

## **Summary of New Amendments to CPA Law – Act 73 of 2008**

Act 73 of 2008, which was signed into law on July 9, 2008, amended the CPA Law effective September 8, 2008. Act 73 constitutes the first general revision and updating of the CPA Law since December 2006.

The complete text of the CPA Law, as amended by Act 73, can be accessed by clicking on “Law” on the Board’s homepage.

Following is a discussion of the main provisions of Act 73:

### **Practice Under Substantial Equivalency**

Pennsylvania is now among the states whose education, examination and experience requirements for certified public accountants are considered “substantially equivalent” to the requirements for certified public accountants set forth in the Uniform Accountancy Act (UAA), a model law developed by the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants. The goal of substantial equivalency under the UAA is to facilitate ease of practice by licensed certified public accountants and public accounting firms across state lines through elimination of the need to obtain certificates, licenses or permits as a condition for practice in other states. The adoption of substantial equivalency in Pennsylvania will not only make it easier for out-of-state licensees to practice public accounting in Pennsylvania, but also will make it easier for Pennsylvania licensees to practice public accounting in other states.

A certified public accountant licensed in another state may practice public accounting in Pennsylvania under substantial equivalency, without notification to the Board and without payment of a fee, if the following conditions are met: (1) either the certified public accountant is licensed in a state that allows practice under substantial equivalency without notification and a fee or the certified public accountant’s individual qualifications are substantially equivalent to those set forth in the CPA Law and (2) the certified public accountant’s principal place of business is not in Pennsylvania. (Information about whether substantial equivalency exists with respect to a particular state or individual practitioner can be obtained by contacting NASBA ([www.nasba.org](http://www.nasba.org))).

A Pennsylvania-licensed public accounting firm may practice public accounting in Pennsylvania through a certified public accountant who has the right to practice in Pennsylvania under substantial equivalency. A public accounting firm licensed in another state (referred to in the CPA Law as a “qualified unlicensed entity”) may practice public accounting in Pennsylvania through a Pennsylvania-licensed certified public accountant or a certified public accountant who has the right to practice in Pennsylvania under substantial equivalency, if the following conditions are met: (1) the firm is licensed in a state that allows practice under substantial equivalency without notification and a fee and (2) the firm does not have an office in Pennsylvania.

A certified public accountant or firm licensed in another state that practices public accounting in Pennsylvania under substantial equivalency is deemed to have consented, among other things, to the disciplinary authority of the Board for committing violations of the CPA Law and the Board's regulations. Disciplinary charges may be served upon a certified public accountant or firm at the office of the accountancy licensing board in the state where the principal place of business of the certified public accountant or firm is located. The Board has disciplinary authority to suspend or revoke a certified public accountant's or firm's right to practice under substantial equivalency, and is required to provide notice of its disciplinary action to other states where the certified public accountant or firm has been granted a certificate or license.

A Pennsylvania-licensed certified public accountant or firm that practices public accounting in another state under substantial equivalency is subject to disciplinary action in Pennsylvania for any act or omission in the other state that subjects the licensee to discipline in the other state or that would subject the licensee to discipline in Pennsylvania.

### **150 Semester Hour Education Requirement**

Until the enactment of Act 73, the CPA Law was not considered substantially equivalent to the UAA because it did not require a candidate for a CPE certificate to have completed 150 semester hours of post-secondary education, possessing at least a bachelor's degree, with an appropriate number of semester hours in accounting-related subjects. 150 semester hours is the equivalent of five years of academic study.

Under Act 73, a candidate for a CPA certificate must have completed 150 semester hours of post-secondary education, possessing at least a bachelor's degree, with 36 semester hours in accounting-related subjects. This requirement does not apply to a candidate who passed at least one part of the CPA examination before December 31, 2011. As in the past, a candidate for the CPA examination must possess at least a bachelor's degree and have completed 24 semester hours in accounting-related subjects.

### **Time for Obtaining Qualifying Experience**

A candidate for a CPA certificate who first sat for the CPA examination before December 31, 2011, must have completed qualifying experience within 120 months preceding the date of application for the certificate. A candidate for a CPA certificate who first sat for the CPA examination on or after December 31, 2011, must have completed qualifying experience within 60 months preceding the date of application for the certificate.

As in the past, a candidate for a CPA certificate who possesses a post-graduate degree or has otherwise completed 150 semester hours of post-secondary education must have obtained one year of qualifying experience, while a candidate who possesses a bachelor's degree but has not completed 150 semester hours of post-secondary education overall must have obtained two years of qualifying experience.

## **Increased Nonlicensee Ownership of Public Accounting Firms**

Nonlicensees may constitute up to 49% of a public accounting firm's owners and may own, in the aggregate, up to 49% of a public accounting firm's equity interest. The former limit on nonlicensee participation in the ownership of a public accounting firm was 33%.

## **New Peer Review Compliance Procedures**

A firm or sole practitioner that performs audit or review engagements is no longer required to submit a copy of a current peer review completion letter at the time of application for license renewal. However, the firm or sole practitioner will be required to certify on the renewal application that it is in compliance with the peer review requirement and to furnish the name of the organization that administered its most recent peer review, the date of acceptance of that peer review, and the period covered by that peer review. The Board is authorized to contact the peer review administering organization to confirm the accuracy of the peer review information included on the renewal application.

A firm or sole practitioner that was not previously required to undergo a peer review must notify the Board within 30 days after accepting an audit or review engagement and must undergo a peer review within 18 months after commencing the engagement.

## **Increased Civil Penalties; Assessment of Investigative Costs**

The maximum civil penalty that the Board may impose for a violation of the CPA Law is increased from \$1,000 to \$10,000. The maximum aggregate civil penalty that the Board may impose for a related series of violations remains at \$200,000.

The Board may assess costs of investigation as part of the disciplinary sanction that it imposes against a respondent for committing one or more violations of the CPA Law.

## **Retention of Working Papers and Other Materials**

Except as may be provided by another law, a licensee must retain for at least seven years all working papers, statements, records, reports, schedules and memoranda that are prepared incident to, or in the course of, the practice of public accounting.