

[Passed Both Houses]

[Corrected Copy]

SENATE, No. 2089

STATE OF NEW JERSEY

INTRODUCED MAY 15, 1997

**By Senators DiFRANCESCO, CASEY, Inverso, Assemblymen
DiGaetano, Collins, Jones and Assemblywoman Turner**

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:

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

2 "Financial statements" means statements and related footnotes that
3 purport to present an actual or a prospective financial position at a
4 particular time, or results of operations, cash flow, or changes in
5 financial position for a period of time, in conformity with generally
6 accepted accounting principles or another comprehensive basis of
7 accounting. The term includes specific elements, accounts or items of
8 such statements, but does not include: incidental financial data
9 included in management advisory service reports to support
10 recommendations to a client; or tax returns and supporting schedules.

11 "Firm" means a sole proprietorship, a professional corporation, a
12 partnership, a limited liability company, a limited liability partnership,
13 or any other lawful form of business organization.

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

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

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

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

19 "Owner of a firm" means any person with an equity or equivalent
20 interest in a firm, such as a shareholder with respect to a corporation
21 or a partner with respect to a partnership, or an individual with respect
22 to a sole proprietorship.

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

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

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

38 "Report" when used with reference to financial statements, means
39 an opinion, report, or other form of language that states or implies
40 assurance as to the reliability of any financial statement and that also
41 includes or is accompanied by any statement or implication that the
42 person or firm issuing it has special knowledge or competence in
43 accounting or auditing, such as a statement or implication of special
44 knowledge or competence in accounting or auditing. Such a statement
45 or implication of special knowledge or competence may arise from use
46 by the issuer of the report of names or titles indicating that the person

1 or firm is an accountant or auditor, or from the language of the report
2 itself. The term "report" includes any form of language which
3 disclaims an opinion when that form of language is conventionally
4 understood to imply any positive assurance as to the reliability of the
5 financial statement referred to or special competence on the part of the
6 person or firm issuing that language, or both; and it includes any other
7 form of language that is conventionally understood to imply that
8 assurance or that special knowledge or competence, or both.

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

19 Wherever in any law, rule, regulation, contract, document, judicial
20 or administrative proceeding or otherwise, reference is made to the
21 New Jersey State Board of Certified Public Accountants, the same
22 shall mean and refer to the New Jersey State Board of Accountancy.

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

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

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

42 The Governor may remove any member of the board, other than the
43 State executive department member, for cause, upon notice and
44 opportunity to be heard.

45
46 6. a. Before entering upon the discharge of their duties, the

1 members of the board shall take and subscribe an oath for the faithful
2 performance of their duties before the Attorney General or any officer
3 authorized to administer oaths in this State and file the same with the
4 Secretary of State.

5 b. Subject to the approval of the Attorney General, the members
6 of the board shall annually elect a president, a vice president, a
7 treasurer and a secretary from among their members.

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

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

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

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

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

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

33

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

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

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

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

45 d. Conduct hearings pursuant to the "Administrative Procedure
46 Act," P.L.1968, c.410 (C.52:14B-1 et seq.). In any hearing or

- 1 investigation, the board shall have the right to administer oaths to
2 witnesses, and shall have the power to issue subpoenas for the
3 compulsory attendance of witnesses and the production of pertinent
4 books, papers, or records;
- 5 e. Take such action as is necessary before any board, agency or
6 court of competent jurisdiction for the enforcement of the provisions
7 of this act;
- 8 f. Evaluate and pass upon the qualification of candidates for
9 licensure;
- 10 g. Adopt and administer the examinations to be taken by applicants
11 for licensure;
- 12 h. Prescribe or change the fees for examinations, licensing,
13 registrations, certifications, renewals, or other services performed
14 pursuant to the provisions of P.L.1974, c.46 (C.45:1-3.1 et seq.);
- 15 i. Subject to the requirements of this act, establish standards for
16 and approve continuing education programs and sponsors of
17 continuing education programs; and
- 18 j. Have the investigative and enforcement powers provided
19 pursuant to P.L.1978, c.73 (C.45:1-14 et seq.).
20
- 21 8. Every applicant for examination for licensure as a certified
22 public accountant shall present to the board a written application on
23 a form to be provided by the board, together with the required fee, and
24 satisfactory proof of the following:
- 25 a. That the applicant is at least 18 years of age;
- 26 b. That the applicant is of good moral character; and
- 27 c. (1) That the applicant has a baccalaureate degree or its
28 equivalent from an institution of higher education acceptable to the
29 board, including such courses in accounting and related professional
30 courses that the board may require by regulation;
- 31 (2) After July 1, 2000 and according to regulations established by
32 the board, that the applicant has at least 150 semester hours of
33 education or its equivalent, including a baccalaureate or higher degree,
34 from an institution of higher education accredited by a regional
35 accrediting agency recognized by the Commission on Higher
36 Education. The educational program shall include a concentration in
37 accounting or its equivalent and related professional courses as
38 determined by regulation of the board.
39
- 40 9. Except as otherwise provided, no person shall be issued a license
41 by the board to practice as a certified public accountant until he has
42 passed all sections of an examination designated by the board with a
43 passing grade of 75 in each section. If the candidate does not pass all
44 of the sections of the examination at one sitting, he may be reexamined
45 with respect to the sections which he did not pass, under terms and
46 conditions established by the board.

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

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

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

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

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

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

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

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

1 the regulations promulgated pursuant to this act for the issuance of a
2 license as a certified public accountant.

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

18 c. The board shall issue a license as a certified public accountant
19 to a holder of a foreign designation, granted in a foreign country
20 entitling the holder thereof to engage in the practice of public
21 accountancy if:

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

26 (2) The foreign designation:

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

30 (b) entitles the holder to issue reports upon a financial statement;
31 and

32 (c) was issued upon the basis of educational, examination, and
33 experience requirements established by the foreign authority or by law;
34 and

35 (3) The applicant:

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

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

45 (c) passed a uniform qualifying examination in national standards
46 acceptable to the board and an examination on the laws, regulations

1 and code of ethical conduct in effect in this State.

2 An applicant seeking licensure under this subsection shall in the
3 application list all jurisdictions, foreign and domestic, in which the
4 applicant has applied for or holds a designation to practice public
5 accountancy, and each holder of a license issued under this subsection
6 shall notify the board in writing, within thirty days after its occurrence,
7 of any issuance, denial, revocation or suspension of a designation or
8 commencement of a disciplinary or enforcement action by any
9 jurisdiction.

10

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

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

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

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

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

34

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

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

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

45 (3) Each resident manager in charge of a practice unit of a firm in
46 this State and each owner thereof personally engaged within this State

1 in the practice of public accounting shall be a public accountant or a
2 certified public accountant of this State in good standing and licensed
3 to practice public accountancy in this State.

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

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

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

28
29 17. Every certified public accountant and public accountant
30 licensed to practice public accountancy within this State shall renew
31 his license triennially with the board and pay a triennial license fee
32 established by the board by regulation.

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

41 An individual paying the triennial license fee, in addition to
42 furnishing any other information which the board may require, shall
43 state in the application whether any license as a certified public
44 accountant or public accountant or any charter as a chartered
45 accountant or any other license, permit or registration to practice
46 public accountancy ever issued to or made for that individual by any

1 state or political subdivision of the United States, or by any foreign
2 country or political subdivision thereof, or by any professional
3 accounting organization, has been revoked or suspended, and, if so,
4 state those facts relating to that revocation or suspension as the board
5 may require.

6 No certified public accountant, public accountant, registered
7 municipal accountant or public school accountant of this State, who
8 has not renewed his license pursuant to the requirements of this
9 section, shall, during that period, hold himself out to be engaged in
10 practice as a certified public accountant, public accountant, registered
11 municipal accountant or public school accountant within this State.

12

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

19 (1) Fraud, deceit or misrepresentation in obtaining a license or
20 registration;

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

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

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

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

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

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

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

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

46 (10) Any conduct reflecting adversely upon the licensee's fitness to

1 engage in the practice of public accountancy;

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

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

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

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

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

16 (2) Satisfactory completion of continuing professional education
17 programs required by the board pursuant to the provisions of sections
18 27 or 30 of this act.

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

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

23

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

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

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

40

41 20. a. No individual or firm shall issue a report on financial
42 statements of any other individual, firm, organization, or governmental
43 unit unless that person or firm holds a valid license or registration
44 issued under this act, except that this prohibition shall not apply to: an
45 officer, partner, member, manager or employee of any firm or
46 organization affixing that person's own signature to any statement or

1 report in reference to the financial affairs of that firm or organization
2 with any wording designating the position, title or office that the
3 person holds in the firm or organization; any act of a public official or
4 employee in the performance of that person's duties; the performance
5 by any person of other services involving the use of accounting skills,
6 including the preparation of tax returns or financial statements
7 prepared without the issuance of reports, or providing a management
8 advisory service.

9 b. The prohibition contained in subsection a. of this section is
10 applicable to the issuance, by a person not holding a valid license or
11 a firm not holding a valid registration, of a report using any form of
12 language conventionally used by licensees respecting review of
13 financial statements or compilation of financial statements.

14

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

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

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

34 d. No firm shall assume or use the title or designation "public
35 accountant," or the abbreviation "PA," unless otherwise provided for
36 by law, or any other title, designation, words, letters, abbreviation,
37 sign, card, or device tending to indicate that the firm is composed of
38 public accountants.

39 e. No person or firm shall assume or use the title or designation
40 "certified accountant," "chartered accountant," "enrolled accountant,"
41 "licensed accountant," "registered accountant," "accredited
42 accountant," or any other title or designation likely to be confused
43 with the titles "certified public accountant" or "public accountant," or
44 use any of the abbreviations "CA," "LA," "RA," "AA," or similar
45 abbreviations likely to be confused with the abbreviations "CPA" or
46 "PA," unless that person or firm holds a valid license or registration

1 issued under this act.

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

4 g. No person or firm shall assume or use any title or designation
5 that includes the words "accountant," "auditor," or "accounting" in
6 connection with any other language, including the language of a
7 report, that implies that the person or firm holds such a certificate,
8 permit, or registration or has special competence as an accountant or
9 auditor, unless that person or firm holds a valid license or registration
10 issued under this act, except that this subsection shall not prohibit any
11 officer, partner, member, manager, or employee of any firm or
12 organization from affixing that person's own signature to any
13 statement in reference to the financial affairs of that firm or
14 organization with any wording designating the positions, title, or office
15 that the person holds in the firm or organization, nor shall this
16 subsection prohibit any act of a public official or employee in the
17 performance of the person's duties.

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

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

40

41 22. Whenever, by reason of an investigation, the board shall have
42 reason to believe that there has been a violation of the laws of this
43 State, the board may refer the matter and any information pertaining
44 to the matter to the Attorney General of this State or the appropriate
45 civil or criminal law enforcement authority. Each member of the board
46 shall have immunity from any civil or criminal liability on account of

1 these referrals, unless a member has acted in bad faith or with
2 malicious purpose.

3

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

8

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

23

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

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

45 (1) A copy of the licensee's working papers or other records, to the
46 extent that these would ordinarily constitute part of the client's records

1 and are not otherwise available to the client; and

2 (2) Any accounting or other records belonging to the client, or
3 obtained from or on behalf of the client, that the licensee or firm
4 removed from the client's premises or received for the client's account.
5 The licensee or firm may make and retain copies of such documents of
6 the client when they form the basis for work done by the licensee or
7 firm.

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

11

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

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

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

28

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

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

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

1 licensure.

2 d. The board shall:

3 (1) establish standards for continuing professional education,
4 including the subject matter, contents of courses of study, and the
5 number of credits required;

6 (2) accredit educational programs and sponsors of educational
7 programs offering credit towards the continuing professional education
8 requirements; and

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

14

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

18

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

25 a. That the individual is fully acquainted with the laws controlling
26 and governing the finances of municipalities and counties of New
27 Jersey; and

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

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

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

39

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

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

4
5 31. A report of audit of a municipality or county shall be signed by
6 the registered municipal accountant making the audit or in charge of
7 the audit.

8
9 32. Any person who undertakes the work of auditing the accounts
10 of any school district in New Jersey shall qualify as a public school
11 accountant (PSA) by:

12 a. Submitting an application to the board, demonstrating
13 satisfactorily to the board that the individual holds a current and valid
14 license in New Jersey as a certified public accountant, public
15 accountant, or registered municipal accountant, and paying the
16 required fee;

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

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

25
26 33. A report of audit of a school district shall be signed by the
27 public school accountant making the audit or in charge of the audit.

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

34
35 35. The following are repealed:

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

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

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

41 P.L.1987, c.392 (C.45:2B-17.1, 45:2B-35.1 and 45:2B-38 through
42 45:2B-41).

43
44 36. This act shall take effect on the 180th day after enactment, but
45 its provisions shall not affect any proceedings or actions pending prior
46 to its effective date.

STATEMENT

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

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

"Accountancy Act of 1997."