

## **Accountancy Newsletter, August 2015**

### **Completion of CPE is Important**

In accordance with the CPA Law and the Regulations of the State Board of Accountancy ("Board"), the Board has the duty and authority to suspend, revoke or otherwise discipline under the CPA Law and the Board's regulations firms and individuals for statutory or regulatory licensing violations. Although there are a variety of professional situations for which the Board may take formal action, one such circumstance is the failure of a licensee to timely complete acceptable Continuing Professional Education ("CPE") as outlined in Board regulations at Sections 11.61 and 11.68a.

All licensees must complete 80 CPE hours for professional licensure, with a minimum of 20 CPE hours each year; and with a minimum of 16 acceptable CPE hours in accounting and attest, 8 acceptable CPE hours in tax and 4 acceptable CPE hours in professional ethics for renewal. A mandatory professional ethics component has been added and is desirable to reinforce the critical importance of discharging professional duties not only with the requisite technical competency, but also with due regard for the principles of honesty and integrity that must be the threshold attributes of anyone credentialed to practice public accounting in this Commonwealth. CPE must be in the subject areas of: accounting and auditing; advisory services; management; professional skills development; specialized knowledge and applications; taxation; and, professional ethics.

A licensee may be subject to disciplinary action under Section 9.1 of the CPA Law if an overall total of 80 acceptable hours is not completed in the biennial reporting period. Under Sections 9.1(a)(4) and 9.1(a)(10) of the CPA Law, a licensee may be censured or reprimanded, or be required to complete additional CPE hours or to undergo other remedial action, or have the CPA certificate and current license to practice public accounting revoked, suspended or otherwise restricted for any violations. Under Section 16(c) of the CPA Law, a licensee in violation of the CPA Law or the Regulations is also subject to being assessed a civil penalty of up to \$10,000 per violation. Further, the Commonwealth may request as part of any disciplinary sanction to recover the costs of investigation in a matter.

In determining a sanction, the Board weighs the seriousness of the violation and any mitigating facts. Section 8.2(b) of the CPA Law requires a licensee to complete CPE as a condition of licensure renewal, and Section 9.2(d) of the CPA Law requires completion of a cycle's worth of CPE during the immediately preceding 24-month period for reactivation. Completion of CPE is required to maintain a license to practice public accounting in our Commonwealth.

A licensee who fails to recognize a deficiency in obtaining the necessary CPE, at the time of application to renew or reactivate licensure, may result in a license being issued for a period in which a licensee is not eligible. The Board considers it essential that any licensee cure the CPE deficiency and the Board will typically impose discipline as a means of impressing upon a licensee and other credentialed professional accountants the importance of strictly adhering to the CPE requirements that are a condition of maintaining current licensure in the Commonwealth of Pennsylvania.

The purpose of CPE is to maintain, improve and expand the skills and knowledge of licensees. The maintenance of a current license is the most basic requirement under the CPA Law and is important for verifying compliance with peer review requirements, as well as to allow the Commonwealth to maintain a current listing of those individuals authorized to practice public accounting in Pennsylvania.

It is the responsibility and duty of the State Board of Accountancy to follow our statutory and regulatory laws for the protection of our citizen consumers.

Here is some additional clarification of when you need to obtain CPE for your initial license:

If you passed the exam in the years 2014 or 2015 and applied during that period, you would be exempt from obtaining CPE for the January 1, 2014 through December 31, 2015 reporting period, as you passed the exam during that CPE reporting period.

You can apply for your initial CPA license in the years 2014 or 2015 without having to obtain CPE during that two-year period (2014-2015).

You may also apply for your CPA Certification from January 1, 2016 through approximately October 1, 2017, without having to obtain CPE because the license issued will have an expiration date of December 31, 2017, which requires CPE be obtained during the same 2014-2015 CPE period.

Any CPA Certification application processed and issued during the "renewal period" which is approximately October 1 of any odd-numbered year through December 31 of any odd-numbered year will have a license issued that reflects an expiration date pushed to the next period/cycle. For example: any license issued from approximately October 1, 2015, through December 31, 2015, will reflect an expiration date of December 31, 2017.

So, if you apply for your initial CPA Certification after October 1, 2017 through December 31, 2017, the CPE reporting period would be the two-year period of January 1, 2016, through December 31, 2017, and therefore you would be required to have the qualified CPE.

You must have completed all required CPE prior to renewing your license. Licenses must be renewed by December 31, 2015. The Board recommends that you renew your license in time to have your new license in hand prior to the expiration date of your current license, December 31, 2015. Please note that you are no longer required to complete the Continuing Professional Education (CPE) reporting form, however, you will be asked to answer certifying questions during the renewal process regarding whether you have met the CPE requirements. CPE compliance will be verified during the Board's audit process following the renewal period.

Any request for a waiver of CPE requirements or extension of time for completion should be submitted at the time the hardship occurs; however, such request must be submitted prior to December 31, 2015 in order to give the Board adequate time to consider the request prior to license renewal.

CPE exemption is based on when you pass the exam - you are only exempt in the two years earning period in which you passed. Earning periods are 01/01/even year through 12/31/odd year.

The current earning period is 2014-2015 to report in 2015 for the initial license for those passing prior to 2012. EXAMPLES: If you passed in 2010-2011 earning period is 2012-2013. If you passed in 2012-2013 earning period is 2014-2015.

### **BIENNIAL CONTINUING EDUCATION REPORTING EXTENSIONS**

In accordance with the Regulations of the State Board of Accountancy found at 11.62, licensees are required to obtain 80 hours of continuing education in each biennial period including 16 hours in accounting and auditing topics, 8 hours in taxation topics, and 4 hours in professional ethics. Additional requirements include obtaining no less than 20 hours of continuing education hours in any one year. There is also a limitation that no more than 40 hours of the required biennial CPE hours may be obtained via a combination of self-study programs or authorship of publications.

The above regulations are intended by the Board to enhance the quality of services provided to the public and ensure relevance to maintaining the professional competence of a certified public accountant in accordance with Regulation 11.63(b). However, the Board recognizes that there may be occasions when the licensee may not be able to meet the continuing education requirements for circumstances beyond his or her control. Therefore, the Board included in its regulations the language found in Regulation 11.62(d) wherein it states "The Board may, upon application, waive in whole or in part a CPE requirement upon a showing of individual hardship, such as for reasons of health, military service or other good cause. The Board, upon application, may extend the time period for completing CPE upon a showing that the failure to timely comply was due to reasonable cause".

The Board has a wide range of discretion in granting waivers under Regulation 11.63(b). If a licensee believes that he or she may be entitled to a waiver of good cause, please contact the Board prior to the expiration of the relevant period so that the Board may give the matter serious consideration. Your communication with the Board should include all relevant supporting documentation including physician's statements (in the event of a medical waiver request), military orders (in the event of a military service obligation) or such other relevant documentation to support your request. Upon furnishing the appropriate documentation, such request will be docketed for the next regularly scheduled Board meeting. Requests submitted near the end of a biennial reporting period may be delayed due to the large volume of requests received at that time. Therefore, licensees are encouraged to contact the Board as soon as practicable.

## **APPLICATIONS FOR PEER REVIEW EXTENSIONS**

In accordance with the Pennsylvania CPA Law and the Regulations of the State Board of Accountancy, licensed public accounting firms or sole practitioners that perform attest functions must undergo a peer review at specified intervals dependent upon the size of the firm and date of licensure. In accordance with Section 8.9 of the CPA Law, “A firm with less than three licensees shall not be required to undergo a peer review more frequently than once every five years and a firm with three or more licensees shall not be required to undergo a peer review more frequently than once every three years”. There are additional caveats in the CPA Law that could impact the timing of a peer review. Firms or sole practitioners that have been disciplined under Section 9.1 of the CPA Law may be ordered to undergo a peer review on a more frequent basis. New firms must undergo a peer review within eighteen (18) months of being granted their initial license. Firms that were not previously required to undergo a peer review that accept an attest engagement must notify the Board within thirty (30) days and shall undergo a peer review within eighteen (18) months after commencing the engagement.

Section 8.9(b)(3) of the CPA Law provides that “The regulations of the Board may lengthen any of the periods between required peer reviews prescribed in this subsection in such manner, under such circumstances or with respect to such firms as the Board in its discretion may consider appropriate”. Additionally, Section 8.9(g) provides a number of exemptions to the peer review requirement. These exemptions include firms or sole practitioners that can demonstrate that a peer review had been performed within three (3) years in another state or foreign jurisdiction, firms or sole practitioners that have not accepted nor performed any audit or review engagements in the preceding two years and do not intend to do so in the succeeding two years.

The Board also may exercise its discretion under Section 8.9(g)(3) of the CPA Law where it states that a firm may be exempt from peer review “For reasons of personal health , military service or other good cause, the Board determines that the firm is entitled to an exemption for a period of time not to exceed twelve months” Firms or sole proprietors that are otherwise subject to the peer review requirements of the CPA Law and the Regulations of the Board, that incur difficulty in meeting their peer review deadline due to unforeseen circumstances may contact the Board to request an extension of time to complete their peer review. Such communication with the Board should include all supporting documentation with their request. The Board will entertain requests that are made prior to the expiration of the peer review deadline. If approved, the firm or sole practitioner will be notified by the Board regarding the additional time granted for completion of the peer review. While the administering organization such as the state society may coordinate with the firm or sole practitioner regarding the due date of the peer review, only the State Board of Accountancy may grant an extension. Due to a large volume of these requests at the end of a biennial period, it is highly recommended that any such requests be submitted well in advance of this time to ensure their prompt consideration.

## **Board Collection of Civil Penalties and Costs**

The CPA Law authorizes the State Board of Accountancy to take disciplinary action against a licensee who has committed any of certain actions specified in this practice act. In addition to suspending or revoking the licensee’s license, disciplinary action may include levying a civil

penalty of up to \$10,000 per violation. The Board is one of 29 professional licensing boards within the Bureau of Professional and Occupational Affairs (BPOA) of the Department of State. Act 48 of 1993 has long provided that a civil penalty imposed by a BPOA board is a judgment in favor of BPOA against the respondent licensee or his property and that the Office of Attorney General (OAG) may enforce such a judgment in the courts of common pleas. Whenever a licensee failed to pay a previously imposed civil penalty, a BPOA board would suspend the licensee's license until the civil penalty has been paid. The board would also refer the matter to the OAG for collection.

By Act 6 of 2014, the General Assembly provided BPOA with greater tools to enforce its boards' civil penalties. BPOA boards have clear statutory authority to deny, suspend or revoke a license, registration or certification or permit for failure to pay any penalty, fee, interest or cost assessed as a result of a disciplinary proceeding before the board. Act 6 also provides that the judgment is against any property of the licensee, whether personal property or real property and whether already owned or later acquired.

Act 6 set up a procedure to enforce these judgments. Within 60 months of the final disposition of a matter where unpaid civil penalties and costs total \$1,000 or more, a BPOA board or its agent may transmit a copy of the final disposition to the Prothonotary of the court of common pleas in the county where the licensee or property is located. The Prothonotary is to enter judgment without requiring payment of any costs for the total amount as a judgment upon the licensee whether or not installment payment is permitted. This lien will maintain its priority indefinitely, as contrasted with other liens that must be revived every five years. Unlike other matters, no preliminary proceedings are required to proceed to a sheriff's sale, except for appropriate notice to the licensee. Within 90 days of payment in full, the BPOA board is required to notify the Prothonotary and request that the judgment be noted as satisfied in full.

Not only does imposition of a civil penalty and assessment of costs (or the risk of such action) deter licensees from violating the practice act and board regulations, but collection of such monies shifts more of the cost of policing the professions to those licensees who violate the law. Thanks to Act 6, BPOA boards now have greater teeth in enforcing the collection of unpaid civil penalties and costs.

### **Certificates Issued by Domestic Reciprocity**

The Board may issue a certificate to a candidate with appropriate education and experience who passes the required examination. In addition to this licensure by examination, the Board may issue a certificate by domestic reciprocity. Licensure by domestic reciprocity authorizes a CPA to become licensed in Pennsylvania and practice to the full extent authorized here without restrictions.

There are two alternative paths to receive a certificate from the Board by domestic reciprocity. The Board may issue a certificate to an out-of-state CPA who is at least 18 years of age and of good moral character if the CPA holds a certificate of certified public accountant then in full force, has passed the examination required to practice under the laws of the other state, meets the Board's continuing education requirements, and has the experience required to receive a certificate in this Commonwealth. Within the preceding five years, a candidate must have at least one year of verified experience of a caliber acceptable to the Board that included providing

any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. Alternatively, the Board may issue a certificate to an out-of-state CPA if the CPA has passed the examination required to practice under the laws of the other state and has held a certificate to practice public accounting for the immediately preceding five years in another state.

Licensure by domestic reciprocity depends on the candidate's qualifications and not the standards for certification in the other state. As a result, an out-of-state CPA might not be eligible for licensure by domestic reciprocity even though able to practice in Pennsylvania as permitted under principles of substantial equivalency.

### **Renewal Reminders from the State Board of Accountancy**

#### **RENEWAL NOTICES:**

Renewal notices will be mailed out to all actively licensed CPA's, PA's, Firms and Program Sponsors approximately two months prior to the December 31, 2015, expiration date.

#### **Renewal Fees**

Certified Public Accountants and Public Accountants - \$100.00

Accountancy Firms - \$100.00

Program Sponsors - \$150.00

#### **Online Renewals**

Pay close attention to the instructions when renewing online. Make sure your choices in any drop-down menu have been selected before continuing the renewal process and review all choices to prevent mistakes which could delay your renewal. It is advisable that you do not use your scroll button when making a selection in the drop down menu. You must have your registration code available when renewing your license online. The registration code can be found on the wallet card sized license. When entering your registration code, be sure to properly enter the capital and lower case letters as the registration code is case sensitive.

To renew online, you must go to the "MyLicense" website at: [www.mylicense.state.pa.us](http://www.mylicense.state.pa.us). Online license renewal should be available in October 2015.

Make sure you update your contact information such as phone number, email and address with the Board Office. You are required to notify the Board Office of any change in address within 10 days or moving. If the Board Office does not have your updated contact information, we are unable to send important correspondence to you. This information can be updated during the online renewal process.

Program Sponsors are reminded to submit their planned programs they will be providing during the upcoming two-year period at the time of renewal. You can submit that information by email to [st-accountancy@pa.gov](mailto:st-accountancy@pa.gov), fax to 717-705-5540 or mail to: State Board of Accountancy, PO Box 2649, Harrisburg PA 17105-2649.

### **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 congratulatory letter at the time of application for license renewal. However, the firm or sole practitioner will be required to certify on the renewal application compliance with the peer review requirement and to furnish (1) the name of the organization that administered its most recent peer review (not the name of the firm that performed the peer review), (2) the date of acceptance of that peer review, and (3) the period covered by the peer review. The Board will verify your information with the peer review administering organization. This information is required whether you are renewing online or by paper renewal.

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.

Please note that you may be requested to provide a copy of the peer review completion letter during the peer review audit if the Board is not able to confirm your latest peer review. The licensee is responsible for enabling the Pennsylvania State Board of Accountancy to have privileges to view the peer review information with your peer review administering organization.

A request for extension of the peer review deadline must be submitted well in advance of the December 31, 2015 expiration date of your firm or individual license in order to give the Board adequate time to consider the request.

A reminder that the complete peer review process is a long process that takes several months, including the time for the peer reviewing administering organization to review the peer reviewer report and for their committee to issue the congratulatory letter. Please keep this in mind.

### **Ethics Requirement Reminder for Renewal**

Licensees are reminded that the CPE requirement for renewing your CPA/PA license that will expire December 31, 2015, includes the following:

A total of 80 hours of qualified CPE obtained from approved program sponsors with a minimum of 16 hours in accounting and attest courses; a minimum of 8 hours in tax courses and a minimum of 4 hours in professional ethics courses (professional ethics courses do not have to be state specific, but must be obtained from approved program sponsor). No more than 40 hours of

the 80 total hours can be through a combination of individual study programs and authorship of publications. Additionally, you must obtain a minimum of 20 hours of qualified CPE in each calendar year (2014 and 2015).

CPE programs must be obtained from program sponsors approved by the Pennsylvania State Board of Accountancy, NASBA, or a CPE program sponsor approved by another state's accountancy regulatory body that permits the practice of public accounting under the principles of substantial equivalency.

### **Substantial Equivalency**

The "CPA Law", 63 P.S. §9.1 *et seq.*, provides, *inter alia*, that a person may practice public accounting in the Commonwealth of Pennsylvania under substantial equivalency if the other state where they are currently licensed has education, examination and experience requirements for certified public accountants that are considered 'substantially equivalent' to Pennsylvania requirements. Our CPA Law on substantial equivalency, or the mobility provisions, may be found in Sections 5.2, 5.3 and 5.4 (the Pennsylvania CPA Law may be found at: [http://www.portal.state.pa.us/portal/server.pt/community/state\\_board\\_of\\_accounting/12502](http://www.portal.state.pa.us/portal/server.pt/community/state_board_of_accounting/12502)).

Section 5.2 provides guidance for individual CPAs, Section 5.3 involves practice outside our Commonwealth and Section 5.4 discusses firms and qualified unlicensed entities under substantial equivalency.

Generally, since accounting professionals readily and easily move across geographic lines or regions, qualified and licensed CPAs in good standing may be able to practice in more than one state or jurisdiction, absent the need for separate licensing procedures in each licensure region. 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, so long as the following criteria are met: a) the CPA is licensed in a state that is substantially equivalent with no notice and no fee; and b) the CPA's principal place of business is not in Pennsylvania. A firm not licensed in Pennsylvania may practice public accounting in Pennsylvania under substantial equivalency through a licensee or an individual who is not a licensee if the individual has the right to practice in Pennsylvania under section 5.2(b) (9) of the CPA Law, so long as the following criteria are met: a) the firm is licensed in a state that allows practice under substantial equivalency with no notice and no fee; and b) the firm does not have an office in Pennsylvania.

A CPA or firm licensed in another state that practices in Pennsylvania under substantial equivalency is deemed to have consented to the disciplinary authority and jurisdiction of the Board relative to any violations of our CPA Law and applicable Board regulations. It is the responsibility of all licensed professionals to follow our laws for the protection of our citizen consumers.

## **Firm Ownership for Renewal**

For all licensed accounting firms, please remember to update the Board Office with your firm's ownership percentages during the upcoming renewal period. You can submit that information by email to [st-accountancy@pa.gov](mailto:st-accountancy@pa.gov), fax to 717-705-5540 or mail to: State Board of Accountancy, PO Box 2649, Harrisburg PA 17105-2649.

## **Meet the New Board Members**

### **Paul J. Kelly, III, CPA:**

Paul is Certified Public Accountant with thirty-five years of experience in the fields of accounting, financial management, operations management and business consulting. He was a Senior Manager with Peat, Marwick, Mitchell & Co. (now KPMG), and spent over eighteen years in senior financial and operational management positions with a number of privately-held companies in the real estate development and management, electric utility, energy services and investment advisory industries before joining CliftonLarsonAllen. As a Principal in the firm's Public Sector Group, Paul specializes in providing audit and consulting services to social service organizations, charter schools and membership organizations, in addition to directing audits and reviews of privately-held, for-profit enterprises in a variety of industries.

Paul is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants. He also holds a Series 27 – Financial and Operations Principal license from the National Association of Security Dealers.

Paul's unique blend of experience as an auditor and as a senior financial manager, combined with over two decades of Board-level not-for-profit experience, enables him to bring valuable insights to the clients he serves as both an auditor and a business advisor. He has served for-profit clients in manufacturing, distribution, retailing, real estate, professional services, and transportation industries as well as foundations, charter schools, and membership organizations in the not-for-profit sector.

Paul received his Bachelor of Science degree in Business Administration (Accounting Major), Cum Laude with General College Honors, and a Masters of Business Administration (Finance Concentration) from La Salle University. He has served as an Instructor of Accounting for La Salle's undergraduate Evening Division and as an adjunct Instructor of Accounting in both La Salle's full-time and part-time MBA programs. He currently serves as a member of the Pennsylvania State Board of Accountancy.

An Eagle Scout, and father of two Eagle Scouts, Paul has been an active member of Boy Scout Troop 109 in Philadelphia, PA for over forty years, currently serving as a member of its Troop Committee. He also served for over twenty years on the Executive and Advisory Boards of the Cradle of Liberty Council of the Boy Scouts of America and has served as an Elected Auditor in Lower Gwynedd Township, PA since 1996. Paul also is a Past Master of Mozart Lodge No. 436, Free and Accepted Masons, and was a founding Board member and Treasurer of Mission Kids - The Child Advocacy Center of Montgomery County. He is a Past President of the La

Salle University Alumni Association the Board of Libertae, Inc., which operates a half-way house for female alcoholics.

**Keri A. Ellis, CPA**

Keri Ellis is an Audit Director for Deloitte & Touche, LLP in Pittsburgh. She has more than 18 years of public accounting and auditing experience serving a variety of clients primarily in the manufacturing, higher education, consumer business and engineering service industries. Keri also serves as the Women's Initiative leader for the Pittsburgh office of Deloitte.

Keri holds a Bachelor Degree in Science from The Pennsylvania State University and is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants.

Keri is married with two children and lives in Pittsburgh, PA.

**Lynell Scaff:**

Lynell M. Scaff is the Executive Director of Big Brothers Big Sisters of Beaver County a nonprofit 501(c) (3), located in New Brighton, PA 15066, [www.bcbigs.org](http://www.bcbigs.org). Big Brothers Big Sisters mission is to provide children facing adversity with strong, enduring and professionally supported 1-to-1 relationships that change their lives for the better, forever. In 2011, BBBS of Beaver County supported a record 350 active matches of BIGS and LITTLES in both community and site-based programming.

Ms. Scaff is originally from Oakdale, PA. She is a graduate of Marywood University in Scranton, PA and holds a Bachelor of Science in Accounting as well as an MBA. Previously, Ms. Scaff held the Executive Directors position at Keystone Simulation & Education Center in Potter Township, PA, a state of the art medical simulation center offering first responder training and mock drills. She held the position of Senior Director of Finance and Administration at Family House where she oversaw operations of four separate houses in the Oakland and Shadyside areas of Pittsburgh, totaling 162 guest rooms. Family House annually supports more than 11,000 families providing a supportive, comfortable and affordable "home away from home" to seriously ill patients and their families. Ms. Scaff served as the Vice President of Finance and Administration for CORO, a leadership training organization preparing individuals for effective and ethical leadership in public affairs.

Prior to a career change to the non-profit sector in 2007, Ms. Scaff maintained a successful career in Finance and Accounting for major organizations including McDonald's Corporate, NOVA Chemicals, and Aristech, where she specialized in turnaround service and integration of raw material stock.

Ms. Scaff resides in Center Township and is a member of the Executive Women's Council, Beaver County Chapter, and Board of Directors Officer for the Beaver County Chamber of Commerce and a member of the Advisory Board for the Community College of Beaver County.

In her spare time, Lynell enjoys being a Wish granter for the Make A Wish Foundation, helping to deliver more than 60 wishes to deserving children in Allegheny and Beaver Counties.

License verifications can be done at: [www.licensepa.state.pa.us](http://www.licensepa.state.pa.us).

Apply online at: [www.mylicense.state.pa.us](http://www.mylicense.state.pa.us). Please read all instructions before applying online and do not submit duplicate online applications. Application fees are non-refundable.

Examination Requirements – Contact or go online at: [www.nasba.org](http://www.nasba.org)  
CPA Examination Services (CPAES) – 1-800-272-3926 (1-800-CPA-EXAM). Examination applications are submitted online. Please read all instructions before applying online.

**Please note that after August 6, 2015, license and/or examination score certifications request by paper application will no longer be accepted as these must be done online at: [www.mylicense.state.pa.us](http://www.mylicense.state.pa.us).**