

ASSEMBLY, No. 1756

STATE OF NEW JERSEY

INTRODUCED MAY 5, 1997

By Assemblymen DiGAETANO and COLLINS

1 **AN ACT** regulating the practice of accounting and repealing parts of
2 the statutory law.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. This act shall be known and may be cited as the "Accountancy
8 Act of 1997."

9

10 2. The Legislature finds and declares that it is the policy of this
11 State, and the purpose of this act, to promote the reliability of
12 information that is used for guidance in financial transactions or for
13 accounting for or assessing the financial status or performance of
14 commercial, noncommercial, and governmental enterprises. The
15 public interest requires that persons preparing financial statements
16 accompanied by reports or professing special competence in
17 accountancy or offering assurance as to the reliability or fairness of
18 presentation of such information shall have demonstrated their
19 qualifications to do so, and that persons who have not demonstrated
20 and maintained those qualifications, including license holders not in
21 public practice, shall not be permitted to hold themselves out as having
22 that special competence or to offer that assurance; that the
23 professional conduct of persons licensed as having special competence
24 in accountancy be regulated in all aspects of the practice of public
25 accountancy; that a public authority competent to prescribe and assess
26 the qualifications and to regulate the professional conduct of
27 practitioners of public accountancy be established; and the use of titles
28 relating to the practice of public accountancy that are likely to mislead
29 the public as to the status or competence of the persons using those
30 titles be prohibited.

31

32 3. As used in this act:

33 "Board" means the New Jersey State Board of Accountancy.

34 "Financial statements" means statements and related footnotes that
35 purport to present an actual or a prospective financial position at a
36 particular time, or results of operations, cash flow, or changes in
37 financial position for a period of time, in conformity with generally

1 accepted accounting principles or another comprehensive basis of
2 accounting. The term includes specific elements, accounts or items of
3 such statements, but does not include: incidental financial data
4 included in management advisory service reports to support
5 recommendations to a client; or tax returns and supporting schedules.

6 "Firm" means a sole proprietorship, a professional corporation, a
7 partnership, a limited liability company, a limited liability partnership,
8 or any other lawful form of organization.

9 "License" means a license or registration issued to an individual or
10 firm permitting the individual or firm to practice public accountancy.

11 "Licensee" means the holder of a license issued pursuant to this act.

12 "Manager" means a manager of a limited liability company.

13 "Member" means a member of a limited liability company.

14 "Owner of a firm" means any person with an equity or equivalent
15 interest in a firm, such as a shareholder with respect to a corporation
16 or a partner with respect to a partnership, or an individual with respect
17 to a sole proprietorship.

18 "Practice of public accountancy" or "practicing public accountancy"
19 means the performance or the offering to perform, by a person or firm
20 holding itself out to the public for a client or potential client, of one or
21 more kinds of services involving the use of accounting or auditing
22 skills, including the preparation of financial statements or the issuance
23 of reports on financial statements; or the performance as a licensee of
24 one or more kinds of management advisory, financial advisory or
25 consulting services, or the preparation of tax returns or the furnishing
26 of advice on tax matters.

27 "Practice unit" means any office of a firm practicing public
28 accountancy in the State of New Jersey.

29 "Quality review" means a study, appraisal or review of one or more
30 aspects of the professional work of a person or firm in the practice of
31 public accountancy, by a person who is a certified public accountant
32 and who is not affiliated with the person or firm being reviewed.

33 "Report" when used with reference to financial statements, means
34 an opinion, report, or other form of language that states or implies
35 assurance as to the reliability of any financial statement and that also
36 includes or is accompanied by any statement or implication that the
37 person or firm issuing it has special knowledge or competence in
38 accounting or auditing, such as a statement or implication of special
39 knowledge or competence in accounting or auditing. Such a statement
40 or implication of special knowledge or competence may arise from use
41 by the issuer of the report of names or titles indicating that the person
42 or firm is an accountant or auditor, or from the language of the report
43 itself. The term "report" includes any form of language which
44 disclaims an opinion when that form of language is conventionally
45 understood to imply any positive assurance as to the reliability of the
46 financial statement referred to or special competence on the part of the

1 person or firm issuing that language, or both; and it includes any other
2 form of language that is conventionally understood to imply that
3 assurance or that special knowledge or competence, or both.

4

5 4. The New Jersey State Board of Public Accountants created and
6 established by P.L.1904, c.230 as amended and supplemented,
7 continued by R.S.45:2-1 and further continued and constituted as the
8 New Jersey State Board of Certified Public Accountants by P.L.1965,
9 c.99, and further continued and constituted as the New Jersey State
10 Board of Accountancy by P.L.1977, c.144, is further continued as the
11 New Jersey State Board of Accountancy and the members and officers
12 of that board as presently constituted shall continue to hold office until
13 the expiration of their terms.

14 Wherever in any law, rule, regulation, contract, document, judicial
15 or administrative proceeding or otherwise, reference is made to the
16 New Jersey State Board of Certified Public Accountants, the same
17 shall mean and refer to the New Jersey State Board of Accountancy.
18

19 5. The board shall consist of 12 members, seven of whom shall
20 have been engaged in practice as certified public accountants and two
21 of whom shall have been engaged in practice as public accountants in
22 this State, two of whom shall be public members and one of whom
23 shall be a State executive department member. Each certified public
24 accountant member, public accountant member, and public member
25 shall be appointed by the Governor for a term of three years and shall
26 hold office until reappointed or a successor is appointed and qualified.
27 Any vacancy on the board shall be filled by the Governor for the
28 unexpired term only.

29 The public members and the State executive department member
30 shall be appointed by the Governor in accordance with and subject to
31 the provisions of P.L.1971, c.60 (C.45:1-2.1 et seq.).

32 Except for the State executive department member, no member may
33 serve more than two successive terms in addition to any unexpired
34 term to which he has been appointed, except that any member who has
35 served two such successive terms may be reappointed after an
36 intervening period of one year.

37 The Governor may remove any member of the board, other than the
38 State executive department member, for cause, upon notice and
39 opportunity to be heard.
40

41 6. a. Before entering upon the discharge of their duties, the
42 members of the board shall take and subscribe an oath for the faithful
43 performance of their duties before the Attorney General or any officer
44 authorized to administer oaths in this State and file the same with the
45 Secretary of State.

46 b. Subject to the approval of the Attorney General, the members

1 of the board shall annually elect a president, a vice president, a
2 treasurer and a secretary from among their members. Upon the
3 approval of the election of each officer, the board shall file in the
4 office of the Secretary of State the name and post office address of
5 each officer.

6 c. Notwithstanding the provisions of any other law, the Attorney
7 General shall appoint, as chief administrative officer of the board, an
8 executive director who shall not be a member of the board and who
9 shall serve at the pleasure of the Attorney General. The duties of the
10 executive director shall be determined by the Attorney General. The
11 executive director shall not engage in the practice of public
12 accounting.

13 d. A majority of the members of the board shall constitute a
14 quorum and no action of the board shall be taken except upon the
15 affirmative vote of a majority of the members of the entire board.

16 e. Members of the board shall be reimbursed for actual expenses
17 reasonably incurred in the performance of their official duties and shall
18 receive that compensation as determined by the Attorney General.
19 The executive director shall receive that compensation as determined
20 by the Attorney General within the limit of available funds.

21 f. Expenditures of the board in any fiscal year shall not exceed
22 board revenues and all expenditures shall be in accordance with the
23 provisions of this act and the annual appropriations act.

24 g. Subject to the approval of the Attorney General, the board may
25 adopt rules and regulations as necessary to implement the provisions
26 of this act, including, without limitations, rules and regulations
27 governing professional conduct.

28 h. Subject to the provisions of subsection f. of this section, the
29 board may appoint committees or persons to advise or assist the board
30 in the administration and enforcement of this act.

31

32 7. The board shall, in addition to any other powers granted under
33 this act:

34 a. Administer and enforce the provisions of this act;
35 b. Adopt and promulgate rules, pursuant to the "Administrative
36 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to effectuate
37 the purposes of this act;

38 c. Establish rules of professional conduct for persons licensed
39 under this act, including, but not limited to, prohibiting the payment
40 to, or receipt or offering of a commission or contingency fee by a
41 licensee and establishing requirements for written disclosures in
42 transactions involving a client of the licensee's accounting practice;

43 d. Conduct hearings pursuant to the "Administrative Procedure
44 Act," P.L.1968, c.410 (C.52:14B-1 et seq.). In any hearing or
45 investigation, the board shall have the right to administer oaths to
46 witnesses, and shall have the power to issue subpoenas for the

1 compulsory attendance of witnesses and the production of pertinent
2 books, papers, or records;

3 e. Take such action as is necessary before any board, agency or
4 court of competent jurisdiction for the enforcement of the provisions
5 of this act;

6 f. Evaluate and pass upon the qualification of candidates for
7 licensure;

8 g. Adopt and administer the examinations to be taken by applicants
9 for licensure;

10 h. Prescribe or change the fees for examinations, licensing,
11 registrations, certifications, renewals, or other services performed
12 pursuant to the provisions of P.L.1974, c.46 (C.45:1-3.1 et seq.);

13 i. Subject to the requirements of this act, establish standards for
14 and approve continuing education programs and sponsors of
15 continuing education programs; and

16 j. Have the investigative and enforcement powers provided
17 pursuant to P.L.1978, c.73 (C.45:1-14 et seq.).

18

19 8. Every applicant for examination as a certified public accountant
20 shall present to the board a written application on a form to be
21 provided by the board, together with the required fee, and satisfactory
22 proof of the following:

23 a. That the applicant is at least 18 years of age;

24 b. That the applicant is of good moral character; and

25 c. (1) That the applicant has a baccalaureate degree or its
26 equivalent from an institution of higher education acceptable to the
27 board, including such courses in accounting and related professional
28 courses that the board may require by regulation;

29 (2) After July 1, 2000 and according to regulations established by
30 the board, that the applicant has at least 150 credit hours of education,
31 including a baccalaureate or higher degree, from an institution of
32 higher education acceptable to the board. The total educational
33 program shall include an accounting concentration or its equivalent
34 and related professional courses as determined by regulation of the
35 board.

36

37 9. Except as otherwise provided, no person shall be issued a license
38 by the board to practice as a certified public accountant unless he shall
39 have passed all sections of a written examination, as the board shall
40 determine, with a passing grade of 75 in each section and at the sitting
41 for the examination that person wrote all sections of the examination
42 for which credit had not previously been given. The board may by
43 regulation prescribe the terms and conditions under which a candidate
44 who has passed any part or parts of the examination may be
45 reexamined in only the remaining parts.

46 Examinations shall be given by the board at least twice a year, and

1 any person who wishes to sit for an examination shall apply to the
2 board at least 60 days prior to the date of the examination. The board
3 may make use of the Uniform Certified Public Accountant
4 Examination, or the Advisor Grading Service of the American Institute
5 of Certified Public Accountants, or any other examination offered by
6 an organization recognized by the board, which the board deems
7 appropriate.

8

9 10. a. Except as provided in subsection b. of this section, every
10 applicant for licensure as a certified public accountant, having passed
11 the examination in compliance with the provisions of section 9 of this
12 act, shall provide satisfactory proof to the board that:

13 (1) The applicant has had one year of experience in the practice of
14 public accountancy or its equivalent, under the direction of a licensee
15 meeting requirements prescribed by the board; and

16 (2) The experience includes evidence of intensive and diversified
17 experience in auditing or accounting as determined by regulation of the
18 board.

19 b. (1) For six years following the effective date of this act, an
20 applicant for licensure as a certified public accountant who has
21 acquired, prior to the effective date of this act, not less than four years
22 of experience deemed acceptable to the board in government, industry
23 or education shall be exempt from the experience requirements of
24 subsection a. of this section; and

25 (2) For four years following the effective date of this act, an
26 applicant for licensure as a certified public accountant who is working
27 in government, industry or education as of the effective date of this act
28 shall be exempted from the experience requirements of subsection a.
29 of this section so long as that applicant satisfactorily completes not
30 less than four years of experience acceptable to the board.

31

32 11. Any person:

33 a. Who is a resident of this State or has a place of business in this
34 State;

35 b. Who is at least 18 years of age;

36 c. Who is of good moral character; and

37 d. Who held himself out continuously to the public as a public
38 accountant and who was engaged as a principal, as distinguished from
39 an employee, within this State in the full-time practice of public
40 accounting for not less than 12 months prior to the effective date of
41 P.L.1977, c.144 (C.45:2B-1 et seq.), or who held himself out
42 continuously to the public as a public accountant and who was
43 engaged as an employee within this State in the full-time practice of
44 public accounting for not less than 30 months prior to the effective
45 date of P.L.1977, c.144 (C.45:2B-1 et seq.), may apply for registration
46 with the board as a public accountant on or before the 180th day

1 following the effective date of this act.

2 The board shall register as a "public accountant" any person serving
3 in the Armed Forces of the United States on the effective date of
4 P.L.1977, c.144 (C.45:2B-1 et seq.), who for 12 months immediately
5 prior to entering that service held himself out to the public as a public
6 accountant and was engaged as a principal, as distinguished from an
7 employee, within this State in the practice of public accounting, or
8 who, as an employee, for 30 months immediately prior to entering that
9 service continuously held himself out to the public as a public
10 accountant within this State in the full-time practice of public
11 accounting.

12 The board shall in each case determine whether the applicant is
13 eligible for registration.

14 Any person who is so registered shall be known as a "public
15 accountant."

16

17 12. a. The board may waive the examination of, and issue a license
18 to, any person who is of good moral character, and who, at the time
19 of his application, holds a valid and unrevoked license as a certified
20 public accountant issued by or under the authority of any state or
21 possession of the United States or the District of Columbia which has
22 education, experience, examination and re-examination requirements
23 which are substantially equivalent to the requirements of this act and
24 the regulations promulgated pursuant to this act for the issuance of a
25 license as a certified public accountant.

26 b. The board may waive the examination of, and issue a license to,
27 an applicant who within 10 years immediately preceding the date of
28 application has held a valid and unrevoked license as a certified public
29 accountant issued by or under the authority of any state or possession
30 of the United States or the District of Columbia, and who has had
31 experience outside of this State in the practice of public accountancy
32 that is deemed satisfactory to the board, or meets equivalent
33 requirements prescribed by the board by regulation, after passing the
34 examination upon which the applicant's license was based. If an
35 applicant's certificate, license or permit was issued less than three
36 years prior to the application for issuance of an initial license under
37 this section, that applicant shall have also fulfilled the requirements of
38 continuing professional education that would have been applicable
39 under the rules of this State to be eligible for licensure under the
40 provisions of this subsection.

41 c. The board shall issue a license as a certified public accountant
42 to a holder of a foreign designation, granted in a foreign country
43 entitling the holder thereof to engage in the practice of public
44 accountancy if:

45 (1) The foreign authority which granted the designation makes
46 similar provision to allow a person who holds a valid license issued by

1 this State to obtain that foreign authority's comparable designation;
2 and

3 (2) The foreign designation:

4 (a) was duly issued by a foreign authority that regulates the
5 practice of public accountancy and the foreign designation has not
6 expired or been revoked or suspended;

7 (b) entitles the holder to issue reports upon a financial statement;
8 and

9 (c) was issued upon the basis of educational, examination, and
10 experience requirements established by the foreign authority or by law;
11 and

12 (3) The applicant:

13 (a) received the designation, based on educational and examination
14 standards substantially equivalent to those in effect in this State, at the
15 time the foreign designation was granted;

16 (b) completed an experience requirement, substantially equivalent
17 to the requirement set out in section 10 of this act, in the jurisdiction
18 which granted the foreign designation, or has completed five years of
19 experience in the practice of public accountancy in this State; or meets
20 equivalent requirements prescribed by the board, within the 10 years
21 immediately preceding the application; and

22 (c) passed a uniform qualifying examination in national standards
23 acceptable to the board and an examination on the laws, regulations
24 and code of ethical conduct in effect in this State.

25 An applicant seeking licensure under this subsection shall in the
26 application list all jurisdictions, foreign and domestic, in which the
27 applicant has applied for or holds a designation to practice public
28 accountancy, and each holder of a license issued under this subsection
29 shall notify the board in writing, within thirty days after its occurrence,
30 of any issuance, denial, revocation or suspension of a designation or
31 commencement of a disciplinary or enforcement action by any
32 jurisdiction.

33

34 13. a. A firm engaged in this State in the practice of public
35 accountancy shall register with the board as a firm of certified public
36 accountants if it meets the following requirements:

37 (1) At least one owner of the firm shall be a certified public
38 accountant in good standing, and licensed to practice public
39 accountancy in this State;

40 (2) Each owner of the firm shall be a certified public accountant of
41 some state in good standing, and licensed to practice public
42 accountancy in that state;

43 (3) Each resident manager in charge of a practice unit of a firm in
44 this State and each owner thereof personally engaged within this State
45 in the practice of public accountancy shall be a certified public
46 accountant in good standing, and licensed to practice public

1 accountancy in this State.

2 b. Application for registration shall be made upon the affidavit of
3 an owner of the firm who is a certified public accountant in good
4 standing and licensed to practice public accountancy in this State. The
5 board shall in each case determine whether the applicant is eligible for
6 registration. A firm which is so registered may use the words
7 "certified public accountant" or the abbreviation "CPAs" in connection
8 with its firm name. Notification shall be given to the board within 90
9 days after admission or withdrawal of an owner licensed and practicing
10 in this State from any firm so registered.

11

12 14. a. A firm engaged in this State in the practice of public
13 accountancy shall register with the board as a firm of public
14 accountants if it meets the following requirements:

15 (1) At least one owner of a firm shall be a public accountant in
16 good standing, and licensed to practice public accountancy in this
17 State;

18 (2) Each owner of the firm shall be a public accountant of some
19 state in good standing, and licensed to practice public accountancy in
20 that state, except that nothing in this section shall preclude a certified
21 public accountant from being an owner of a firm of public accountants;

22 (3) Each resident manager in charge of a practice unit of a firm in
23 this State and each owner thereof personally engaged within this State
24 in the practice of public accounting shall be a public accountant or a
25 certified public accountant of this State in good standing and licensed
26 to practice public accountancy in this State.

27 b. Application for registration shall be made upon the affidavit of
28 an owner of the firm who is a public accountant of this State in good
29 standing and licensed to practice public accountancy in this State. The
30 board shall in each case determine whether the applicant is eligible for
31 registration. A firm which is so registered may use the words "public
32 accountant" or the abbreviation "PAs" in connection with its firm
33 name. Notification shall be given to the board within 90 days after
34 admission or withdrawal of an owner licensed and practicing in this
35 State from any firm so registered.

36

37 15. Temporary practice in this State by a licensed accountant or
38 firm of another state is permitted on business incident to that person's
39 regular practice outside this State; but only if the applicant registers
40 with the board and complies with its requirements. Registration shall
41 not be required if services within this State do not exceed a total of
42 12 days in a calendar year.

43

44 16. Each firm established or maintained in this State for the
45 practice of public accountancy by certified public accountants or
46 public accountants shall triennially register with and pay to the board

1 a triennial registration fee. Each practice unit shall be under the direct
2 supervision of a resident manager who may be either an owner or a
3 staff employee licensed under this act.

4

5 17. Every individual licensed to practice public accountancy within
6 this State shall triennially register with and pay to the board a triennial
7 registration fee.

8 Notice of the failure to pay the triennial registration fee shall be
9 given to any person who fails to do so within 60 days following the
10 registration expiration date, which notice shall state that, upon the
11 continued failure to pay that fee, the license issued to that individual
12 will be forfeited at the time and place stated in the notice, unless the
13 fee is paid by the specified time. The board may make rules regarding
14 the reissuance of a license to any person whose license has been
15 forfeited under this section.

16 An individual paying the triennial registration fee, in addition to
17 furnishing any other information which the board may require, shall
18 state in the application whether any license as a certified public
19 accountant or public accountant or any charter as a chartered
20 accountant or any other license, permit or registration to practice
21 public accountancy ever issued to or made for that individual by any
22 state or political subdivision of the United States, or by any foreign
23 country or political subdivision thereof, or by any professional
24 accounting organization, has been revoked or suspended, and, if so,
25 state those facts relating to that revocation or suspension as the board
26 may require.

27 No certified public accountant, public accountant, registered
28 municipal accountant or public school accountant of this State, who
29 has not registered pursuant to the requirements of this section for a
30 particular triennial registration period, shall, during that period, hold
31 himself out to be engaged in practice as a certified public accountant,
32 public accountant, registered municipal accountant or public school
33 accountant within this State.

34

35 18. a. After notice and an opportunity to be heard, the board may:
36 revoke any license or registration issued under this act; suspend any
37 license or registration or refuse to renew any license or registration;
38 reprimand, censure, or limit the scope of practice of any licensee;
39 impose an administrative fine; or place any licensee on probation, for
40 any of the following reasons:

41 (1) Fraud, deceit or misrepresentation in obtaining a license or
42 registration;

43 (2) Cancellation, revocation, suspension or refusal to renew the
44 authority to engage in the practice of public accountancy in any other
45 state for reasons consistent with this section;

46 (3) Failure, on the part of a holder of a license, to maintain

1 compliance with the requirements for issuance or renewal of that
2 license or registration or to report changes to the board in the name or
3 composition of any firm or individual licensed in this State, or a
4 change in the status of a license of a firm licensed in any other
5 jurisdiction;

6 (4) Revocation or suspension of the right to practice before any
7 state or federal agency;

8 (5) Dishonesty, fraud, gross negligence or repeated acts of
9 negligence in the practice of public accountancy or in the filing or
10 failure to file the licensee's own income tax returns;

11 (6) Violation of any provision of this act or regulation promulgated
12 by the board under this act;

13 (7) Violation of any rule of professional conduct promulgated by
14 the board under this act;

15 (8) Conviction of a crime, an element of which is dishonesty or
16 fraud, under the laws of the United States, of this State, or any other
17 state, if the acts involved would have constituted a crime of the first,
18 second, third or fourth degree under the laws of this State;

19 (9) Performance of any fraudulent act while holding a license or
20 registration issued under this act, or prior laws regulating accountants
21 in this State;

22 (10) Any conduct reflecting adversely upon the licensee's fitness to
23 engage in the practice of public accountancy;

24 (11) If the licensee is incapable for medical or any other good
25 cause of discharging the functions of a licensee in the manner
26 consistent with the public's health, safety and welfare; or

27 (12) The failure of an individual or a firm to have all the
28 qualifications prescribed by any provision of this act under which the
29 individual or firm qualified for registration or licensing.

30 b. The board may impose any other disciplinary sanction or civil
31 penalties pursuant to the provisions of P.L.1978, c.73 (C:45:1-14 et
32 seq.).

33 c. In lieu of or in addition to any remedy provided in subsections
34 a. or b. of this section, the board may require of a licensee:

35 (1) A quality review conducted in a manner as specified by the
36 board in accordance with the provisions of section 26 of this act.

37 (2) Satisfactory completion of continuing professional education
38 programs required by the board pursuant to the provisions of sections
39 27 or 30 of this act.

40 (3) Appropriate community service as the board may require.

41 d. In any proceeding in which a remedy provided by subsections a.,
42 b. or c. of this section is imposed, the board may also require the
43 respondent licensee to pay the cost of the proceeding.

44

45 19. a. In any case where the board has suspended or revoked a
46 license or registration or refused to renew a license or registration, the

1 board may, upon application in writing by the person or firm affected
2 and for good cause shown, modify the suspension, or reissue the
3 license or registration.

4 b. The board shall prescribe the manner in which such an
5 application shall be made, the time within which it shall be made, and
6 the circumstances in which hearings or applications will be held.

7 c. Before reissuing, or terminating the suspension of a license or
8 registration under this section, and as a condition of reissuance or
9 termination of suspension, the board may require the applicant to show
10 successful completion of the continuing professional education
11 requirements of this act; and the board may make the reinstatement of
12 a license or registration conditional and subject to satisfactory
13 completion of a quality review conducted in a manner required by the
14 board.

15

16 20. a. No individual or firm shall issue a report on financial
17 statements of any other individual, firm, organization, or governmental
18 unit unless that person or firm holds a valid license or registration
19 issued under this act, except that this prohibition shall not apply to: an
20 officer, partner, member, manager or employee of any firm or
21 organization affixing that person's own signature to any statement or
22 report in reference to the financial affairs of that firm or organization
23 with any wording designating the position, title or office that the
24 person holds in the firm or organization; any act of a public official or
25 employee in the performance of that person's duties; the performance
26 by any person of other services involving the use of accounting skills,
27 including the preparation of tax returns or financial statements
28 prepared without the issuance of reports, or providing a management
29 advisory service.

30 b. The prohibition contained in subsection a. of this section is
31 applicable to the issuance, by a person not holding a valid license or
32 a firm not holding a valid registration, of a report using any form of
33 language conventionally used by licensees respecting review of
34 financial statements or compilation of financial statements.

35

36 21. a. No person shall use or assume the title or designation
37 "certified public accountant," or the abbreviation "CPA" or any other
38 title, designation, words, letters, abbreviation, sign, card, or device
39 tending to indicate that the person is a certified public accountant
40 unless that person holds a current license as a certified public
41 accountant under this act.

42 b. No firm shall assume or use the title or designation "certified
43 public accountant," or the abbreviation "CPA," or any other title,
44 designation, words, letters, abbreviation, sign, card, or device tending
45 to indicate that the firm is composed of certified public accountants,
46 unless the firm holds a valid registration issued under this act, and all

1 partners, officers, members, managers and shareholders of the firm
2 hold licenses as certified public accountants.

3 c. No individual shall assume or use the title or designation "public
4 accountant," or the abbreviation "PA," or any other title, designation,
5 words, letters, abbreviation, sign, card, or device tending to indicate
6 that the person is a public accountant unless that individual holds a
7 valid registration as a public accountant issued under this act.

8 d. No firm shall assume or use the title or designation "public
9 accountant," or the abbreviation "PA," or any other title, designation,
10 words, letters, abbreviation, sign, card, or device tending to indicate
11 that the firm is composed of public accountants.

12 e. No person or firm shall assume or use the title or designation
13 "certified accountant," "chartered accountant," enrolled accountant,"
14 "licensed accountant," "registered accountant," "accredited
15 accountant," or any other title or designation likely to be confused
16 with the titles "certified public accountant" or "public accountant," or
17 use any of the abbreviations "CA," "LA," "RA," "AA," or similar
18 abbreviations likely to be confused with the abbreviations "CPA" or
19 "PA," unless that person or firm holds a valid license or registration
20 issued under this act.

21 f. No person or firm shall assume or use the title "enrolled agent"
22 or "EA," unless so designated by the Internal Revenue Service.

23 g. No person or firm shall assume or use any title or designation
24 that includes the words "accountant," "auditor," or "accounting" in
25 connection with any other language, including the language of a
26 report, that implies that the person or firm holds such a certificate,
27 permit, or registration or has special competence as an accountant or
28 auditor, unless that person or firm holds a valid license or registration
29 issued under this act, except that this subsection shall not prohibit any
30 officer, partner, member, manager, or employee of any firm or
31 organization from affixing that person's own signature to any
32 statement in reference to the financial affairs of that firm or
33 organization with any wording designating the positions, title, or office
34 that the person holds in the firm or organization, nor shall this
35 subsection prohibit any act of a public official or employee in the
36 performance of the person's duties.

37 h. No person holding a license or firm holding a registration under
38 this act shall engage in the practice of public accountancy using a
39 professional or firm name or designation that is misleading with regard
40 to the form in which the firm is organized, or about the persons who
41 are partners, officers, members, managers or shareholders of the firm,
42 or about any other matter, except that names of one or more former
43 partners, members, managers, or shareholders may be included in the
44 name of a firm or its successor.

45 i. The provisions of this section shall not apply to a person or firm
46 holding a certification, designation, degree, or license granted in a

1 foreign country, entitling the holder thereof to engage in the practice
2 of public accountancy or its equivalent in that country, whose
3 activities in this State are limited to the provision of professional
4 services to persons or firms who are residents of, governments of, or
5 business entities of the country in which the person holds that
6 entitlement, so long as that person or firm issues no reports with
7 respect to the financial statements of any other persons, firms, or
8 governmental units in this State, and does not use in this State any
9 titles or designation other than the one under which the person
10 practices in the foreign country, followed by a translation of that title
11 or designation into the English language, if it is in a different language,
12 and by the name of that country.

13

14 22. Whenever, by reason of an investigation, the board shall have
15 reason to believe that there has been a violation of the laws of this
16 State, the board may refer the matter and any information pertaining
17 to the matter to the Attorney General of this State or the appropriate
18 civil or criminal law enforcement authority. Each member of the board
19 shall have immunity from any civil or criminal liability on account of
20 these referrals, unless a member has acted in bad faith or with
21 malicious purpose.

22

23 23. In any action brought under this act, evidence of the
24 commission of a single act prohibited by this act shall be sufficient to
25 justify a penalty, injunction, restraining order, or conviction,
26 respectively, without evidence of a general course of conduct.

27

28 24. Except by permission of the client engaging a licensee under
29 this act, or the heirs, successors, or personal representatives of that
30 client, no licensee or partner, officer, member, manager, shareholder,
31 or employee of a licensee shall disclose information communicated to
32 the licensee by the client relating to and in connection with services
33 rendered to the client by the licensee in the practice of public
34 accountancy. Such information shall be deemed confidential; except
35 that nothing herein shall be construed as prohibiting the disclosure of
36 information required to be disclosed by the standards of the public
37 accounting profession in reporting on the examination of financial
38 statements or as prohibiting disclosures in court proceedings,
39 investigations or proceedings under this act, in ethical investigations
40 conducted by private professional organizations, or in the course of
41 quality reviews.

42

43 25. a. All statements, records, schedules, working papers, and
44 memoranda made by a licensee or a partner, shareholder, officer,
45 director, member, manager or employee of a licensee, incident to, or
46 in the course of, rendering services to a client in the practice of public

1 accountancy, except the reports submitted by the licensee to the client
2 and except for records that are part of the client's records, shall be and
3 remain the property of the licensee, unless there is an express
4 agreement between the licensee and the client to the contrary. No
5 such statement, record, schedule, working paper, or memorandum
6 shall be sold, transferred, or bequeathed, without the consent of the
7 client or the client's designated representative or assignee, to anyone
8 other than one or more surviving partners, shareholders, members or
9 new partners, new shareholders, or new members of the licensee, or
10 any combined or merged firm or successor in interest to the licensee.
11 Nothing in this section shall prohibit any temporary transfer of
12 working papers or other material necessary in the course of carrying
13 out quality reviews or as otherwise interfering with the disclosure of
14 information pursuant to this act.

15 b. A licensee shall furnish to a client or former client, upon request
16 and reasonable notice:

17 (1) A copy of the licensee's working papers, to the extent that
18 these working papers include records that would ordinarily constitute
19 part of the client's records and are not otherwise available to the client;
20 and

21 (2) Any accounting or other records belonging to the client, or
22 obtained from or on behalf of the client, that the licensee removed
23 from the client's premises or received for the client's account. The
24 licensee may make and retain copies of such documents of the client
25 when they form the basis for work done by the licensee.

26 c. Nothing contained in this section shall require a licensee to keep
27 any working papers beyond the period prescribed in any other
28 applicable statute.

29

30 26. a. The board may adopt regulations establishing a Quality
31 Enhancement Program for the review of audits, reviews, compilations
32 or other reports issued by firms engaged in the practice of public
33 accountancy in this State to determine whether the reports comply
34 with accepted accounting and auditing standards.

35 b. Each firm may be required to submit copies of audits, reviews,
36 compilations or other reports as required by the board.

37 c. The Quality Enhancement Program established under this section
38 may include procedures for review of the reports submitted and for
39 follow-up reviews and remedial and other actions to be taken in cases
40 of reports which are deficient or in some other manner are not in
41 compliance with applicable accounting and auditing standards. The
42 board may exempt firms which have reports reviewed under a program
43 conducted by other states or other public or private entities which the
44 board finds to be equal to or to exceed the Quality Enhancement
45 Program established under this act.

1 27. a. The board shall require any person licensed as a "certified
2 public accountant," or "public accountant," as a condition for triennial
3 licensure renewal, to complete 120 credits of continuing professional
4 education during the immediately preceding triennial period of
5 licensure. Persons who are engaged in the practice of public
6 accountancy, or are involved with the attest function in issuing an
7 audit, review or compilation reports, shall have at least 24 of the
8 required credits in the areas of accounting or auditing. Each credit of
9 continuing professional education required pursuant to this section
10 shall represent, or be equivalent to, 50 minutes of verified course
11 attendance at a course or seminar approved by the board.

12 b. The board may, in its discretion, waive requirements for
13 continuing professional education on an individual basis for hardship
14 reasons such as health, military service, or other due cause and may
15 establish a policy for the continuing education requirements for
16 inactive or retired accountants who remain certified or registered.

17 c. The board shall not require completion of continuing education
18 credits as a condition for triennial licensure for the initial renewal of
19 licensure.

20 d. The board shall:

21 (1) establish standards for continuing professional education,
22 including the subject matter, contents of courses of study, and the
23 number of credits required;

24 (2) accredit educational programs and sponsors of educational
25 programs offering credit towards the continuing professional education
26 requirements; and

27 (3) accredit other equivalent educational programs, such as
28 teaching, conferences, professional seminars, technical reviews,
29 courses with non-hourly attendance, including home study courses,
30 and shall establish procedures for the issuance of credit upon
31 satisfactory proof of the completion of these programs.

32

33 28. Whenever any law or regulation requires professional services
34 to be performed by a certified public accountant, that requirement shall
35 be construed to mean certified public accountant or public accountant.

36

37 29. Only a certified public accountant licensed in this State or a
38 registered municipal accountant licensed in this State prior to 1985
39 shall undertake the work of auditing any municipality or county. Such
40 an individual shall qualify as a registered municipal accountant (RMA)
41 of New Jersey by passing a registered municipal accountant's
42 examination and by subscribing to the following declaration:

43 a. That the individual is fully acquainted with the laws controlling
44 and governing the finances of municipalities and counties of New
45 Jersey; and

46 b. That the individual will honestly and faithfully audit the books

1 and accounts of a municipality or county when engaged to do so, and
2 report any error, omission, irregularity, violation of law, discrepancy
3 or other nonconformity to the law, together with his recommendations
4 to the governing body of that municipality or county.

5 The board shall make all rules governing examinations and the
6 issuance of licenses to registered municipal accountants.

7 The registration fee for a certified public accountant, duly licensed
8 under this act, to practice as a registered municipal accountant of New
9 Jersey, shall be established by the board, and shall be imposed for each
10 triennial registration.

11

12 30. The board shall require any person licensed as a registered
13 municipal accountant, as a condition for triennial licensure, to
14 complete the required number of credits of continuing professional
15 education as determined by the board during each triennial period of
16 licensure. Persons who are engaged in the practice of municipal
17 auditing shall have at least one-third of the required credits in the areas
18 of accounting or auditing.

19 Each credit of continuing professional education required pursuant
20 to this section shall represent or be equivalent to 50 minutes of verified
21 course attendance at a course or seminar approved by the board.

22

23 31. A report of audit of a municipality or county shall be signed by
24 the registered municipal accountant making the audit or in charge of
25 the audit.

26

27 32. Any person who undertakes the work of auditing the accounts
28 of any school district in New Jersey shall qualify as a public school
29 accountant (PSA) by:

30 a. Submitting an application to the board, demonstrating
31 satisfactorily to the board that the individual holds a current and valid
32 license in New Jersey as a certified public accountant, public
33 accountant, or registered municipal accountant, and paying the
34 required fee;

35 b. Renewing the license triennially and paying the required fee; and
36 c. Subscribing that the individual: (1) is fully acquainted with the
37 laws controlling and governing the finances of school districts of New
38 Jersey; and (2) will honestly and faithfully audit the books and
39 accounts of any school district when engaged to do so, and report any
40 error, omission, irregularity, violation of law, discrepancy or other
41 nonconformity to the law, together with recommendations to the board
42 of education in charge of that school district.

43

44 33. A report of audit of a school district shall be signed by the
45 public school accountant making the audit or in charge of the audit.

1 34. This act shall not affect the regulations currently in effect and
2 promulgated by the board, and those regulations that are consistent
3 with the purposes and provisions of this act shall continue with full
4 force and effect until amended, modified or repealed by the board
5 established pursuant to this act.

6

7 35. The following are repealed:

8 Sections 1 through 17, 19, 22 through 24, and 27 through 32 of
9 P.L.1977, c.144 (C.45:2B-1 through 45:2B-17, 45:2B-19, 45:2B-22
10 through 45:2B-24, and 45:2B-27 through 45:2B-32);

11 P.L.1977, c.176 (C.45:2B-33 through 45:2B-37);

12 Section 6 of P.L.1982, c.96, (C.45:2B-4.1); and

13 P.L.1987, c.392 (C.45:2B-17.1, 45:2B-35.1 and 45:2B-38 through
14 45:2B-41).

15

16 36. This act shall take effect on the 180th day after enactment, but
17 its provisions shall not affect any proceedings or actions pending prior
18 to its effective date.

19

20

STATEMENT

22

This bill, the "Accountancy Act of 1997," is a comprehensive revision of the law regulating the practice of accounting in New Jersey. The bill repeals the "Public Accountancy Act of 1977," P.L.1977, c.144 (C.45:2B-1 et seq.), and all supplements thereto which currently regulate accountants in this State.

The bill establishes the New Jersey State Board of Accountancy and enumerates the board's powers and duties. In addition, the bill also specifies standards concerning confidential communications, and the proper handling by an accountant of working papers and a client's records. Further, this bill authorizes the board to adopt rules establishing a Quality Enhancement Program for the review of audits, reviews, compilations or other reports issued by firms engaged in the practice of public accountancy in this State to determine whether the reports comply with applicable accounting and auditing standards.

37

38

39

40

41 "Accountancy Act of 1997."