public. Alaska has traditionally not required a baccalaureate degree reasoning that such requirement would restrict entry into the accounting profession. 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 real effects of not requiring a baccalaureate degree include the following:

- 1) The profession in Alaska may be viewed by professional peers outside Alaska with skepticism and question due to our lack of a baccalaureate requirement.
- 2) The work load of Alaska's Board of Accountancy is increased by applications to take the CPA exam by non-residents who meet Alaska's educational requirement, but do not meet the requirements of their state of residence.
- 3) Alaskan CPAs who wish to practice in or move to other states may not meet the other state's requirements and therefore not be qualified to receive a reciprocal certificate.

This revision would bring Alaska's educational requirements into general agreement with most other states.

Section 5.

Section 08.04.120 would go one step further and require a baccalaureate degree plus additional semester hours of college work to total 150 semester hours for certification after the year 2004. The AICPA/NASBA Model Act includes such an education requirement and the AICPA has recently amended its By-Laws to require such an educational requirement for the AICPA membership after the year 2000. As the technical requirements of Generally Accepted Accounting Principles and Generally Accepted Auditing Standards have expanded over the last twenty years and as technology and communications of our business society have similarly expanded, the accounting profession has recognized the need to improve and lengthen accounting educational requirements. Fifteen states have adopted this post-baccalaureate requirement and that number is expected to increase dramatically as the year 2000 approaches. Sixteen additional states will have legislation introduced in 1991 to require this additional education.

The following tables shows the states who have adopted or are working toward this requirement.

States that require 150 semester hours of education by legislation. (In several of these states, the effective date of the requirement has not yet taken effect):

Alabama	Mississippi
Arkansas	Montana
Florida	Tennessee
Hawaii	Texas
Kansas	Utah
Kentucky	West Virginia
Louisiana	

States that will require 150 semester hours by regulation:

Connecticut (1992)
Virginia (1991).

States that will be introducing legislation in 1991 to require 150 semester hours. (various effective dates).

Alaska	Michigan
California	Minnesota
Georgia	Missouri
Idaho	Nebraska
Illinois	New Mexico
Indiana	North Carolina
Maryland	Ohio
Massachusetts	South Carolina

By adopting the requirement now, our state will join the forefront of this movement and we will signal our educational institutions of the necessity of updating their accounting education programs. Major curriculum revisions will be required and this future effective date approach will allow the various educational institutions sufficient time to plan and staff future programs. Such a future effective date approach will also signal Alaska's commitment to improved public accounting proficiency, while allowing the state sufficient time to re-examine the educational requirement as 2004 approaches if the expanded educational requirement is not generally accepted by other jurisdictions.

Section 6.

Section 08.04.130 - Examination - The Uniform CPA Examination, required in all accounting jurisdictions in the United States, is currently being revised. The present Accounting Theory and Accounting Practice sections of the exam are being replaced with sections covering

Accounting and Reporting, and Financial Accounting and Reporting. Alaska's current statute refers specifically to the Theory and Practice sections of the exam. This change is required to bring Alaska's statute into agreement with the revised exam.

Section 7.

Section 08.04.150 - Prerequisites for taking the CPA Exam - Presently we require our applicants for the CPA exam to meet our educational requirement prior to taking the exam. Since our requirement is only 60 semester credits, graduating seniors at our educational institutions are allowed to take the exam during their final college semester. Under the revised educational requirement, a baccalaureate degree is required. This revised provision follows the pattern of provisions found in many state laws and would allow an applicant to sit for the examination prior to graduation. The reasoning is that students so close to graduation should not be required to wait another six months before sitting for the examination.

Sections 8 through 10.

Section 08.04.160 & 170 - Re-examination and Examination Standards - The CPA Exam is divided into various parts and Alaska, like most states, gives provisional credit if certain sections are passed. As a result, such sections are not required to be retaken in subsequent exam sittings. Most states link the granting of such provisional or conditional credit to the attainment of a minimum grade in sections not passed. This revision brings Alaska's conditional credit rules into general agreement with other states. Alaskan CPAs often experience difficulty receiving reciprocal certification in other states due to our present lack of a minimum grade standard for conditional credit on passed sections. This revision will provide maximum latitude for transferability of conditional credits and consequent mobility of Alaska applicants and licensees. Paragraph C of Section 170 will allow the Board to waive this requirement in exceptional cases thereby retaining Board discretion in unique or unusual circumstances. The proposed revisions continue to require that all sections of the exam be taken in the initial sitting and that all sections for which provisional credit has not been granted be taken in any subsequent sittings.

Section 11.

Section 08.04.426 - Quality Review - In January 1988, AICPA members resoundingly approved participation in a practice-monitoring program as a condition for AICPA membership. The goal of such a program is to help individual practices maintain and improve their quality and thus improve the quality of the entire public accounting profession. This AICPA action responded to calls from various organizations including committees of the United States Congress and the

Securities and Exchange Commission. Many State Boards of Accountancy had already implemented "positive enforcement programs" to monitor accounting practices. The need for such a mandatory practice monitoring program was demonstrated by the results of a voluntary monitoring program of the AICPA division for CPA firms in which 13% of the firms did not receive an unqualified acceptable report in their initial quality review. Studies by the General Accounting Office and the positive enforcement activities of the various state boards of accountancy also demonstrated the existence of an unacceptably high level of substandard work.

Alaska's State Board of Public Accountancy has followed these "positive enforcement", "quality review" developments with interest in recent years. Alaska's Board has desired to implement a positive enforcement program in Alaska but no legislative authority exists for such a program under Alaska statutes. The new AICPA quality review program when combined with the proposed legislation offers an opportunity to insure the quality of public accounting attest services in Alaska.

Under the AICPA program, all Alaskan certificate holders who are members of the AICPA will be participating in mandatory quality review if they perform attest services. However, licensees who are not AICPA members would not be subject to such quality review. This new provision would give the Alaska Board of Accountancy the authority to establish a quality review program for all licensees within our state. It is the intention of the State Board to coordinate this requirement with the Alaska Society of Certified Public Accountants so that quality reviews under the AICPA program would meet State Board requirements. It is also the intention of the State Board to have non-AICPA members submit to a quality review with the cost of such review borne by the licensee.

The Alaska State Board of Accountancy and the Alaska Society of Certified Public Accountants have worked in concert in the drafting of this section of the proposed legislation to insure that there is no needless duplication of quality review programs, to insure confidentiality of quality review reports, and to insure a level playing field for all licensees within the state.

Section 12.

Section 08.04.450 (11) Suspension of Certificate - This section has been amended to include failure to maintain compliance with the quality review program as grounds for revocation or suspension of the CPA license.

Section 13.

Section 08.04.505 - Issuance of Reports - Section 08.04.560 states, "A person may not sign or affix any name or any trade or assumed name used by that person to any accounting or financial statement, or opinion or report on any accounting or financial statement with any wording

indicating that the person is a certified public accountant or public accountant or with any wording indicating that the person has expert knowledge in accounting or auditing, unless the person holds a live permit..." Questions have periodically arisen about the exact definition of a report. Section 8.04.680 has been amended to define report and this new section specifies the circumstances under which a report can be issued. The new definition defines report to indicate exactly what types of communication are restricted to the use of certified public accountants. Report is defined as any form of language which states or implies assurance as to the reliability of any financial statement. Under this definition, an audit report, the disclaimer of an audit report, a review report, and a compilation report which asserts or implies that the author has complied with the provisions of the AICPA's Statement on Standards for Accounting and Review Services No. 1 (SSARS1) are all restricted for the use of licensees. A compilation report which does not assert or imply compliance with SSARS1 and which does not imply expert knowledge in accounting or auditing may be issued by an unlicensed party.

These changes are consistent with the manner in which Section 08.04.560 has been interpreted within Alaska. The changes should clarify any confusion that exists within the certified and non-certified Accounting communities. Non-certified accountants would continue to be allowed to issue compilation reports provided no references were made to the American Institute of Certified Public Accountants, and provided no expert knowledge in accounting or assurance as to fair presentation was asserted. The standard compilation report of the National Society of Public Accountants (NSPA) which offers no assurance and which makes no reference to the AICPA, would continue to be an acceptable reporting vehicle for non-certified accountants.

Sections 14 and 15.

Section 08.04.580 and 08.04.590 - The present Alaskan statute has three sections regulating the use of the Certified Public Accountant title. Section 08.04.560 refers to individuals; section 08.04.580 refers to partnerships; and section 08.04.590 refers to corporations. Although the intent of these three sections is identical, the wording of the three sections varies. These sections of the proposed legislation revise the wording of the partnership and corporation provisions to make them consistent with the individual provision in section 08.04.560.

Section 16.

Section 08.04.662 - Confidential Communications - This new provision is taken directly from the NASBA/AICPA Model Public Accountancy Bill and is similar to those found in a number of accountancy laws as well as ethical codes recognizing the confidentiality of client communications to public accountants without, however, extending it to the point of being an evidentiary privilege. Presently the Alaskan statute has no provision specifically addressing

confidentiality. The Alaska Board has adopted a confidentiality regulation under sections 08.04.070 and .080 which allow the Board to adopt regulations for the orderly conduct of its affairs and the maintenance of a high standard of integrity and dignity in the profession of public accountancy. A statute provision on confidentiality allows an improved legal basis for any regulations on confidentiality. This wording brings Alaska into general agreement with most other states and it specifically does not allow confidentiality to be used as a basis for non-compliance with the proposed Quality Review section.

Section 17.

This section defines the terms "quality review" and "report." Since quality reviews will be mandatory under proposed section 8.04.426 of the legislation a definition of "quality review" is required. The definition is taken directly from the NASBA/AICPA Uniform Accounting Act.

Proposed Section 08.04.505 restricts the issuance of reports on financial statements to persons or firms holding a valid Certified Public Accountant permit. This definition defines report as "any form of language that states or implies assurance as to the reliability of the financial statement." The restriction of such reports to CPAs goes to the heart of the rationale for accountancy regulation. Public accountants provide an attest service to the general public. The accountant's report provides professional assurance that published financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP). Any accountant who issues such a report must possess an intimate knowledge of GAAP and generally accepted auditing standards (GAAS). This extensive and complicated knowledge cannot be expected of the general public. Accordingly, a non-accountant cannot be expected to confidently evaluate a public accountant's work with respect to technical accounting or auditing knowledge. Some sanctioned signal or indicator is required so that a non-accountant member of the general public can be assured a public accountant does possess that level of technical knowledge and proficiency expected of a professional public accountant. In our society that indicator is the certification as a CPA. Alaska's certification process is designed to insure compliance with some minimum level of qualifications and competence before an individual can attest to the fair presentation of financial statements.

Section 18.

This section will make the baccalaureate education requirement take effect at the beginning of 1992.

Section 19.

This section will make the 150 semester hour post-baccalaureate education requirement become effective in 2004. Such effective date will allow the educational institutions in the state

time to plan and implement the curriculum changes that will be necessary to put the 150 semester hour programs into place. The educational institutions have expressed their satisfaction with this effective date and have already begun planning for the increased education requirement.

Section 20.

The revised CPA exam will first be administered in 1994. This effective date for sections 8 and 10 which relate to the CPA exam would coincide with initial administration of the revised exam.



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: Repre: ...ative Mark Boyer
DEPT: AK House of Rep FAX #: 586-6246
FROM: Tom Bartlett PHONE: 474-6527
CO: UAF AK State Board FAX #: 474-5219

NO. OF PAGES
1

Alaska Society of Independent Accountants

Organized September 1, 1972

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



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for Alaska
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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.

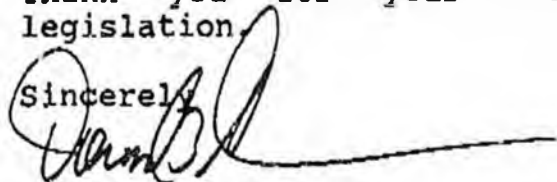
Notwithstanding our reservations regarding the absence of the specific items that we had hoped for, we feel that CSHB13(L&C) represents a compromise that, while short of the expectations of our organization, should be supported in its present form. The majority of the legislation present in CSHB13(L&C) 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 CSB4(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

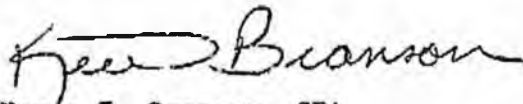
Representative Mark Boyer
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

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,

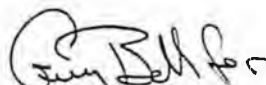


Kevin E. Branson, CPA
President
Alaska Society of CPA's

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

BILL: SB 115

SHORT TITLE: PRACTICE OF PUBLIC ACCOUNTANCY

HB 13

NAME:

TITLE: "AN ACT RELATING TO PUBLIC ACCOUNTANCY; AND PROVIDING FOR AN EFFECTIVE DATE."

PRIME SPONSOR: LABOR & COMMERCE

CURRENT STATUS: (S) L&C
THEN FIN, RLS

STATUS DATE: 02/13/91

02/13/91	00231	(S)	READ THE FIRST TIME - REFERRAL(S)
02/13/91	00231	(S)	LABOR & COMMERCE, THEN FINANCE

SENATE BILL NO. 115

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Introduced: 2/13/91
 Referred: L&C and Finance

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 08.04 is amended by adding a new section to read:

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

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

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

15 (3) a public authority competent to prescribe and assess the qualifications and to

1 regulate the professional conduct of practitioners of public accountancy should be established;
2 and

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

6 * Sec. 2. AS 08.04.020 is amended to read:

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

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

19 * Sec. 3. AS 08.04 is amended by adding a new section to read:

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

22 * Sec. 4. AS 08.04.120 is repealed and reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

28 Sec. 08.04.160. REEXAMINATION. An applicant who fails an examination may take
29 as many examinations as the applicant chooses. An applicant who receives a passing grade in
30 at least two subjects or who has received a passing grade in accounting practice before
31 May 1, 1994, [OR IN AT LEAST TWO OF THE OTHER SUBJECTS] has the right to be

1 reexamined in only the remaining subjects at succeeding examinations within five years after the
2 first examination if the applicant takes an examination in the remaining subjects at least once
3 each calendar year unless excused by the board for good cause. An applicant who receives a
4 passing grade in the remaining subjects has passed the entire examination. An applicant must
5 attain a minimum grade of 50 percent on each subject required to be written but not passed
6 at an examination sitting to receive credit for passing subjects on which a grade of at least
7 75 percent was attained at that sitting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 Sec. 08.04.450. REVOCATION OR SUSPENSION OF CERTIFICATE, LICENSE,
30 REGISTRATION, OR PERMIT. In addition to its powers under AS 08.01.075, the [THE]
31 board may revoke or suspend a certificate or license, or may revoke, suspend, or refuse to renew

1 any permit, or may censure any certificate holder, licensee, registrant, or permit holder for
2 (1) fraud or deceit in obtaining any certificate, license, registration, or permit
3 required by this chapter;
4 (2) dishonesty or gross negligence in the practice of public accounting, or other
5 acts discreditable to the accounting profession;
6 (3) violation of any provision of AS 08.04.500 - 08.04.610;
7 (4) violation of a rule of professional conduct or other regulation adopted by the
8 board;
9 (5) conviction of a felony under the laws of any state or of the United States;
10 (6) conviction of any crime, an essential element of which is dishonesty or fraud,
11 under the laws of any state or of the United States;
12 (7) cancellation, revocation, suspension, or refusal to renew authority to practice
13 as a certified public accountant or public accountant in any other state for any cause other than
14 failure to pay an annual registration fee;
15 (8) suspension or revocation of the right to practice before any state or federal
16 agency; [OR]
17 (9) [REPEALED
18 (10)] failure of a certified public accountant to satisfy the continuing education
19 requirements prescribed by the board under AS 08.04.425, except as conditioned, relaxed or
20 suspended by the board under AS 08.04.425(c) and (d); or
21 (10) failure of a certified public accountant to satisfactorily complete a quality
22 review under AS 08.04.426 except as conditioned, relaxed, or suspended by the board under
23 AS 08.04.426(b) - (d).

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

25 Sec. 08.04.505. ISSUANCE OF REPORTS. (a) A person or firm that does not hold a
26 valid permit issued under this chapter may not issue a report on financial statements of another
27 person, firm, organization, or governmental unit. This prohibition does not apply to

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

1 (2) an act of a public official or employee in the performance of official duties;
2 (3) the performance by persons of other services involving the use of accounting
3 skills, including the preparation of tax returns, management advisory services, and the preparation
4 of financial statements without the issuance of reports on them.

5 (b) The prohibition in (a) of this section is applicable to issuance, by a person or firm
6 not holding a valid permit, of a report using the form of language conventionally used by
7 licensees with respect to compilation of financial statements.

8 (c) This section does not preclude the use of the following language or substantially
9 similar language:

10 "I (we) have compiled the accompanying (specify statement type)
11 as of (time period) for the (period) then ended. A compilation is limited
12 to presenting, in the form of financial statements, information that is the
13 representation of the management (owners). I (we) have not audited or
14 reviewed the accompanying financial statements and, accordingly, do not
15 express an opinion or any other form of assurance on them. Management
16 has elected to omit substantially all (or certain) required disclosures (and
17 the statement of cash flows). If the omitted disclosures were included in
18 the financial statements, they might influence the user's conclusions about
19 the (entity's) financial position, results of operations, and cash flows.
20 Accordingly, these financial statements are not designed for those who are
21 not informed about these matters."

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

23 Sec. 08.04.580 PARTNERSHIP POSING AS ACCOUNTANTS OR AUDITORS. A
24 person may not sign or use a partnership name to any accounting or financial statement, or
25 opinion or report on any accounting or financial statement with any wording indicating that
26 it is a partnership composed of certified public accountants or public accountants or with
27 any wording indicating that the [IT IS A] partnership has [COMPOSED OF ACCOUNTANTS
28 OR AUDITORS OR PERSONS HAVING] expert knowledge in accounting or auditing [TO ANY
29 ACCOUNTING OR FINANCIAL STATEMENT, OR TO ANY OPINION ON, REPORT ON,
30 OR CERTIFICATE TO ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the
31 partnership holds a live permit, is practicing under its registered name, and its offices in this state

1 for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

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

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

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

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

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

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

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

24 (4) information revealed in ethical investigations conducted by private professional
25 organizations; or

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

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

29 * Sec. 17. AS 08.04.680 is amended by adding new paragraphs to read:

30 (5) "quality review" means a study, appraisal, or review of one or more aspects
31 of the professional work of a person or firm in the practice of public accountancy, by a person

1 or persons who hold certificates and who are not affiliated with the person or firm being
2 reviewed;

3 (6) "report," when used with reference to financial statements, means an opinion,
4 report, or other form of language that states or implies assurance as to the reliability of financial
5 statements and that also includes or is accompanied by a statement or implication that the person
6 or firm issuing it has special knowledge or competency in accounting or auditing; a statement
7 or implication of special knowledge or competence may arise from use by the issuer of the report
8 of names or titles indicating that the issuer is an accountant or auditor, or from the language of
9 the report itself; "report" includes any form of language that disclaims an opinion when the form
10 of the language is conventionally understood to imply a positive assurance as to the reliability
11 of the financial statements referred to or special competence on the part of the person or firm
12 issuing the language; and "report" includes any other form of language that is conventionally
13 understood to imply such assurance or such special knowledge or competence.

14 * Sec. 18. Section 4 of this Act takes effect January 1, 1992.

15 * Sec. 19. Section 5 of this Act takes effect January 1, 2004.

16 * Sec. 20. Section 8 of this Act and AS 08.04.170(d), enacted by sec. 10 of this Act, take effect
17 January 1, 1994.

CS FOR HOUSE BILL NO. 13 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR & COMMERCE COMMITTEE

Offered: 2/19/91

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 08.04 is amended by adding a new section to read:

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

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

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

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

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

7 * Sec. 2. AS 08.04.020 is amended to read:

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

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

20 * Sec. 3. AS 08.04 is amended by adding a new section to read:

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

23 * Sec. 4. AS 08.04.120 is repealed and reenacted to read:

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

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

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

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

4 (1) a baccalaureate degree or its equivalent conferred by a college or university
5 acceptable to the board and additional semester hours of post-baccalaureate study so that the total
6 educational program includes at least 150 hours, with an accounting concentration or equivalent
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8 experience satisfactory to the board; or

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19 board shall use the uniform certified public accountant [ACCOUNTANTS'] examination and
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22 Sec. 08.04.150. [EXPERIENCE] PREREQUISITE FOR CERTIFICATE. An applicant
23 who is within 18 semester hours of meeting or has met [MEETS] the
24 undergraduate educational requirements of AS 08.04.120 may take the examination whether or
25 not the applicant has met the other [EXPERIENCE] requirements of that section. However an
26 applicant shall meet the other [EXPERIENCE] requirements of AS 08.04.120 before the appli-
27 cant is entitled to receive a certificate.

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31 at least two subjects or who has received a passing grade in accounting practice before

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 Sec. 08.04.450. REVOCATION OR SUSPENSION OF CERTIFICATE, LICENSE,
31 REGISTRATION, OR PERMIT. In addition to its powers under AS 08.01.075, the [THE]

1 board may revoke or suspend a certificate or license, or may revoke, suspend, or refuse to renew
2 any permit, or may censure any certificate holder, licensee, registrant, or permit holder for

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

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

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

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

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

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

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

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

18 (9) [REPEALED

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

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

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

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

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

1 organization;

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

3 (3) the performance by persons of other services involving the use of accounting

4 skills, including the preparation of tax returns, management advisory services, and the preparation

5 of financial statements without the issuance of reports on them.

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

7 Sec. 08.04.580. PARTNERSHIP POSING AS ACCOUNTANTS OR AUDITORS. A

8 person may not sign or affix a partnership name to any accounting or financial statement, or

9 opinion or report on any accounting or financial statement with any wording indicating that

10 it is a partnership composed of certified public accountants or public accountants or with

11 any wording indicating that the [IT IS A] partnership has [COMPOSED OF ACCOUNTANTS

12 OR AUDITORS OR PERSONS HAVING] expert knowledge in accounting or auditing [TO ANY

13 ACCOUNTING OR FINANCIAL STATEMENT, OR TO ANY OPINION ON, REPORT ON,

14 OR CERTIFICATE TO ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the

15 partnership holds a live permit, is practicing under its registered name, and its offices in this state

16 for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

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

18 Sec. 08.04.590. USE OF TITLE WITH CORPORATE NAME. A person may not sign

19 or affix a corporate name to any accounting or financial statement, or opinion or report on

20 any accounting or financial statement with any wording indicating that it is a corporation

21 composed of certified public accountants or public accountants or with any wording

22 indicating that the [IT IS A] corporation has [PERFORMING SERVICES AS ACCOUNTANTS

23 OR AUDITORS, OR COMPOSED OF ACCOUNTANTS OR AUDITORS OR PERSONS

24 HAVING] expert knowledge in accounting or auditing [TO ANY ACCOUNTING OR

25 FINANCIAL STATEMENT, OR TO ANY OPINION OR REPORT ON OR CERTIFICATE TO

26 ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the corporation holds a live

27 permit, is practicing under its registered name, and its offices in this state for the practice of

28 public accounting are maintained as required by AS 08.04.360 - 08.04.380.

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

30 Sec. 08.04.662. CONFIDENTIAL COMMUNICATIONS. (a) A licensee, or a partner,

31 officer, shareholder, or employee of a licensee, may not reveal information communicated to the

1 licensee by a client about a matter concerning which the client has employed the licensee in a
2 professional capacity. This section does not apply to

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

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

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

8 (4) information revealed in ethical investigations conducted by private professional
9 organizations; or

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

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

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

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

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

31 * Sec. 18. Section 4 of this Act takes effect January 1, 1992.

1 * Sec. 19. Section 5 of this Act takes effect January 1, 2004.

2 * Sec. 20. Section 8 of this Act and AS 08.04.170(d), enacted by sec. 10 of this Act, take effect

3 January 1, 1994.

MAR 22 1991

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

WALTER J. HICKEL, GOVERNOR

P.O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2534

March 18, 1991

Honorable Drue Pearce, Chairperson
Senate Labor and Commerce Committee
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Pearce:

It has come to my attention that the committee may have received some misleading information regarding the Uniform Certified Public Accountancy examination during the March 11 committee hearing. Also, I understand there was some questions or concerns regarding proctoring Alaskan candidates out-of-state. Below is some statistical information regarding these items which may be helpful in your future deliberations.

During fiscal year 1990, a total of 257 candidates were scheduled to sit for the CPA examinations; 23 candidates were proctored out-of-state. (Examinations are offered twice a year, in May and November. The above number reflects both persons who were retaking portions of the exam and first-time candidates taking the entire exam).

Exam candidates pay a one-time \$30 nonrefundable application fee, plus a \$70 examination fee, each time they are scheduled for examination, regardless of how many of the four parts of the exam the candidate is taking. The State of Alaska is billed \$15 for each part of the exam for which a candidate sat. If a candidate is proctored out-of-state, the State of Alaska does not pay proctor fees to the other jurisdiction. During fiscal year 1990, the Alaska State Board proctored six candidates for other states (Alaska does not charge a fee to proctor candidates).

As noted above, the exam is a four-part exam including the following sections: Auditing, Commercial Law, Accounting Theory, and Accounting Practice I and II. Candidates are required to initially sit for all four parts of the exam. Currently, if a candidate passes Accounting Practice, or at least two of the other subjects, they have the right to be reexamined in only the remaining subjects (providing the candidate sits for the exam at least once each year, and passes the entire exam within five years).

Sincerely,

Ann P. Boudreaux

Ann P. Boudreaux
Director

APB/1vs5050t
31891a

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

VICE-CHAIRMAN
HOUSE FINANCE COMMITTEE



House of Representatives

FAIRBANKS

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

JUNEAU

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

Memorandum

TO: Senator Fred Zharoff, Chair
Senate Rules Committee

FROM: Representative Mark Boyer *MB*

DATE: May 6, 1991

SUBJECT: Scheduling of SCSCSHB 13 (Finance)

I respectfully request scheduling of the above referenced bill entitled "An Act relating to public accountancy; and providing for an effective date".

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 and uniformity 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 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 an opinion from the Attorney General's office, non-licensed accountants may be seated on the board under the public member designation. (See Copy of Attorney General's opinion attached) Language assuring that non-licensed accountants can continue to issue compilation reports was added to section 18 (06).

FAIRBANKS 20B



Educational and experience requirements, sections 5 and 6, have been repealed and reenacted to require a baccalaureate degree with or without an accounting concentration, and additional hours of education so that the total educational program for the baccalaureate degree consists of 150 hours (equivalent to a 5 year degree program) before an applicant can be licensed as a certified public accountant. The University of Alaska has agreed to the curriculum change and has issued a fiscal note to reflect the costs. Alaska is currently among a very small number of states not requiring a baccalaureate degree for certification as a certified public accountant. Absent a requirement for additional educational and experience requirements:

- 1) The profession in Alaska will be viewed with skepticism by professional peers outside Alaska; and
- 2) Alaskan CPAs who want to practice or move to another state will not meet their qualifications for a reciprocal certificate; and
- 3) There will be a disincentive to get an accounting degree at the University of Alaska if the intention is to practice public accounting, due to failure to meet the reciprocity requirements in another state.

This bill was moved out of Senate Finance May 6. The committee amended the Senate Labor and Commerce substitute by adding back the additional educational requirement of 150 hours of semester work (section 6).

I would greatly appreciate your scheduling this bill for a hearing this session. Senator Drue Pearce introduced similar legislation in the Senate. I've spoken with her about carrying this legislation on the floor.

The general public expects a certain level of proficiency, technical competence, and professional maturity from a certified public accountant. This revision of the statutes is consistent with the public's expectations.

Senate Rules Committee
Page 3.

Please contact Nanci Jones at extension 3466 for any further information. Thanks for your prompt consideration.

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: 5/6/91
Referred: Rules

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 that10 (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.

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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
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30 board by regulation to be appropriate, and two years of accounting experience satisfactory to the
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2 acceptable to the board and three years of accounting experience satisfactory to the board.

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9 as determined by the board by regulation to be appropriate, and two years of accounting
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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.

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16 Sec. 08.04.130. EXAMINATION. An applicant shall pass a written examination in
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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.

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24 Sec. 08.04.150. [EXPERIENCE] PREREQUISITE FOR CERTIFICATE. An applicant
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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.

05057873

Revision Date:
Title: An Act relating to Public Accounting

Department Affected: University of Alaska
PRL: UAAWUAFIUS

Sponsor: Rep. Boyer
Requestor: Sen. Pourcho

Component:

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	1.0	1.0
CONTRACTUAL	0.0	0.0	0.0	0.0	4.5	4.5
SUPPLIES	0.0	0.0	0.0	0.0	10.8	10.8
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						
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REVENUE						
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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, CMB, & Impacted Agency(ies).

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 student's 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 and FY 93. It is assumed that these two years will be devoted to public input and curriculum planning for the new programs. The new programs are assumed to be implemented in FY 94 which would put the programs into operation by the effective date of the legislation. Two planning years may not be sufficient especially for these 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.

For FY 94 and FY 97, 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 and FY 93 - Zero. These years would be prior to implementation of the programs.

FY 94 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 and FY 93 - Zero. These years would be prior to implementation of the programs.

FY 94 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 and FY 93 - Zero. These years would be prior to implementation of the programs.

FY 94 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 and FY 93 - Zero. These years would be prior to implementation of the programs.

FY 94 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.

Graduate Fees

24 students x 30 credit hours = 720 credit hours x \$72 per credit hour =
\$51,840

Undergraduate fees	\$ 72,000
Graduate Fees	<u>51,840</u>
Total Fees	<u>\$123,840</u>

Positions

No new positions are assumed in this fiscal note. It is assumed that adjunct faculty will cover the new courses, or that adjunct faculty will cover existing courses freeing full-time faculty to cover new courses. In the event that any full-time faculty are required to staff the new courses, currently vacant faculty positions could be utilized without requesting the authorization of new positions.

MEMORANDUM

State of Alaska
Department of Law

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

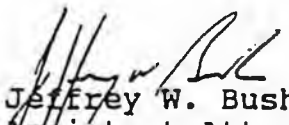
DATE: November 28, 1990

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. 1/

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

1/ 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.

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

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.

RATIONALE FOR PROPOSED CHANGES TO
ALASKA'S ACCOUNTANCY STATUTE
COMMITTEE SUBSTITUTE TO HB 13

Section 1.

Section 08.04.005 - Purpose - The Alaska Accountancy Act does not currently include a section which explicitly expresses the purpose of the Act or the manner in which the public interest is enhanced through the Act. This statement of legislative purposes reflects the fundamental principles governing the regulation of public accountancy. The language of the proposed amendment is taken directly from the Model Public Accountancy Bill as approved by the Boards of Directors of the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA).

Section 2.

Section 08.04.020 - Appointment and Qualifications of Board - The statute has been revised to specifically allow unlicensed accountants eligibility for appointment to public member seats on Alaska's State Board of Public Accountancy. Legal opinion has been divided on whether unlicensed public accountants are currently eligible for Board membership. Such unlicensed accountants do have an interest in the activities of the Board. It is not fair or appropriate that this category of individuals should be excluded from membership eligibility. This revision makes the legal debate over their membership eligibility moot by changing the statute to make them specifically eligible for public member Board seats.

Section 3.

Section 08.04.025 - Board Meetings - The Statute has been revised to require the State Board of Accountancy to meet four times each year. For several years the workload of the Board has been so substantial as to necessitate four meetings per year. In 1982, a regulation was adopted by the Board to require four meetings each year. Budgetary considerations have unfortunately limited the Board to three yearly meetings in several years since 1982. Following the lead of various other Boards, this revision would grant statutory authority for four yearly meetings and strengthen the legal requirement for holding four meetings.

Section 4.

Section 08.04.120 - Educational Requirements - Alaska is currently among a very small number of states not requiring a baccalaureate degree for certification as a certified public accountant. This revision would require such baccalaureate degree after January 1, 1992. The

accounting profession has long recognized the need for formal education to prepare the applicant with the professional maturity and technical competence expected of certified public accountants by the general public. Alaska has traditionally not required a baccalaureate degree reasoning that such requirement would restrict entry into the accounting profession. 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 real effects of not requiring a baccalaureate degree include the following:

- 1) The profession in Alaska may be viewed by professional peers outside Alaska with skepticism and question due to our lack of a baccalaureate requirement.
- 2) The work load of Alaska's Board of Accountancy is increased by applications to take the CPA exam by non-residents who meet Alaska's educational requirement, but do not meet the requirements of their state of residence.
- 3) Alaskan CPAs who wish to practice in or move to other states may not meet the other state's requirements and therefore not be qualified to receive a reciprocal certificate.

This revision would bring Alaska's educational requirements into general agreement with most other states.

Section 5.

Section 08.04.120 would go one step further and require a baccalaureate degree plus additional semester hours of college work to total 150 semester hours for certification after the year 2004. The AICPA/NASBA Model Act includes such an education requirement and the AICPA has recently amended its By-Laws to require such an educational requirement for the AICPA membership after the year 2000. As the technical requirements of Generally Accepted Accounting Principles and Generally Accepted Auditing Standards have expanded over the last twenty years and as technology and communications of our business society have similarly expanded, the accounting profession has recognized the need to improve and lengthen accounting educational requirements. Fifteen states have adopted this post-baccalaureate requirement and that number is expected to increase dramatically as the year 2000 approaches. Sixteen additional states will have legislation introduced in 1991 to require this additional education.

The following tables shows the states who have adopted or are working toward this requirement.

States that require 150 semester hours of education by legislation. (In several of these states, the effective date of the requirement has not yet taken effect):

Alabama	Mississippi
Arkansas	Montana
Florida	Tennessee
Hawaii	Texas
Kansas	Utah
Kentucky	West Virginia
Louisiana	

States that will require 150 semester hours by regulation:

Connecticut (1992)
Virginia (1991)

States that will be introducing legislation in 1991 to require 150 semester hours. (various effective dates).

Alaska	Michigan
California	Minnesota
Georgia	Missouri
Idaho	Nebraska
Illinois	New Mexico
Indiana	North Carolina
Maryland	Ohio
Massachusetts	South Carolina

By adopting the requirement now, our state will join the forefront of this movement and we will signal our educational institutions of the necessity of updating their accounting education programs. Major curriculum revisions will be required and this future effective date approach will allow the various educational institutions sufficient time to plan and staff future programs. Such a future effective date approach will also signal Alaska's commitment to improved public accounting proficiency, while allowing the state sufficient time to re-examine the educational requirement as 2004 approaches if the expanded educational requirement is not generally accepted by other jurisdictions.

Section 6.

Section 08.04.130 - Examination - The Uniform CPA Examination, required in all accounting jurisdictions in the United States, is currently being revised. The present Accounting Theory and Accounting Practice sections of the exam are being replaced with sections covering

Accounting and Reporting, and Financial Accounting and Reporting. Alaska's current statute refers specifically to the Theory and Practice sections of the exam. This change is required to bring Alaska's statute into agreement with the revised exam.

Section 7.

Section 08.04.150 - Prerequisites for taking the CPA Exam - Presently we require our applicants for the CPA exam to meet our educational requirement prior to taking the exam. Since our requirement is only 60 semester credits, graduating seniors at our educational institutions are allowed to take the exam during their final college semester. Under the revised educational requirement, a baccalaureate degree is required. This revised provision follows the pattern of provisions found in many state laws and would allow an applicant to sit for the examination prior to graduation. The reasoning is that students so close to graduation should not be required to wait another six months before sitting for the examination.

Sections 8 through 10.

Section 08.04.160 & 170 - Re-examination and Examination Standards - The CPA Exam is divided into various parts and Alaska, like most states, gives provisional credit if certain sections are passed. As a result, such sections are not required to be retaken in subsequent exam sittings. Most states link the granting of such provisional or conditional credit to the attainment of a minimum grade in sections not passed. This revision brings Alaska's conditional credit rules into general agreement with other states. Alaskan CPAs often experience difficulty receiving reciprocal certification in other states due to our present lack of a minimum grade standard for conditional credit on passed sections. This revision will provide maximum latitude for transferability of conditional credits and consequent mobility of Alaska applicants and licensees. Paragraph C of Section 170 will allow the Board to waive this requirement in exceptional cases thereby retaining Board discretion in unique or unusual circumstances. The proposed revisions continue to require that all sections of the exam be taken in the initial sitting and that all sections for which provisional credit has not been granted be taken in any subsequent sittings.

Section 11.

Section 08.04.426 - Quality Review - In January 1988, AICPA members resoundingly approved participation in a practice-monitoring program as a condition for AICPA membership. The goal of such a program is to help individual practices maintain and improve their quality and thus improve the quality of the entire public accounting profession. This AICPA action responded to calls from various organizations including committees of the United States Congress and the

Securities and Exchange Commission. Many State Boards of Accountancy had already implemented "positive enforcement programs" to monitor accounting practices. The need for such a mandatory practice monitoring program was demonstrated by the results of a voluntary monitoring program of the AICPA division for CPA firms in which 13% of the firms did not receive an unqualified acceptable report in their initial quality review. Studies by the General Accounting Office and the positive enforcement activities of the various state boards of accountancy also demonstrated the existence of an unacceptably high level of substandard work.

Alaska's State Board of Public Accountancy has followed these "positive enforcement", "quality review" developments with interest in recent years. Alaska's Board has desired to implement a positive enforcement program in Alaska but no legislative authority exists for such a program under Alaska statutes. The new AICPA quality review program when combined with the proposed legislation offers an opportunity to insure the quality of public accounting attest services in Alaska.

Under the AICPA program, all Alaskan certificate holders who are members of the AICPA will be participating in mandatory quality review if they perform attest services. However, licensees who are not AICPA members would not be subject to such quality review. This new provision would give the Alaska Board of Accountancy the authority to establish a quality review program for all licensees within our state. It is the intention of the State Board to coordinate this requirement with the Alaska Society of Certified Public Accountants so that quality reviews under the AICPA program would meet State Board requirements. It is also the intention of the State Board to have non-AICPA members submit to a quality review with the cost of such review borne by the licensee.

The Alaska State Board of Accountancy and the Alaska Society of Certified Public Accountants have worked in concert in the drafting of this section of the proposed legislation to insure that there is no needless duplication of quality review programs, to insure confidentiality of quality review reports, and to insure a level playing field for all licensees within the state.

Section 12.

Section 08.04.450 (11) Suspension of Certificate - This section has been amended to include failure to maintain compliance with the quality review program as grounds for revocation or suspension of the CPA license.

Section 13.

Section 08.04.505 - Issuance of Reports - Section 08.04.560 states, "A person may not sign or affix any name or any trade or assumed name used by that person to any accounting or financial statement, or opinion or report on any accounting or financial statement with any wording

indicating that the person is a certified public accountant or public accountant or with any wording indicating that the person has expert knowledge in accounting or auditing, unless the person holds a live permit..." Questions have periodically arisen about the exact definition of a report. Section 8.04.680 has been amended to define report and this new section specifies the circumstances under which a report can be issued. The new definition defines report to indicate exactly what types of communication are restricted to the use of certified public accountants. Report is defined as any form of language which states or implies assurance as to the reliability of any financial statement. Under this definition, an audit report, the disclaimer of an audit report, a review report, and a compilation report which asserts or implies that the author has complied with the provisions of the AICPA's Statement on Standards for Accounting and Review Services No. 1 (SSARS1) are all restricted for the use of licensees. A compilation report which does not assert or imply compliance with SSARS1 and which does not imply expert knowledge in accounting or auditing may be issued by an unlicensed party.

These changes are consistent with the manner in which Section 08.04.560 has been interpreted within Alaska. The changes should clarify any confusion that exists within the certified and non-certified Accounting communities. Non-certified accountants would continue to be allowed to issue compilation reports provided no references were made to the American Institute of Certified Public Accountants, and provided no expert knowledge in accounting or assurance as to fair presentation was asserted. The standard compilation report of the National Society of Public Accountants (NSPA) which offers no assurance and which makes no reference to the AICPA, would continue to be an acceptable reporting vehicle for non-certified accountants.

Sections 14 and 15.

Section 08.04.580 and 08.04.590 - The present Alaskan statute has three sections regulating the use of the Certified Public Accountant title. Section 08.04.560 refers to individuals; section 08.04.580 refers to partnerships; and section 08.04.590 refers to corporations. Although the intent of these three sections is identical, the wording of the three sections varies. These sections of the proposed legislation revise the wording of the partnership and corporation provisions to make them consistent with the individual provision in section 08.04.560.

Section 16.

Section 08.04.662 - Confidential Communications - This new provision is taken directly from the NASBA/AICPA Model Public Accountancy Bill and is similar to those found in a number of accountancy laws as well as ethical codes recognizing the confidentiality of client communications to public accountants without, however, extending it to the point of being an evidentiary privilege. Presently the Alaskan statute has no provision specifically addressing

confidentiality. The Alaska Board has adopted a confidentiality regulation under sections 08.04.070 and .080 which allow the Board to adopt regulations for the orderly conduct of its affairs and the maintenance of a high standard of integrity and dignity in the profession of public accountancy. A statute provision on confidentiality allows an improved legal basis for any regulations on confidentiality. This wording brings Alaska into general agreement with most other states and it specifically does not allow confidentiality to be used as a basis for non-compliance with the proposed Quality Review section.

Section 17.

This section defines the terms "quality review" and "report." Since quality reviews will be mandatory under proposed section 8.04.426 of the legislation a definition of "quality review" is required. The definition is taken directly from the NASBA/AICPA Uniform Accounting Act.

Proposed Section 08.04.505 restricts the issuance of reports on financial statements to persons or firms holding a valid Certified Public Accountant permit. This definition defines report as "any form of language that states or implies assurance as to the reliability of the financial statement." The restriction of such reports to CPAs goes to the heart of the rationale for accountancy regulation. Public accountants provide an attest service to the general public. The accountant's report provides professional assurance that published financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP). Any accountant who issues such a report must possess an intimate knowledge of GAAP and generally accepted auditing standards (GAAS). This extensive and complicated knowledge cannot be expected of the general public. Accordingly, a non-accountant cannot be expected to confidently evaluate a public accountant's work with respect to technical accounting or auditing knowledge. Some sanctioned signal or indicator is required so that a non-accountant member of the general public can be assured a public accountant does possess that level of technical knowledge and proficiency expected of a professional public accountant. In our society that indicator is the certification as a CPA. Alaska's certification process is designed to insure compliance with some minimum level of qualifications and competence before an individual can attest to the fair presentation of financial statements.

Section 18.

This section will make the baccalaureate education requirement take effect at the beginning of 1992.

Section 19.

This section will make the 150 semester hour post-baccalaureate education requirement become effective in 2004. Such effective date will allow the educational institutions in the state

time to plan and implement the curriculum changes that will be necessary to put the 150 semester hour programs into place. The educational institutions have expressed their satisfaction with this effective date and have already begun planning for the increased education requirement.

Section 20.

The revised CPA exam will first be administered in 1994. This effective date for sections 8 and 10 which relate to the CPA exam would coincide with initial administration of the revised exam.

FUNK, BAXTER, ELGEE & REHFELD

CERTIFIED PUBLIC ACCOUNTANTS
9309 GLACIER HIGHWAY, SUITE B 200
JUNEAU, ALASKA 99801

(907) 789-3178

APR 25 1991

TO

ROD MOURMINT

DATE 4-23-91

SUBJECT STATUTE RE
CPA'S

I Found this Article on Regulating CPA'S I
Thought you might find of Interest. After Discussing
it a little with you at Bill Mullin's Party I thought
you would find it useful.



UNIFORMITY OF REGULATION— THE TIME IS NOW

As business operations become global and client operations expand, CPAs in firms of all sizes must be free to practice outside their licensing jurisdictions.

by Thomas W. Rimerman and Jerome P. Solomon

I

t's safe to say the public assumes a CPA in one state is the same as a CPA in another. Unfortunately, while logic supports this assumption, state law does not. Instead, the accounting profession is governed by laws and regulations that often vary from jurisdiction to jurisdiction and impede, rather than encourage, the mobility of CPAs.

In light of today's business environment, it's time for the profession to take a hard look at the differences and the barriers that exist for CPAs within the state-based regulatory system. In examining the profession's regulatory structure, we should address questions such as the following:

- Should state education requirements for becoming a CPA range from high school diplomas to baccalaureate degrees to 150 hours of education?
- Should some states have no experience requirement while other states demand as much as three years of experience?
- Should experienced chartered accountants be able to sit for the Uniform CPA Exam in some states but not in others?

THOMAS W. RIMERMAN, CPA, is managing partner of Frank, Rimerman & Co., Menlo Park, California. He is the chairman of the American Institute of CPAs board of directors. JEROME P. SOLOMON, CPA, is a partner of Pannell Keer Forster, Boston. He is the president of the National Association of State Boards of Accountancy.

As individuals involved in leadership positions within the profession, we believe the answer to these questions is a resounding no! Rather, we think the profession should work to seek uniformity in state regulation, eliminate the differences that exist and promote the mobility of CPAs and the services they provide the public.

HISTORY OF REGULATION

The modern public accounting profession originated in Great Britain during the latter half of the 19th century. In 1896, the New York State legislature passed the first law creating the title of certified public accountant, thereby setting the pattern for state government regulation of the profession in the United States.

As with other professions, public accounting is built on a statutory foundation providing for the examination and licensing of practitioners and for the regulation of their professional conduct. All CPAs are examined, licensed and regulated under state accountancy laws.

The 50 states and four territories are conceptually similar in the requirements for certification and licensure—all require the passage of the CPA exam; most have an education and experience requirement for licensure and continuing professional education for relicensure. Despite the similar-

ities, when the details of individual state licensing requirements are examined, it quickly becomes clear there are 54 distinctly separate licensing jurisdictions.

EXAMPLES OF DIVERSITY IN REGULATION

Since 1952, the only uniform licensing requirement among the 54 U.S. jurisdictions is passing the CPA exam. This cornerstone of the regulatory framework for the accounting profession is a unique feature that no other recognized profession possesses. It provides the foundation for the universal recognition by the public of CPAs and the CPA title.

However, in looking at licensing and regulatory provisions other than the exam, one finds a wide variety of requirements in the states and territories. The following discussion highlights some of the diversity that exists. An extensive coverage of state requirements can be found in the *AICPA/NASBA Digest of State Accountancy Laws and State Board Regulations*.

Education. While the majority of jurisdictions require an individual to possess a college baccalaureate degree to qualify for a CPA certificate or permit to practice, some states have no college degree requirement and allow individuals with only a high school diploma or two-year college degree to enter the profession. Most states that mandate a college education often require

hours of college credit in certain accounting and business courses. Thirteen states have enacted legislation for the 150-hour education requirement, which will be necessary for AICPA membership by the year 2000. An additional 16 states are expected to introduce legislation in 1991.

Experience. Although the vast majority of jurisdictions require experience before the issuance of a certificate and/or permit to practice, there is little consistency in the type of experience required or its length. Some jurisdictions accept experience only in public accounting, while others accept nonpublic accounting experience. Some require a specific number of experience hours in audit/attest work. Some grant waivers on all or part of the experience if the individual has additional education. A few require no experience and those that do have requirements that vary in length from six months to six years.

General qualifications. While 13 jurisdictions have no minimum age requirements for becoming a CPA, the remainder do. However, the requirements vary from 18 to 21 years of age. Seven jurisdictions have citizenship requirements even though such requirements are unconstitutional. Residency or employment is required of individuals seeking certification or licensure in nearly half the jurisdictions, while the remainder have no such requirement.

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.

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Examination. As noted, all jurisdictions require individuals to pass the CPA exam. However, conditioning requirements for passing the exam vary. Most require that all unpassed parts of the exam be taken at each sitting, while some jurisdictions allow individuals to sit for less than the entire exam. There are varying requirements for minimum grades in exam subjects that are failed in order for an individual to receive credit for the parts passed. Varying timing requirements also exist for passing the remaining parts of the exam, which range from the following 3 to 16 exams.

CPE. Forty-nine of the 54 jurisdictions require CPE for relicensure. However, the CPE requirements are by no means uniform. The reporting dates for each jurisdiction are different—some require CPE reporting by December 31, some by June 30, some by August 31 and some according

accounting legislation and regulation. When good ideas are developed in one, they can be copied by others. Likewise, when bad regulatory approaches emerge, jurisdictions will avoid them as a result of observing the experience in other locations.

We, however, believe the negatives of individual state regulatory design may outweigh any positives the system offers. As the accounting profession has evolved, the mobility of professionals has become much more important than during the early days of the profession. In today's business world, commerce takes place on a national basis. The U.S. Uniform Commercial Code and the Uniform Partnership Act enable businesses to operate across state boundaries. We need to follow these examples.

This evolution in business mobility is now shifting to the world at large as progress in open and free trade between countries gains momentum. The inevitable result will be a global accounting community. A regulatory framework for the profession that hinders the free flow of services and mobility of professionals is inconsistent with the open business environment of today's world. For our country and our profession to compete in this evolving global economy, we must eliminate barriers.

In general, most differences in state accountancy regulations are not substantive and have little impact on the actual practice of accounting. While proponents in each state argue that their unique regulatory approach provides a higher level of regulation and greater protection to the public, an unbiased evaluation would not draw that conclusion. Regulatory differences among the states create administrative burdens on practitioners and provide little direct benefit to the public or the profession.

AICPA/NASBA POSITIONS AND ACTIVITIES

The American Institute of CPAs has long supported uniformity in the regulation of the profession. It is clearly stated in a legislative policy statement adopted by the Institute's governing council, which reads:

"The accounting profession serves a broad public interest as evidenced by the similarity of accounting needs in all political jurisdictions. In order that it may serve this interest, uniform licensing and regulatory requirements should be established and unnecessary restrictions of a local character should be avoided.

"Diversity in requirements for the CPA certificate tends to create confusion over the meaning of the certificate. Further,

For our profession to compete in the global economy, we must eliminate barriers.

to the CPA's birth date. There are also variations in the frequency of CPE reporting and permit/license renewal with jurisdictions requiring annual, biennial and triennial reporting. The number of CPE credit hours required per year also ranges from a low of 12 hours each year to a high of 120 hours every three years.

Even the types of CPE that qualify and rules about whether surplus CPE may be carried over from year to year vary from one jurisdiction to another. Some restrict the type that is acceptable or require some CPE hours be taken in certain areas (that is, accounting and auditing).

The uniform exam was an important first step for the profession and should now be followed by uniformity in the remaining regulatory provisions of the licensing jurisdictions.

WHY UNIFORMITY IS NEEDED

There are some within the profession who believe the diversity in the state regulation of the profession is not a detriment and in fact may be a positive feature. They say the existing nature of state regulation provides for a testing ground to try out new approaches and techniques for regulation. The jurisdictions serve as test tubes for ideas in

UNIFORM ACCOUNTANCY ACT

The exposure draft of the Uniform Accountancy Act was released by the American Institute of CPAs and the National Association of State Boards of Accountancy for comment by June 30, 1991. The act would eliminate the differing requirements in the 54 jurisdictions governing CPA certification, reciprocity, temporary practice and other aspects of state accountancy statutes that hinder the interstate practice and mobility of CPAs.

The act has been prepared as a single piece of legislation for adoption in place of current accountancy laws. It will be published in loose-leaf form so it can be amended or added to easily.

There is no charge for the first five copies of the act. To order copies, write to the AICPA Order Department, P.O. Box 1003, New York, New York 10108 (product no. G00402).

doubt is raised regarding the comparability of the competence of CPAs. Accounting principles and auditing standards used in the practice of public accounting are national in scope; they are not subject to limitations imposed by geographical boundaries. The preponderance of interstate commerce in our economy makes it necessary for qualified accountants to practice across state borders in response to the needs of the public."

In addition, "promoting uniform certification and licensing standards for CPAs" is one of the 10 objectives developed by the AICPA mission committee and approved by the AICPA board of directors.

Perhaps the most visible AICPA activity in support of uniformity is the model public accountancy bill, first published in 1916.

The National Association of State Boards of Accountancy has been an advocate of uniformity in the regulation of the profession. Over the years NASBA developed legislative policies for consideration and adoption by its members, the individual state boards, which have the responsibility for administering existing laws. In addition, state legislatures often solicit the recommendations of the member boards for proposed amendments to their respective jurisdictions' accountancy statutes.

NASBA's growing concern for the uniformity of regulation resulted in the publication in April 1980 of the Model Public Accountancy Act, which was a compilation of NASBA's legislative policies that had evolved over a number of years.

A joint committee of the AICPA and NASBA was charged by the two organizations in 1983 with combining and harmonizing, to the extent possible, the model bills separately developed by each organization. The result was the first "joint" AICPA/NASBA model bill, which was issued in 1984.

In keeping with the heightened interest in uniformity and consistent with a suggestion by the AICPA special committee on governance and structure, a tripartite committee on uniformity of regulation of the profession, consisting of members from the AICPA, NASBA and the CPA Society Executives Association, was formed this year. Currently, this committee is working to update and revise the joint model bill to reflect relevant changes in the profession that have occurred over the past six years. An exposure draft of the revised model bill has been distributed (see the sidebar at left). The AICPA and NASBA solicit and encourage comments on the draft through the end of June. We hope the new bill, the Uniform Accountancy Act, will be final by this fall. The joint committee will be developing an implementation plan for the act, which will specify how CPAs can participate in the process.

Working cooperatively, the three organizations are helping to promote greater uniformity in regulation through support of the Uniform Accountancy Act as well as studying the "conceptual framework" of regulation and making recommendations for change.

UNIFORMITY REALIZED

In the past, uniformity of regulation has been a major goal of the AICPA and NASBA. With a changing business environment that demands mobility and a free flow of goods and services, the concept of uniformity will continue to grow in importance. It is vital that all interested parties—the AICPA, NASBA, state societies, state boards, firms and practitioners—work together to enhance uniformity and reduce the regulatory differences that impede the movement of CPAs.

We encourage CPAs to communicate with the leaders of state boards and state societies and urge them to put aside individual interests and differences for the more important goal of national uniformity of regulation. Through a cooperative effort of all concerned groups, uniformity of regulation can become a reality for the accounting profession. ■

FAX 3/21

HB13 file



UNIVERSITY OF ALASKA FAIRBANKS

School of Management
Fairbanks, Alaska 99775-1070

March 21, 1991

Senator Drue Pearce, Chair
Senator Rick Halford
Senate Labor and Commerce Committee
Juneau, AK

Dear Senators Pearce and Halford:

I am writing this letter on behalf of the Alaska State Board of Public Accountancy. I currently serve as the Board Chairperson. I want to make sure you understand the Board's position with regard to the 150-hour educational requirement in the Accountancy legislation currently being considered in the Senate. We strongly favor this increased educational requirement. We believe that the public interest is significantly advanced through such a requirement. I will try to explain the rationale for this position.

The practice of public accountancy has changed enormously over the last 25 years. Much of this change has resulted from new technical accounting and auditing requirements issued by various authoritative rule-making bodies. For example, I graduated from college in 1967. At that time, the Accounting Principles Board (APB) had issued 12 authoritative accounting standards. Since that time, the APB issued another 19 authoritative standards and the APB's successor standard-setting body, the Financial Accounting Standards Board (FASB), has issued over 100 authoritative standards. These new standards constitute authoritative generally accepted accounting principles (GAAP). The public expects CPAs to be expert on GAAP. Another authoritative standard-setting body, the Governmental Accounting Standards Board, sets accounting standards for state and local governmental units. The public expects CPAs to be expert on governmental GAAP. It is important to recognize that these standard-setting bodies are not issuing new standards for the sake of regulation. Business organizations and business financing methods have become much more complex in the last 25 years. As new complexities emerge, new standards are required to insure comparable accounting within our society. Complex leases, enormous growth of pensions, accounting for complex financial instruments, such as convertible debt, stock warrants and options & accounting of foreign exchange transactions and subsidiaries are just a few examples of the areas which developed over the last 25 years which demanded accounting standards.

During this period, we've seen the same explosive growth in generally accepted auditing standards (GAAS). When I graduated in 1967, the predecessor

authoritative standard-setting body to the Auditing Standards Board had issued 39 authoritative auditing standards. Since that time, over 75 additional authoritative standards have been issued. Once again, these new standards have not been issued simply to create a standards overload. Many of the new standards relate to auditing procedures required to audit the increased complexities of the business environment referred to above; others were enacted as a response to perceived audit failures. As new business failures emerge (Penn Central, various banks and savings and loan associations, junk bonds, brokerage houses, etc.), governmental regulators and the general public have demanded a tightening of auditing standards. The public has a right to expect that CPAs are expert in auditing standards.

While all these new technical requirements have been emerging, there has been tremendous change in accounting education. Accounting programs began increasing the number of technical accounting courses. For the most part, the students that graduated from these university programs were technically competent with the accounting literature, but not educated in the social and natural sciences or the humanities to the extent we would expect of a college graduate. The explosive growth in computer technology further restricts the flexibility of the University accounting programs. Computers process information and accountants must be expert in information processing. The result has been a great growth in the computer courses required in University accounting programs. This has further eroded the attention that might be placed on the traditional social and natural sciences and humanities. In recognition of this erosion of liberal arts education, the American Association of Collegiate Schools of Business (AACSB, the national accrediting body for U.S. Business Schools) standards have recently limited the number of accounting courses to 25% of the total credit hours required in a baccalaureate accounting degree. The result of all these forces has put a tremendous constraint on university accounting programs to adequately educate potential Certified Public Accountants in a traditional four-year baccalaureate program.

All of these conflicting forces were recognized by practicing accountants and accounting educators as early as 1969. In that year, the blue-ribbon Beamer Commission called for a post-baccalaureate educational requirement for licensure as a Certified Public Accountant. This recommendation was endorsed by both the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants at that time. However, implementation of the post-baccalaureate requirement has been slow. Until the late 1980s, only a hand full of states had implemented the requirement. Since that time, however, the AICPA has changed its by-laws to require the 150-hour educational attainment to qualify for AICPA membership after the year 2000. This by-law change finally gave impetus to the increased educational requirement and now new states are adopting the requirement each year. As stated in the "Rationale for the Proposed Changes", 16 states have now adopted the requirement and the number is growing every year.

Specifically, why should Alaska adopt this new standard?

1) Alaska's educational institutions are subject to the conflicting demands which I have tried to express. We want our accounting programs to produce technically competent public accountants, but we also want our accounting graduates to be educated in the traditional liberal arts, in a general business curriculum, and we want them to be proficient in oral, written and computer communication skills. Our accounting programs need to expand to insure that we meet all these expectations for an accounting graduate.

2) Some say that we can rely strictly on the CPA exam to insure educational competence. That is simply not true. The CPA exam does measure a minimum acceptable level of technical competence. It does not measure an in-depth understanding of accounting theory; it does not measure oral, written (except to a limited extent) or computer communication skills; it does not measure a general understanding of the basic disciplines of Business Administration (Finance, Management, Marketing, Personnel Relations); it does not measure any understanding of Economics or our system of money and banking. Finally, it does not measure any understanding of the basic liberal arts. We expect the university-trained Certified Public Accountant to be proficient in all these areas. That proficiency is measured by a level of educational attainment, not by passage of the CPA exam.

3) The 150-hour requirement is a developing national standard. The standard is being accepted because our society expects a great degree of professionalism from its Certified Public Accountants. The standard is being accepted because it will enhance the quality of CPA services rendered to the general public. The accounting profession has been significantly criticized for the audit failures so much in the news in recent years. There exists an expectation gap between the public expectations of CPAs and what CPAs have been able to provide. The standard is being accepted in an effort to decrease that gap. We don't want Alaskan CPAs left behind as this new standard does become the national standard. That will result in reciprocity problems as Alaskan CPAs practice in other jurisdictions. It will also lead to a national perception that Alaska is a second-class state where the public accounting profession does not measure up to national standards.

Finally, I want to comment on two objections I understand were expressed in your recent Committee hearing.

First, I understand there was some objection to the lengthy effective date lag period. The date was arbitrarily chosen in an attempt to make this provision less controversial. Actually, the Board would endorse a closer effective date. We do need some lag time so that students currently enrolled in accounting programs are not presented with new requirements after they have chosen their career path. I do

Senators Pearce and Halford

March 21, 1991

Page 4

agree that an immediate change in requirements would be unfair to current students. We also need some lag time to give our university programs time to plan and implement a program. I believe an effective date of 1997 or so would be very appropriate.

Secondly, I understand that some opposition stems from budgetary considerations. It is feared that the university accounting programs will use the new requirements as a lever for substantially increased budgets. I do agree there will be some implementation costs; however, I do not believe those cost increases will (or should) be substantial. The increase in courses will not be totally in the accounting departments. As I have tried to indicate, this new requirements will allow for increased coursework in communications, computer, and liberal arts. Much of the increase in accounting coursework will be in courses already being offered. For example, at UAF, a student currently chooses two of five senior level accounting courses to meet baccalaureate requirements. I would expect all five of those courses to be required in the 150-hour program.

I would advocate that each University of Alaska Accounting program appoint a 150-hour committee composed of practicing CPAs, accounting faculty, university administration, general public and business representatives, and legislative representatives to plan implementation of the new requirement. I pledge to you that the State Board of Accountancy will work for a cost-effective implementation. I also pledge that I, as a 17-year member of the UAF Accounting faculty, will work for a cost-effective implementation.

The State Board urges the Senate to reconsider the 150-hour requirement. The State Board has studied this question at length. We truly believe this requirement is in the public interest.

Sincerely yours,



Tom Bartlett, CPA
Chair-Alaska State
Board of Accountancy

TB/aaw

cc: Rep. Mark Boyer
Dr. Helen "Nanne" Meyers
Assistant to Vice President, Statewide Academic Affairs
University of Alaska, Statewide System

UNIVERSITY OF ALASKA FAIRBANKS 

School of Management
Michael L. Rice, Dean

FAX Number 907-474-5219
Telephone: 907-474-7461

FAXLETTER:

Thursday, March 21, 1991

TO: Senator Drue Pearce, Chair
Senate Labor and Commerce Committee

FAX NUMBER: 463-5352

FROM: Michael L. Rice 

I am writing this letter regarding the proposed 150 credit-hour educational requirement in the Accountancy legislation currently being considered in the Senate. Though I have not been a strong advocate of the legislation because of its financial implications, I would like to make several comments on the record for your committee's consideration.

First, the trend toward 150 hour accounting requirements is a well established national trend. Since the American Institute of Certified Public Accountants passed a change in its rules requiring 150 hours of education for membership (starting in the year 2000), many states have adopted or are considering adopting such a standard. I fully expect, whatever the State of Alaska does, that 150 hours of university education will become the de-facto standard for certified public accountants nationwide.

The School of Management at UAF, of which I am Dean, has the only nationally accredited program in Accounting in the State of Alaska. I have worked closely with the American Assembly of Collegiate Schools

of Business (AACSB) on national accreditation standards and serve on its Initial Accreditation Committee. The AACSB is designated by the Council on Post Secondary Accreditation and the U. S. Department of Education as the sole accrediting agency for university programs in accountancy. In that context, I am well aware that the shift to a 150 hour requirement is a national phenomena. Because the band-wagon of legislation in this regard has only been picking up speed in the past few years and because the AACSB is itself re-examining its accreditation standards, it is not clear at this time what the accreditation standard will be five years hence for 150 hour accounting programs. The School of Management will obviously be reluctant to adopt any plan to meet the 150 hour program which does not meet the standards for national accreditation.

Let me address cost. In terms of faculty productivity and administrative costs, the School of Management is already the most cost-efficient School at UAF (University of Alaska Statistical Abstract). I cannot give you a cost figure for implementing a program for which national standards have not been established. If a 150 hour CPA requirement is passed by the legislature, I am willing to pledge that we will design a cost-effective and creditable program to meet the needs of students and CPA's in Alaska.

CC: Karen Cedzo, University Relations

Rec'd.

11/3/13

I would like OS

a) no vote in 13

b) no vote 193

Plus letter of intent to
have a committee (see
letter of 29 June) of which to
include) ~~that~~ it implementable
prepare

plan for 1930 budgeting
you will as in 1913 - to
legislature 1st day of session
in 193. include →

Draft of Intent Language for SCSCSHB 13 (L&C)

It is the intent of the Legislature to consider upgrading the education requirements for an applicant to obtain licensure to include an education program 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 to insure that before additional educational requirements for licensure are imposed, the University system must be able to support such a degree program change.

*

*

SUBJECT LINE TO READ: TC NO., PL FS; SHORT SUBJECT; DATE

T/C NO: 91-03-040
 DATE: MARCH 11
 SPONSOR: (S) L AND C
 SUBJECT: SB 115 AND HB 13
 MODERATOR: BARBARA
 SITE: ANCHORAGE

PARTICIPANT LIST

TO TESTIFY



1.	2.	3.	4.
NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
MIKE CURNOW/AK SOCIETY OF INDEPENDENT ACCOUNTS			
KEVIN BRANSON/AK SOCIETY OF CPA			

- 4.
- 5.
- 6.

TO OBSERVE

1.	2.	3.	4.
NAME/ REPRESENTING	ADDRESS	PHONE	BILL NO.

- 4.
- 5.
