

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILL NO. 703

AN ACT

To repeal sections 326.280 and 326.289, RSMo, and to enact in lieu thereof two new sections relating to the practice of public accounting.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

Section A. Sections 326.280 and 326.289, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 326.280 and 326.289, to read as follows:

326.280. 1. A license shall be granted by the board to any person who meets the requirements of this chapter and who:

(1) Is a resident of this state or has a place of business in this state or, as an employee, is regularly employed in this state;

(2) Has attained the age of eighteen years;

(3) Is of good moral character;

(4) Either:

(a) Applied for the initial examination prior to June 30, 1999, and holds a baccalaureate degree conferred by an accredited college or university recognized by the board, with a concentration in accounting or the substantial equivalent of a concentration in accounting as determined by the board; or

(b) Applied for the initial examination on or after June 30, 1999, and has at least one hundred fifty semester hours of

college education, including a baccalaureate or higher degree conferred by an accredited college or university recognized by the board, with the total educational program including an accounting concentration or equivalent as determined by board rule to be appropriate;

(c) Applicants applying for the examination after June 30, 2021, shall have at least one hundred twenty semester hours of college education at an accredited college or university recognized by the board, with an accounting concentration or equivalent as determined by the board;

(5) Has passed an examination in accounting, auditing and such other related subjects as the board shall determine is appropriate; and

(6) Has had one year of experience. Experience shall be verified by a licensee and shall include any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills including governmental accounting, budgeting or auditing. The board shall promulgate rules and regulations concerning the verifying licensee's review of the applicant's experience.

2. The board may prescribe by rule the terms and conditions for reexaminations and fees to be paid for reexaminations.

3. A person who, on August 28, 2001, holds an individual permit issued pursuant to the laws of this state shall not be required to obtain additional licenses pursuant to sections 326.280 to 326.286, and the licenses issued shall be considered licenses issued pursuant to sections 326.280 to 326.286. However, such persons shall be subject to the provisions of

section 326.286 for renewal of licenses.

4. Upon application, the board may issue a temporary license to an applicant pursuant to this subsection for a person who has made a prima facie showing that the applicant meets all of the requirements for a license and possesses the experience required. The temporary license shall be effective only until the board has had the opportunity to investigate the applicant's qualifications for licensure pursuant to subsection 1 of this section and notify the applicant that the applicant's application for a license has been granted or rejected. In no event shall a temporary license be in effect for more than twelve months after the date of issuance nor shall a temporary license be reissued to the same applicant. No fee shall be charged for a temporary license. The holder of a temporary license which has not expired, been suspended or revoked shall be deemed to be the holder of a license issued pursuant to this section until the temporary license expires, is terminated, suspended or revoked.

5. An applicant for an examination who meets the educational requirements of subdivision (4) of subsection 1 of this section or who reasonably expects to meet those requirements within sixty days after the examination shall be eligible for examination if the applicant also meets the requirements of subdivisions [(1),] (2) and (3) of subsection 1 of this section. For an applicant admitted to examination on the reasonable expectation that the applicant will meet the educational requirements within sixty days, no license shall be issued nor credit for the examination or any part thereof given unless the educational requirement is in fact met within the sixty-day

period.

326.289. 1. The board may grant or renew permits to practice as a certified public accounting firm to applicants that demonstrate their qualifications in accordance with this chapter.

(1) The following shall hold a permit issued under this chapter:

(a) Any firm with an office in this state, as defined by the board by rule, offering or performing attest or compilation services; or

(b) Any firm with an office in this state that uses the title "CPA" or "CPA firm".

(2) Any firm that does not have an office in this state may offer or perform attest or compilation services in this state without a valid permit only if it meets each of the following requirements:

(a) It complies with the qualifications described in subdivision (1) of subsection 4 of this section;

(b) It complies with the requirements of peer review as set forth in this chapter and the board's promulgated regulations;

(c) It performs such services through an individual with practice privileges under section 326.283; and

(d) It can lawfully do so in the state where said individual with the privilege to practice has his or her principal place of business.

(3) A firm which is not subject to the requirements of subdivisions (1) or (2) of this subsection may perform other nonattest or noncompilation services while using the title "CPA" or "CPA firm" in this state without a permit issued under this

section only if it:

(a) Performs such services through an individual with the privilege to practice under section 326.283; and

(b) Can lawfully do so in the state where said individual with privilege to practice has his or her principal place of business.

(4) (a) All firms practicing public accounting in this state shall register with the secretary of state.

(b) Firms which may be exempt from this requirement include:

a. Sole proprietorships;

b. Trusts created pursuant to revocable trust agreements, of which the trustee is a natural person who holds a license or privilege to practice as set forth in section 326.280, 326.283, or 326.286;

c. General partnerships not operating as a limited liability partnership; or

d. Foreign professional corporations which do not meet criteria of chapter 356 due to name or ownership, shall obtain a certificate of authority as a general corporation.

Notwithstanding the provisions of chapter 356, the secretary of state may issue a certificate of authority to a foreign professional corporation which does not meet the criteria of chapter 356 due to name or ownership, if the corporation meets the requirements of this section and the rules of the board.

2. Permits shall be initially issued and renewed for periods of not more than three years or for a specific period as prescribed by board rule following issuance or renewal.

3. The board shall determine by rule the form for application and renewal of permits and shall annually determine the fees for permits and their renewals.

4. An applicant for initial issuance or renewal of a permit to practice under this section shall be required to show that:

(1) A simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, principals, shareholders, members or managers, belongs to licensees who are licensed in some state, and the partners, officers, principals, shareholders, members or managers, whose principal place of business is in this state and who perform professional services in this state are licensees under section 326.280 or the corresponding provision of prior law. Although firms may include nonlicensee owners, the firm and its ownership shall comply with rules promulgated by the board;

(2) Any certified public accounting firm may include owners who are not licensees provided that:

(a) The firm designates a licensee of this state, or in the case of a firm which must have a permit under this section designates a licensee of another state who meets the requirements of section 326.283, who is responsible for the proper registration of the firm and identifies that individual to the board;

(b) All nonlicensee owners are active individual participants in the certified public accounting firm or affiliated entities;

(c) All owners are of good moral character; and

(d) The firm complies with other requirements as the board

may impose by rule;

(3) Any licensee who is responsible for supervising attest services, or signs or authorizes someone to sign the licensee's report on the financial statements on behalf of the firm, shall meet competency requirements as determined by the board by rule which shall include one year of experience in addition to the experience required under subdivision (6) of subsection 1 of section 326.280 and shall be verified by a licensee. The additional experience required by this subsection shall include experience in attest work supervised by a licensee.

5. An applicant for initial issuance or renewal of a permit to practice shall register each office of the firm within this state with the board and show that all attest and compilation services rendered in this state are under the charge of a licensee.

6. No licensee or firm holding a permit under this chapter shall use a professional or firm name or designation that is misleading as to:

- (1) The legal form of the firm;
- (2) The persons who are partners, officers, members, managers or shareholders of the firm; or
- (3) Any other matter.

The names of one or more former partners, members or shareholders may be included in the name of a firm or its successor unless the firm becomes a sole proprietorship because of the death or withdrawal of all other partners, officers, members or shareholders. A firm may use a fictitious name if the fictitious

name is registered with the board and is not otherwise misleading. The name of a firm shall not include the name or initials of an individual who is not a present or a past partner, member or shareholder of the firm or its predecessor. The name of the firm shall not include the name of an individual who is not a licensee.

7. Applicants for initial issuance or renewal of permits shall list in their application all states in which they have applied for or hold permits as certified public accounting firms and list any past denial, revocation, suspension or any discipline of a permit by any other state. Each holder of or applicant for a permit under this section shall notify the board in writing within thirty days after its occurrence of any change in the identities of partners, principals, officers, shareholders, members or managers whose principal place of business is in this state; any change in the number or location of offices within this state; any change in the identity of the persons in charge of such offices; and any issuance, denial, revocation, suspension or any discipline of a permit by any other state.

8. Firms which fall out of compliance with the provisions of this section due to changes in firm ownership or personnel after receiving or renewing a permit shall take corrective action to bring the firm back into compliance as quickly as possible. The board may grant a reasonable period of time for a firm to take such corrective action. Failure to bring the firm back into compliance within a reasonable period as defined by the board may result in the suspension or revocation of the firm permit.

9. The board shall require by rule, as a condition to the renewal of permits, that firms undergo, no more frequently than once every three years, peer reviews conducted in a manner as the board shall specify. The review shall include a verification that individuals in the firm who are responsible for supervising attest and compilation services or sign or authorize someone to sign the accountant's report on the financial statements on behalf of the firm meet the competency requirements set out in the professional standards for such services, provided that any such rule:

(1) Shall include reasonable provision for compliance by a firm showing that it has within the preceding three years undergone a peer review that is a satisfactory equivalent to peer review generally required under this subsection;

(2) May require, with respect to peer reviews, that peer reviews be subject to oversight by an oversight body established or sanctioned by board rule, which shall periodically report to the board on the effectiveness of the review program under its charge and provide to the board a listing of firms that have participated in a peer review program that is satisfactory to the board; and

(3) Shall require, with respect to peer reviews, that the peer review processes be operated and documents maintained in a manner designed to preserve confidentiality, and that the board or any third party other than the oversight body shall not have access to documents furnished or generated in the course of the peer review of the firm except as provided in subdivision (2) of this subsection.

10. The board may, by rule, charge a fee for oversight of peer reviews, provided that the fee charged shall be substantially equivalent to the cost of oversight.

11. Notwithstanding any other provision in this section, the board may obtain the following information regarding peer review from any approved American Institute for Certified Public Accountants peer review program:

(1) The firm's name and address;

(2) The firm's dates of enrollment in the program;

(3) The date of acceptance and the period covered by the firm's most recently accepted peer review; and

(4) If applicable, whether the firm's enrollment in the program has been dropped or terminated.

12. In connection with proceedings before the board or upon receipt of a complaint involving the licensee performing peer reviews, the board shall not have access to any documents furnished or generated in the course of the performance of the peer reviews except for peer review reports, letters of comment and summary review memoranda. The documents shall be furnished to the board only in a redacted manner that does not specifically identify any firm or licensee being peer reviewed or any of their clients.

[12.] 13. The peer review processes shall be operated and the documents generated thereby be maintained in a manner designed to preserve their confidentiality. No third party, other than the oversight body, the board, subject to the provisions of subsection [11] 12 of this section, or the organization performing peer review shall have access to

documents furnished or generated in the course of the review. All documents shall be privileged and closed records for all purposes and all meetings at which the documents are discussed shall be considered closed meetings under subdivision (1) of section 610.021. The proceedings, records and workpapers of the board and any peer review subjected to the board process shall be privileged and shall not be subject to discovery, subpoena or other means of legal process or introduction into evidence at any civil action, arbitration, administrative proceeding or board proceeding. No member of the board or person who is involved in the peer review process shall be permitted or required to testify in any civil action, arbitration, administrative proceeding or board proceeding as to any matters produced, presented, disclosed or discussed during or in connection with the peer review process or as to any findings, recommendations, evaluations, opinions or other actions of such committees or any of its members; provided, however, that information, documents or records that are publicly available shall not be subject to discovery or use in any civil action, arbitration, administrative proceeding or board proceeding merely because they were presented or considered in connection with the peer review process.