

SENATE, No. 2089

STATE OF NEW JERSEY

INTRODUCED MAY 15, 1997

By Senator DiFRANCESCO

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 business 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.

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

10 d. A majority of the members of the board shall constitute a
11 quorum and no action of the board shall be taken except upon the
12 affirmative vote of a majority of the members of the entire board.

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

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

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

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

28

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

31 a. Administer and enforce the provisions of this act;

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

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

40 d. Conduct hearings pursuant to the "Administrative Procedure
41 Act," P.L.1968, c.410 (C.52:14B-1 et seq.). In any hearing or
42 investigation, the board shall have the right to administer oaths to
43 witnesses, and shall have the power to issue subpoenas for the
44 compulsory attendance of witnesses and the production of pertinent
45 books, papers, or records;

46 e. Take such action as is necessary before any board, agency or

1 court of competent jurisdiction for the enforcement of the provisions
2 of this act;

3 f. Evaluate and pass upon the qualification of candidates for
4 licensure;

5 g. Adopt and administer the examinations to be taken by applicants
6 for licensure;

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

10 i. Subject to the requirements of this act, establish standards for
11 and approve continuing education programs and sponsors of
12 continuing education programs; and

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

15

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

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

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

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

26 (2) After July 1, 2000 and according to regulations established by
27 the board, that the applicant has at least 150 semester hours of
28 education or its equivalent, including a baccalaureate or higher degree,
29 from an institution of higher education accredited by a regional
30 accrediting agency recognized by the Commission on Higher
31 Education. The educational program shall include a concentration in
32 accounting or its equivalent and related professional courses as
33 determined by regulation of the board.

34

35 9. Except as otherwise provided, no person shall be issued a license
36 by the board to practice as a certified public accountant until he has
37 passed all sections of an examination designated by the board with a
38 passing grade of 75 in each section. If the candidate does not pass all
39 of the sections of the examination at one sitting, he may be reexamined
40 with respect to the sections which he did not pass, under terms and
41 conditions established by the board.

42 Examinations shall be given by the board at least twice a year, and
43 any person who wishes to sit for an examination shall apply to the
44 board at least 60 days prior to the date of the examination. The board
45 may make use of the Uniform Certified Public Accountant
46 Examination, or the Advisor Grading Service of the American Institute

1 of Certified Public Accountants, or any other examination offered by
2 an organization recognized by the board, which the board deems
3 appropriate.

4
5 10. a. Except as provided in subsection b. of this section, every
6 applicant for licensure as a certified public accountant, having passed
7 the examination in compliance with the provisions of section 9 of this
8 act, shall provide satisfactory proof to the board that:

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

12 (2) The experience includes evidence of intensive and diversified
13 experience in auditing or accounting as determined by regulation of the
14 board.

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

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

27
28 11. Any person who is registered as a public accountant pursuant
29 to the provisions of section 13 of P.L.1977, c.144 (C.45:2B-13) on the
30 effective date of this act shall continue to hold that designation under
31 the terms of this act, and shall be registered with the board and eligible
32 for the renewal of any license issued by the board prior to the effective
33 date of this act.

34
35 12. a. The board may waive the examination of, and issue a license
36 to, any person who is of good moral character, and who, at the time
37 of his application, holds a valid and unrevoked license as a certified
38 public accountant issued by or under the authority of any state or
39 possession of the United States or the District of Columbia which has
40 education, experience, examination and re-examination requirements
41 which are substantially equivalent to the requirements of this act and
42 the regulations promulgated pursuant to this act for the issuance of a
43 license as a certified public accountant.

44 b. The board may waive the examination of, and issue a license to,
45 an applicant who within 10 years immediately preceding the date of
46 application has held a valid and unrevoked license as a certified public

1 accountant issued by or under the authority of any state or possession
2 of the United States or the District of Columbia, and who has had
3 experience outside of this State in the practice of public accountancy
4 that is deemed satisfactory to the board, or meets equivalent
5 requirements prescribed by the board by regulation, after passing the
6 examination upon which the applicant's license was based. If an
7 applicant's certificate, license or permit was issued less than three
8 years prior to the application for issuance of an initial license under
9 this section, that applicant shall have also fulfilled the requirements of
10 continuing professional education that would have been applicable
11 under the rules of this State to be eligible for licensure under the
12 provisions of this subsection.

13 c. The board shall issue a license as a certified public accountant
14 to a holder of a foreign designation, granted in a foreign country
15 entitling the holder thereof to engage in the practice of public
16 accountancy if:

17 (1) The foreign authority which granted the designation makes
18 similar provision to allow a person who holds a valid license issued by
19 this State to obtain that foreign authority's comparable designation;
20 and

21 (2) The foreign designation:

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

25 (b) entitles the holder to issue reports upon a financial statement;
26 and

27 (c) was issued upon the basis of educational, examination, and
28 experience requirements established by the foreign authority or by law;
29 and

30 (3) The applicant:

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

34 (b) completed an experience requirement, substantially equivalent
35 to the requirement set out in section 10 of this act, in the jurisdiction
36 which granted the foreign designation, or has completed five years of
37 experience in the practice of public accountancy in this State; or meets
38 equivalent requirements prescribed by the board, within the 10 years
39 immediately preceding the application; and

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

43 An applicant seeking licensure under this subsection shall in the
44 application list all jurisdictions, foreign and domestic, in which the
45 applicant has applied for or holds a designation to practice public
46 accountancy, and each holder of a license issued under this subsection

1 shall notify the board in writing, within thirty days after its occurrence,
2 of any issuance, denial, revocation or suspension of a designation or
3 commencement of a disciplinary or enforcement action by any
4 jurisdiction.

5

6 13. a. A firm engaged in this State in the practice of public
7 accountancy shall be eligible to register with the board as a firm of
8 certified public accountants if it meets the following requirements:

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

12 (2) Each owner of the firm shall be a certified public accountant of
13 any state in the United States in good standing, and licensed to
14 practice public accountancy in that state;

15 (3) Each resident manager in charge of a practice unit of a firm in
16 this State and each owner thereof personally engaged within this State
17 in the practice of public accountancy shall be a certified public
18 accountant in good standing, and licensed to practice public
19 accountancy in this State.

20 b. Application for registration of a firm shall be made upon the
21 affidavit of an owner of the firm who is a certified public accountant
22 in good standing and licensed to practice public accountancy in this
23 State. The board shall in each case determine whether the applicant
24 is eligible for registration. A firm which is so registered may use the
25 words "certified public accountant" or the abbreviation "CPAs" in
26 connection with its firm name. Notification shall be given to the board
27 within 90 days after admission or withdrawal of an owner licensed and
28 practicing in this State from any firm so registered.

29

30 14. a. A firm engaged in this State in the practice of public
31 accountancy shall be eligible to register with the board as a firm of
32 public accountants if it meets the following requirements:

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

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

40 (3) Each resident manager in charge of a practice unit of a firm in
41 this State and each owner thereof personally engaged within this State
42 in the practice of public accounting shall be a public accountant or a
43 certified public accountant of this State in good standing and licensed
44 to practice public accountancy in this State.

45 b. Application for registration of a firm shall be made upon the
46 affidavit of an owner of the firm who is a public accountant of this

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

8
9 15. Temporary practice in this State by a licensed certified public
10 accountant or public accountant or firm of another state or by a holder
11 of a comparable foreign designation may be permitted on business
12 incident to that person's regular practice outside this State; but only if
13 the applicant registers with the board and complies with its
14 requirements. Registration shall not be required if services within this
15 State do not exceed a total of 12 days in a calendar year.

16
17 16. Each firm established or maintained in this State for the
18 practice of public accountancy by certified public accountants or
19 public accountants shall triennially register with and pay to the board
20 a triennial registration fee. Each practice unit shall be under the direct
21 supervision of a resident manager who may be either an owner or a
22 staff employee licensed under this act.

23
24 17. Every certified public accountant and public accountant
25 licensed to practice public accountancy within this State shall renew
26 his license triennially with the board and pay a triennial license fee
27 established by the board by regulation.

28 Notice of the failure to renew a license and pay the triennial license
29 fee shall be given to any person who fails to do so within 60 days
30 following the license expiration date, which notice shall state that,
31 upon the continued failure to pay that fee, the license issued to that
32 individual will be forfeited at the time and place stated in the notice,
33 unless the fee is paid by the specified time. The board may make rules
34 regarding the reissuance of a license to any person whose license has
35 been forfeited under this section.

36 An individual paying the triennial license fee, in addition to
37 furnishing any other information which the board may require, shall
38 state in the application whether any license as a certified public
39 accountant or public accountant or any charter as a chartered
40 accountant or any other license, permit or registration to practice
41 public accountancy ever issued to or made for that individual by any
42 state or political subdivision of the United States, or by any foreign
43 country or political subdivision thereof, or by any professional
44 accounting organization, has been revoked or suspended, and, if so,
45 state those facts relating to that revocation or suspension as the board
46 may require.

1 No certified public accountant, public accountant, registered
2 municipal accountant or public school accountant of this State, who
3 has not renewed his license pursuant to the requirements of this
4 section, shall, during that period, hold himself out to be engaged in
5 practice as a certified public accountant, public accountant, registered
6 municipal accountant or public school accountant within this State.

7
8 18. a. After notice and an opportunity to be heard, the board may:
9 revoke any license or registration issued under this act; suspend any
10 license or registration or refuse to renew any license or registration;
11 reprimand, censure, or limit the scope of practice of any licensee;
12 impose an administrative fine; or place any licensee on probation, for
13 any of the following reasons:

14 (1) Fraud, deceit or misrepresentation in obtaining a license or
15 registration;

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

19 (3) Failure, on the part of a holder of a license or registration, to
20 maintain compliance with the requirements for issuance or renewal of
21 that license or registration or to report changes to the board in the
22 name or composition of any firm or individual licensed or registered
23 in this State, or a change in the status of a license of a firm licensed in
24 any other jurisdiction;

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

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

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

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

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

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

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

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

46 (12) The failure of an individual or a firm to have all the

1 qualifications prescribed by any provision of this act under which the
2 individual or firm qualified for registration or licensing.

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

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

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

11 (2) Satisfactory completion of continuing professional education
12 programs required by the board pursuant to the provisions of sections
13 27 or 30 of this act.

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

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

18

19 19. a. In any case where the board has suspended or revoked a
20 license or registration or refused to renew a license or registration, the
21 board may, upon application in writing by the person or firm affected
22 and for good cause shown, modify the suspension, or reissue the
23 license or registration.

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

27 c. Before reissuing, or terminating the suspension of a license or
28 registration under this section, and as a condition of reissuance or
29 termination of suspension, the board may require the applicant to show
30 successful completion of the continuing professional education
31 requirements of this act; and the board may make the reinstatement of
32 a license or registration conditional and subject to satisfactory
33 completion of a quality review conducted in a manner required by the
34 board.

35

36 20. a. No individual or firm shall issue a report on financial
37 statements of any other individual, firm, organization, or governmental
38 unit unless that person or firm holds a valid license or registration
39 issued under this act, except that this prohibition shall not apply to: an
40 officer, partner, member, manager or employee of any firm or
41 organization affixing that person's own signature to any statement or
42 report in reference to the financial affairs of that firm or organization
43 with any wording designating the position, title or office that the
44 person holds in the firm or organization; any act of a public official or
45 employee in the performance of that person's duties; the performance
46 by any person of other services involving the use of accounting skills,

1 including the preparation of tax returns or financial statements
2 prepared without the issuance of reports, or providing a management
3 advisory service.

4 b. The prohibition contained in subsection a. of this section is
5 applicable to the issuance, by a person not holding a valid license or
6 a firm not holding a valid registration, of a report using any form of
7 language conventionally used by licensees respecting review of
8 financial statements or compilation of financial statements.

9

10 21. a. No person shall use or assume the title or designation
11 "certified public accountant," or the abbreviation "CPA" or any other
12 title, designation, words, letters, abbreviation, sign, card, or device
13 tending to indicate that the person is a certified public accountant
14 unless that person holds a current license as a certified public
15 accountant under this act.

16 b. No firm shall assume or use the title or designation "certified
17 public accountant," or the abbreviation "CPA," unless otherwise
18 provided for by law, or any other title, designation, words, letters,
19 abbreviation, sign, card, or device tending to indicate that the firm is
20 composed of certified public accountants, unless the firm holds a valid
21 registration issued under this act, and all partners, officers, members,
22 managers and shareholders of the firm hold licenses as certified public
23 accountants.

24 c. No individual shall assume or use the title or designation "public
25 accountant," or the abbreviation "PA," or any other title, designation,
26 words, letters, abbreviation, sign, card, or device tending to indicate
27 that the person is a public accountant unless that individual holds a
28 valid registration as a public accountant as provided under this act.

29 d. No firm shall assume or use the title or designation "public
30 accountant," or the abbreviation "PA," unless otherwise provided for
31 by law, or any other title, designation, words, letters, abbreviation,
32 sign, card, or device tending to indicate that the firm is composed of
33 public accountants.

34 e. No person or firm shall assume or use the title or designation
35 "certified accountant," "chartered accountant," "enrolled accountant,"
36 "licensed accountant," "registered accountant," "accredited
37 accountant," or any other title or designation likely to be confused
38 with the titles "certified public accountant" or "public accountant," or
39 use any of the abbreviations "CA," "LA," "RA," "AA," or similar
40 abbreviations likely to be confused with the abbreviations "CPA" or
41 "PA," unless that person or firm holds a valid license or registration
42 issued under this act.

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

45 g. No person or firm shall assume or use any title or designation
46 that includes the words "accountant," "auditor," or "accounting" in

1 connection with any other language, including the language of a
2 report, that implies that the person or firm holds such a certificate,
3 permit, or registration or has special competence as an accountant or
4 auditor, unless that person or firm holds a valid license or registration
5 issued under this act, except that this subsection shall not prohibit any
6 officer, partner, member, manager, or employee of any firm or
7 organization from affixing that person's own signature to any
8 statement in reference to the financial affairs of that firm or
9 organization with any wording designating the positions, title, or office
10 that the person holds in the firm or organization, nor shall this
11 subsection prohibit any act of a public official or employee in the
12 performance of the person's duties.

13 h. No person holding a license or firm holding a registration under
14 this act shall engage in the practice of public accountancy using a
15 professional or firm name or designation that is misleading with regard
16 to the form in which the firm is organized, or about the persons who
17 are partners, officers, members, managers or shareholders of the firm,
18 or about any other matter, except that names of one or more former
19 partners, members, managers, or shareholders may be included in the
20 name of a firm or its successor.

21 i. The provisions of this section shall not apply to a person or firm
22 holding a certification, designation, degree, or license granted in a
23 foreign country, entitling the holder thereof to engage in the practice
24 of public accountancy or its equivalent in that country, whose
25 activities in this State are limited to the provision of professional
26 services to persons or firms who are residents of, governments of, or
27 business entities of the country in which the person holds that
28 entitlement, so long as that person or firm issues no reports with
29 respect to the financial statements of any other persons, firms, or
30 governmental units in this State, and does not use in this State any
31 titles or designation other than the one under which the person
32 practices in the foreign country, followed by a translation of that title
33 or designation into the English language, if it is in a different language,
34 and by the name of that country.

35
36 22. Whenever, by reason of an investigation, the board shall have
37 reason to believe that there has been a violation of the laws of this
38 State, the board may refer the matter and any information pertaining
39 to the matter to the Attorney General of this State or the appropriate
40 civil or criminal law enforcement authority. Each member of the board
41 shall have immunity from any civil or criminal liability on account of
42 these referrals, unless a member has acted in bad faith or with
43 malicious purpose.

44
45 23. In any action brought under this act, evidence of the
46 commission of a single act prohibited by this act shall be sufficient to

1 justify a penalty, injunction, restraining order, or conviction,
2 respectively, without evidence of a general course of conduct.

3
4 24. Except by permission of the client engaging a licensee or firm
5 under this act, or the heirs, successors, or personal representatives of
6 that client, no licensee or partner, officer, member, manager,
7 shareholder, or employee of a licensee or firm shall disclose
8 information communicated to the licensee or firm by the client relating
9 to and in connection with services rendered to the client by the
10 licensee or firm in the practice of public accountancy. Such
11 information shall be deemed confidential; except that nothing herein
12 shall be construed as prohibiting the disclosure of information required
13 to be disclosed by the standards of the public accounting profession in
14 reporting on the examination of financial statements or as prohibiting
15 disclosures in court proceedings, investigations or proceedings under
16 this act, in ethical investigations conducted by private professional
17 organizations, or in the course of quality reviews.

18
19 25. a. All statements, records, schedules, working papers,
20 memoranda or other records made by a licensee or a partner,
21 shareholder, officer, director, member, manager or employee of a
22 licensee or firm, incident to, or in the course of, rendering services to
23 a client in the practice of public accountancy, except the reports
24 submitted by the licensee or firm to the client and except for records
25 that are part of the client's records, shall be and remain the property of
26 the licensee or firm, unless there is an express agreement between the
27 licensee or firm and the client to the contrary. No such statement,
28 record, schedule, working paper, or memorandum shall be sold,
29 transferred, or bequeathed, without the consent of the client or the
30 client's designated representative or assignee, to anyone other than one
31 or more surviving partners, shareholders, members or new partners,
32 new shareholders, or new members of the licensee or firm, or any
33 combined or merged firm or successor in interest to the licensee or
34 firm. Nothing in this section shall prohibit any temporary transfer of
35 working papers or other material necessary in the course of carrying
36 out quality reviews or as otherwise interfering with the disclosure of
37 information pursuant to this act.

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

40 (1) A copy of the licensee's working papers or other records, to the
41 extent that these would ordinarily constitute part of the client's records
42 and are not otherwise available to the client; and

43 (2) Any accounting or other records belonging to the client, or
44 obtained from or on behalf of the client, that the licensee or firm
45 removed from the client's premises or received for the client's account.
46 The licensee or firm may make and retain copies of such documents of

1 the client when they form the basis for work done by the licensee or
2 firm.

3 c. Nothing contained in this section shall require a licensee or firm
4 to keep any working papers beyond the period prescribed in any other
5 applicable statute.

6

7 26. a. The board may adopt regulations establishing a Quality
8 Enhancement Program for the review of audits, reviews, compilations
9 or other reports issued by licensees or firms engaged in the practice of
10 public accountancy in this State to determine whether the reports
11 comply with accepted accounting and auditing standards.

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

14 c. The Quality Enhancement Program established under this section
15 may include procedures for review of the reports submitted and for
16 follow-up reviews and remedial and other actions to be taken in cases
17 of reports which are deficient or in some other manner are not in
18 compliance with applicable accounting and auditing standards. The
19 board may exempt firms which have reports reviewed under a program
20 conducted by other states or other public or private entities which the
21 board finds to be equal to or to exceed the Quality Enhancement
22 Program established under this act.

23

24 27. a. The board shall, as a condition for triennial license renewal,
25 require any person licensed as a "certified public accountant," or
26 "public accountant," to complete 120 credits of continuing
27 professional education during the immediately preceding triennial
28 period of licensure. Persons who are engaged in the practice of public
29 accountancy, or are involved with the attest function in issuing an
30 audit, review or compilation reports, shall have at least 24 of the
31 required credits in the areas of accounting or auditing. Each credit of
32 continuing professional education required pursuant to this section
33 shall represent, or be equivalent to, 50 minutes of verified course
34 attendance at a course or seminar approved by the board.

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

40 c. The board shall not require completion of continuing education
41 credits as a condition for triennial licensure for the initial renewal of
42 licensure.

43 d. The board shall:

44 (1) establish standards for continuing professional education,
45 including the subject matter, contents of courses of study, and the
46 number of credits required;

1 (2) accredit educational programs and sponsors of educational
2 programs offering credit towards the continuing professional education
3 requirements; and

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

9
10 28. Whenever any law or regulation requires professional services
11 to be performed by a certified public accountant, that requirement shall
12 be construed to mean certified public accountant or public accountant.

13
14 29. Only a certified public accountant licensed in this State or a
15 registered municipal accountant licensed in this State prior to 1985
16 shall undertake the work of auditing any municipality or county. Such
17 an individual shall qualify as a registered municipal accountant (RMA)
18 of New Jersey by passing a registered municipal accountant's
19 examination and by subscribing to the following declaration:

20 a. That the individual is fully acquainted with the laws controlling
21 and governing the finances of municipalities and counties of New
22 Jersey; and

23 b. That the individual will honestly and faithfully audit the books
24 and accounts of a municipality or county when engaged to do so, and
25 report any error, omission, irregularity, violation of law, discrepancy
26 or other nonconformity to the law, together with his recommendations
27 to the governing body of that municipality or county.

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

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

34
35 30. The board shall require any person licensed as a registered
36 municipal accountant, as a condition for triennial licensure, to
37 complete the required number of credits of continuing professional
38 education as determined by the board during each triennial period of
39 licensure. Persons who are engaged in the practice of municipal
40 auditing shall have at least one-third of the required credits in the areas
41 of accounting or auditing.

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

45
46 31. A report of audit of a municipality or county shall be signed by

1 the registered municipal accountant making the audit or in charge of
2 the audit.

3

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

7 a. Submitting an application to the board, demonstrating
8 satisfactorily to the board that the individual holds a current and valid
9 license in New Jersey as a certified public accountant, public
10 accountant, or registered municipal accountant, and paying the
11 required fee;

12 b. Renewing the license triennially and paying the required fee; and

13 c. Subscribing that the individual: (1) is fully acquainted with the
14 laws controlling and governing the finances of school districts of New
15 Jersey; and (2) will honestly and faithfully audit the books and
16 accounts of any school district when engaged to do so, and report any
17 error, omission, irregularity, violation of law, discrepancy or other
18 nonconformity to the law, together with recommendations to the board
19 of education in charge of that school district.

20

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

23

24 34. This act shall not affect the regulations currently in effect and
25 promulgated by the board, and those regulations that are consistent
26 with the purposes and provisions of this act shall continue with full
27 force and effect until amended, modified or repealed by the board
28 established pursuant to this act.

29

30 35. The following are repealed:

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

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

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

36 P.L.1987, c.392 (C.45:2B-17.1, 45:2B-35.1 and 45:2B-38 through
37 45:2B-41).

38

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

42

43

STATEMENT

44

45 This bill, the "Accountancy Act of 1997," is a comprehensive
46 revision of the law regulating the practice of accounting in New

1 Jersey. The bill repeals the "Public Accountancy Act of 1977,"
2 P.L.1977, c.144 (C.45:2B-1 et seq.), and all supplements thereto
3 which currently regulate accountants in this State.

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

13

14

15

16

17 "Accountancy Act of 1997."