

CPA LAW

Act of May. 26, 1947, P.L. 318,
No. 140 Cl. 63

(Reenacted and amended December 8,
1976, P.L.1280, No.286;
Short Title amended Dec. 4, 1996,
P.L.851, No.140)

Commonwealth of Pennsylvania

State Board
of CPA Law

AN ACT

Relating to the practice of public accounting; providing for the examination, education and experience requirements for certification of certified public accountants and for the licensing of certified public accountants, public accountants and firms; requiring continuing education and peer review; providing for the organization and ownership of firms and for the procedures and grounds for discipline and reinstatement of licensees; prescribing the powers and duties of the State Board of Accountancy and the Department of State; providing for ownership of working papers and confidentiality; regulating the professional responsibility of licensees; defining unlawful acts and acts not unlawful; providing penalties; and repealing existing laws. (Title amended Dec. 4, 1996, P.L.851, No.140)

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The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short Title.

This act shall be known and may be cited as the "CPA Law." (1 amended Dec. 4, 1996, P.L.851, No.140)

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings ascribed to them in this section unless the context clearly indicates otherwise:

"AICPA." The American Institute of Certified Public Accountants.

"Attest activity." The provision of any of the following financial statement services together with the issuance of a report expressing or disclaiming an opinion or other assurance on the information:

- (1) an audit or other engagement performed in accordance with Statements on Auditing Standards (SAS);
- (2) a review or compilation of a financial statement performed in accordance with Statements on Standards for Accounting and Review Services (SSARS);
- (3) an engagement performed in accordance with Statements on Standards for Attestation Engagements (SSAE);
- (4) an audit or other engagement performed in accordance with government auditing standards issued by the Comptroller General of the United States; or
- (5) any other engagement performed in accordance with attestation standards established by an organization granted authority by statute or regulation to establish attestation standards, such as the American Institute of Certified Public Accountants (AICPA) or the Public Company Accounting Oversight Board (PCAOB).

"Board." The State Board of Accountancy.

"Business unit." A functional group of individuals in a firm or a sole practitioner performing attest activity.

"Certificate." A certificate as "certified public accountant" issued under this act or a corresponding right to practice as a certified public accountant issued after examination under the law of another jurisdiction.

"Certified public accountant." An individual to whom a certificate has been issued.

"Client." Any person that agrees orally, in writing or in electronic form, with a certified public accountant, public accountant or firm to receive a professional service.

"Commission." Compensation for recommending or referring a product or service to be supplied by another person. The term does not include a referral fee.

"Compilation." A service performed in accordance with Statements on Standards for Accounting and Review Services (SSARS) that presents, in the form of financial statements, information that is the representation of management or the owners without undertaking to express any assurance on the statements.

"Department." The Department of State acting through the Commissioner of Professional and Occupational Affairs.

"Engagement review." A peer review process which provides the reviewer with a reasonable basis for expressing limited assurance that:

- (1) the financial statements or information and the related accountant's report on the accounting, review and attestation engagements submitted for review conform with the requirements of professional standards in all material respects; and
- (2) the reviewed firm's documentation conforms with the requirements of Statements on Standards for Accounting and Review Services (SSARS) and Statements on Standards for Attestation Engagements (SSAE) applicable to those engagements in all material respects.

"Equity interest." Any type of ownership interest in a firm. The term includes the right to vote with respect to any issue, whether or not the right to vote is coupled with an interest in the profits or assets of the firm.

"Examination." The examination for the certificate of certified public accountant provided for in section 3.1(b) of this act.

"Firm." A qualified association that is a licensee.

"Holding out" or "hold out." Any representation of the fact that a person, or an individual associated in any way with a person, holds a certificate of certified public accountant, a registration as a public accountant or a license, made in connection with the performance of, or an offer to perform, services for the public. A representation shall be deemed to include any oral or written communication conveying the fact that the person or individual holds a certificate, registration or license, including, without limitation, the use of titles or legends on letterheads, business cards, office doors, advertisements and listings or the displaying of a certificate, registration or license.

"Internal auditor." An individual within a governmental or private entity who performs an audit function that requires the individual to be independent of the activities being audited. The independence required of an internal auditor does not need to meet the standard of independence required of a certified public accountant or public accountant.

"Licensee." An individual certified by or registered with the board and holding a current license to practice under section 8.2 of this act or a qualified association holding a current license to practice under section 8.8 of this act. The term does not include a person on inactive status under section 8.2(a.1) of this act or otherwise not holding a current license.

"NASBA." The National Association of State Boards of Accountancy.

"PCAOB." The Public Company Accounting Oversight Board.

"Peer review." A study, appraisal or review of one or more aspects of the professional work of an individual or firm in the practice of public accounting to determine the degree of compliance by the individual or firm with generally accepted accounting principles and auditing standards and other generally accepted technical standards, conducted by persons who hold current licenses to practice public accounting under the laws of this Commonwealth or another state and who are not affiliated with the individual or firm being reviewed.

"Principal place of business." The location of the principal office where a certified public accountant practices public accounting.

"Professional services." Services performed by a certified public accountant, public accountant or firm:

- (1) as part of the practice of public accounting; or
- (2) that would be part of the practice of public accounting except that the individual performing the services does not hold out as a certified public accountant or public accountant.

"Public accountant." An individual who was qualified and accepted for registration in accordance with former section 8.7 of this act.

"Public accounting." Offering to perform or performing for a client or potential client:

- (1) Attest activity.
- (2) Other services involving the use of accounting skills, including, but not limited to, management advisory or consulting services, business valuations, financial planning, preparation of tax returns or furnishing of advice on tax matters by a person holding out as a certified public accountant, public accountant or firm.

"Qualified association." An association as defined in 15 Pa.C.S. § 102 (relating to definitions) that is incorporated or organized under the laws of this Commonwealth or any other state or foreign jurisdiction if the organic law under which the association is incorporated or organized does not afford the shareholders, partners, members or other owners of

equity interests in the association or the officers, employees or agents of the association greater immunity than is available to the shareholders, officers, employees or agents of a professional corporation under 15 Pa.C.S. § 2925 (relating to professional relationship retained).

“Qualified nonlicensee.” An individual who does not hold a current license or permit to practice public accounting in this Commonwealth or any other state or foreign jurisdiction.

“Referral fee.” Compensation paid to a licensee for recommending another licensee to, or referring to another licensee, any person for the performance by the other licensee of public accounting.

“Report.” Any opinion, statement or other form of written communication that states or implies assurance as to the reliability of any financial information or assessments of the status or performance of any person and that also implies or is accompanied by any statement or implication that the person issuing it has special knowledge or competence in accounting or auditing. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the communication of names or titles indicating that the issuer or any individual employed by or affiliated with it is an accountant or auditor or may arise from the language of the communication itself. The term includes any form of language which disclaims an opinion when the form of language is conventionally understood to imply any positive assurance as to the reliability of the financial information referred to or special competence on the part of the person issuing the language. The term also includes any other form of language that is conventionally understood to imply assurance or special knowledge or competence.

“Statements on Auditing Standards (SAS).” The Statements on Auditing Standards or any similar professional standard which supersedes such statements.

“Statements on Standards for Attestation Engagements (SSAE).” The Statements on Standards for Attestation Engagements or any similar professional standard which supersedes such statements.

“Statements on Standards for Accounting and Review Services (SSARS).” The Statements on Standards for Accounting and Review Services or any similar professional standard which supersedes such statements.

“Substantial equivalency.” The fact that:

- (1) the education, examination and experience requirements contained in the statutes and regulations of another jurisdiction are comparable to or exceed the education, examination and experience requirements contained in this act; or

- (2) a certified public accountant's education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements contained in this act.

"System review." A peer review process which provides the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review:

- (1) the reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the American Institute of Certified Public Accountants; and
- (2) is being complied with to provide the firm with reasonable assurance of conforming with professional standards in all material respects.
(2 amended July 9, 2008, P.L.954, No.73)

Compiler's Note: Section 309(b) of Act 198 of 1990 provided that a reference in section 2 to the act of August 7, 1961 (P.L.941, No.416), known as the Professional Association Act, shall be deemed to be a reference to 15 Pa.C.S. Ch. 93.

Section 2.1. State Board of Examiners of Public Accountants.
(2.1 repealed Nov. 26, 1978, P.L.1223, No.292)

Section 2.2. Public Accountants' Advisory Committee.
(2.2 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 2.3. State Board of Accountancy.

- (a) The State Board of Accountancy shall consist of fifteen members, one of whom shall be the Commissioner of Professional and Occupational Affairs in the Department of State or a designee, one of whom shall be the Director of the Bureau of Consumer Protection in the Office of Attorney General or his designee, and the remaining thirteen of whom shall be appointed by the Governor, subject to the consent of the Senate, as follows:
 - (1) Nine members shall be certified public accountants, all of whom are licensees and at least six of whom are actively engaged in the practice of public accounting as their principal occupation at the time of their appointment. Two of the members who are certified public accountants shall be appointed from the eastern part of the State, two from the western part, two from the central part, and the remainder from any part of the State. At least two of the members who are certified public accountants shall be actively engaged at the time of their appointment in the practice of public accounting with firms that have five or fewer licensees participating in the firm's practice.

- (2) Three members shall be persons who are not affiliated in any manner with the profession, who shall represent the public at large.
 - (3) One member shall be a public accountant who is a licensee engaged in the practice of public accounting as his or her principal occupation at the time of appointment. The public accountant member shall be eliminated and the number of certified public accountant members increased by one when the number of public accountants who are licensees falls below fifty for the first time. The elimination of the public accountant member as provided in this clause shall not have the effect of shortening the term of the incumbent public accountant member of the board.
((a) amended July 9, 2008, P.L.954, No.73)
- (b) A full term of a member of the board shall be four years from the date of appointment, except that a member may continue to serve for a period not to exceed six months beyond the expiration of his term, if a successor has yet to be duly appointed and qualified according to law. A board member shall not serve more than two consecutive four-year terms and shall not be eligible for reappointment until after four years have elapsed.
 - (c) A majority of the duly appointed and qualified members of the board shall constitute a quorum. The board may act by a majority of the members present and voting at a meeting at which a quorum is present, except that action by the board under section 9, 14 or 16(c) of this act may only be taken by:
 - (1) a minimum number of eight affirmative votes if there are no vacancies on the board at the time; or
 - (2) a minimum number of seven affirmative votes if the current membership of the board is less than its full authorized membership.
 - (d) Each member of the board shall be paid reasonable traveling and other expenses and per diem compensation at the rate of sixty dollars (\$60) for each day of actual service while on board business.
 - (e) A member who fails to attend three consecutive meetings shall forfeit his seat unless the Commissioner of Professional and Occupational Affairs, upon written request from the member, finds that the member should be excused from a meeting because of illness or the death of an immediate family member.
 - (f) In the event that any of the said members of the board shall die, resign or be removed during his term of office, his successor shall be appointed in the same way and with the same qualifications as set forth in this section and shall hold office for the unexpired term.

- (g) A member of the board shall not:
 - (1) serve as a peer reviewer in a peer review of a licensee; or
 - (2) be a teacher or instructor in a coaching school that has as its primary purpose preparation for the examination or have a financial interest in such a coaching school.
- (h) The board shall select from among its number a chairman, vice chairman and secretary.
- (i) The department shall assign to the board such agents, clerks, stenographers, assistants and investigators as may be necessary to administer this act.

(2.3 amended Dec. 4, 1996, P.L.851, No.140)

Section 3. General Powers of the Board.

- (a) The Board shall have the power:
 - (1) To provide for, regulate and approve the issuance of a certificate of certified public accountant to any person (a) who meets the requirements for the issuance of a certificate in this act; or (b) who meets the requirements for the issuance of a certificate by reciprocity in section 5 or 5.1 of this act.
 - (3) To contract with a professional testing organization for the preparation and administration of the examination, in accordance with section 812.1(a) of the act of April 9, 1929 (P.L.177, No.175), known as "The Administrative Code of 1929," and to establish prior to the administration of each examination an appropriate minimum passing score, in keeping with the purposes of this act.
 - (4) To keep a record showing the names and the places of business of persons to whom a certificate of certified public accountant has been issued under this act or prior laws and all other persons registered or holding licenses under this act or prior laws. The department shall furnish copies of such record to the public upon request and may establish a reasonable fee for such copies which shall not exceed the cost of reproduction.
 - (5) To:
 - (i) revoke, suspend, limit or otherwise restrict the certificate or license of any certified public accountant or the registration or license of any public accountant or the license of any firm under this act;
 - (ii) censure or publicly reprimand the holder of any certificate, registration or license;
 - (iii) require completion of general or a specific number of continuing professional education courses;

- (iv) require more frequent peer review or other remedial action;
 - (v) revoke, suspend or limit the right of a person to practice under section 5.2 or 5.4 of this act;
 - (vi) censure or publicly reprimand a person practicing under section 5.2 or 5.4; and
 - (vii) impose civil penalties as provided in section 16 for violation of this act.
- (6) To collect fees as provided for in this act and to submit annually to the department an estimate of the financial requirements of the board for its administrative, investigative, legal and miscellaneous expenses.
 - (7) To arrange for assistance in the performance of its duties, to administer and enforce the laws of this Commonwealth relating to certification, registration, licensing and practice by certified public accountants, public accountants and firms and to instruct and require its agents to seek an injunction, or bring a prosecution for a violation of this act.
 - (8) To keep minutes and records of all its transactions and proceedings. To the extent required by the act of June 21, 1957 (P.L.390, No.212), referred to as the Right-to-Know Law, the department shall furnish copies of such minutes and records to the public upon request and may establish a reasonable fee for such copies which shall not exceed the cost of reproduction.
 - (9) To become a member of NASBA, or a similar organization, and pay such dues as said association shall establish and to send members of the board and staff as delegates to the meetings of that association and defray their expenses.
 - (10) To adopt, promulgate and enforce rules and regulations consistent with the provisions of this act establishing requirements of continuing education and peer review to be met by certified public accountants, public accountants and firms as a condition for renewal of biennial licenses to engage in the practice of public accounting in this Commonwealth. Such rules and regulations shall include, but not be limited to, analysis of continuing education records by a consultant whose analysis shall cover licensee forms and records of continuing education sponsors. The analysis shall be designed to determine compliance with all continuing education regulations of the board, including attendance of licensees, qualifications of sponsors and qualifications of courses for credit.

- (11) To promulgate and amend rules of professional conduct, uniformly applicable to certified public accountants and public accountants, appropriate to establish and maintain a high standard of integrity, objectivity and dignity by certified public accountants, public accountants and firms.
 - (12) To adopt, promulgate and enforce such administrative rules and regulations not inconsistent with this act, or other acts, as are necessary and proper to carry into effect the provisions of this act.
 - (15) To submit annually to the House and Senate Appropriations Committees, not later than fifteen days after the Governor has submitted his budget to the General Assembly, a copy of the budget request for the upcoming year that the board previously submitted to the department.
 - (16) To engage consultants as may be deemed necessary to carry out and enforce the provisions of this act.
- (b) The board shall not require a photograph as part of an application for a certificate of certified public accountant.
(3 amended July 9, 2008, P.L.954, No.73)

Compiler's Note: The act of June 21, 1957 (P.L.390, No.212), referred to as the Right-to-Know Law, referred to in par. (8), was repealed by the act of Feb. 14, 2008 (P.L.6, No.3), known as the Right-to-Know Law.

Section 3.1. Examination.

- (a) (Deleted by amendment).
- (b) The examination shall test the applicant's knowledge and skills required for performance as a certified public accountant. The examination shall include the subject areas of accounting and auditing and such related knowledge and skills as the board may require. The time and location for holding the examination shall be determined by the board and may be changed from time to time. The examination may be administered in either written or computerized form. The board may use all parts of the Uniform Certified Public Accountants' examination and designated grading service of the AICPA to assist in performing its duties hereunder.
- (c) Subject to such regulations as the board may adopt governing reexaminations, a candidate shall be entitled to retake the examination.
- (d) An individual who has previously taken an examination for a certificate of certified public accountant under the provisions of a prior law of this Commonwealth shall continue to be permitted to take the examination and receive a certificate subject to such prior provisions and applicable regulations.

(e) (Deleted by amendment).

(3.1 amended July 9, 2008, P.L.954, No.73)

Section 4. Education Requirements.

(4 repealed July 9, 2008, P.L.954, No.73)

Section 4.1. Experience Requirements.

(4.1 repealed July 9, 2008, P.L.954, No.73)

Section 4.2. Requirements for Issuance of Certificate.

(a) The board shall issue a certificate upon application by an individual who has passed the examination and meets the education and experience requirements in this section.

(b) Before an individual may take the examination, the board shall be satisfied that the individual:

(1) has attained eighteen years of age;

(2) is of good moral character; and

(3) has graduated with:

(i) a baccalaureate or higher degree from a college or university accredited by a nationally recognized accrediting agency recognized by the United States Department of Education, or a college or university approved by the board, and completed a total of one hundred fifty semester credits of post-secondary education, including at least a total of twenty-four semester credits of accounting and auditing, business law, finance or tax subjects of a content satisfactory to the board and an additional twelve semester credits in accounting, auditing and tax subjects of a content satisfactory to the board, not necessarily as part of the individual's undergraduate or graduate work;

(ii) a baccalaureate degree from a college or university accredited by a nationally recognized accrediting agency recognized by the United States Department of Education, or a college or university approved by the board, and completed at least a total of twenty-four semester credits, which credits shall be in accounting and auditing, business law, finance or tax subjects of a content satisfactory to the board, not necessarily as a part of his undergraduate work; or

(iii) a Master's Degree or other post-graduate degree from a college or university accredited by a nationally recognized accrediting agency recognized by the United States Department of Education, or a college or university approved by the board, and completed at least a total of twenty-four semester credits, which credits shall be in accounting and auditing,

business law, finance or tax subjects of a content satisfactory to the board, not necessarily as part of his undergraduate or graduate work.

- (c) Before an individual who takes the examination under subsection (b)(3)(ii) or (iii) may be issued a certificate, the individual must also satisfy the education requirement in subsection (b)(3)(i).
- (d) Before an individual may be issued a certificate, the board shall be satisfied that the individual has completed at least one year of experience that:
 - (1) was completed within sixty months preceding the date of application for a certificate;
 - (2) included providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, which were gained through employment in government, industry, academia or public practice;
 - (3) was of a caliber satisfactory to the board; and
 - (4) was verified by an individual with a current license to practice public accounting as a certified public accountant or public accountant in this Commonwealth or another state.
- (e) The following requirements may be complied with instead of the otherwise applicable provisions of subsections (b), (c) and (d):
 - (1) An individual who took the examination before December 31, 2011, but did not pass at least one part taken before that date, may not be issued a certificate until the individual:
 - (i) has satisfied the education requirement in subsection (c), if applicable; and
 - (ii) has completed at least one year of experience described in subsection (d)(2), (3) and (4) within one hundred twenty months preceding the date of application for a certificate.
 - (2) An individual who passed at least one part of the examination taken before December 31, 2011, pursuant to subsection (b)(3)(ii), may be issued a certificate before or after December 31, 2011, without satisfying the education requirement in subsection (c), but not until the individual has completed at least two years of experience that satisfies the requirements in subsection (d)(2), (3) and (4). The experience may be completed within one hundred-twenty months preceding the date of application for a certificate.

- (3) An individual who passed at least one part of the examination taken before December 31, 2011, pursuant to subsection (b)(3)(iii), may be issued a certificate before or after December 31, 2011, without satisfying the education requirement in subsection (c) and may complete the one year of experience required by subsection (d) within one hundred twenty months preceding the date of application for a certificate.

(4.2 amended June 19, 2013, P.L.46, No.15)

Section 5. Certificates Issued by Domestic Reciprocity.

- (a) Without requiring the examination otherwise required under section 4.2 of this act, the board may, in its discretion, issue a certificate of certified public accountant to a holder of a certificate of certified public accountant then in full force and effect issued by any other state following passage of an examination if the applicant shall submit evidence satisfactory to the board that he:

- (1) possesses the general qualifications specified in section 4.2(b)(1) and (2) of this act, has passed the examination required to practice as a certified public accountant under the laws of the other state, meets the continuing education requirements specified in section 8.2(b) of this act and has the experience required under section 4.2(d) of this act to receive the certificate in this Commonwealth; or
- (2) has passed the examination required to practice as a certified public accountant under the laws of the other state and has held a certificate and license to practice public accounting for the immediately preceding five years in another state.

- (b) An applicant for a certificate under this section shall list in the application all states and foreign jurisdictions in which the applicant has applied for or holds a designation or certificate to practice public accounting.

- (c) Each holder of a certificate issued under this section shall notify the board in writing within thirty days after its occurrence of any issuance, denial, revocation or suspension of his designation, certificate or license to practice public accounting or the commencement of a disciplinary or enforcement action against him or his firm by any state or foreign jurisdiction.

(5 amended July 9, 2008, P.L.954, No.73)

Section 5.1. Certificates Issued by Foreign Reciprocity.

- (a) Without requiring the examination otherwise required under section 4.2 of this act, the board may in its discretion issue a certificate of certified public accountant to a holder of a foreign designation, granted and then in full force in a foreign country

or other jurisdiction that is not a state, entitling the holder thereof to engage in the practice of public accounting if all of the following conditions are satisfied:

- (1) Pursuant to a duly enacted free trade agreement, the foreign jurisdiction that granted the designation makes similar provision to allow an individual who holds a valid certificate of certified public accountant issued by this Commonwealth to obtain such foreign jurisdiction's comparable designation.
 - (2) The foreign designation:
 - (i) Was duly issued by a duly constituted authority within the foreign jurisdiction that regulates the practice of public accounting, and the foreign designation has not expired or been revoked or suspended.
 - (ii) Entitles the holder to issue reports.
 - (iii) Was issued upon the basis of educational, examination and experience requirements established by the foreign authority or by law.
 - (3) The applicant:
 - (i) Received the designation based on educational and examination standards substantially equivalent to those in effect in this Commonwealth at the time the foreign designation was granted.
 - (ii) Completed an experience requirement substantially equivalent to the requirements set forth in section 4.2(d) of this act in the jurisdiction that granted the foreign designation or has completed five years of experience in the practice of public accounting in this Commonwealth or meets such other requirements as may be prescribed by the board by rule within the ten years immediately preceding the application.
 - (iii) Passed a uniform qualifying examination in national standards.
- (b) An applicant for a certificate under this section shall list in the application all states and foreign jurisdictions in which the applicant has applied for or holds a designation or certificate to practice public accounting.
- (c) Each holder of a certificate issued under this section shall notify the board in writing within thirty days after its occurrence of any issuance, denial, revocation or suspension of his designation, certificate or license to practice public accounting or the

commencement of a disciplinary or enforcement action against him or his firm by any state or foreign jurisdiction.

(5.1 amended July 9, 2008, P.L.954, No.73)

Section 5.2. Practice in this Commonwealth by Individuals under Substantial Equivalency.

- (a) A person may practice public accounting in this Commonwealth under substantial equivalency as provided in this section and section 5.4. Any determination as to whether substantial equivalency exists with respect to a state or individual for purposes of this act shall be consistent with any determination as to substantial equivalency with respect to that state or individual made by the National Association of State Boards of Accountancy National Qualification Appraisal Service.
- (b) The following apply to practice in this Commonwealth under substantial equivalency:
 - (1) Notwithstanding any other provision of this act, an individual whose principal place of business is not in this Commonwealth and who has a valid certificate or right to practice public accounting from a state that is substantially equivalent shall be presumed to have qualifications substantially equivalent to the Commonwealth's requirements and shall have all the privileges and obligations of a licensee of the Commonwealth without the need to obtain a certificate or license under this act.
 - (2) Notwithstanding any other provision of this act, an individual whose principal place of business is not in this Commonwealth and who has a valid certificate or right to practice public accounting from a state that is not substantially equivalent shall be presumed to have qualifications substantially equivalent to the Commonwealth's requirements and shall have all the privileges and obligations of a licensee of the Commonwealth without the need to obtain a certificate or license if there is substantial equivalency as to the individual. In determining whether substantial equivalency exists as to an individual, the order in which the individual satisfied the experience, education and examination requirements shall be disregarded.
 - (3) The exercise by an individual of the right to practice in this Commonwealth under this section constitutes:
 - (i) sufficient contact with this Commonwealth for the exercise of personal jurisdiction by the board and the courts of this Commonwealth over the individual in any action or proceeding arising out of acts or omissions by the individual;

- (ii) consent by the individual to the personal and subject matter jurisdiction and disciplinary authority of the board;
 - (iii) an agreement by the individual to comply with the provisions of this act and regulations promulgated by the board; and
 - (iv) consent by the individual to the appointment of the board of accountancy or other regulatory authority of the state in which the principal place of business of the individual is located as the agent upon which process may be served in any action or proceeding by the board against the individual.
- (4) An individual who exercises the right to practice under this section shall be subject to disciplinary action in this Commonwealth for any act or omission that would subject the holder of a Pennsylvania certificate or license to disciplinary action.
- (5) An individual who passed the Uniform CPA Examination and holds a valid license to practice public accounting issued by any other state on or before December 31, 2011, may be exempt from the education requirements in section 4.2(b)(3)(i) and (c) of this act for purposes of this section.
- (6) If the board imposes discipline on an individual exercising the right to practice under this section, the board shall, as soon as practicable, notify the board of accountancy or other regulatory authority in each state where the board has learned during the disciplinary process that the individual has been granted a certificate or license to practice public accounting of the imposition of the discipline. If the order imposing discipline is appealed or stayed, the board shall send a subsequent notice to each regulatory authority advising of the filing of the appeal or entry of the stay. As an alternative to sending the notices to each regulatory authority, the board may send the notices instead to a multistate enforcement information network maintained at the time by AICPA or NASBA. The board may furnish investigative information and the hearing record relating to the disciplinary proceeding to such other regulatory authorities upon request.
- (7) An individual exercising the right to practice under this section may identify the fact that the individual practices with a partnership, corporation or other association and may use its name even if the partnership, corporation or other association is not a licensee.

- (8) An individual practicing under this section or a firm or qualified unlicensed entity practicing under section 5.4 may provide professional services in this Commonwealth in the same manner as a licensee, including without limitation, in person or by mail, telephone or electronic means.
- (9) The board shall not require a filing or payment of a fee by an individual, firm or qualified unlicensed entity in connection with practicing under this section or section 5.4.

(5.2 amended June 19, 2013, P.L.46, No.15)

Section 5.3. Practice outside this Commonwealth under Substantial Equivalency.

- (a) A licensee who practices public accounting in another jurisdiction under substantial equivalency shall be subject to disciplinary action in this Commonwealth for an act or omission in the other jurisdiction if the act or omission:
 - (1) subjects the licensee to discipline in the other jurisdiction; or
 - (2) would subject the licensee to discipline in this Commonwealth.
- (b) The board shall investigate any complaint made by the board of accountancy or other regulatory authority of another state against a licensee.

(5.3 added July 9, 2008, P.L.954, No.73)

Section 5.4. Practice by Firms and Unlicensed Entities under Substantial Equivalency.

- (a) A firm may practice public accounting in this Commonwealth through an individual who is not a licensee if the individual has the right to practice in this Commonwealth under section 5.2 of this act. The exercise by a firm of the right to practice through such individuals under this subsection constitutes an agreement by the firm:
 - (1) to be subject to the jurisdiction and disciplinary authority of the board with respect to acts or omissions of the individuals through whom it practices under this subsection;
 - (2) to accept service of process from the board on behalf of the individuals through whom it practices under this subsection; and
 - (3) to cooperate in any investigation by the board involving an individual through which the firm has practiced under this subsection even if the individual is no longer an owner of or employed by the firm.

- (b) A qualified unlicensed entity may practice public accounting in this Commonwealth through an individual who:
 - (1) has the right to practice in this Commonwealth under section 5.2 of this act; or
 - (2) is a licensee.
- (c) The exercise by a qualified unlicensed entity of the right to practice in this Commonwealth under subsection (b) constitutes:
 - (1) sufficient contact with this Commonwealth for the exercise of personal jurisdiction by the board and the courts of this Commonwealth over the qualified unlicensed entity in any action or proceeding arising out of acts or omissions by an individual associated with the qualified unlicensed entity in any capacity;
 - (2) consent by the qualified unlicensed entity to the personal and subject matter jurisdiction and disciplinary authority of the board;
 - (3) an agreement by the qualified unlicensed entity to comply with the provisions of this act and regulations promulgated by the board; and
 - (4) consent by the qualified unlicensed entity to the appointment of the board of accountancy or other regulatory authority of the state in which the principal place of business of the qualified unlicensed entity is located as the agent upon which process may be served in any action or proceeding by the board against the qualified unlicensed entity.
- (d) As used in this section "qualified unlicensed entity" means a partnership, corporation or other association that:
 - (1) is not a licensee;
 - (2) does not have an office in this Commonwealth; and
 - (3) may lawfully practice public accounting in another state.
(5.4 amended June 19, 2013, P.L.46, No.15)

Section 6. Fees.

- (a) All fees required under the provisions of this act shall be fixed by the board, by regulation and shall be subject to review in accordance with the act of June 25, 1982 (P.L.633, No.181), known as the "Regulatory Review Act." If the revenues generated by fees, fines and civil penalties imposed in accordance with the provisions of this act are not sufficient to match expenditures over a two-year period, the board shall increase those fees by regulation, subject to review in accordance with the "Regulatory Review Act," such that the projected revenues will meet or exceed projected expenditures.

- (b) If the Bureau of Professional and Occupational Affairs determines that the fees established by the board are inadequate to meet the minimum enforcement efforts required, then the bureau, after consultation with the board, shall increase the fees by regulation, subject to review in accordance with the "Regulatory Review Act," such that adequate revenues are raised to meet the required enforcement effort.

(6 reenacted Dec. 4, 1996, P.L.851, No.140)

Section 7. Status of Existing Rights Preserved.

Any person legally authorized to practice public accounting in this Commonwealth at the time this act or any amendment of this act takes effect shall thereafter possess the same rights and privileges as persons to whom certificates of certified public accountant shall be issued under this act, subject, however, to the power of the board, as provided in this act, to discipline any such person for any of the causes set forth in this act and subject to the power of the board to provide for and to require permits to practice.

(7 amended Dec. 4, 1996, P.L.851, No.140)

Section 8. Rights of Candidates Heretofore Accepted by the Board; Servicemen.

(8 repealed Sept. 2, 1961, P.L.1165, No.524)

Section 8.1. Registration of Foreign Accountants, Partnerships, Professional Corporations, or Professional Associations.

(8.1 repealed Mar. 7, 1984, P.L.106, No.23)

Section 8.2. Licenses to Practice.

- (a) Biennial licenses to engage in the practice of public accounting in this Commonwealth shall be issued by the Department of State upon payment of the biennial licensing fee to (i) holders of the certificate of certified public accountant issued by this Commonwealth and public accountants registered in this Commonwealth who have certified to the board that they have complied with the requirements of subsection (b) of this section and (ii) qualified associations licensed under section 8.8 of this act. Licenses to practice shall expire on the last day of December of odd-numbered years or on such other biennial expiration dates as the department may fix. The renewal application of a certified public accountant or public accountant does not need to list the continuing education courses taken by the applicant except as provided by the rules and regulations of the board.
- (a.1) A certified public accountant or public accountant who is not engaged in the practice of public accounting may request the board, in writing, to place his name on the inactive roll and thus protect his right to obtain a license at such time as he may become engaged in the practice of public accounting.

- (b) Each certified public accountant and public accountant filing an application for a license or a renewal thereof to engage in the practice of public accounting in this Commonwealth must, during the reporting period immediately preceding the current biennial period, complete eighty hours of continuing education, in programs approved by the board. The reporting period for licensees shall be January 1 of even-numbered years to December 31 of odd-numbered years. No carry-over of credits shall be permitted from one biennial license period to another. The continuing education requirement shall not apply to firms but shall apply to all natural persons who apply for a license or a renewal thereof under this section.
- (c) Failure by a licensed certified public accountant or public accountant applying for renewal of his biennial license to furnish a certification of completion of the required number of hours of acceptable continuing education shall constitute grounds for denial or refusal to renew such license, unless the board, in its discretion, shall determine that the failure to complete the required continuing education was due to reasonable cause, in which case the board shall grant an extension.
- (d) In issuing rules, regulations and individual orders with respect to requirements of continuing education, the board may rely upon guidelines and pronouncements of recognized educational and professional organizations; may prescribe for content, duration and organization of courses; shall take into account the accessibility of such continuing education as it may require, and any impediments to interstate practice of public accounting which may result from differences in such requirements in other states; and may provide for relaxation or suspension of such requirements in instances of individual hardship such as for reasons of health, military service or other good cause.
- (e) A certified public accountant or public accountant who is also certified, registered or licensed to practice public accounting in any other state or foreign jurisdiction shall report this information to the board on the biennial renewal application. Any disciplinary action taken in any other state or foreign jurisdiction shall be reported to the board on the biennial renewal application or within thirty days of disposition, whichever is sooner. Multiple certification, registration or licensure shall be noted by the board on the record of the certified public accountant or public accountant, and the other state or foreign jurisdiction shall be notified by the board within thirty days after any disciplinary action is taken against the certified public accountant or public accountant in this Commonwealth.

- (f) An initial or renewal license shall not be issued after April 30, 2000, to a certified public accountant or public accountant practicing as a sole practitioner unless he complies with the requirements of section 8.9 of this act.

(8.2 amended July 9, 2008, P.L.954, No.73)

Section 8.3. Partnerships Composed Solely of Certified Public Accountants.

(8.3 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 8.4. Corporations Composed Solely of Certified Public Accountants.

(8.4 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 8.5. Partnerships, Composed of Certified Public Accountants and Public Accountants or Solely of Public Accountants.

(8.5 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 8.6. Corporations, Composed of Certified Public Accountants and Public Accountants or Solely of Public Accountants.

(8.6 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 8.7. Registration of Public Accountants.

(8.7 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 8.8. Licensing of Firms.

- (a) A person other than an individual shall not practice public accounting in this Commonwealth unless it is a qualified association, has been granted a license to practice and satisfies the requirements of this section at all times while it is a licensee. A new firm shall apply for its initial license within thirty days after its formation; thereafter, the firm's license shall be subject to renewal in accordance with section 8.2 of this act.
- (b) The initial and all renewal license applications by a firm shall:
- (1) List the name, home address and license number of each certified public accountant or public accountant who owns an equity interest directly or indirectly in the firm and who is a licensee.
 - (2) List the name and home address of each qualified nonlicensee who owns an equity interest in the firm if the principal residence or the office out of which the individual principally practices is located in this Commonwealth.
 - (3) Include a statement that the firm is in compliance with subsections (d) and (e).
- (c) An initial or renewal license shall not be issued to a firm after April 30, 2000, unless the firm complies with the requirements of section 8.9 of this act.

- (d) A firm shall satisfy all of the following requirements:
- (1) At least one general partner if the firm is a partnership, one record and beneficial owner of common shares if the firm is a corporation or one owner of a similar equity interest if the firm is any other form of qualified association shall be a certified public accountant or public accountant who is a licensee.
 - (2) Except as provided in subsections (e) and (f), each shareholder, partner, member or other owner of an equity interest in the firm must be the holder of a current license to practice public accounting as a certified public accountant or public accountant under the laws of this Commonwealth or another jurisdiction. This clause shall not:
 - (i) apply in the case of a person who withdraws from a firm for such period as may be reasonable under the circumstances to permit the firm to comply with this requirement; or
 - (ii) prohibit payments by a firm to a former equity owner or his estate in connection with his withdrawal from the firm.
 - (3) Each individual in charge of an office that performs any attest activity or business unit of the firm in this Commonwealth shall be a certified public accountant or public accountant who is a licensee.
 - (4) The principal executive officer of the firm shall be a certified public accountant or public accountant who holds a current license to practice public accounting in this Commonwealth or another state.
 - (5) An individual who does not hold a current license to practice public accounting as a certified public accountant or public accountant in this Commonwealth or another state or foreign jurisdiction shall not assume ultimate responsibility for any attest activity.
- (e) Notwithstanding any other provision of law, a qualified nonlicensee may own an equity interest in a firm if all of the following conditions are met:
- (1) All of the qualified nonlicensees owning equity interests in the firm shall not:
 - (i) own in the aggregate equity interests in the firm entitling them to cast more than forty-nine percent of the votes on any issue or to receive more than forty-nine percent of any dividend or other distribution of profits or assets of the firm; or

- (ii) constitute more than forty-nine percent in number of the owners of equity interests in the firm.
- (2) The qualified nonlicensee shall not hold himself out as a certified public accountant or public accountant.
- (3) The qualified nonlicensee shall be permitted to designate or refer to himself as a principal, owner, officer, member or shareholder of the firm. The qualified nonlicensee may also use such other titles as may be authorized by the regulations of the board.
- (4) The qualified nonlicensee shall not:
 - (i) have pleaded guilty to, entered a plea of nolo contendere to or been found guilty or been convicted of a felony under the laws of this Commonwealth or any other jurisdiction; or
 - (ii) be in violation of any regulation of the board regarding the character or conduct of a qualified nonlicensee who is the owner of an equity interest in a firm.
- (5) The participation of the qualified nonlicensee in the business of the firm must be the principal occupation of the individual and shall be in the nature of providing services to the firm or clients of the firm and not solely as an investor or in another commercial or passive capacity.
- (6) The qualified nonlicensee has graduated with a baccalaureate or higher degree from a college or university approved at the time of graduation by the Department of Education.
- (7) The qualified nonlicensee shall comply with all applicable provisions of this act and the regulations of the board.
- (f) An equity interest in a firm may be owned indirectly but only if all of the ultimate, indirect beneficial owners of the equity interest are licensees.
- (g) In accordance with the procedure referred to in section 9 of this act, the board may revoke the license to practice of a firm if at any time it is in violation of any of the provisions of this section.
(8.8 amended July 9, 2008, P.L.954, No.73)

Section 8.9. Peer Review.

- (a) As a condition for granting a firm a renewal license, or an initial license in the case of a firm that has previously been engaged in practice in another jurisdiction, the board shall require that the firm undergo a peer review in accordance with this section unless the firm meets one of the exemptions in subsection (g). The initial or renewal license application of a firm that does not meet one of those exemptions shall include a certification that the firm is in compliance with this section and shall state the

name of the organization administering the firm's most recent peer review, the date of acceptance of that peer review and the period covered by that peer review. The board shall not require submittal of the letter of acceptance, peer review report, letter of comment, letter of response or working papers related to the peer review process, but the board may require the organization administering the firm's most recent peer review to confirm the date of acceptance and the period covered by that peer review. As used in this section, the term "firm" includes, but is not limited to, a sole practitioner. ((a) amended July 9, 2008, P.L.954, No.73)

- (b) A firm with less than three licensees shall not be required to undergo a peer review more frequently than once every five years and a firm with three or more licensees shall not be required to undergo a peer review more frequently than once every three years, except that:
 - (1) The board may order a firm that has been disciplined under section 9.1 of this act or that has been ordered to take remedial action under subsection (e) to undergo a peer review more frequently.
 - (2) A new firm that is not subject to subsection (j) shall undergo its first peer review within eighteen months after it is granted its initial license.
 - (2.2) A firm that was not previously required to undergo a peer review must notify the board within thirty days after accepting an engagement to perform an attest activity other than a compilation and shall undergo a peer review within eighteen months after commencing the engagement.
 - (3) The regulations of the board may lengthen any of the periods between required peer reviews prescribed in this subsection in such manner, under such circumstances or with respect to such firms as the board in its discretion may consider appropriate.
((b) amended July 9, 2008, P.L.954, No.73)
- (c) The board shall adopt regulations establishing guidelines for peer reviews which shall:
 - (1) Require that a peer review be conducted pursuant to a program and standards approved by the board. The board shall approve only peer review programs that the board finds comply with established standards for performing and reporting on peer reviews.
 - (2) Require that a peer review be conducted by a reviewer that is independent of the firm reviewed, qualified

pursuant to board rules and approved by the organization administering the peer review program.

- (3) Other than in the peer review process, prohibit the use or public disclosure of information obtained by the reviewer, any organization administering an approved peer review program or the board during or in connection with the peer review process. The requirement that information not be publicly disclosed shall not apply to a hearing before the board that the firm requests be public under subsection (e) or to the information described in subsection (h)(3).
- (d)
 - (1) The peer review of a firm that performs one or more audits of historical financial statements or examinations of prospective financial information shall be a system review, including a study and evaluation of a representative selection of audit, examination, review and compilation reports, the financial information upon which those reports were based and the associated working papers. The system review shall include additional procedures relating to the firm's system of quality control sufficient to provide the reviewer with a reasonable basis upon which to issue a peer review report.
 - (2) The peer review of a firm that performs no audit or examination engagements but does perform one or more review engagements shall be required only to be an engagement review, including a study and evaluation of a representative selection of reports issued by the firm and the financial information upon which those reports were based; but, if such a firm elects to have a system review, that review shall also be acceptable. The engagement review shall include a study of the associated working papers and procedures and inquiries sufficient to provide the reviewer with a reasonable basis upon which to issue a peer review report.
 - (3) A firm that does not perform any audits or reviews, regardless of whether or not the firm performs compilations, shall be exempt from the requirement to undergo a peer review to the extent provided in subsection (g)(2).
((d) amended July 9, 2008, P.L.954, No.73)
 - (e) If a firm does not comply with any remedial actions determined appropriate by the administering organization, the administering organization shall refer the matter to the board to determine if further action under this subsection is warranted. The board may at its discretion or shall upon submission of a written

application by the firm hold a hearing to determine whether the firm complies with the appropriate professional standards and practices. The hearing shall be confidential and shall not be open to the public unless requested by the firm. If the board after conducting a hearing determines that the firm complies with the appropriate professional standards and practices, it shall issue an order requiring the reviewer and the administering organization to take any necessary action to record and implement the board's determination and to restore the status of compliance of the firm. However, if the board after conducting the hearing determines that the firm does not comply with the appropriate professional standards and practices, it may issue an order that requires both of the following:

- (1) Remedial action, which may include any or all of the following:
 - (i) Requiring employes of the firm to complete general or specific continuing professional education courses.
 - (ii) Requiring the firm to undergo a peer review more frequently than every three years.
 - (iii) Any other remedial action specified by the board.
 - (2) An affidavit from the firm submitted within the time specified by the board indicating completion of the required remedial actions.
- (f) The firm reviewed shall pay for any peer review performed.
- (g) A firm shall be exempt from the requirement to undergo a peer review if all of the following apply:
- (1) Within three years before the date of application for initial or renewal licensure, the firm has undergone a peer review conducted in another state or foreign jurisdiction which meets the requirements of subsection (c)(1) and (2). The firm shall submit to the board a letter from the organization administering the firm's most recent peer review stating the date on which the peer review was completed.
 - (2) The firm satisfies all of the following conditions:
 - (i) During the preceding two years, the firm has not accepted or performed any audit or review engagement.
 - (ii) Within the next two years, the firm does not intend to accept or perform any audit or review engagement.
 - (iii) (Deleted by amendment).
 - (3) For reasons of personal health, military service or other good cause, the board determines that the firm is entitled

to an exemption for a period of time not to exceed twelve months.

((g) amended July 9, 2008, P.L.954, No.73)

- (h) In any civil action, arbitration or administrative proceeding, regardless of whether a licensee is a party thereto, all of the following shall apply:
- (1) The proceedings, records (including, without limitation, letters of acceptance, peer review reports, letters of comment and letters of response) and working papers related to the peer review process of any reviewer, administering organization or board member are privileged and not subject to discovery, subpoena or other means of legal process and may not be introduced into evidence.
 - (2) No employe, member or agent of an administering organization, reviewer or board member shall be permitted or required to testify as to any matters produced, presented, disclosed or discussed during or in connection with the peer review process or be required to testify to any finding, recommendation, evaluation, opinion or other actions of any person in connection with the peer review process.
 - (3) No privilege exists under this subsection:
 - (i) For information presented or considered in the peer review process that was otherwise available to the public.
 - (ii) For material not prepared in connection with a peer review merely because they subsequently are presented or considered as part of the peer review process.
 - (iii) In connection with an administrative proceeding or related civil action brought for the purpose of enforcing this section.
- (i) If a peer review report indicates that a firm complies with the appropriate professional standards and practices set forth in the regulations of the board, the administering organization shall destroy all working papers and documents, other than report-related documents, related to the peer review within ninety days after issuance to the firm of the letter of acceptance by the administering organization. If a peer review letter of acceptance indicates that corrective action by a firm is required, the administering organization may retain documents and reports related to the peer review until completion of the next peer review or other agreed-to corrective actions.
- (j) In the event the practices of two or more firms are merged or otherwise combined, the surviving firm shall retain the peer

review year of the largest firm, as determined by the number of accounting and auditing hours of each of the practices. In the event that the practice of a firm is divided or a portion of its practice is sold or otherwise transferred, any firm acquiring some or all of the practice that does not already have its own review year shall retain the review year of the former firm. In the event that the first peer review of a firm that would otherwise be required by this subsection would be less than twelve months after its previous review, a review year shall be assigned by the administering organization so that the firm's next peer review occurs after not less than twelve months of operation, but not later than eighteen months of operation.

- (k) (1) None of the following persons shall be held to have violated any criminal law or to be civilly liable by reason of the performance by him or it of any duty, function or activity under this section so long as the person has not engaged in recklessness or willful misconduct:
 - (i) reviewers;
 - (ii) the administering organization or any of its members, employees or agents or any person furnishing professional counsel or services to the administering organization; or
 - (iii) board members.
- (2) Subsection (h) shall not apply to the defense of a claim alleging conduct not protected under clause (1).
- (l) This section shall apply as follows:
 - (1) Except as provided in clause (2), this section shall take effect on February 3, 1997. This clause includes without limitation effectiveness for the purposes of permitting the board to promulgate the regulations under subsection (c) and of applying subsections (h) and (k).
 - (2) This section shall not become applicable to firms and no firm shall be required to undergo a peer review under this section until May 1, 2000, except that this section shall not become applicable until May 1, 2004, to a firm that has not accepted or performed any audit engagements during the period May 1, 1998, through April 30, 2004.

- (m) The fees charged by an administering organization under this section shall not vary depending on whether or not a firm or some or all of its owners or employees are members of the administering organization. ((m) added July 9, 2008, P.L.954, No.73)

(8.9 added Dec. 4, 1996, P.L.851, No.140)

Section 9. Disciplinary Procedure; Appeals.

- (a) Except as provided in section 2.3(c) of this act, the procedure to be followed in the revocation of a firm’s license under section 8.8(g) of this act or the imposition of discipline under section 9.1 of this act and in appeals taken from disciplinary actions of the board shall be that prescribed under 2 Pa.C.S. Ch. 5 Subch. A (relating to practice and procedure of Commonwealth agencies) and Ch. 7 Subch. A (relating to judicial review of Commonwealth agency action), 1 Pa. Code Part II (relating to general rules of administrative practice and procedure) and applicable regulations promulgated by the board.
- (b) The board shall require an individual whose certification has been suspended or revoked to return his certificate or to certify in such manner as the board directs that it was lost, stolen or destroyed. Failure to comply with the board’s directions shall be a misdemeanor of the third degree.
- (c) The board may assess against the respondent in a disciplinary action under this act, as part of the sanction, the costs of investigation underlying that disciplinary action.

(9 amended July 9, 2008, P.L.954, No.73)

Section 9.1. Grounds for Discipline.

- (a) In accordance with the procedure provided in section 9 of this act, the board may revoke, suspend, limit or otherwise restrict the certificate of a certified public accountant or the registration of a public accountant, may revoke, suspend, limit or otherwise restrict any license issued under this act, may censure or publicly reprimand the holder of any certificate, registration or license, may require completion of general or a specific number of continuing professional education courses or may require more frequent peer review or other remedial action, or may revoke, suspend or limit the right of an individual to practice under section 5.2 of this act or censure or publicly reprimand an individual practicing under section 5.2 of this act for any one or any combination of the following causes:

- (1) Fraud or deceit in obtaining:
 - (i) a certificate of certified public accountant;
 - (ii) registration under this act;
 - (iii) a license to practice under this act; or

- (iv) a determination that substantial equivalency exists with respect to an individual.
- (2) Dishonesty, fraud or gross negligence in the provision of professional services.
- (3) Violation of any of the provisions of section 12 of this act.
- (4) Violation of a rule of professional conduct promulgated by the board under the authority granted by this act.
- (5) Pleading guilty to, entering a plea of nolo contendere to or being found guilty of a felony under any Federal or State law or the laws of any foreign jurisdiction.
- (6) Pleading guilty to, entering a plea of nolo contendere to or being found guilty of any crime, an element of which is dishonesty or fraud under any Federal or State law or the laws of any foreign jurisdiction.
- (6.1) Pleading guilty to, entering a plea of nolo contendere to or being found guilty of violating any Federal or State revenue law or the revenue laws of any foreign jurisdiction.
- (7) Cancellation, revocation, suspension or refusal to renew authority to provide professional services as a certified public accountant or public accountant by any other state or foreign jurisdiction for any cause other than failure to pay a registration or other fee in such other state or foreign jurisdiction.
- (8) Suspension or revocation of the right to practice before any Federal or State governmental agency.
- (10) Failure of certified public accountant or public accountant filing an application for a license or renewal thereof to furnish evidence of completion of the requirements for continuing education under section 8.2 of this act or to meet any conditions with respect to continuing education that the board may have ordered in respect to such certified public accountant or public accountant under that section.
- (12) Failure of a firm or sole proprietorship to satisfy the peer review requirements in section 8.9 of this act.
- (13) Failure of a firm to satisfy any of the organizational requirements in section 8.8(d) of this act.
- (14) Conduct that brings the profession of public accounting into disrepute or that lowers public esteem for the profession.
- (15) Violation of an order of the board.
- (16) Engaging in unprofessional conduct. Discipline may be imposed under this clause whether or not actual injury or loss to a client is established.

- (17) An act or omission by a licensee in another jurisdiction under substantial equivalency that subjects the licensee to discipline in the other jurisdiction.
((a) amended July 9, 2008, P.L.954, No.73)
- (b) The fact that a certified public accountant or public accountant is on inactive status under section 8.2(a.1) of this act or that a person does not hold a current license for any reason shall not limit or otherwise affect the power of the board to discipline him or it as provided in subsection (a).
- (c) For the purposes of this section only, "unprofessional conduct" means:
- (1) undertaking to perform professional services that the certified public accountant, public accountant or firm cannot reasonably expect to complete with professional competence;
 - (2) failure to exercise due professional care in the performance of professional services;
 - (3) failure to adequately plan and supervise the performance of professional services;
 - (4) failure to obtain sufficient data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed; or
 - (5) failure to comply with any standard promulgated by any recognized public or private standard-setting body that is applicable to the professional service being performed.
(9.1 amended Dec. 4, 1996, P.L.851, No.140)

Section 9.2. Reinstatement.

- (a) Except as provided in subsection (b), upon application in writing and after hearing pursuant to notice, the board may reinstate or modify the suspension of any license to practice which has been suspended. Reinstatement shall not be granted under this subsection:
- (1) To an individual unless he demonstrates that he has completed the biennial continuing education requirements that he would have been required to complete during the immediately preceding reporting period if his license had not been suspended.
 - (2) Unless the person seeking reinstatement pays the current biennial licensing fee plus a reinstatement fee.
- (b) An individual whose license has been suspended for more than five years shall not be eligible to apply for reinstatement of the license, but instead must take the examination and apply for a certificate of certified public accountant in accordance with section 4.2 of this act.

- (c) Unless ordered to do so by a court, the board shall not reinstate the certificate of a person to practice as a certified public accountant or the registration of a person to practice as a public accountant which has been revoked. A person whose certification or registration has been revoked may take the examination and apply for a certificate in accordance with section 4.2 of this act not earlier than five years after his certificate or registration was revoked if he desires to resume the practice of public accounting.
- (d) A person whose license to practice has expired for failure to make biennial registration or who has been on the inactive roll under section 8.2(a.1) of this act may have the license reinstated upon compliance with the following:
 - (1) In the case of an individual, presentation to the board of satisfactory evidence of having completed eighty hours of continuing education in programs approved by the board under section 8.2(d) of this act within two years preceding the date of the application for reinstatement.
 - (2) Payment of the current biennial licensing fee plus a reinstatement fee.
- (e) Upon application in writing and after hearing pursuant to notice, the board may reinstate or modify the suspension of an individual's right to practice under section 5.2 of this act which has been revoked or suspended.

(9.2 amended July 9, 2008, P.L.954, No.73)

Section 9.3. Revocation or Suspension of Partnership or Corporation Registration or License.

(9.3 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 10. Employes and Assistants.

(10 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 11. Ownership of Working Papers.

- (a) All statements, records, schedules, working papers and memoranda prepared by a licensee or a partner, shareholder, member or other owner of an equity interest in a firm, or an officer, director, employe or agent of a licensee incident to or in the course of rendering services to a client pursuant to the practice of public accounting, except reports submitted to a client and statements, records, schedules, working papers and memoranda provided by a client to a licensee or a partner, shareholder, member or other owner of an equity interest in a firm, or an officer, director, employe or agent of a licensee, shall be and remain the property of the licensee in the absence of an express agreement between the licensee and the client to the contrary. No such statement, record, schedule, working paper or memorandum shall be sold, transferred or bequeathed, without the consent of the client or his personal representative,

successor or assignee, to anyone other than one or more surviving or new partners, members, shareholders or other owners of an equity interest of the licensee or any combined or merged firm or successor in interest to the licensee. Nothing in this section shall be construed as prohibiting any temporary transfer of working papers or other material in the course of complying with the peer review provisions of this act or as otherwise interfering with the disclosure of information pursuant to section 8.9 of this act.

- (b) In addition to any statements, records, schedules, working papers, memoranda or reports required to be furnished or returned to the client in accordance with subsection (a), a licensee shall furnish to his or its client or former client upon request made within a reasonable time after original issuance of the document in question:
- (1) A copy of a tax return of the client.
 - (2) A copy of any report or other document issued by the licensee to or for such client and not formally withdrawn or disavowed by the licensee prior to the request.
 - (3) A copy of the licensee's working papers to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client. However, a licensee may require that fees due the licensee with respect to completed engagements be paid before such information is provided.
 - (4) Any accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received for the client's account. The licensee may make and retain copies of such documents of the client whenever those documents form the basis for work done by him.
 - (5) If a licensee can document compliance with the foregoing requirements, he need not comply with subsequent requests to again provide such information.
- (c) Except as provided by law other than this act, a licensee shall keep working papers and other materials described in this section for seven years. ((c) added July 9, 2008, P.L.954, No.73)
(11 amended Dec. 4, 1996, P.L.851, No.140)

Section 11.1. Privileged Communications.

Except by permission of the client engaging him or the heirs, successors or personal representatives of a client, a licensee or a person employed by a licensee shall not be required to, and shall not voluntarily, disclose or divulge information of which he may have become possessed unless the sharing of confidential information is within the peer review process. This provision on confidentiality shall prevent the board from receiving reports relative to and in connection with any professional services as a certified public accountant, public accountant or firm. The information derived from or as the result of such professional services shall be deemed confidential and privileged. Nothing in this section shall be taken or construed as prohibiting the disclosure of information required to be disclosed by the standards of the profession in reporting on the examination of financial statements, or in making disclosures in a court of law or in disciplinary investigations or proceedings when the professional services of the certified public accountant, public accountant or firm are at issue in an action, investigation or proceeding in which the certified public accountant, public accountant or firm is a party.

(11.1 amended Dec. 4, 1996, P.L.851, No.140)

Section 12. Unlawful Acts.

- (a) Except as provided in sections 5.2 and 5.4 of this act, it is unlawful for any person to hold himself out as or otherwise use the title or designation "certified public accountant," or the abbreviation "CPA," or any other title, designation, words, letters or abbreviation tending to indicate that the person is a certified public accountant or engaged in the practice of public accounting unless the person has received or has been notified in writing by the board that he has qualified to receive a certificate of certified public accountant issued by this Commonwealth, which is not revoked or suspended.
- (b) It is unlawful for any person to hold himself out or otherwise use the title "certified public accountant," "public accountant" or any abbreviation thereof, or the letters "CPA" or "PA" by virtue of any certificate, registration or license illegally or fraudulently obtained by the person, or issued unlawfully or through any fraudulent representation or deceit, or misstatement of material fact or fraudulent concealment of a material fact made or induced or aided or abetted by the person.
- (c) Except as provided in sections 5.2 and 5.4 of this act, it is unlawful for any partnership, corporation or other association to hold itself out as or otherwise use the title or designation "certified public accountant" or "public accountant" or the abbreviation "CPA" or "PA," or any other title, designation, words, letters or abbreviation tending to indicate that the partnership, corporation or other association is composed of

or includes certified public accountants or public accountants unless the partnership, corporation or other association holds a current license under section 8.8 of this act.

- (d) *((d) deleted by amendment Dec. 4, 1996, P.L.851, No.140)*
- (e) *((e) deleted by amendment Dec. 4, 1996, P.L.851, No.140)*
- (f) Except as provided in this subsection, in sections 5.2 and 5.4 of this act or in subsections (a) and (c), it is unlawful for any person to use a title that includes the word "certified" as a part thereof, or any other title or designation likely to be confused with "certified public accountant," or any title or designation implying or connoting accreditation by any jurisdiction for the practice of any type of bookkeeping, accounting, auditing, tax or other professional practice related thereto, or to use any abbreviation of such title or designation. It is not a violation of this subsection for an individual:
 - (1) except as provided in clause (2), to use a title or designation that includes the word "accredited" or "certified" or an abbreviation of such a title or designation if the title or designation has been conferred by a private organization after evaluation of the individual's credentials or qualifications and if when the title or designation is used on the individual's stationery it is accompanied by a statement that it has been conferred by an organization not affiliated with the Federal or any State government; or
 - (2) to use the designation "certified financial planner" or an abbreviation of that designation if the designation has been conferred by a private organization after evaluation of the individual's credentials or qualifications.
- (g) *((g) deleted by amendment Dec. 4, 1996, P.L.851, No.140)*
- (h) *((h) deleted by amendment Dec. 4, 1996, P.L.851, No.140)*
- (i) *((i) deleted by amendment Dec. 4, 1996, P.L.851, No.140)*
- (j) It is unlawful for any person to hold himself out as or otherwise use the title or designation "public accountant" or the abbreviation "PA" or any other title, designation, words, letters or abbreviation tending to indicate that the person is a public accountant, unless such person is registered as a public accountant and is a licensee, or unless such person has received, or has been notified in writing by the board that he has qualified to receive a certificate as certified public accountant issued by this Commonwealth.
- (k) *((k) deleted by amendment Dec. 4, 1996, P.L.851, No.140)*

- (l) It is unlawful for any person, partnership or corporation to hold himself or itself out as or otherwise use the title or designation "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "licensed public accountant," "registered public accountant" or "accredited accountant" or any other title or designation likely to be confused with "certified public accountant" or "public accountant," or any abbreviation of any of those prohibited titles or designations or similar abbreviations likely to be confused with "CPA," except that a person who is a licensee may hold himself out to the public as an "accountant," "auditor" or "accountant and auditor." It is not a violation of this clause for an individual designated by the Internal Revenue Service as an enrolled agent to use that title or the abbreviation "EA."
- (l.1) It is unlawful for any person to sell or offer to sell or fraudulently obtain, furnish or procure any certificate, registration, license or determination of substantial equivalency under the provisions of this act or cause or aid or abet another person to do so.
- (l.2) Except as provided in sections 5.2 and 5.4 of this act, it is unlawful for any person that is not a licensee to sign, affix a firm name to or otherwise issue any:
 - (1) report; or
 - (2) opinion, certificate or other communication respecting compliance with conditions established by law or contract, including, but not limited to, statutes, ordinances, regulations, grants, loans and appropriations, together with any wording, accompanying or contained in such opinion, certificate or other communication that indicates that the person is composed of or employs:
 - (i) accountants or auditors; or
 - (ii) persons having expert knowledge in accounting or auditing.
 - (l.3) It is unlawful for a licensee to use a professional or firm name that the licensee is prohibited from using by other applicable provision of law or that is misleading as to the persons who are partners, officers, members, directors, employees or shareholders of the firm or as to any other matter, except that the names of one or more former partners, shareholders or members may be included in the name of a firm or its successor.
- (m) Except as provided in sections 5.2 and 5.4 of this act, it is unlawful for any individual who is not a licensee to sign or affix his name or any trade or assumed name used by him in his profession or business to or otherwise issue any:

- (1) report; or
- (2) opinion, certificate or other communication respecting compliance with conditions established by law or contract, including, but not limited to, statutes, ordinances, regulations, grants, loans and appropriations, together with any wording accompanying or contained in such opinion, certificate or other communication, which indicates:
 - (i) that he is an accountant or auditor; or
 - (ii) that he has expert knowledge in accounting or auditing.

The provisions of this subsection shall not prohibit any officer, employe, partner, or principal of any organization from affixing his signature to any communication in reference to the affairs of the organization with any wording designating the position, title, or office which he holds in the organization, nor shall the provisions of this subsection prohibit any act of a public official or public employe in the performance of his duties as such.

- (n) Except as provided in sections 5.2 and 5.4 of this act, it is unlawful for any person not a licensee to hold himself or itself out to the public as an "auditor" or as an "accountant and auditor." This subsection shall not prohibit any officer, employe, partner, or principal of any organization from describing himself by the position, title or office he holds in the organization, nor shall this subsection prohibit any action of a public official or public employe in the performance of his duties as such.
- (o) It is unlawful for any person to hold himself or itself out as a member of any society, association or organization of certified public accountants or public accountants, unless such person holds a valid certificate of certified public accountant issued by this Commonwealth or by some state or is registered as a public accountant in this Commonwealth or, in the case of a firm, is licensed under section 8.8 of this act.
- (p) Commissions and referral fees shall comply with the following:
 - (1) A person practicing public accounting in this Commonwealth shall not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission when the person or the person's firm also performs for that client any of the following:
 - (i) An audit or review of a financial statement.
 - (ii) A compilation of a financial statement when the person expects, or reasonably might expect, that a

third party will use the financial statement and the person's compilation report does not disclose a lack of independence.

(iii) An examination of prospective financial information.

This prohibition applies during the period in which the person is engaged to perform any of the services listed in this clause and the period covered by any historical financial statements involved in such listed services.

- (2) A person practicing public accounting in this Commonwealth who is not prohibited by this act from performing services for or receiving a commission and who is paid or expects to be paid commission shall disclose that fact to any person to whom the person recommends or refers a product or service to which the commission relates.
- (3) Any person who accepts a referral fee or who pays a referral fee shall disclose such acceptance or payment to the client.
- (4) The board shall promulgate regulations specifying the terms of the disclosures required by clause (2) or (3), the manner in which the disclosures shall be made and such other matters regarding the disclosures as the board shall deem appropriate. The regulations shall require, at a minimum, that a disclosure shall comply with all of the following:
 - (i) Be in writing and be clear and conspicuous.
 - (ii) State the amount of the commission or referral fee or the basis on which it will be computed.
 - (iii) Be made at or prior to the time:
 - (A) the recommendation or referral of the product or service is made in the case of a commission; or
 - (B) the client retains the person to whom the client has been referred in the case of a referral fee.
- (5) This subsection does not apply to:
 - (i) Payments for the purchase of all or part of an accounting practice.
 - (ii) Retirement or similar payments to persons formerly engaged in the practice of public accounting.
 - (iii) Payments to the heirs or estates of persons formerly engaged in the practice of public accounting.
 - (iv) Incentive or bonus payments to a person by a firm employing the person.

- (q) Except as provided in sections 5.2 and 5.4 of this act, it is unlawful for any person not a licensee to engage in the practice of public accounting in this Commonwealth.
- (r) Except as provided in sections 5.2 and 5.4 of this act, it is unlawful for any person not a licensee to prepare financial information that is accompanied by a letter or other text that does not comply with section 13(c) of this act.

(12 amended July 9, 2008, P.L.954, No.73)

Section 13. Acts Not Unlawful.

- (a) Nothing contained in this act shall prohibit any person not a certified public accountant or a public accountant from serving as an employe of or an assistant to a certified public accountant, a public accountant or firm, but an employe or assistant shall not issue any report or accounting or financial statement over his name or signature.
- (b) Nothing contained in this act shall prohibit a certified public accountant, or association composed of certified public accountants, of another state who is concurrently engaged in public practice in such state from temporarily practicing in this Commonwealth on professional business if the practice is conducted in conformity with the regulations and rules governing temporary practice promulgated by the board.
- (c) Nothing contained in this act shall prohibit a person while not holding himself out as a certified public accountant, public accountant or licensee from offering and rendering bookkeeping and similar technical services or other services involving the use of accounting skills, including the preparation of tax returns and the preparation of financial information without issuing a report or other communication that expresses an opinion or assurance on the statements. A letter or other text that accompanies financial information prepared under this subsection shall not constitute a report or other communication that expresses an opinion or assurance only if it contains and is limited to the following wording:

The accompanying financial information of (company) as of (date and year), and for the year then ended have been prepared by (me/us).

This financial information is the representation of the management (owners) of (company).

A person who prepares financial information as permitted by this subsection may use the title or designation "accountant" or "accountants" and may refer to the services being provided as "accounting" only if the person includes in any letter or other text accompanying the financial information the following statement:

I am not a certified public accountant or public accountant.

We are not certified public accountants or public accountants.
(13 amended July 9, 2008, P.L.954, No.73)

Section 14. Injunction Against Unlawful Act.

Whenever in the judgment of the board any person has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of this act, the board or its agents may make application to the appropriate court for an order enjoining such acts or practices and, upon a showing by the board that the person has engaged or is about to engage in any such acts or practices, an injunction, restraining order or such other order as may be appropriate shall be granted by the court without bond.

(14 amended Dec. 4, 1996, P.L.851, No.140)

Section 15. Single Act Evidence of Practice.

The willful or knowing display or uttering by a person of a card, sign, advertisement or other printed, engraved or written instrument or device bearing a person's name in conjunction with the words "certified public accountant" or "public accountant" or any abbreviation thereof or any designation prohibited by this act, shall be prima facie evidence in any prosecution, proceeding or hearing that the person whose name is so displayed, caused or procured the display or uttering of the card, sign, advertisement or other printed, engraved, or written instrument or device and that the person is holding himself or itself out to be a certified public accountant or a public accountant. In any prosecution or proceeding under this act, evidence of the commission of a single act prohibited by this act shall be sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

(15 amended Dec. 4, 1996, P.L.851, No.140)

Section 16. Penalties.

- (a) A person who violates any of the provisions of section 12 of this act shall be guilty of a misdemeanor of the third degree and upon conviction thereof shall be sentenced to pay a fine not exceeding two thousand five hundred dollars (\$2,500) or suffer imprisonment not exceeding one (1) year, or both.
- (b) The disciplinary powers of the board shall be in addition to the penalties set forth in this section.
- (c) In addition to any other civil remedy, criminal penalty or discipline provided for in this act, the board may levy a civil penalty of up to ten thousand dollars (\$10,000) on any person for a violation of any provision of this act. The board shall levy a civil penalty only after affording the accused party the opportunity for a hearing, as provided in Title 2 of the Pennsylvania Consolidated Statutes (relating to administrative law and procedure). The maximum civil penalty that may be levied by the board shall not be more than two hundred thousand dollars (\$200,000) for

any related series of violations. The board may not levy a civil penalty with respect to a violation for which the person has been fined or assessed a civil penalty by the accountancy regulatory authority of another state. ((c) amended July 9, 2008, P.L.954, No.73)

- (d) All fines and civil penalties imposed in accordance with this section shall be paid into the Professional Licensure Augmentation Account.

(16 amended Dec. 4, 1996, P.L.851, No.140)

Compiler's Note: Section 3 of Act 25 of 2009, which amended section 5 of the act of July 2, 1993 (P.L.345, No.49), provided that section 16(c) is repealed insofar as it is inconsistent with the amendment of section 5.

Section 16.1. Construction.

(16.1 deleted by amendment Dec. 4, 1996, P.L.851, No.140)

Section 16.2. Audits Limited to Certified Public Accountants and Public Accountants.

Whenever any statute, regulation or order of a department, board, agency or commission heretofore or hereafter enacted or adopted requires the audit or examination of finances, accounts, financial statements, books and records or reports of any:

- (1) department, division, board, bureau, office, commission or agency of this Commonwealth;
- (2) municipal authority or other authority or political subdivision within this Commonwealth;
- (3) corporation, joint-stock company, nonprofit corporation, association, cooperative or joint-stock association or any other business or professional entity; or
- (4) eleemosynary institution, by a certified public accountant, public accountant, independent accountant or auditor, competent public accountant or other person purporting to have expert knowledge of accounting and auditing, the requirement shall be construed to mean a licensee. Nothing in this section shall be construed to affect the eligibility of any person to serve as an elected auditor in a political subdivision.

(16.2 amended Dec. 4, 1996, P.L.851, No.140)

Section 17. Repeals.

The act, approved the twenty-ninth day of March, one thousand eight hundred ninety-nine (Pamphlet Laws 21), entitled "An act to establish a board for the examination of accountants, to provide for the granting of certificates to accountants, and to provide a punishment for the violation of this act," and its amendments are hereby repealed. Section 421, act of April 9, 1929 (P.L.177, No.175), known as "The Administrative Code of 1929," is repealed.

All other acts or parts of acts inconsistent herewith are hereby repealed.
(17 reenacted Dec. 4, 1996, P.L.851, No.140)

APPENDIX

Supplementary Provisions of Amendatory Statutes

1984, MARCH 7, P.L.106, NO.23

Section 16.

Any reference in any statute of this Commonwealth containing the words "State Board of Examiners of Public Accountants" shall instead refer to the State Board of Accountancy, as provided in this act.

Compiler's Note: Act 23 amended the title and added or amended sections 2, 2.2, 3, 3.1, 4, 5 and 6, repealed section 8.1 and amended sections 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 9.1, 9.2, 9.3, 11, 11.1, 12, 13, 14 and 16 of Act 140.

Section 17.

Persons who are members of the State Board of Examiners of Public Accountants on the effective date of this act shall serve on the State Board of Accountancy until their current terms on the State Board of Examiners of Public Accountants would have expired or until their successors are duly appointed and qualified, but no longer than six months after the expiration of their terms.

Section 18.

All rules and regulations promulgated by the State Board of Examiners of Public Accountants shall remain in full force and effect until amended or repealed by the State Board of Accountancy.

Section 19.

Any person who holds a permit to practice as a certified public accountant or as a public accountant, which permit is not suspended, revoked or expired on the effective date of this act shall be deemed to be a "current licensee" and the holder of a "license" to practice as a certified public accountant or as a public accountant as those terms are used pursuant to the amendments made by this act to the act of May 26, 1947 (P.L.318, No.140), known as The C.P.A. Law.

Section 20.

This act, with respect to the State Board of Examiners of Public Accountants, shall constitute the legislation required to reestablish an agency pursuant to the act of December 22, 1981 (P.L.508, No.142), known as the Sunset Act.



pennsylvania
DEPARTMENT OF STATE

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