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American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy, "Summary and Text of Proposed Revisions to AICPA/NASBA Uniform Accountancy Act (UAA) Statute; Exposure Draft (American Institute of Certified Public Accountants), 2005 August 1" (2005). *Association Sections, Divisions, Boards, Teams*. 479.

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August 1, 2005

TO: Those interested in State Accountancy Regulation:

The attached Uniform Accountancy Act (UAA) – statute exposure draft is the result of the joint efforts of the AICPA Uniform Accountancy Act Committee and the NASBA Uniform Accountancy Act Committee. The revision process began in October 2004 and included over fifty meetings and conference calls by the committees and their task forces. The proposed revisions are intended to enhance the UAA statutory provisions related to mobility, enforcement, and professional standards/ethics.

The attached exposure draft includes an explanation of the proposed revisions as well as the text of the affected UAA statutory sections that are recommended for addition or revision. Statutory provisions are in **BOLD** type. New language is underlined and language that would be deleted is stricken. To view the entire UAA statute go to www.aicpa.org or www.nasba.org.

The AICPA and NASBA UAA Committees welcome your comments on the proposed revisions. **The exposure period will end on Monday, October 3, 2005. Please send your comments to:**

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Summary and Text of Proposed Revisions to AICPA/NASBA Uniform Accountancy Act (UAA) Statute (Exposure Draft)

Background:

The following is background and a summary of the changes being proposed to the AICPA/NASBA Uniform Accountancy Act - statute followed by the text of the relevant proposed UAA provision.

Work to revise the UAA statute has been ongoing since October 2004 by the AICPA and NASBA UAA Committees. The work was delegated to three joint AICPA/NASBA task forces – (1) Mobility, (2) Standards & Ethics, and (3) Enforcement. The task forces began work in early November, and continued through May, when the committees came together to review and approve recommendations submitted by the task forces. The proposals, as approved by the Boards of Directors of both the AICPA and NASBA are presented below.

Proposed Revisions by Section

*(The material set out below includes a description of each of the proposed revisions followed by the text of the affected UAA provision. The text of the statutory provisions is in **BOLD** type. The proposed language to be added to the UAA is underlined, and proposed deleted language is stricken-through.)*

Section 3 - Definitions

Attest

Working with the Auditing Standards Team, the following two revisions have been proposed to the definition of attest.

The definition has been modified in the proposal to include any financial statement service engagement to be performed in accordance with Statements on Standards for Attestation Engagements (SSAE).

The definition has also been revised to include reference to the Public Company Accounting Oversight Board (PCAOB) as a standard setting body.

SECTION 3 DEFINITIONS

- (b) “Attest” means providing the following financial statement services:
- (1) any audit or other engagement to be performed in accordance with the Statements on Auditing Standards;
 - (2) any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services;
 - (3) any ~~examination of prospective financial information~~ engagement to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE).

The statements on standards specified in this definition shall be adopted by reference by the Board pursuant to rulemaking and shall be those developed for general application by recognized national accountancy organizations such as the AICPA and the PCAOB.

PCAOB

The proposal would add PCAOB to the definition section by including its complete name, the Public Company Accounting Oversight Board.

- () **PCAOB means, the Public Company Accounting Oversight Board**

Principal place of business

The proposed new definition would define this term to mean the office location that is designated by the licensee for purposes of substantial equivalency and reciprocity.

- () **“Principal place of business” means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.**

Substantial Equivalency

The proposed revision to the current definition would make it clear that a CPA is substantially equivalent regardless of the order in which the CPA attained the required education, examination and experience.

- (s) **“Substantial Equivalency” is a determination by the board of accountancy or its designee that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed the education, examination and experience**

requirements contained in the Uniform Accountancy Act or that an individual CPA's education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements contained in the Uniform Accountancy Act. In ascertaining substantial equivalency as used in this act the Board shall take into account the qualifications without regard to the sequence in which experience, education, or examination requirements were attained.

Section 4 – State Boards of Accountancy

The proposal would amend Section 4(g) to allow the board to cooperate in investigations with additional state and federal regulatory authorities, besides state boards of accountancy as well as appropriate foreign regulatory authorities.

In addition, a new section, Section 4(j) would be added. This provision would provide that information obtained or compiled by the board in the course of investigations, as well as material received as a result of self-reporting requirements, is confidential and exempt from public records laws. Material that is admitted into evidence in hearings would be a public record; however, confidential treatment would be available. The hearing officer may order such information to be redacted or admitted under seal upon a showing of good cause. In addition, any authority that seeks to have the board disclose confidential information would be required to confirm that the material will be kept confidential. This would not make any public document confidential.

SECTION 4 STATE BOARD OF ACCOUNTANCY

(g)(1) The Board shall have the power to take all action that is necessary and proper to effectuate the purposes of this Act, including the power to sue and be sued in its official name as an agency of this State. The Board shall also have the power to issue subpoenas to compel the attendance of witnesses and the production of documents; to administer oaths; to take testimony, to cooperate with the appropriate state and federal regulatory authorities having jurisdiction over the professional conduct in question in other states in investigation and enforcement concerning violations of this Act and comparable acts of other states; to cooperate in enforcement with appropriate foreign regulatory authorities in instances which have or may result in criminal conviction, loss of license or suspension, admonishment or censure; and to receive evidence concerning all matters within the scope of this Act. In case of disobedience of a subpoena, the Board may invoke the aid of any court or other appropriate regulatory agency in requiring the attendance and testimony of witnesses and the production of documentary evidence. For purposes of this subsection, "appropriate foreign regulatory authorities" shall be those foreign authorities granting substantially equivalent foreign designations in accordance with Section 6(g) of this Act.

- (2) The Board, its members, and its agents shall be immune from personal liability for actions taken in good faith in the discharge of the Board's responsibilities, and the State shall hold the Board, its members, and its agents harmless from all costs, damages, and attorneys' fees arising from claims and suits against them with respect to matters to which such immunity applies.

4(j) Records, papers, and other documents containing information collected or compiled by the Board, its members, employees, contractors or agents, including its legal counsel, as a result of a complaint, investigation, inquiry, or interview in connection with an application for examination, certification, or registration, or in connection with a licensee's professional ethics and conduct, shall not be considered public records within the meaning of this State's public records laws. Additionally, any record, paper, or other document received by the Board as a result of a self-reporting requirement shall not be considered public records within the meaning of this State's public records laws. When any such record, paper, or other document is admitted into evidence in a hearing held by the Board, it shall then be a public record within the meaning of this State's public records laws. However, upon a showing of good cause, the presiding officer at such a hearing may order that confidential or privileged information be redacted or admitted under seal.

- (1) Notwithstanding any other provision of this act, information protected by this confidentiality provision shall not be disclosed to other authorities unless the recipient confirms in writing that it will assure preservation of confidentiality.
- (2) Notwithstanding any contrary provision in the State's Public Records law, disclosures to law enforcement and regulatory authorities and, to the extent deemed necessary to conduct an investigation, to the subject of the investigation, persons whose complaints are being investigated and witnesses questioned in the course of investigation, as provided in Section 11(b), shall not be considered public disclosures and shall not deprive such records of their confidential status.
- (3) Nothing in this subsection shall be construed as a waiver of any privilege, such as attorney-client privilege, which may also apply to any records covered by this subsection.
- (4) Nothing in this subsection shall confer confidential status on any record collected under this subsection which was a public record when collected or thereafter becomes a public record through other lawful means.

Section 5 – Qualifications for a Certificate as a Certified Public Accountant

Section 5(b), regarding good moral character, has been revised in the proposal, from “a lack of a history of dishonest or felonious acts,” to “the propensity to provide professional services in a fair, honest and open manner.”

It is also proposed that Section 5(d) be revised to make this subsection compatible with the computer-based Uniform CPA Examination.

SECTION 5 QUALIFICATIONS FOR A CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT

- (b) Good moral character for purposes of this Section means the propensity to provide professional services in a fair, honest, and open manner ~~lack of a history of dishonest or felonious acts~~. The Board may refuse to grant a certificate on the ground of failure to satisfy this requirement only if there is a substantial connection between the lack of good moral character of the applicant and the professional responsibilities of a licensee and if the finding by the Board of lack of good moral character is supported by clear and convincing evidence. When an applicant is found to be unqualified for a certificate because of a lack of good moral character, the Board shall furnish the applicant [a] statement containing the findings of the Board, a complete record of the evidence upon which the determination was based, and a notice of the applicant’s right of appeal.

- (d) The examination required to be passed as a condition for the granting of a certificate shall be held regularly throughout the year ~~at least twice a year~~, and shall test the applicant’s knowledge of the subjects of accounting and auditing, and such other related subjects as the Board may specify by rule, including but not limited to business law and taxation. ~~The time for holding such examination shall be determined by the Board and may be changed from time to time~~. The Board shall prescribe by rule the methods of applying for ~~and conducting~~ the examination, including methods for grading and determining a passing grade required of an applicant for a certificate provided, however, that the Board shall to the extent possible see to it that the examination itself, grading of the examination, and the passing grades, are uniform with those applicable in all other states. The Board may make such use of all or any part of the Uniform Certified Public Accountant Examination and Advisory Grading Service of the American Institute of Certified Public Accountants and may contract with third parties to perform such administrative services with respect to the examination as it deems appropriate to assist it in performing its duties hereunder.

Section 6 – Issuance and Renewal of Certificates, and Maintenance of Competency

The proposed revision to Section 6(c), regarding the reciprocity provision, would delete reference to grades on the Uniform CPA Examination. To enhance mobility, it would also be revised to state that for reciprocity, an applicant must have passed the Uniform CPA Examination without regard to the method by which the examination was administered or graded. In addition, a clarification in the experience requirement is proposed.

SECTION 6 ISSUANCE AND RENEWAL OF CERTIFICATES, AND MAINTENANCE OF COMPETENCY

- (c)(1) **With regard to applicants that do not qualify for reciprocity under the substantial equivalency standard set out in Section 23(a)(2) of this Act, the Board shall issue a certificate to a holder of a certificate, license, or permit issued by another state upon a showing that:**
- (A) The applicant passed the uniform CPA examination required for issuance of the applicant's certificate with grades that would have been passing grades at the time in this State;**
 - (B) The applicant had four years of experience outside of this State of the type described in Section 5(f) or meets equivalent comparable requirements prescribed by the Board by rule, after passing the examination upon which the applicant's certificate was based and within the ten years immediately preceding the application; and**
 - (C) If the applicant's certificate, license, or permit was issued more than four years prior to the application for issuance of an initial certificate under this Section, that the applicant has fulfilled the requirements of continuing professional education that would have been applicable under subsection (d) of this Section.**

Section 7- Firm Permits to Practice, Attest and Compilation Competency and Peer Review

Peer Review

The proposed revisions to the peer review provision primarily address the ability of state boards of accountancy to have direct access to peer review materials.

Although at its spring 2004 meeting, the AICPA's governing Council approved a resolution in support of increased transparency in the peer review process, it will not be submitting the issue to the Institute's membership at this time. In response to ongoing

regulatory concerns, language needed to be crafted to provide for increased transparency while allowing the AICPA to keep its 1988 commitment to the AICPA membership on confidentiality of peer review materials.

As a result, the following two proposed provisions (Section 7 (h)(4) and (5)) will be marked with an asterisk (*) that will state, “Due to its 1988 commitment to its members, the AICPA cannot support this provision at this time.”

- Section 7(h)(4) would give the board the authority to require that administering entities of peer review programs (state societies) provide the board information, as determined by rule.
- Section 7 (h)(5) would give the board the authority to require that licensees remit peer review documents to the board, as specified by rule, and that these documents would be maintained subject to the confidentiality provision in 4(j).

Additionally, newly proposed Section 7(h)(3) would require that peer review programs that are recognized by the board are subject to an evaluation by the board (or its designee) to assess their effectiveness. This provision replaces the current Section 7(h)(3), which would be deleted. Section 7(h)(4), which would also be deleted, currently states that neither the board nor any third party shall have access to documents furnished or generated during a peer review. Confidentiality of these documents is maintained by a reference in proposed Section 7(h)(5) to proposed Section 4(j), which relates to confidential records.

SECTION 7 FIRM PERMITS TO PRACTICE, ATTEST AND COMPILATION COMPETENCY AND PEER REVIEW

- (h) The Board shall by rule require as a condition to renewal of permits under this Section, that applicants undergo, no more frequently than once every three years, peer reviews conducted in such manner as the Board shall specify, and such review shall include a verification that individuals in the firm who are responsible for supervising attest and compilation services and sign or authorize someone to sign the accountant’s report on the financial statements on behalf of the firm meet the competency requirements set out in the professional standards for such services, provided that any such rule --**
- (1) shall be promulgated reasonably in advance of the time when it first becomes effective;**
 - (2) shall include reasonable provision for compliance by an applicant showing that it has, within the preceding three years, undergone a peer review that is a satisfactory equivalent to peer review generally required pursuant to this subsection (h);**
 - ~~**(3) shall require, with respect to peer reviews contemplated by paragraph**~~

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

(3) shall require, with respect to any organization administering peer review programs contemplated by paragraph (2), that it be subject to evaluations by the Board or its designee, to periodically assess the effectiveness of the peer review program under its charge, and

~~(4) shall require, with respect to peer reviews contemplated by paragraph (2), that the peer review processes be operated and documents maintained in a manner designed to preserve confidentiality, and that neither the Board nor any third party (other than the oversight body) shall have access to documents furnished or generated in the course of the review.~~

(4) *may require, that organizations administering peer review programs provide to the Board information as the Board designates by Rule; and

(5) * shall require with respect to peer reviews contemplated by paragraph (2) that licensees timely remit such peer review documents as specified by Board Rule or upon Board request and that such documents be maintained by the Board in a manner consistent with Section 4(j¹) of this Act.

* Due to its 1988 commitment to its members, the AICPA cannot support this provision at this time.

Firm Substantial Equivalency

This proposal would add two new provisions to enhance the utility of substantial equivalency. Under proposed Section 7(i), substantially equivalent CPA employees from out of state may exercise practice privileges in the state on behalf of a CPA firm that has a permit in the state, without individually notifying the board. In addition, the CPA firm holding a permit in the state is not required to file a notice for the individual and it need only provide information to the board upon request. However, the firm would be required to keep track of these individuals and submit their names to the board upon request.

Under proposed Section 7(j), a CPA firm that does not have a permit in the state may file a master notice with NASBA's Qualification Appraisal Board or another comparable service designated by the Board of Accountancy. If the CPA firm complies with the

¹ Note that new Section 4(j) relates to confidential records.

requirements of Section 7(j), the CPA firm's substantially equivalent CPAs are exempt from the state-by-state notification requirement set out in Section 23.

**SECTION 7
FIRM PERMITS TO PRACTICE, ATTEST AND COMPILATION
COMPETENCY AND PEER REVIEW**

7(i)(1) Any CPA firm with a permit in this state may perform services through its individual licensees whose principal places of business are not in this state and who meet the requirements in Section 23 of this Act. However, the CPA firm:

(A) Shall provide name(s) of such individuals, to the Board of Accountancy upon request

(B) Shall, by utilizing the privileges granted under this provision, consent in its own behalf and for the individual licensees to:

(i) cooperate in investigations

(ii) accept service of process from the Board

(iii) comply with the laws and regulations of this state, and

(iv) consent to the administrative jurisdiction of the Board.

(2) An individual licensee whose CPA firm has complied with the preceding subsection shall not be required to file the notice required under Section 23 of this Act only as long as said individual licensee remains an employee of the CPA firm.

7(j) A CPA firm with a permit in another state which does not have an office in this state may provide professional services in this state through individuals that meet the requirements set out in Section 23 and such individuals shall be exempt from the notice requirement set out in Section 23 if the CPA firm:

(1) has filed a master notice, which shall be renewed not more frequently than annually, to all participating substantially equivalent jurisdictions, including this Board, by giving notice to the NASBA Qualifications Appraisal Board (or other comparable service designated by the Board); provided the information as maintained by NASBA (or such other comparable service) is accessible to this Board and includes the address of the firm and the name of the individual licensee responsible for filing the master notice.

(2) maintains a system of records reasonably designed to record for each calendar year the name, certificate number, state of licensure and principal place of business of each individual licensee who has used practice privileges in this state pursuant to Section 23 of this Act.

(3) has affirmed in its master notice that:

- (A) the CPA firm consents to cooperate in any Board investigation regarding any of its individual licensee employees regarding conduct that occurred while the individual was employed by the CPA firm even if the individual is no longer employed by the CPA firm.**
- (B) the CPA firm consents to accept service of process from the Board on its own behalf and for its licensee employees;**
- (C) the CPA firm consents on its own behalf and for the licensee individual that both shall be subject to the administrative jurisdiction of the state board regarding enforcement matters arising out of or pertaining to the use of the practice privileges provided under this subsection;**
- (D) The CPA firm consents that it and its individual licensee employees shall comply with the state's accountancy laws and rules while using the practice privileges provided under this subsection.**

Section 10 – Enforcement –Against Holders of Certificates, Permits and Registrations

A revision to the title, which would enhance the description of the section, is being proposed.

In addition, it is proposed that the limits on the length of the suspension period and the amount of the fine that a board may impose, which are set out in the section, be replaced by blanks in the UAA. Each jurisdiction will then fill in the blanks as it makes its own determination regarding the level of sanctions that are appropriate and meaningful in its environment.

Moreover, references to dishonesty and/or deceit would be added to some subsections to enhance consistency.

SECTION 10 ENFORCEMENT—GROUNDS FOR DISCIPLINEAGAINST HOLDERS OF CERTIFICATES, PERMITS, AND REGISTRATIONS

- (a) After notice and hearing pursuant to ~~Section 12 of this Act~~, the Administrative Procedures Act, the Board may revoke any certificate, permit, or registration issued under Sections 6, 7 or 8 of this Act or corresponding provisions of prior law or revoke or limit privileges under Section 23 of this Act; suspend any such certificate, permit, or registration or refuse to renew any such certificate, permit, or registration for a period of**

not more than ~~five~~ _____ years; reprimand, censure, or limit the scope of practice of any licensee; impose an administrative fine not exceeding \$1000, _____ or place any licensee on probation, all with or without terms, conditions, and limitations, for any one or more of the following reasons:

- (1) Dishonesty, fraud or deceit in obtaining a ~~certificate, permit or registration~~ license;
- (2) Cancellation, revocation, suspension or refusal to renew a license or privileges under Section 23 for disciplinary reasons in any other state for any cause;
- (3) Failure, on the part of a ~~holder of a certificate or permit~~ licensee under Sections 6 or 7 or registration under Section 8, to maintain compliance with the requirements for issuance or renewal of such certificate, permit or registration or to report changes to the Board under Sections 6(f) or 7(f);
- (4) Revocation or suspension of the right to practice before any state or federal agency;
- (5) Dishonesty, fraud, deceit or gross negligence in the performance of services as a licensee or individual granted privileges under Section 23 or in the filing or failure to file one's own income tax returns;
- (6) Violation of any provision of this Act or rule promulgated by the Board under this Act or violation of professional standards;
- (7) Violation of any rule of professional conduct promulgated by the Board under Section 4(h)(4) of this Act;
- (8) Conviction of a felony, or of any other crime an element of which is dishonesty fraud or deceit, under the laws of the United States, of this State, or of any other state if the acts involved would have constituted a crime under the laws of this State;
- (9) Performance of any fraudulent act while holding a certificate or permit or privilege issued under this Act or prior law;
- (10) Any conduct reflecting adversely upon the licensee's fitness to perform services while a licensee, or individual granted privileges under Section 23; ~~and or~~
- (11) Making any false or misleading statement or verification, in support of an application for a certificate, registration or permit filed by another.

- (b) In lieu of or in addition to any remedy specifically provided in subsection (a) of this Section, the Board may require of a licensee--
- (1) A peer review conducted in such fashion as the Board may specify; and/or
 - (2) Satisfactory completion of such continuing professional education programs as the Board may specify.
- (c) In any proceeding in which a remedy provided by subsections (a) or (b) of this Section is imposed, the Board may also require the respondent licensee to pay the costs of the proceeding.

Section 11 – Enforcement Procedures Investigations

The only proposed revision to Section 11 is in the title. The proposed revision is set out below.

SECTION 11 ENFORCEMENT PROCEDURES--INVESTIGATIONS

Section 12 – Enforcement Procedures – Hearings by the Board

The proposed amendment to Section 12(k) would allow notice of the board’s disciplinary actions to be provided not only to state boards, but to other regulatory authorities, including the PCAOB. In the alternative, notification may be provided to a multistate enforcement network.

The proposed amendment also provides for notification immediately in the case of a consent order or when the time for giving notice of appeal has expired. The board must state whether the order has been appealed and whether the order has been stayed by a court.

The provision would allow the board to furnish investigative information to other regulatory authorities, consistent with the confidentiality requirements of proposed Section 4(j).

SECTION 12 ENFORCEMENT PROCEDURES--HEARINGS BY THE BOARD

(k) In any case where the Board renders ~~a decision~~ an order imposing discipline against a licensee or an individual granted privileges under Section 23 of this Act ~~under this Section and Section 10 of this Act~~, the Board shall examine its records to determine whether the licensee individual or firm holds a ~~certificate or a permit~~

license or practice privilege in any other state; and if so, the Board shall notify the State Boards of Accountancy of such other state and other regulatory authorities including the PCAOB of its decision, by mail, within forty-five days of rendering the decision. The Board may also furnish information relating to proceedings resulting in disciplinary action to other public authorities and to private professional organizations having a disciplinary interest in the licensee. Where a petition for review has been filed pursuant to Section 12(j), the notification and furnishing of information provided for in this subsection shall await the resolution of such review and, if resolution is in favor of the licensee or an individual granted privileges under Section 23 of this Act, no such notification or furnishing of information shall be made. immediately in the case of a consent order and in all other cases when the time for giving notice of an appeal from the Board's order has expired. Such notice shall indicate whether or not the subject order has been appealed and whether or not the subject order has been stayed. In the alternative, the Board may report such disciplinary actions to a multistate enforcement information network. Subject to Section 4(j) [Board Records Confidential] of this Act, the Board may also furnish investigative information and the hearing record relating to proceedings resulting in disciplinary action in such cases to such other regulatory authorities upon request.

Section 14 – Unlawful Acts

As proposed, Section 14(b), which requires licensees to follow standards, would be clarified to require licensees to follow “applicable” standards.

SECTION 14 UNLAWFUL ACTS

- (b) Licensees performing attest or compilation services must provide those services in accordance with applicable professional standards.

Section 18- Confidential Communications

This section, which requires licensees to keep client information confidential, would be revised to make it clear that licensees are not prohibited from disclosing information in compliance with applicable laws and governmental regulations.

SECTION 18 CONFIDENTIAL COMMUNICATIONS

Except by permission of the client for whom a licensee performs services or the heirs, successors, or personal representatives of such client, a licensee under this

Act, shall not voluntarily disclose information communicated to the licensee by the client relating to and in connection with services rendered to the client by the licensee. Such information shall be deemed confidential, provided, however, that nothing herein shall be construed as prohibiting the disclosure of information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements or as prohibiting compliance with applicable laws and government regulations disclosures in court proceedings, in investigations or proceedings under Sections 11 or 12 of this Act, in ethical investigations conducted by private professional organizations, or in the course of peer reviews, or to other persons active in the organization performing services for that client on a need to know basis or to persons in the entity who need this information for the sole purpose of assuring quality control.

Section 23 – Substantial Equivalency

Appendix C to the current UAA explains that licensees who passed the CPA examination prior to 2001 are eligible for substantial equivalency as individuals, even if they have not met the 150-hour education requirement.

The proposed revisions enhance the utility of substantial equivalency by extending that exemption available to CPAs who passed the examination prior to 2012 and by explicitly setting out the exemption in Section 23 as well as in Appendix C.

This revision is being proposed to allow licensees who are from jurisdictions that have not enacted the 150-hour education requirement to gain individual substantial equivalency practice privileges, not original or reciprocal licensure, even if they do not personally meet substantial equivalency criteria.

SECTION 23 SUBSTANTIAL EQUIVALENCY

(a)(2) An individual whose principal place of business is not in this state having a valid certificate or license as a Certified Public Accountant from any state which the NASBA National Qualification Appraisal Service has not verified to be in substantial equivalence with the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act shall be presumed to have qualifications substantially equivalent to this state's requirements and shall have all the privileges of certificate holders and licensees of this state without the need to obtain a certificate or permit under Sections 6 or 7 if such individual obtains from the NASBA National Qualification Appraisal Service verification that such individual's CPA qualifications are substantially equivalent to the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act. However, such individuals shall notify the Board of their intent to enter the state under this provision. Any individual who passed the Uniform CPA Examination and holds a valid license issued by any

other state prior to January 1, 2012 may be exempt from the education requirement in Section 5(c)(2) for purposes of this Section 23 (a)(2).

**APPENDIX C
SUBSTANTIAL EQUIVALENCY (Excerpt)**

C. Grandfathering

With regard to individual applicants to the NASBA Qualification Appraisal Service from nonsubstantially equivalent states, anyone who passed the CPA examination before January 1, ~~2004~~ 2012 will be eligible personally to obtain substantial equivalency for the purpose of interstate practice even if they have not completed 150 hours of education. Individuals who pass the Uniform CPA examination after January 1, ~~2004~~ 2012 must complete the 150 hour education requirement in order to be eligible for substantial equivalency.