

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."