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American Institute of Accountants

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STATE CPA LAWS AND REGULATIONS CONCERNING:

COMPOSITION, TERMS AND SELECTION OF BOARDS

APPOINTMENT OF BOARDS

AUTONOMY OF BOARDS

REPORTING RESULTS TO CANDIDATES

American institute of accountants

March 1955

CPA ACCOUNTANCY BOARDS
(Composition, Terms and Selection)

The method of appointment, the composition of the board, and the restriction on membership on state boards of accountancy are shown in the following tabulation.

The principal conclusions from the study are that for the fifty-three boards covered in the study, the boards of thirty-six of the states consist entirely of CPAs, eleven of the states provide for an attorney being a member of the board, and nine provide for other members. These "other members" consist in three states of public accountants. One state provides specifically that an educator will be a member of the board and another state provides that an economist will be a member of the board. In one state it is provided that the governor is an ex-officio member of the board, and two states provide that the state auditor will be a member of the board, with one providing for the superintendent of public instruction being a member.

It was found that twenty-eight of the states provide for a board consisting of three members, nineteen provide for five members on the board, one provides for four members, one for six members, two for seven members, one provides for nine members, and one does not limit the number but provides that it must be at least five.

Of the fifty-three jurisdictions, thirty-two provide for three-year terms for CPA members of boards, nine provide for four-year terms, seven provide for five-year terms, one each for six-year, two-year, and one-year terms, and two have provisions for indefinite terms, at the pleasure of the appointive officer.

While the requirements as to whether the appointee must be in practice at the time of appointment is not always clear, it appears that twenty-eight of the jurisdictions have an express and positive provision that he must but that the others do not have such a specific provision. In some cases the wording could be interpreted to contain that requirement.

In connection with the source of the appointment, it was found that forty-six of the jurisdictions provide for appointment by the governor, whereas the other seven provide for appointment in some other way. Generally, appointment does not require legislative approval or approval by any other group, since forty-one of the jurisdictions do not have any express provision for approval.

In connection with the analysis of the appointment, it was found that only two of the jurisdictions have a definite requirement that the appointment must be made from a list of eligible individuals submitted by the state society of CPAs. One additional state has a provision that some consideration must be given to the recommendations made by members of the profession and their organization. This seems to be in contrast with a number of other professions which frequently have provisions requiring that the appointment be made from, or that consideration be given to, persons suggested by the interested profession or group.

APPOINTMENT OF CPA ACCOUNTANCY BOARDS

S T A T E	COMPOSITION OF BOARD				YEARS OF TERM	MUST BE IN PRACTICE*	APPOINTED BY	
	CPAs	Attorneys	Others	Total			Governor	Needs Legis- lative or Council Approval
ALABAMA	2	1	0	3	4	No	Yes	No
ALASKA	2	0	3*	5	6	CPAs	Yes	Yes
ARIZONA	5	0	0	5	5	No	Yes	No
ARKANSAS	3	0	0	3	3	Yes	Yes	No
CALIFORNIA	7	0	0	7	4	Yes	Yes	No
COLORADO	3	0	0	3	3	Yes	Yes	No
CONNECTICUT	3	0	0	3	3	No	Yes	No
DELAWARE	4	1	0	5	3	No	Yes	No
DIST. OF COLUMBIA	3	0	0	3	3	No	No *	No
FLORIDA	5	0	0	5	4	No	Yes	No
GEORGIA	4	1	0	5	4	No	Yes	Yes
HAWAII	5	0	0	5	5	Yes	Yes	No
IDAHO	3	0	0	3	*	No	No *	No
ILLINOIS	2 *	1 *	0	3	3	Yes	No *	No

APPOINTED BY
Needs Legis-
lative or
Council
Approval

<u>S T A T E</u>	<u>COMPOSITION OF BOARD</u>			<u>Total</u>	<u>YEARS OF TERM</u>	<u>MUST BE IN PRACTICE*</u>	<u>Governor</u>	<u>Approval</u>
	<u>CPAs</u>	<u>Attorneys</u>	<u>Others</u>					
INDIANA	3	0	0	3	3	Yes	Yes	No
IOWA	3	0	0	3	3	Yes	Yes	No
KANSAS	5	0	0	5	3	Yes	Yes	No
KENTUCKY	3	0	0	3	3	Yes	Yes	No
LOUISIANA	5	0	0	5	5	No	Yes	No
MAINE	2	1	0	3	3	Yes	Yes	Yes
MARYLAND	3	1 *	1 *	5	CPAs--3 Others--2	CPAs--No Atty--Yes	Yes	No
MASSACHUSETTS	4	1	0	5 *	5	Yes	Yes	Yes
MICHIGAN	4	0	1	5	4	Yes	Yes	No
MINNESOTA	3	0	0	3	3	No	Yes	No
MISSISSIPPI	3	0	0	3	4	No	Yes	No
MISSOURI	5	0	0	5	5	Yes	Yes	Yes
MONTANA	3	0	0	3	1	No	No *	No
NEBRASKA	2	0	1	3	CPAs--3	No	Yes	No
NEVADA	3	0	0	3	3	No	Yes	No
NEW HAMPSHIRE	3	0	0	3	3	2 Members	Yes	Yes
NEW JERSEY	3	0	0	3	3	Yes	Yes	No

S T A T E	COMPOSITION OF BOARD			YEARS OF TERM	MUST BE IN PRACTICE*	APPOINTED BY	
	CPAs	Attorneys	Others			Total	Governor
NEW MEXICO	3	0	2	5	3	Yes	No
NEW YORK	All	0	0	At Least 5 *	5 *	Yes	No *
NORTH CAROLINA	4	0	0	4	3	No	No
NORTH DAKOTA	3	0	0	3	3	No	No
O H I O	5	0	0	5	3	Yes	Yes
OKLAHOMA	5	0	0	5	4	Yes	No
OREGON	5	0	0	5	4	Yes	No
PENNSYLVANIA	3	2	1	6	4	CPAs--No Attys--Yes	Yes
PUERTO RICO	5	0	0	5	3	Yes	Yes
RHODE ISLAND	3	0	0	3	*	No	No *
SOUTH CAROLINA	3	0	0	3	3	No	No
SOUTH DAKOTA	2	0	1 *	3	3	Yes	No
TENNESSEE	6	1	0	7	3	Yes	No
TEXAS	5	0	4	9	2	Yes	Yes
UTAH	3	0	0	3	3	No	No *
VERMONT	3	0	0	3	3	Yes	No

S T A T E	COMPOSITION OF BOARD			Total	YEARS OF TERM	MUST BE IN PRACTICE*	Governor	Needs Legis- lative or Council Approval
	CPAs	Attorneys	Others					
VIRGIN ISLANDS	3*	0	0	3	3	No	Yes	Yes
VIRGINIA	3	1	1	5	5	CPAs--Yes Atty--Yes	Yes	No
WASHINGTON	3	0	2*	5	CPAs--3 Pas --2	Yes	Yes	No
WEST VIRGINIA	3	0	0	3	3	Yes	Yes	Yes
WISCONSIN	3	0	0	3	3	No	Yes	No
WYOMING	3	0	0	3	3	No	Yes	No

* FOOTNOTES

In interpreting whether the law requires that an appointee be in practice wording that the appointee must "have practiced" has been considered as not requiring that he be in practice at time of appointment.

Alaska. Eligible for licensing as CPAs.

Dist. of Columbia. Appointment by Commissioners of District.

Idaho. Designated by Commissioner of Law Enforcement "From time to time."

Illinois. At least 2 members must be CPAs and 3rd a CPA or attorney. Third is now an attorney. President of University of Illinois appoints members with approval of Board of Trustees.

(continued)

* FOOTNOTES

Maryland. Attorney must not be a CPA. Fifth member is an economist named from list submitted by President of Johns Hopkins University.

Massachusetts. No member shall be on faculty of or financially interested in an accounting school.

Montana. Appointment by Board of Education.

New York. There must be at least 5 members. These serve a 5-year term. Appointments are by Regents of University of State of New York. Regents may appoint additional members for terms not to exceed 5 years. Total number of members must be odd.

Rhode Island. Appointments are made by Director of Business Regulation, with approval of Governor, and serve at Director's pleasure.

South Dakota. The 3rd member must be the Comptroller of the State Department of Audits and Accounts.

Utah. Appointments are by the Director of Registration, who submits names to Governor for confirmation or rejection. Director must give due consideration to recommendations by members of profession and their organizations.

Virgin Islands. If there are not 3 CPAs qualified for membership, three persons having advanced accounting diplomas and having had some experience in practice or teaching may be appointed.

Washington. Where the number of registered PAs decreases to ten, the board must have 4 CPAs and when the number decreases to 5, all 5 board members must be CPAs.

Autonomy of Boards

In deciding whether a board is autonomous, the following criterion has been applied to the basic functions assigned a board: Is its action or decision as to any of these subject to change in the discretion of a superior authority, or is full power of action or decision on any acts of the board given to superior authority?

In the case of boards listed as autonomous, there are several where another authority physically issues the certificate or where the board is attached as a matter of organization to some state department but without impairing the finality of board action as to all matters within its jurisdiction. As to the boards listed as not autonomous, in each instance there is considered to be some function as to which final action lies clearly within the discretion of another body or official.

Autonomous

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virgin Islands, Virginia, Washington, West Virginia, and Wisconsin.

Total 44

Not Autonomous

Idaho, Illinois, Maryland, Montana, Nebraska, New Jersey, New York, Utah, and Wyoming.

Total 9

Advisory Councils

Kansas and New York.

The purpose of the Council in Kansas is to provide liaison and coordination between the educational institutions and the accounting profession so standards of accounting education and practice may be continuously maintained and advanced.

The purpose of the Council in New York is to advise with the Regents, the Commissioner of Education, the Education Department, the Board of CPA Examiners, and other public officers concerning matters within the scope of the accountancy law and its enforcement, to propose rules of professional conduct, to determine whether probable cause exists as to charges against CPAs referred to it, to investigate holders of CPA certificates when it has reason to believe probable cause exists for disciplinary action, and to make recommendations on any matters pertaining to public practice of accounting.

Tabulation of Accountancy Board Practices
in Reporting Results to Candidates and
Permitting Inspection or Review of Papers
January 17, 1955

On September 14, 1954 a questionnaire was sent to the Accountancy Board to ascertain their practices. Forty-seven boards have replied covering all or some of the questions asked. The following tabulation shows the question and the answers received. Comments received which indicate some of the thinking of boards have been included in the tabulation.

1. In reporting results are the candidate's actual numerical grades in each subject given:

a. if he fails?	b. if he passes?
Yes 34	Yes 25
No 13	No 21

Comment:

On request one board has a representative interview the candidate and furnish him with a general idea as to his performance on each question by using the following schedule:

85 to 100	-	excellent
75 to 84	-	good
65 to 74	-	fair
50 to 64	-	poor
Below 50	-	Unsatisfactory

2 a. Are candidates permitted to inspect their examination papers?

Yes 31
No 16

Comments:

One board does not prohibit inspection, but discourages the practice. In Oregon the statute provides the board may prescribe a fee of not to exceed \$10 for inspection.

One board might make exceptions, but finds lack of grades on specific answers results in little desire to inspect.

2 b. If inspection is permitted, within what period must request be made?

Periods	No. of Boards
Reasonable time	4
Ninety days	2
Six months	4
One year	3
Two years	2
Three years	3
Miscellaneous	6 *
Total	24

* The six miscellaneous periods are: (1) thirty days, (2) five to seven years, (3) papers retained as public records, (4) as long as papers are kept, (5) indefinite, and (6) promptly. In the last instance, beginning November 1954, papers were to be returned to applicant on request.

3. Are candidates granted a right:

<u>a. to have papers reviewed?</u>	<u>b. to receive explanations of grades given?</u>
Yes 24	Yes 11
No 20	No 26

Comments:

One board reviews in exceptional cases only.

The New York board provides that a candidate whose rejected paper in any subject has a rating of 65% or over may within 60 days after receipt of report request review. However, the board reserves the right to consider at the same time the candidate's papers in the other subjects also.

One board sometimes informally reviews, but only when members have spare time.

One board states that in many cases a board member will nevertheless discuss candidate's problems with him.

3 c. If reviews are granted, within what period must request be made?

<u>Periods</u>	<u>No. of Boards</u>
One month	2
Sixty days	3
Ninety days	2
Six months	5
Reasonable time	2
Miscellaneous	<u>7</u> * (one for each)
Total	21

* The seven miscellaneous periods are: (1) three years, (2) one year, (3) fifteen days, (4) two years, (5) before next examination, (6) indefinite, and (7) before application date for reexamination.

4. If candidates are given numerical grades, to what extent does this cause complaints and requests for review?

<u>Extent</u>	<u>No. of Boards</u>
None	14
Very little or seldom	10
Comparatively few	4
About 1 per cent	1
Ten per cent	<u>1</u>
Total	30

Comments:

One board has experienced no trouble by giving out grades or letting candidates see papers. It is glad to go over a paper if a candidate, after reviewing it, feels he should have had a better grade. Most candidates no longer question the grade after going over their papers. So far the board has not had to change a grade. It considers the examination well prepared and fair, the grading good, and that the "blind number" assures fairness to all.

One board receives review requests very seldom, and no complaints. Another believes giving numerical grades minimizes complaints and requests. Another finds review requests may result where an increase in grade in one subject would cause a condition, or where the grade is 69. Another comments the numerical system causes much less complaint than the letter system. Another finds no particular problem created.

One board reports requests are comparatively few and that no complaints are expressed after review. Another says requests and complaints occur principally when the grade is 69. The New York board denies the relatively few requests it receives from others than those entitled to review by regulation.

The practice of reporting no grades from 70 - 74 eliminates most problems stemming from candidates who fail.

5 a. How long must examination papers be preserved?

<u>Periods</u>	<u>No. of Boards</u>
Six months	6
One year	3
Two years	3
Three years	8
Five years	3
Six years	1
No provision	3
Miscellaneous	9 *
Total	<u>36</u>

* The nine miscellaneous periods are: (1) no limit, but papers kept until accumulation is excessive and then disposed of, (2) left to discretion of Secretary, (3) three examinations, (4) two examination, (5) unsuccessful papers seven years, successful papers five years, (6) several years, (7) fifteen years, (8) permanently, and (9) destruction cleared by the board, the State Auditor, the Attorney General and the Director of the State Historical Library.

5 b. From what time does the preservation period begin to run?

<u>From Examination date</u>	<u>From notification of results</u>
13	10

6. Is it believed desirable to report numerical grades to candidates who fail?

Yes 32
No 11

Comments:

One board states reporting grade is (1) very desirable. Candidates very often enabled to re-examine preparation and make up for defective training. Maintaining a friendly and sympathetic attitude, without giving an inch on matters of principle, gains confidence of applicants and helps them ultimately to pass. (2) Candidate is entitled to know. (3) Gives candidate a guide to future preparation of each subject.

(1) Another board suggests that reporting grades may be too discouraging. (2) Board does indicate that anyone getting below 50 has failed badly.