

1 State of Arkansas
2 90th General Assembly
3 Regular Session, 2015
4

A Bill

HOUSE BILL 1189

5 By: Representative Hillman
6 By: Senator B. Sample
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING ACCOUNTANTS; AND
10 FOR OTHER PURPOSES.

Subtitle

14 TO AMEND THE LAW CONCERNING ACCOUNTANTS.

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

19 SECTION 1. Arkansas Code § 17-12-103(a), concerning definitions in the
20 chapter on accountants, is amended to add additional subdivisions to read as
21 follows:

22 (20) "SAS" means the AICPA Statements on Auditing Standards;

23 (21) "SSARS" means the AICPA Statements on Standards for
24 Accounting and Review Services; and

25 (22) "SSAE" means the AICPA Statements on Standards for
26 Attestation Engagements.

28 SECTION 2. Arkansas Code § 17-12-103(a)(2), concerning the definition
29 of "attest", is amended to read as follows:

30 (2) "Attest" means providing the following ~~financial statement~~
31 services:

32 (A) An audit or other engagement to be performed in
33 accordance with the AICPA ~~Statements on Auditing Standards~~ SAS;

34 (B) A review of a financial statement to be performed in
35 accordance with the AICPA ~~Statements on Standards for Accounting and Review~~
36 ~~Services~~ SSARS;



1 (C) An examination of prospective financial information to
 2 be performed in accordance with the AICPA ~~Statements on Standards for~~
 3 ~~Attestation Engagements~~ SSAE; and

4 (D) An engagement to be performed in accordance with PCAOB
 5 standards; and

6 (E) An examination, review, or agreed-upon procedures
 7 engagement to be performed in accordance with the SSAE, other than an
 8 examination under subdivision (a)(2)(C) of this section;

9
 10 SECTION 3. Arkansas Code § 17-12-104, concerning penalties, is amended
 11 to add an additional subsection to read as follows:

12 (c)(1) A nonlicensee who violates a provision of this chapter or rules
 13 promulgated under this chapter may be disciplined by the board by imposition
 14 of a fine of ten thousand dollars (\$10,000) or less for each offense.

15 (2) Each violation under this subsection constitutes a separate
 16 offense.

17
 18 SECTION 4. Arkansas Code § 17-12-106(i)(1), concerning unlawful acts
 19 under this chapter, is amended to read as follows:

20 (i)(1) ~~No~~ A person not currently licensed ~~pursuant~~
 21 ~~to~~ under § 17-12-301 et seq., and ~~no~~ a firm not currently registered ~~pursuant~~
 22 ~~to~~ under § 17-12-401 et seq., shall not hold himself or herself or itself out
 23 to the public as an “accountant” or “auditor” or be engaged in the practice
 24 of accounting by use of ~~either or both of~~ such words on any sign, card,
 25 electronic transmission, or letterhead or in any advertisement or directory
 26 without indicating thereon or therein that the person or firm does not hold
 27 such a license.

28
 29 SECTION 5. Arkansas Code § 17-12-109(b), concerning accountants’
 30 working papers, is amended to read as follows:

31 (b) No statement, record, schedule, working paper, or memorandum shall
 32 be sold, transferred, or bequeathed without the consent of the client or his
 33 or her personal representative or assignee to anyone other than one (1) or
 34 more surviving partners or new partners of the accountant or to his or her
 35 corporation or limited liability company, unless written notice is provided
 36 to the client within thirty (30) days.

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SECTION 6. Arkansas Code § 17-12-301 is amended to read as follows:
17-12-301. Requirements generally.

(a) A certificate as a certified public accountant shall be granted by the Arkansas State Board of Public Accountancy to any person of good moral character and professional competency:

(1) Who has met the education and experience requirements set forth in this chapter and by the board; and

(2) Who has passed an examination in accounting and auditing and such related subjects as the board shall determine to be appropriate.

(b)(1)(A) "Good moral character" as used in this section means lack of a history of:

- (i) Dishonest or felonious acts; or
- (ii) Conduct involving fraud or moral turpitude.

(B)(i) The board may refuse to grant a certificate on the ground of failure to satisfy this requirement only if there is a substantial connection between the lack of good moral character or professional competency of the applicant and the professional responsibilities of a licensee ~~and if the finding by the board of lack of good moral character is supported by clear and convincing evidence.~~

(ii) The burden of proof lies with the applicant for a license as a certified public accountant or public accountant.

(2) When an applicant is found to be unqualified for a certificate because of a lack of good moral character or professional competency, the board shall furnish the applicant a:

- (A) Statement containing the findings of the board;
- (B) Complete record of the evidence upon which the determination was based; and
- (C) Notice of the applicant's right of appeal.

(c) "Professional competency" as used in this section means lack of a history of:

(1) Disciplinary actions taken by accountancy boards of other jurisdictions;

(2) Rejection of financial reports or tax returns by various bodies that routinely accept reports issued by certified public accountants or public accountants; or

1 (3) Disciplinary actions taken by other regulatory or
 2 professional organizations, including without limitation the Internal Revenue
 3 Service, the United States Securities and Exchange Commission, or the
 4 American Institute of Certified Public Accountants.

5 ~~(e)~~(d)(1) ~~Any~~ A person who has received from the board a certificate
 6 as a certified public accountant which is currently in full force and effect
 7 shall be styled and known as a “certified public accountant” and may also use
 8 the abbreviation “CPA”.

9 (2) The board shall maintain a list of certified public
 10 accountants. ~~Any~~ A certified public accountant may also be known as a public
 11 accountant.

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 13 SECTION 7. Arkansas Code § 17-12-505 is amended to read as follows:
 14 17-12-505. Inactive status.

15 (a) The Arkansas State Board of Public Accountancy may by rule create
 16 an exception to the continuing education requirement of § 17-12-502 for
 17 licensees who do not perform or offer to perform for the public one (1) or
 18 more kinds of services involving the use of accounting or auditing skills,
 19 including issuance of reports on financial statements or of one (1) or more
 20 kinds of management advisory, financial advisory or consulting services, or
 21 the preparation of tax returns or the furnishing of advice on tax matters.
 22 ~~Each~~ A licensee granted such an exception by the board must place the word
 23 “inactive” adjacent to his or her CPA title or PA title on any business card,
 24 letterhead, electronic transmission, or any other document or device, with
 25 the exception of his or her CPA certificate or PA registration, on which his
 26 or her CPA or PA title appears.

27 (b)(1) A firm offering services under subsection (a) of this section
 28 may not employ an inactive certified public accountant in a professional
 29 capacity unless the employee agrees to upgrade to active status within one
 30 (1) year of hire.

31 (2) The agreement under this subsection shall be made with the
 32 Arkansas State Board of Public Accountancy before employment with the firm.
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34 SECTION 8. Arkansas Code § 17-12-507(a), concerning quality review of
 35 each practice unit, is amended to read as follows:

36 (a) ~~The~~ Until December 31, 2016, the Arkansas State Board of Public

1 Accountancy may by rule require as a condition for the renewal of a license a
2 quality review of each practice unit maintained in this state.

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4 SECTION 9. Arkansas Code Title 17, Chapter 12, Subchapter 5, is
5 amended to add an additional section to read as follows:

6 17-12-508. Peer review.

7 (a)(1) Beginning January 1, 2017, the Arkansas State Board of Public
8 Accountancy may by rule require licensees who perform attest services to
9 undergo peer review one (1) time every three (3) years.

10 (2) Engagement-level peer reviews are required for licensees who
11 issue reviews or agreed-upon procedures reports.

12 (3) System-level peer reviews are required for licensees who
13 issue audit reports.

14 (4) Compilation or other non attest engagements may be excluded
15 from the peer review.

16 (b) Peers reviews shall be conducted in accordance with standards the
17 board sets by rule.

18 (c) Failure of a licensee to provide full cooperation with the board
19 in the performance of a peer review is subject to sanctions under § 17-12-
20 602.

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22 SECTION 10. Arkansas Code § 17-12-602, concerning sanctions, is
23 amended to add a new subsection to read as follows:

24 (g) The board may discipline a person not licensed under this chapter
25 or not acting in accordance with the rules promulgated under this chapter by
26 imposition of a fine of ten thousand dollars (\$10,000) or less for each
27 offense.