

# PROPOSED RULEMAKING

## STATE BOARD OF ACCOUNTANCY

[ 49 PA. CODE CH. 11 ]

### Act 73 and Act 15 Amendments

[45 Pa.B. 2878]

[Saturday, June 13, 2015]

The State Board of Accountancy (Board) proposes to amend §§ 11.1, 11.4, 11.5, 11.7, 11.8, 11.16, 11.55, 11.56, 11.63, 11.81 and 11.82 and to add §§ 11.23a and 11.57 (relating to competence to supervise attest services; and education requirements for CPA certification) to read as set forth in Annex A.

#### *Effective Date*

The proposed amendments would become effective upon final-form publication in the *Pennsylvania Bulletin*.

#### *Statutory Authority*

Section 3(a)(12) of the CPA Law (act) (63 P. S. § 9.3(a)(12)) authorizes the Board to promulgate and enforce regulations as necessary and proper to carry into effect the provisions of the act.

#### *Background and Need for the Proposed Rulemaking*

The act of July 9, 2008 (P. L. 954, No. 73) (Act 73) amended the act in a number of significant ways. Act 73 provided for practice in this Commonwealth under substantial equivalence by persons licensed in other states. Act 73 also provided new education and experience standards for licensure. In addition, Act 73 increased from \$1,000 to \$10,000 the maximum civil penalty that the Board could levy in a disciplinary action and authorized the Board to assess the costs of investigation and made other technical revisions to the language of the act. See the proposed rulemaking published at 45 Pa.B. 2874 (June 13, 2015). Because the Board's existing regulations prohibit unlicensed practice without mention of substantial equivalency and address

what experience and education is acceptable, the Board concluded that it should amend its regulations to implement Act 73.

The act of June 19, 2013 (P. L. 46, No. 15) (Act 15) also amended the act. Previously, a candidate was required to have at least 1 year of experience that, among other things, included at least 400 hours of experience in attest activity in public accounting, as an internal auditor meeting certain standards, or as an auditor with a unit of the Federal, state or local government. Act 15 replaced this with a requirement that the candidate's year of experience include "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." Additionally, a candidate had been required to have the experience "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." Act 15 amended this provision to require only that the experience be "verified by" a qualified individual. Because the Board's existing regulations address what experience is acceptable and set standards for the supervisor of that experience, the Board concluded that it should amend its regulations to implement Act 15.

#### *Description of the Proposed Rulemaking*

The Board proposes to amend § 11.1 (relating to definitions) to add definitions of "certificate," "certified public accountant," "commission," "compilation," "statements on auditing standards" and "substantial equivalency" and amend the definitions of "client" and "professional services" to match those amended or added to the act by Act 73.

Because Act 73 amended the act to permit practice without a Pennsylvania license and certificate under principles of substantial equivalency, the Board proposes to amend § 11.5 (relating to temporary practice in this Commonwealth; practice under substantial equivalency) to add subsection (e) to specifically recognize this practice. Because § 11.5(a) and (c) authorize temporary practice only upon meeting certain requirements and obtaining a temporary practice permit and require full licensure for temporary practice if not meeting the requirements for a temporary practice permit, respectively, the Board proposes to amend each of these provisions to provide reference to the exception of proposed § 11.5(e). Current § 11.7 (relating to use of the designation "public accountant" and the abbreviation "PA") authorizes holders of a license to practice public accounting to use those titles in subsection (a) and prohibits others from doing so in subsection (b). Current § 11.8 (relating to use of the designation "certified public accountant" and the abbreviation "CPA" in the practice of public accounting) authorizes holders of a license and certificate to practice public accounting to use those titles in subsection (a) and prohibits others from doing so in subsection (b). The Board proposes to amend §§ 11.7(a) and (b) and 11.8(a) and (b)

to provide as an exception those practicing under substantial equivalency as provided in proposed § 11.5(e).

Section 11.55(a) (relating to experience requirements for CPA certification) currently provides the experience standards—depending upon the candidate's education—based upon former section 4.1 of the act (63 P. S. § 9.4a). However, Act 73 repealed section 4.1 of the act and added section 4.2 of the act (63 P. S. § 9.4b). Accordingly, the Board proposes to delete § 11.55(a)(1)—(5) and amend § 11.55(a) to recite the experience requirements of section 4.2(d) of the act, as later amended by Act 15 (1 year of experience completed within 60 months preceding application that included providing certain relevant services in certain types of employment, among other standards). Additionally, the Board would construe the requirement of 1 year of experience to be based upon at least 1,600 hours of experience acquired over a period of at least 12 months. Section 11.55(b) currently sets forth standards for required experience in attest activity. However, because the Act 15 amendments removed a requirement that the candidate have experience in attest, the Board proposes to delete current § 11.55(b). Section 11.55(c) currently addresses nonattest activity that may satisfy the experience requirements. The Board proposes to: rename this subsection as "acceptable areas of qualified experience"; provide that, as recited in section 4.2(d)(3) of the act, the experience must be of a caliber satisfactory to the Board; and identify attest activity as the first acceptable area of experience. The Board would further amend subsection (c) to add business valuations, teaching experience and other areas of experience acceptable to the Board. Teaching experience would be limited to teaching accounting, auditing, taxation and tax related courses (but not business law, finance, computer applications, personnel management, economics or statistics) for credit at an accredited college or university, including at least two different courses above introductory level, and would equate 24 semester credits or equivalent over a period of between 12 and 36 months as 1 year of experience.

In enacting the new requirements of section 4.2 of the act, Act 73 also provided in section 4.2(e) of the act alternative provisions for persons who previously passed portions of the CPA examination. The Board proposes to add subsection (b) to provide these exceptions.

Section 11.55(d) addresses nonqualifying experience, and paragraphs (2) and (3) exclude experience acquired while self-employed or as a partner in a partnership, respectively. These were originally excluded due to concerns that a self-employed person or a partner could not truly be "supervised" by another. Because supervision is no longer required and the requirements of § 11.56 (relating to verification of experience) will assure sufficient responsibility for the work product and professional independence, the Board proposes to delete these disqualifications. That being said, the Board proposes to replace the exclusion for industrial engineering with marketing and move bookkeeping from paragraph (4) to renumbered paragraph (3) with paraprofessional work. Further, the Board proposes to amend § 11.55 to replace

references to "supervision" of experience with "verification" of experience.

Previously, section 4.2(d)(4) of the act required that the experience be supervised by an individual with a current license to practice in this Commonwealth or another state, and § 11.56 embodies this requirement. However, Act 15 amended section 4.2(d)(4) of the act to require only that the experience was "verified" by this individual. Accordingly, the Board proposes to amend § 11.56. In addition to replacing "supervise" or "supervision," the Board proposes to require that the individual making the verification hold a current license "during the entire period of verification." To ensure that the individual making the verification is actually corroborating the experience and not just signing off on a form, the Board does not propose to amend the requirement of subsection (a)(2) that the individual making the verification either employs the candidate or is employed by the same employer as the candidate. The Board does propose to amend this paragraph to provide that another similar relationship—perhaps independent contractor—may be approved by the Board prior to the period of verification. The Board also proposes to amend the requirement of paragraph (3) that the individual making the verification must be responsible (either directly or indirectly) for evaluating, rather than personally evaluating, the candidate's work. The Board further proposes to amend subsection (b) to require that the application with a verified statement of experience include information demonstrating that the individual satisfies the requirements for making the verification of experience. The Board also proposes to amend subsection (c) to delete the requirement that a false or inaccurate verified statement be submitted "knowingly" for the individual submitting the statement to be subject to disciplinary action. Finally, the Board proposes to add subsection (d) to provide that it may reject a verification when the Board questions the independent exercise of judgment by the individual making the verification.

With section 4.2(b)(3) of the act added by Act 73, the Board proposes to add § 11.57. Subsection (a) mimics the three requirements of section 4.2(b)(3) of the act, providing for a baccalaureate degree with at least 150 semester credits and having 24 credits in accounting and related subjects, a baccalaureate degree and 24 credits in accounting and related subjects, or a master's degree and 24 credits in accounting and related subjects. Section 4.2(c) of the act requires that a candidate who sat for the examination under another education requirement must have the 150-credit baccalaureate degree to become licensed and certified. Subsection (b) repeats this requirement.

Section 11.16(a) (relating to examination completion requirement) currently provides that beginning April 5, 2004, the four-part paper examination will be replaced with a four-part computer based examination that will be administered during quarterly windows each year. Ten years later this explanation is no longer relevant and the Board proposes to delete the unnecessary language. Subsections (c)—(e) that address this phase-in are also no longer relevant. Therefore, the Board proposes to

delete subsections (c)—(e), references to those subsections and renumber existing subsection (f) as subsection (c).

Because they are no longer relevant, the Board proposes to amend § 11.4 (relating to fees) to delete the fee for reapproval of a previously approved program sponsor after April 30, 2001, and to delete the reference in the fee for initial approval of a program sponsor to the application being submitted after April 30, 2001.

As a result of the deletion by Act 15 of the requirement that every candidate must have at least 400 hours of experience in attest activity to become licensed, the Board considered the presumed competence of a licensee to engage in attest activity. Because licensees must be able to develop competency, the Board concluded that those licensees merely participating in attest activity need not be required to demonstrate a minimum level of competency; supervision by a competent licensee is sufficient. Accordingly, the Board proposes to add § 11.23a to set these standards. These standards are similar to, and based upon, existing required standards in certain other states. Subsection (a) would prohibit a licensee from supervising attest services and signing or authorizing another to sign an accountant's report for attest services unless the licensee satisfies the competence requirements of this section. Subsection (b) would set the standard for competence by requiring the licensee to have maintained the level of education, experience and professional conduct required by applicable generally accepted professional standards as described in § 11.27 (relating to auditing standards and other technical standards) and to either: (1) have at least 400 hours of experience within the previous 5 years in providing attest services and at least 24 hours of continuing professional education (CPE) in accounting, auditing or attest during the immediately preceding 24 months prior to issuing the report; or (2) be a member of or employed by a firm that has met the requirements of § 11.82 (relating to peer review compliance). Subsection (c) would exempt licensees who became licensed before August 18, 2013, when the requirement for 400 hours of experience in attest activity was deleted.

Because competence to supervise attest activity would be affected by completing CPE in accounting and attest, the Board first would amend § 11.63(a)(1) (relating to CPE subject areas; relevance to professional competence) to note that a licensee who supervises attest services and signs an accountant's report for these services may also need to complete additional CPE in accounting and attest. The Board further considered whether every licensee should be required to complete a minimum amount of CPE in this area. A survey of state requirements on behalf of the National Association of State Boards of Accounting revealed that only eight states require every licensed accountant to complete continuing education in accounting and attest and eight other states and Puerto Rico condition the requirement on performing those types of services. The other 34 states and the District of Columbia do not require continuing education. Because so many licensees will not be performing attest services, the Board concluded that it should not require every licensee to complete

CPE in accounting and attest. However, it believes that those who do provide these services—even under the supervision of another licensee—shall maintain competence by completing a minimum amount of CPE. Accordingly, the Board proposes to amend § 11.63(a)(1) to require each licensee who participates in attest activity to complete at least 24 CPE hours in accounting and attest during each biennium. Consistent with the idea that licensees know best what types of CPE would be most useful, the Board proposes to delete from § 11.63(a)(6) the requirements that licensees complete at least 8 hours of CPE in taxation during each renewal period. It does not propose to delete the requirement of § 11.63(a)(7) that each licensee must complete at least 4 CPE hours in ethics. In contrast to the practice acts of many other licensing boards in the Bureau of Professional and Occupational Affairs, the act does not prohibit a licensee of the Board from obtaining CPE credit in practice building or office management. Accountants often appropriately advise clients on the topic of practice building and office management. Because these are valid areas of study and application in a licensee's own practice is not a sufficient basis to deny credit, the Board proposes to delete from § 11.63(b) the prohibition against obtaining CPE credit in practice building or office management.

The Board also proposes to amend its regulations concerning peer review. Section 11.81 (relating to definitions) is proposed to be amended to add definitions of "engagement review" and "system review" to match those added to the act by Act 73. Because these terms are no longer used, the Board proposes to delete the definitions of "offsite peer review" and "onsite peer review." The Board would also amend the definition of "peer reviewer" to refer to the new terms "engagement review" and "system review."

Current § 11.82(a) requires that a firm that performs an audit engagement after May 1, 1998, must complete a peer review before the biennial renewal period of May 1, 2002, through April 30, 2004. Because that time has now passed, this provision as written is moot. However, section 8.9 of the act (63 P. S. § 9.8i) requires a firm (with certain exceptions in subsection (g)) to undergo a peer review as a condition of granting the firm a renewal license. Section 8.9(a) of the act requires the initial or renewal application of a firm that does not qualify for exemption to include a certification that the firm is in compliance with the peer review requirements. Section 8.9(b) of the act permits a firm with fewer than three licensees to have a peer review only every 5 years and those with three or more licensees to have a peer review only every 3 years. It also acknowledges that the Board may require more frequent peer review as a remedial action in the imposition of discipline. It also requires a firm to have its first peer review within 18 months of licensure and, if not previously completed, within 18 months after beginning an engagement to perform attest activity. Accordingly, the Board proposes to amend § 11.82(a) to require, unless exempt under section 8.9(g) of the act, a firm to complete a peer review as required under section 8.9(a), (b) and (d) of the act as a condition of renewal of the firm's license. The Board proposes to amend § 11.82(b) to repeat the requirement of section 8.9(b)(2) of the act

that a new firm must complete peer review within 18 months of obtaining licensure and the requirement of section 8.9(b)(2.2) of the act that a firm that has been exempt or otherwise not previously required to complete peer review must complete a peer review within 18 months after commencing the engagement. Because it had not been previously addressed in the regulations, the Board proposes to add § 11.82(e) to repeat the requirement of section 8.9(d)(2) of the act that a firm that performs no audit or examination engagements but does perform one or more review engagements must only undergo an engagement review.

### *Fiscal Impact and Paperwork Requirements*

The proposed rulemaking will not have a fiscal impact on, or create additional paperwork for, the regulated community, the general public or the Commonwealth and its political subdivisions.

### *Sunset Date*

The Board continuously monitors the effectiveness of its regulations. Therefore, a sunset date has not been assigned.

### *Regulatory Review*

Under section 5(a) of the Regulatory Review Act (71 P. S. § 745.5(a)), on May 29, 2015, the Board submitted a copy of this proposed rulemaking and a copy of a Regulatory Analysis Form to the Independent Regulatory Review Commission (IRRC) and the Chairpersons of the House Professional Licensure Committee and the Senate Consumer Protection and Professional Licensure Committee. A copy of this material is available to the public upon request.

Under section 5(g) of the Regulatory Review Act, IRRC may convey comments, recommendations or objections to the proposed rulemaking within 30 days of the close of the public comment period. The comments, recommendations or objections must specify the regulatory review criteria which have not been met. The Regulatory Review Act specifies detailed procedures for review, prior to final publication of the rulemaking, by the Board, the General Assembly and the Governor of comments, recommendations or objections raised.

### *Public Comment*

Interested persons are invited to submit written comments, recommendations or objections regarding this proposed rulemaking to the Regulatory Unit Counsel, Department of State, P. O. Box 69523, Harrisburg, PA 17106-9523, RA-STRegulatoryCounsel@pa.gov within 30 days of publication of this proposed rulemaking in the *Pennsylvania Bulletin*. Reference No. 16A-5513 (Act 73 and Act 15 amendments) when submitting comments.

**Fiscal Note:** 16A-5513. No fiscal impact; (8) recommends adoption.

## **Annex A**

# **TITLE 49. PROFESSIONAL AND VOCATIONAL STANDARDS**

## **PART I. DEPARTMENT OF STATE**

### **Subpart A. PROFESSIONAL AND OCCUPATIONAL AFFAIRS**

#### **CHAPTER 11. STATE BOARD OF ACCOUNTANCY**

##### **GENERAL PROVISIONS**

###### **§ 11.1. Definitions.**

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

\* \* \* \* \*

*Candidate*—A person sitting for an examination.

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

*Certificate of completion*—A document prepared by a CPE program sponsor evidencing a participant's completion of a group study program, interactive individual study program or noninteractive individual study program.

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

*Client*—[The person or entity which retains a licensee for the performance of professional services.] A 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*—



(i) **Compensation for recommending or referring a product or service to be supplied by another person.**

(ii) **The term does not include a referral fee.**

***Compilation*—A service performed in accordance with 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.**

*Contingent fee*—A fee established for the performance of a service under an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of the service.

\* \* \* \* \*

*Professional competence*—Having requisite knowledge, skills and abilities to provide quality professional service as defined by the technical and ethical standards of the profession.

**[*Professional service*—A service performed or offered to be performed by a licensee for a client in the course of the practice of public accounting.]**

***Professional services*—Services performed by a certified public accountant, public account or firm as part of the practice of public accounting or services 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 accounting*—Offering to perform or performing for a client or potential client:

\* \* \* \* \*

*SSARS*—Statement of Standards on Accounting and Review Services.

***Statements on auditing standards*—The Statements on Auditing Standards of the Auditing Standards Board of the AICPA, or similar professional standard which supersedes these statements.**

***Substantial equivalency*—Either of the following:**

(i) **The education, examination and experience requirements in the statutes and regulations of another jurisdiction are comparable to or exceed the**

education, examination and experience requirements in the act.

(ii) A certified public accountant's education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements in the act.

#### § 11.4. Fees.

Following is the schedule of fees charged by the Board:

\* \* \* \* \*

Initial approval of program sponsor or reapproval of previously approved program sponsor [**when application is submitted after April 30, 2001**]  
\$145

[**Reapproval of previously approved program sponsor when application is submitted by April 30, 2001**]  
\$120]

Biennial renewal of approval of program sponsor  
\$150

#### § 11.5. Temporary practice in this Commonwealth; **practice under substantial equivalency.**

(a) *Requirements for temporary practice.* [**A**] **Except as provided in subsection (e), a CPA, or qualified association composed of CPAs, of another state may temporarily practice public accounting in this Commonwealth, if the CPA or qualified association:**

\* \* \* \* \*

(c) *Failure to meet requirements for temporary practice.* [**A**] **Except as provided in subsection (e), a CPA or qualified association of CPAs of another state that desires to practice public accounting in this Commonwealth but does not qualify for a temporary practice permit shall comply, as appropriate, with sections 5, 8.2 and 8.8 of the act (63 P. S. §§ 9.5, 9.8b and 9.8h).**

(d) *Exemption from requirement of temporary practice permit.* Subsection (a) does not apply to a CPA or qualified association of CPAs of another state that, while not

holding out as a CPA, public accountant or licensee, offers and renders in this Commonwealth 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.

**(e) *Practice under substantial equivalency.* An individual who satisfies the requirements of section 5.2 of the act (63 P. S. § 9.5b) may practice public accounting in this Commonwealth to the extent authorized by section 5.2 of the act without holding a registration, certificate or temporary practice permit from the Board. A firm that satisfies the requirements of section 5.4 of the act (63 P. S. § 9.5d) may practice public accounting in this Commonwealth to the extent authorized by section 5.4 of the act without holding a current license or temporary practice permit from the Board.**

## SUPERVISION

### **§ 11.7. Use of the designation "public accountant" and the abbreviation "PA."**

**(a) [Only] Except as provided in § 11.5(e) (relating to temporary practice in this Commonwealth; practice under substantial equivalency), only the following individuals and entities may use the designation "public accountant," the abbreviation "PA," or any other title, designation, words, letters or abbreviation tending to indicate that the user is a public accountant or is composed of public accountants:**

\* \* \* \* \*

**(b) [An] Except as provided in § 11.5(e), an individual or qualified association engaged in the practice of public accounting may not use the designation "public accountant," the abbreviation "PA" or any other title, designation, words, letters or abbreviation tending to indicate that the user is a public accountant or composed of public accountants unless the user holds a current license from the Board.**

\* \* \* \* \*

### **§ 11.8. Use of the designation "certified public accountant" and the abbreviation "CPA" in the practice of public accounting.**

**(a) [Only] Except as provided in § 11.5(e) (relating to temporary practice in this Commonwealth; practice under substantial equivalency), only the following individuals and entities may use the designation "certified public accountant," the abbreviation "CPA" or any other designation, title, words, letters or abbreviation**

tending to indicate that the user is a CPA or composed of CPAs, while engaged in the practice of public accounting:

\* \* \* \* \*

(b) **[An] Except as provided in § 11.5(e), an individual or qualified association engaged in the practice of public accounting may not use the designation "certified public accountant," the abbreviation "CPA" or any other title, designation, words, letters or abbreviation tending to indicate that the user is a CPA or composed of CPAs unless the user holds a current license from the Board.**

\* \* \* \* \*

## **EXAMINATIONS**

### **§ 11.16. Examination completion requirement.**

(a) **[Effective April 5, 2004, the four-part, paper-and-pencil CPA examination will be replaced with a four-part, computer-based CPA examination.]** The CPA examination will be administered during an examination window that consists of the first 2 months of each quarter of every year **[beginning April 5, 2004]**. An examination candidate may take the four parts of the examination individually or in combination, and in any order. A candidate may take each unpassed part of the examination once during each examination window. A candidate will receive conditional credit for passing each part of the examination, without regard to the scores on the parts not passed.

(b) **[Except as provided in subsections (c) and (d)] Unless extended by the Board as provided in subsection (c), an examination candidate shall pass all parts of the examination during a rolling 18-month period that begins on the date the candidate first passes one part of the examination. If the candidate does not pass all parts of the examination within the 18-month period, conditional credit for any part passed outside the 18-month period will expire, and the candidate shall retake that part of the examination.**

**[(c) An examination candidate who, as of April 5, 2004, had received conditional credit for passing at least two parts of the examination since November 1999 shall pass the remaining parts of the examination within 5 years from the date the candidate initially took the examination.**

**(1) The candidate shall be permitted to take the remaining parts of the examination during the following number of examination windows, depending on when the candidate initially took the examination:**

### **Available Examination**

<b>Initial Examination Date</b>	<b>Windows</b>	<b>Examination Completion Date</b>
November 3-4, 1999	1	November 4, 2004
May 3-4, 2000	2	May 4, 2005
November 1-2, 2000	3	November 2, 2005
May 2-3, 2001	4	May 3, 2006
November 7-8, 2001	5	November 8, 2006
May 8-9, 2002	6	May 9, 2007
November 6-7, 2002	7	November 7, 2007
May 7-8, 2003	8	May 8, 2008
November 5-6, 2003	9	November 6, 2008

**(2) The candidate may take a part of the examination during any examination window between April 5, 2004, and the appropriate completion deadline.**

**(3) If the candidate does not pass the remaining parts of the examination by the appropriate completion deadline, or after exhausting the remaining examination opportunities, whichever occurs first, conditional credit for the parts of the examination passed before April 5, 2004, will expire, and the candidate shall thereafter be subject to the requirements of subsection (b). In that case, the candidate will retain conditional credit for any part of the examination passed after April 5, 2004, that is timely to the requirements of subsection (b).**

**(d) An examination candidate who initially took the examination prior to November 1990 and who, as of April 5, 2004, had received conditional credit for passing at least one part of the examination shall pass the remaining parts of the examination within 18 months from the date the candidate next takes the examination on or after April 5, 2004. If the candidate does not pass the remaining parts of the examination within the 18-month period, conditional credit for the parts of the examination passed before April 5, 2004, will expire, and the candidate shall thereafter be subject to the requirements of subsection (b). In that case, the candidate will retain conditional credit for any part of the examination passed after April 5, 2004, that is timely to the requirements of subsection (b).**

**(e) For purposes of subsections (c) and (d), an examination candidate with conditional credit under the paper-and-pencil examination will receive conditional credit under the computer-based examination based on the following equivalency between the four parts of the two examinations:**

**Paper and Pencil Examination**

**Computer-Based Examination**

Auditing (AUD)	Auditing and Attestation
Financial Accounting and Reporting (FARE) (formerly Accounting Theory)	Financial Accounting and Reporting
Accounting and Reporting (ARE) (formerly Accounting Practice)	Regulation
Business Law and Professional Responsibilities (LPR) (formerly Business Law)	Business Environment and Concepts

**(f) (c)** Notwithstanding the requirements of subsections **[(a)—(c)] (a) and (b)**, the Board may extend the term of a candidate's conditional credit upon the candidate's showing that the conditional credit expired by reason of circumstances beyond the candidate's control.

## **RELATIONS WITH CLIENTS AND PUBLIC**

*(Editor's Note: The following section is new and printed in regular type to enhance readability.)*

### **§ 11.23a. Competence to supervise attest services.**

(a) Except as provided in subsection (c), a licensee may not supervise attest services and sign or authorize another to sign an accountant's report for attest services unless the licensee satisfies the competence requirements of this section.

(b) To be competent to supervise attest services and sign or authorize another to sign an accountant's report for attest services, a licensee shall:

(1) Meet at least one of the following:

(i) Have at least 400 hours of experience within the previous 5 years in providing attest services gained in government, industry, academia or public practice and at least 24 hours of CPE in the area of accounting, auditing or attest during the 24 months immediately preceding issuance of the report.

(ii) Be a member of or employed by a firm registered with the Board that has met the requirements of § 11.82 (relating to peer review compliance).

(2) Have maintained the level of education, experience and professional conduct required by applicable generally accepted professional standards as described in § 11.27 (relating to auditing standards and other technical standards).

(c) The requirements of subsection (b) do not apply to a licensee who was licensed

by the Board before August 18, 2013.

## **EXPERIENCE**

### **§ 11.55. Experience requirements for CPA certification.**

#### ***[(a) General requirements.***

**(1) A candidate for CPA certification who qualified for the CPA examination based on possession of a bachelor's degree and completion of 24 semester credits in relevant subjects shall have acquired 3,200 hours of qualifying experience, including a minimum of 800 hours of attest activity, over a period of not less than 24 months.**

**(2) A candidate for CPA certification who qualified for the CPA examination based on possession of a master's degree or other postgraduate degree and completion of 24 semester credits in relevant subjects shall have acquired 1,600 hours of qualifying experience, including a minimum 400 hours of attest activity, over a period of not less than 12 months.**

**(3) A candidate for CPA certification who qualified for the CPA examination based on possession of a bachelor's degree or higher degree and completion of 150 semester credits of postsecondary education including 36 semester credits in relevant subjects shall have acquired 1,600 hours of qualifying experience, including a minimum 400 hours of attest activity, over a period of not less than 12 months.**

**(4) A candidate who initially sat for the CPA examination after January 1, 2000, shall have acquired the qualifying experience required under paragraphs (1)—(3) within 120 months preceding the date of application for CPA certification. A candidate who initially sat for the CPA examination before January 1, 2000, is not subject to any time limitation regarding the acquisition of qualifying experience.**

**(5) A candidate may not receive credit for more than 1,600 hours of qualifying experience in a 12-month period. A candidate may acquire all hours of qualifying experience in attest activity.**

**(b) *Attest activity.* A candidate's attest activity must be in one or more of the following areas:**

**(1) Candidates employed in public accounting:**

**(i) Audits of financial statements in accordance with GAAS, GAGAS or**

**PCAOB.**

- (ii) Reviews of financial statements in accordance with SSARS.**
- (iii) Compilations of financial statements with complete disclosure in accordance with SSARS.**
- (iv) Attestation engagements in accordance with SSAE.**
- (v) Other auditing in accordance with accepted standards that leads to an expression of a written opinion including:**
  - (A) Reviews regarding internal control.**
  - (B) Operational audits.**
  - (C) Compliance audits.**
  - (D) Expressing an opinion on financial forecasts and projections.**
- (vi) Training sessions on the attest function completed before January 1, 2008.**
  - (2) Candidates employed in private industry:**
    - (i) Performance of an independent internal audit function.**
    - (ii) Compliance audits of government contracts performed on behalf of a government agency that result in the issuance of an opinion or report.**
    - (iii) Training sessions on the attest function completed before January 1, 2008.**
  - (3) Candidates employed in Federal, State or local government:**
    - (i) Performance of an independent internal audit function.**
    - (ii) Audits performed on behalf of a government audit agency that results in the issuance of an opinion or report.**
    - (iii) Training sessions on the attest function completed before January 1, 2008.**
- (c) *Nonattest activity.* A candidate's nonattest activity must be in one or more of the following areas:**
  - (1) Preparation of income and nonprofit tax returns.**
  - (2) Tax research that is properly documented.**



**(3) Representation before a government agency on a tax matter.**

**(4) Financial forecasts, analyses and projections.**

**(5) Management advisory services that meet AICPA standards.**

**(6) Management and supervision of accounting functions and preparing financial statements for profit or not-for-profit entities.**

**(7) Professional accounting-related work in a public accounting firm.**

**(d) *Nonqualifying experience.* A candidate will not receive credit for the following types of experience:**

**(1) Experience that was supervised by an individual who did not meet the requirements of § 11.56 (relating to supervision of experience; verification) at the time the experience was obtained.**

**(2) Experience acquired while self-employed.**

**(3) Experience acquired as a partner in a partnership.**

**(4) Experience comprising nonprofessional work, including recruiting, industrial engineering, administration, bookkeeping and appraisals.**

**(5) Paraprofessional work that does not comply with subsection (c)(7).]**

**(a) *General requirements.* Except as provided in subsection (b), a candidate for CPA certification shall have completed at least 1 year of qualifying experience during the 60-month period immediately preceding the date of application that 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. Each year of experience must include at least 1,600 hours of qualifying experience acquired over a period of not less than 12 months.**

**(b) *Exceptions.***

**(1) A candidate who sat for the CPA examination before December 31, 2011, but did not pass at least one part of the examination before that date and satisfies the requirements of § 11.57(a)(1) (relating to education requirements for CPA certification) shall have completed at least 1 year of qualifying experience meeting the requirements of subsections (a) and (c) during the 120-month period immediately preceding the date of application.**

**(2) A candidate who passed at least one part of the CPA examination before**

**December 31, 2011, and satisfies the requirements of § 11.57(a)(2) shall have completed at least 2 years of qualifying experience meeting the requirements of subsections (a) and (c) during the 120-month period immediately preceding the date of application.**

**(3) A candidate who passed at least one part of the CPA examination before December 31, 2011, and satisfies the requirements of § 11.57(a)(3) shall have completed at least 1 year of qualifying experience meeting the requirements of subsections (a) and (c) during the 120-month period immediately preceding the date of application.**

**(c) *Acceptable areas of qualified experience.* A candidate's experience shall be of a caliber satisfactory to the Board and may include one or more of the following areas:**

- (1) Attest activity.**
- (2) Business valuations.**
- (3) Preparation of income and nonprofit tax returns.**
- (4) Tax research that is properly documented.**
- (5) Representation before a government agency on a tax matter.**
- (6) Financial forecasts, analyses and projections.**
- (7) Management advisory services that meet AICPA standards.**
- (8) Management and supervision of accounting functions and preparing financial statements for profit or nonprofit entities.**
- (9) Professional accounting-related work in a public accounting firm.**
- (10) Teaching accounting, auditing, taxation and related courses for academic credit at an accredited college or university. Teaching must include at least two different courses above the introductory level. One year of experience consists of no less than 24 semester hours, or the equivalent in quarter hours, taught in a period of not less than 12 months and not more than 36 months. Courses outside the fields of accounting, auditing, taxation and related courses will not be counted toward teaching. Nonqualifying courses include, for example, business law, finance, computer applications, personnel management, economics and statistics.**
- (11) Other areas of experience acceptable to the Board.**

**(d) *Nonqualifying experience.* A candidate will not receive credit for the following types of experience:**

**(1) Experience that is not verified in accordance with § 11.56 (relating to verification of experience).**

**(2) Experience comprising nonprofessional work, including recruiting, marketing, administration and appraisals.**

**(3) Paraprofessional work and bookkeeping that does not comply with subsection (c)(9).**

§ 11.56. **[Supervision] Verification of experience[; verification].**

(a) To receive credit for experience under § 11.55 (relating to experience requirements for CPA certification), a candidate for CPA certification shall **[acquire] have the experience [under the supervision of] verified by** an individual who meets the following conditions at the time the experience is acquired:

(1) Holds a current license to practice as a CPA or public accountant in this Commonwealth or another jurisdiction **during the entire period of verification.**

(2) Either employs the candidate or is employed by the same employer as the candidate, **or has another similar relationship approved by the Board prior to the period of verification. [The supervisor may not be a member of a public accounting firm that is independent of the entity that employs the candidate.]**

(3) Is **directly or indirectly** responsible for **[and personally evaluates] evaluating** the candidate's work.

(b) **[A supervisor] An individual verifying a candidate's experience** shall submit a verified statement regarding the candidate's experience on a form provided by the Board, specifying the dates **[of supervision]** and the types and hours of experience acquired, **along with information demonstrating that the individual satisfies the requirements of subsection (a).**

(c) **[A supervisor] An individual** who submits a verified statement shall be responsible for its accuracy. **[A supervisor who knowingly] An individual who** submits a false or inaccurate verified statement or who refuses to submit a verified statement when qualified experience has been acquired shall be subject to disciplinary action under section 9.1 of the act (63 P. S. § 9.9a).

**(d) The Board may reject a verification when the Board questions the**

**independent exercise of judgment by the individual making the verification.**

## **EDUCATION**

*(Editor's Note: The following section is new and printed in regular type to enhance readability.)*

### **§ 11.57. Education requirements for CPA certification.**

(a) *General requirements.* A candidate to sit for the CPA certification examination shall have graduated with any of the following:

(1) 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 approved by the Board and completed a total of 150 semester credits of post-secondary education, including at least 24 semester credits of accounting and auditing, business law, finance or tax subjects of a content satisfactory to the Board, not necessarily as part of the candidate's undergraduate or graduate work, and an additional 12 semester credits in accounting, auditing and tax subjects of a content satisfactory to the Board, not necessarily as part of the candidate's undergraduate or graduate work.

(2) 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 approved by the Board and completed at least 24 semester credits in accounting and auditing, business law, finance or tax subjects of a content satisfactory to the Board, not necessarily as part of the candidate's undergraduate work.

(3) 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 approved by the Board and completed at least 24 semester credits in accounting and auditing, business law, finance or tax subjects of a content satisfactory to the Board, not necessarily as part of the candidate's undergraduate or graduate work.

(b) *Issuance of certificate.* Except as provided in § 11.55(b) (relating to experience requirements for CPA certification), the Board will not issue a certificate to a candidate who qualified to sit for the CPA certification examination under subsection (a)(2) or (3) unless the candidate has also satisfied subsection (a)(1).

## **CONTINUING PROFESSIONAL EDUCATION**

### **§ 11.63. CPE subject areas; relevance to professional competence.**

(a) The CPE hours required under § 11.62 (relating to CPE requirement for issuance of license; waiver or extension) must be in the following subject areas and with the following minimum hours as noted:

(1) Accounting and attest—minimum of **[16] 24 CPE hours if participating in attest activity; otherwise no minimum. A licensee who supervises attest services and signs an accountant's report for attest services may also need to complete additional CPE as provided in § 11.23a (relating to competence to supervise attest services).**

(2) Advisory services—no minimum.

(3) Management—no minimum.

(4) Professional skills development—no minimum.

(5) Specialized knowledge and applications—no minimum.

(6) Taxation—**no minimum [of 8 CPE hours].**

(7) Professional ethics—minimum of 4 CPE hours (effective as a condition of obtaining a license for the 2014-2015 license period and thereafter).

(b) The CPE hours required under § 11.62 must be relevant to maintaining the professional competence of a certified public accountant or public accountant. **[Practice building and office management are not acceptable CPE subject areas.]**

## PEER REVIEW

### § 11.81. Definitions.

The following words and terms, when used in this section and §§ 11.82—11.86 **[(relating to peer review)]**, have the following meanings, unless the content clearly indicates otherwise:

*Administering organization*—An entity that meets the standards specified by the Board for administering a peer review program.

*Audit engagement*—An audit as defined in the AICPA's Statement on Auditing Standards.

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

**(i) 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.**

**(ii) The reviewed firm's documentation conforms with the requirements of SSARS and SSAE applicable to those engagements in all material respects.**

*Firm*—A licensee who is a sole practitioner or a licensee that is a qualified association as defined in section 2 of the act (63 P. S. § 9.2).

**[Offsite peer review—An engagement review as defined in the AICPA's Standards for Performing and Reporting on Peer Reviews, including interpretations thereof, excepting a study of the associated working papers.**

**Onsite peer review—A system review as defined in the AICPA's Standards for Performing and Reporting on Peer Review, including interpretations thereof.]**

*Peer reviewer*—An individual who conducts an **[onsite or offsite peer] engagement or system** review. The term includes an individual who serves as captain of **[an onsite peer] a system** review team.

*Review engagement*—A review as defined in the AICPA's Statement of Standards on Accounting and Review Services.

*Sole practitioner*—A licensed certified public accountant or licensed public accountant who practices public accounting on his own behalf.

**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:**

**(i) 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 AICPA.**

**(ii) Is being complied with to provide the firm with reasonable assurance of conforming with professional standards in all material respects.**

§ 11.82. **[Effective dates for peer review compliance; proof of compliance or exemption] Peer review compliance.**

**(a) [Unless subject to an exemption under section 8.9(g) of the act (63 P. S. § 9.8i(g)), a firm that performs an audit engagement after May 1, 1998, shall**

**complete an onsite peer review before the license biennium that begins May 1, 2002.] Unless subject to an exemption under section 8.9(g) of the act (63 P. S. § 9.8i(g)), a firm shall complete a peer review as required under section 8.9(a), (b) and (d) of the act as a condition of renewal of the firm's license.**

**(b) [Unless subject to an exemption under section 8.9(g) of the act, a firm that performs a review engagement, but not an audit engagement, after May 1, 1998, shall complete an offsite peer review before the license biennium that begins May 1, 2006.] Unless required earlier under section 8.9(j) of the act, a new firm that is required to complete a peer review shall undergo its first peer review within 18 months after it is granted its initial license. A firm that had been exempt from the peer review requirement under section 8.9(g)(2) of the act or had otherwise not previously been required to undergo a peer review but begins an engagement to perform an attest activity other than a compilation shall complete a peer review within 18 months after commencing the engagement.**

\* \* \* \* \*

(d) A firm that performs an audit or review engagement is entitled to an exemption from peer review if any of the three conditions in section 8.9(g) of the act apply. A firm claiming an exemption shall submit with its application for initial licensure or license renewal information that substantiates its entitlement to an exemption as follows:

\* \* \* \* \*

(3) *Exemption under section 8.9(g)(3) of the act.* One or more of the following:

(i) A physician's statement that a specified medical condition prevents the firm from completing a timely peer review.

(ii) A statement from the appropriate military authority that military service prevents the firm from completing a timely peer review.

(iii) A notarized statement from the firm setting forth unforeseen exigent circumstances that prevent the firm from completing a timely peer review.

**(e) A firm that performs no audit or examination engagements but does perform one or more review engagements is only required to undergo an engagement review.**

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