

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 541

Short Title: CPA Amendments.

(Public)

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Sponsors: Representative Kennedy.

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Referred to: State Government.

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March 25, 1993

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT A RECOMMENDATION OF THE GENERAL STATUTES COMMISSION TO DELETE THE DOMICILIARY OR RESIDENCY AND CITIZENSHIP REQUIREMENTS FOR EXAMINATION AND LICENSURE AS A CERTIFIED PUBLIC ACCOUNTANT AND TO MAKE TECHNICAL AMENDMENTS BY DELETING OBSOLETE REFERENCES TO PUBLIC ACCOUNTANTS.

The General Assembly of North Carolina enacts:

Section 1. The title of Chapter 93 of the General Statutes reads as rewritten:

**"CHAPTER 93.**

**"CERTIFIED PUBLIC ACCOUNTANTS."**

Sec. 2. G.S. 93-1 reads as rewritten:

**"§ 93-1. Definitions; practice of law.**

(a) Definitions. – As used in this Chapter certain terms are defined as follows:

- (1) An 'accountant' is a person engaged in the public practice of accountancy who is ~~neither~~ not a certified public accountant ~~nor a public accountant~~ as defined in this Chapter.
- (2) 'Board' means the Board of Certified Public Accountant Examiners as provided in this Chapter.
- (3) A 'certified public accountant' is a person who holds a certificate as a certified public accountant issued to him under the provisions of this Chapter.

1           (4) ~~A 'public accountant' is a person engaged in the public practice of~~  
2           ~~accountancy who is registered as a public accountant under the~~  
3           ~~provisions of this Chapter.~~

4           (5) A person is engaged in the 'public practice of accountancy' who holds  
5           himself out to the public as a certified public accountant or an  
6           accountant and in consideration of compensation received or to be  
7           received offers to perform or does perform, for other persons, services  
8           which involve the auditing or verification of financial transactions,  
9           books, accounts, or records, or the preparation, verification or  
10          certification of financial, accounting and related statements intended  
11          for publication or renders professional services or assistance in or  
12          about any and all matters of principle or detail relating to accounting  
13          procedure and systems, or the recording, presentation or certification  
14          and the interpretation of such service through statements and reports.

15          (b) Practice of Law. – Nothing in this Chapter shall be construed as authorizing  
16          certified public accountants, ~~public accountants~~ accountants or accountants to engage in  
17          the practice of law, and such person shall not engage in the practice of law unless duly  
18          licensed so to do."

19                Sec. 3. G.S. 93-2 reads as rewritten:

20       **"§ 93-2. Qualifications.**

21                Any individual citizen of the United States, ~~or person who has duly declared his intention~~  
22                ~~of becoming such citizen~~, over 18 years of age and of good moral character, and who shall  
23                have received from the State Board of Certified Public Accountant Examiners a  
24                certificate of qualification admitting him to practice as a certified public accountant as  
25                hereinafter provided, or who is the holder of a valid and unrevoked certificate issued  
26                under the provisions of Chapter 157 of the Public Laws of 1913, shall be licensed to  
27                practice and be styled and known as a certified public accountant."

28                Sec. 4. G.S. 93-6 reads as rewritten:

29       **"§ 93-6. Practice as accountants permitted; use of misleading titles**  
30       **prohibited.**

31                It shall be unlawful for any person to engage in the public practice of accountancy in  
32                this State who is not a holder of a certificate as a certified public accountant issued by  
33                the Board, ~~or is not registered as a public accountant under the provisions of this Chapter,~~  
34                unless such person uses the term 'accountant' and only the term 'accountant' in  
35                connection with his name on all reports, letters of transmittal, or advice, and on all  
36                stationery and documents used in connection with his services as an accountant, and  
37                refrains from the use in any manner of any other title or designation in such practice."

38                Sec. 5. G.S. 93-7 is repealed.

39                Sec. 6. G.S. 93-9 reads as rewritten:

40       **"§ 93-9. Assistants need not be certified.**

41                Nothing contained in this Chapter shall be construed to prohibit the employment by  
42                a certified public accountant or by any person, firm, copartnership, association, or  
43                corporation permitted to engage in the practice of public accounting in the State of  
44                North Carolina, of persons who have not received certificates of qualification admitting

1 them to practice as certified public accountants, as assistant accountants or clerks:  
2 Provided, that such employees work under the control and supervision of certified  
3 public accountants ~~or public accountants~~, and do not certify to anyone the accuracy or  
4 verification of audits or statements; and provided further, that such employees do not  
5 hold themselves out as engaged in the practice of public accounting."

6 Sec. 7. G.S. 93-10 reads as rewritten:

7 **"§ 93-10. Persons certified in other states.**

8 ~~A public accountant~~ An individual who holds a valid and unrevoked certificate as a  
9 certified public accountant, or its equivalent, issued under authority of any state, or the  
10 District of Columbia, and who resides without the State of North Carolina, may perform  
11 work within the State: Provided, that he register with the State Board of Certified Public  
12 Accountant Examiners and comply with its rules regarding such registration."

13 Sec. 8. G.S. 93-12 reads as rewritten:

14 **"§ 93-12. Board of Certified Public Accountant Examiners.**

15 The name of the State Board of Accountancy is hereby changed to State Board of  
16 Certified Public Accountant Examiners and said name State Board of Certified Public  
17 Accountant Examiners is hereby substituted for the name State Board of Accountancy  
18 wherever the latter name appears or is used in Chapter 93 of the General Statutes. Said  
19 Board is created as an agency of the State of North Carolina and shall consist of seven  
20 members to be appointed by the Governor, five persons to be holders of valid and  
21 unrevoked certificates as certified public accountants issued under the provisions of this  
22 Chapter and two persons who are not certified public accountants who shall represent  
23 the interest of the public at large. Members of the Board shall hold office for the term  
24 of three years and until their successors are appointed. Appointments to the Board shall  
25 be made under the provisions of this Chapter as and when the terms of the members of  
26 the present State Board of Accountancy expire; provided, that all future appointments to  
27 said Board shall be made for a term of three years expiring on the thirtieth day of June.  
28 All Board members serving on June 30, 1980, shall be eligible to complete their  
29 respective terms. No member appointed to a term on or after July 1, 1980, shall serve  
30 more than two complete consecutive terms. The powers and duties of the Board shall be  
31 as follows:

- 32 (1) To elect from its members a president, vice-president and secretary-  
33 treasurer. The members of the Board shall receive compensation and  
34 reimbursement for travel expenses in accordance with G.S. 93B-5.
- 35 (2) To employ legal counsel, clerical and technical assistance and to fix  
36 the compensation therefor, and to incur such other expenses as may be  
37 deemed necessary in the performance of its duties and the enforcement  
38 of the provisions of this Chapter. Upon request the Attorney General  
39 of North Carolina will advise the Board with respect to the  
40 performance of its duties and will assign a member of his staff, or  
41 approve the employment of counsel, to represent the Board in any  
42 hearing or litigation arising under this Chapter. The Board may, in the  
43 exercise of its discretion, cooperate with similar boards of other states,  
44 territories and the District of Columbia in activities designed to bring

1 about uniformity in standards of admission to the public practice of  
2 accountancy by certified public accountants, and may employ a  
3 uniform system of preparation of examinations to be given to  
4 candidates for certificates as certified public accountants, including the  
5 services and facilities of the American Institute of Certified Public  
6 Accountants, or of any other persons or organizations of recognized  
7 skill in the field of accountancy, in the preparation of examinations  
8 and assistance in establishing and maintaining a uniform system of  
9 grading of examination papers, provided however, that all  
10 examinations given by said Board shall be adopted and approved by  
11 the Board and that the grade or grades given to all persons taking said  
12 examinations shall be determined and approved by the Board.

- 13 (3) To formulate rules for the government of the Board and for the  
14 examination of applicants for certificates of qualification admitting  
15 such applicants to practice as certified public accountants.
- 16 (4) To hold written or oral examinations of applicants for certificates of  
17 qualification at least once a year, or oftener, as may be deemed  
18 necessary by the Board.
- 19 (5) To issue certificates of qualification admitting to practice as certified  
20 public accountants, each applicant who, having the qualifications  
21 herein specified, shall have passed an examination to the satisfaction  
22 of the Board, in 'accounting theory,' 'accounting practice,' 'auditing,'  
23 'business law,' and other related subjects.

24 From and after July 1, 1961, any person shall be eligible to take the  
25 examination given by the Board, or to receive a certificate of  
26 qualification to practice as a certified public accountant, who ~~is a~~  
27 ~~citizen of the United States or has declared his intention of becoming a~~  
28 ~~citizen or is a resident alien, and has been domiciled in or resided for at least~~  
29 ~~four months within the State of North Carolina immediately prior to the~~  
30 filing of an application to take the examination or to receive a  
31 certificate of qualification, is 18 years of age or over, and is of good  
32 moral character, and submits evidence satisfactory to the Board that:

- 33 a. He holds a bachelor's degree from a college or university  
34 accredited by one of the regional accrediting associations or  
35 from a college or university determined by the Board to have  
36 standards substantially equivalent to a regionally accredited  
37 institution, and
- 38 b. His degree studies included a concentration in accounting as  
39 defined by the Board or that he supplemented his degree studies  
40 with courses that the Board determines to be substantially  
41 equivalent to a concentration in accounting, and
- 42 c. Satisfactory evidence of the completion of two years in an  
43 accredited college or university or its equivalent with a  
44 concentration in accounting as defined by the Board and two

1 years experience in the practice of public accountancy under the  
2 direct supervision of a certified public accountant, in addition to  
3 other experience requirements in this section, may be  
4 substituted for a bachelor's degree.

5 Provided, however, the Board may, in its discretion, waive the  
6 education requirement of any candidate if the Board is satisfied from  
7 the result of a special written examination given the candidate by the  
8 Board to test his educational qualifications that he is as well equipped,  
9 educationally, as if he met the education requirements specified above.  
10 The Board may provide by regulation for the general scope of such  
11 examinations and may obtain such advice and assistance as it deems  
12 appropriate to assist it in preparing, administering and grading such  
13 special examinations.

14 Such applicant, in addition to passing the examination given by the  
15 Board, shall have the endorsement as to his eligibility of three certified  
16 public accountants who currently hold licenses in any state or territory  
17 of the United States or the District of Columbia and shall have had  
18 either:

- 19 a. Two years experience in the field of accounting under the direct  
20 supervision of a certified public accountant who currently holds  
21 a valid license in any state or territory of the United States or  
22 the District of Columbia, or
- 23 b. Five years experience teaching accounting in a four-year  
24 college or university accredited by one of the regional  
25 accrediting associations or in a college or university determined  
26 by the Board to have standards substantially equivalent to a  
27 regionally accredited institution; or
- 28 c. Five years experience in the field of accounting; or five years  
29 experience teaching college transfer accounting courses at a  
30 community college or technical institute accredited by one of  
31 the regional accrediting associations; or
- 32 d. Any combination of such experience determined by the Board  
33 to be substantially equivalent to the foregoing.

34 A Master's or more advanced degree in accounting, tax law,  
35 economics, business administration, or the equivalent thereof, or a law  
36 degree with emphasis in taxation or accounting from an accredited  
37 college or university may be substituted for one year of experience.  
38 The Board may permit persons otherwise eligible to take its  
39 examinations and withhold certificates until such person shall have had  
40 the required experience.

- 41 (6) In its discretion to grant certificates of qualification admitting to  
42 practice as certified public accountants such applicants who shall be  
43 the holders of valid and unrevoked certificates as certified public  
44 accountants, or the equivalent, issued by or under the authority of any

1 state, or territory of the United States or the District of Columbia,  
2 when in the judgment of the Board the requirements for the issuing or  
3 granting of such certificates or degrees are substantially equivalent to  
4 the requirements established by this Chapter: Provided, however, ~~that~~  
5 ~~such applicant has been a bona fide resident of this State for not less than~~  
6 ~~four months or, if a nonresident, he has maintained or has been a member of~~  
7 ~~a firm that has maintained for not less than four months a bona fide office~~  
8 ~~within this State for the public practice of accounting and, provided further,~~  
9 that the state or political subdivision of the United States upon whose  
10 certificate the reciprocal action is based grants the same privileges to  
11 holders of certificates as certified public accountants issued pursuant to  
12 the provisions of this Chapter. The Board, by general rule, may grant  
13 temporary permits to applicants under this subsection pending their  
14 qualification for reciprocal certificates.

15 (7) To charge for each examination provided for in this Chapter a fee not  
16 exceeding two hundred dollars (\$200.00). This fee shall be payable to  
17 the secretary-treasurer of the Board by the applicant at the time of  
18 filing application. In no case shall the examination fee be refunded,  
19 unless in the discretion of the Board the applicant shall be deemed  
20 ineligible for examination.

21 (7a) To charge for each initial certificate of qualification provided for in  
22 this Chapter a fee not exceeding seventy-five dollars (\$75.00).

23 (7b) To require an annual registration of each firm and to charge an annual  
24 registration fee not to exceed two hundred dollars (\$200.00) for each  
25 firm with one office, and a fee not to exceed twenty-five dollars  
26 (\$25.00) for each additional North Carolina office of the firm, to  
27 defray the administrative costs of accounting practice review  
28 programs. The Board may charge an annual fee not to exceed twenty-  
29 five dollars (\$25.00) for each firm application for exemption from the  
30 accounting practice review program.

31 (8) To require the renewal of all certificates of qualification annually on  
32 the first day of July, and to charge an annual renewal fee not to exceed  
33 fifty dollars (\$50.00).

34 (8a) To require the registration of certified public accountant firms which  
35 have offices both within and outside of North Carolina, and the  
36 payment by such firms of an annual registration fee based on the total  
37 number of partners in each such firm, but not to exceed two thousand  
38 five hundred dollars (\$2,500) per firm per year.

39 (8b) To formulate rules and regulations for the continuing professional  
40 education of all persons holding the certificate of certified public  
41 accountant, subject to the following provisions:

42 a. After January 1, 1983, any person desiring to obtain or renew a  
43 certificate as a certified public accountant must offer evidence  
44 satisfactory to the Board that such person has complied with the

- 1 continuing professional education requirement approved by the  
2 Board. The Board may grant a conditional license for not more  
3 than 12 months for persons who are being licensed for the first  
4 time, or moving into North Carolina, or for other good cause, in  
5 order that such person may comply with the continuing  
6 professional education requirement.
- 7 b. The Board shall promulgate rules and regulations for the  
8 administration of the continuing professional education  
9 requirement with a minimum number of hours of 20 and a  
10 maximum number of hours of 40 per year, and the Board may  
11 exempt persons who are retired or inactive from said continuing  
12 professional education requirement. The Board may also  
13 permit any certified public accountant to accumulate hours of  
14 continuing professional education in any calendar year of as  
15 much as two additional years annual requirement in advance of  
16 or subsequent to the required calendar year.
- 17 c. Any applicant who offers satisfactory evidence on forms  
18 promulgated by the Board that he has participated in a  
19 continuing professional education program of the type required  
20 by the Board shall be deemed to have complied with this  
21 section.
- 22 (8c) The Board may formulate rules and regulations for report review and  
23 peer review of audits, reviews, compilations, and other reports issued  
24 on financial information in the public practice of accountancy of all  
25 firms, as herein defined, subject to the following provisions:
- 26 a. After June 30, 1992, any firm desiring to obtain or maintain a  
27 registration as a firm must offer satisfactory evidence to the  
28 Board that such firm has complied with the peer review and  
29 report review requirements approved by the Board; provided,  
30 however, that the Board shall give to every firm subject to this  
31 section not less than 12 months advance notice of each peer  
32 review and report review required of the firm.
- 33 b. The Board may grant a conditional registration for not more  
34 than 24 months for firms which are being registered for the first  
35 time, or moving into North Carolina, or for other good cause, in  
36 order that such firm may comply with the report review and  
37 peer review requirements, and in order that the Board may  
38 develop a system of review rotation among the various firms  
39 that must comply with this section.
- 40 c. The peer review and report review shall be valid for a minimum  
41 of three years subject to the power of the Board to require  
42 remedial action by any firm with a deficiency in the review  
43 according to the rules established by the Board.

- 1                   d.     The Board shall promulgate rules and regulations for the  
2                   administration of the report review and peer review  
3                   requirements and the Board shall exempt firms that show to the  
4                   satisfaction of the Board that they are not engaged in the public  
5                   practice of accountancy or that the scope of their practice does  
6                   not come within the peer review and report review guidelines  
7                   established by the Board.
- 8                   e.     Any firm that offers satisfactory evidence to the Board that the  
9                   firm has satisfactorily participated in and successfully  
10                  completed a peer review or a report review of the type required  
11                  by the Board shall be deemed to have complied with this  
12                  section and the Board shall promulgate rules and regulations for  
13                  the administration of this procedure.
- 14                  f.     For purposes of this section, a firm means an entity, individual  
15                  proprietorship, partnership or professional association through  
16                  which one or more certificate holder engages in the public  
17                  practice of accountancy through an office or offices.
- 18           (9)     Adoption of Rules of Professional Conduct; Disciplinary Action. –  
19           The Board shall have the power to adopt rules of professional ethics  
20           and conduct to be observed by certified public accountants ~~and public~~  
21           ~~accountants~~ in this State. The Board shall have the power to revoke,  
22           either permanently or for a specified period, any certificate issued  
23           under the provisions of this Chapter to a certified public accountant ~~or~~  
24           ~~public accountant~~ or to censure the holder of any such certificate or to  
25           assess a civil penalty not to exceed one thousand dollars (\$1,000) for  
26           any one or combination of the following causes:
- 27                  a.     Conviction of a felony under the laws of the United States or of  
28                  any state of the United States.
- 29                  b.     Conviction of any crime, an essential element of which is  
30                  dishonesty, deceit or fraud.
- 31                  c.     Fraud or deceit in obtaining a certificate as a certified public  
32                  accountant.
- 33                  d.     Dishonesty, fraud or gross negligence in the public practice of  
34                  accountancy.
- 35                  e.     Violation of any rule of professional ethics and professional  
36                  conduct adopted by the Board.
- 37                  Any disciplinary action taken shall be in accordance with the  
38                  provisions of Chapter 150B of the General Statutes. Any civil penalty  
39                  assessed under this section shall be collected by the Board and  
40                  transferred to the State Treasurer for use in the General Fund.
- 41           (10)    Within 60 days after March 10, 1925, the Board shall formulate rules  
42           for the registration of those persons, firms, copartnerships, associations  
43           or corporations who, not being holders of valid and unrevoked  
44           certificates as certified public accountants issued under the provisions



1 of Chapter 157 of the Public Laws of 1913, ~~1913. and who, having on~~  
2 ~~March 10, 1925, been engaged in the practice of public accounting and~~  
3 ~~maintaining an office as a public accountant in the State of North Carolina,~~  
4 ~~shall, under the provisions of G.S. 93-7 apply to the Board for registration as~~  
5 ~~public accountants.~~ The Board shall maintain a register of all persons,  
6 firms, copartnerships, associations or corporations who have made  
7 application for such registration and have complied with the rules of  
8 registration adopted by the Board.

9 (11) ~~Within 60 days after March 10, 1925, the Board shall formulate rules~~  
10 ~~for registration of these public accountants who are qualified to~~  
11 ~~practice under this Chapter and who under the provisions of G.S. 93-~~  
12 ~~10 are permitted to engage in work within the State of North Carolina.~~  
13 ~~The Board shall have the power to deny or withdraw the privilege~~  
14 ~~herein referred to for good and sufficient reasons.~~

15 (12) To submit annually on or before the first day of May to the Secretary  
16 of Revenue the names of all persons who have qualified under this  
17 Chapter as certified public ~~accountants~~ accountants. ~~or public~~  
18 ~~accountants.~~ Privilege license issued under G.S. 105-41 shall designate  
19 whether such license is issued to a certified public ~~accountant,~~ a public  
20 ~~accountant,~~ accountant or an accountant.

21 (13) The Board shall keep a complete record of all its proceedings and shall  
22 annually submit a full report to the Governor.

23 (14) All fees collected on behalf of the Board and all receipts of every kind  
24 and nature, as well as the compensation paid the members of the Board  
25 and the necessary expenses incurred by them in the performance of the  
26 duties imposed upon them, shall be reported annually to the State  
27 Treasurer. All fees and other moneys received by the Board pursuant  
28 to the provisions of the General Statutes shall be kept in a separate  
29 fund by the treasurer of the Board, to be held and expended only for  
30 such purposes as are proper and necessary to the discharge of the  
31 duties of the Board and to enforce the provisions of this Chapter. No  
32 expense incurred by the Board shall be charged against the State.

33 (15) Any certificate of qualification issued under the provisions of this  
34 Chapter, or issued under the provisions of Chapter 157 of the Public  
35 Laws of 1913, shall be forfeited for the failure of the holder to renew  
36 same and to pay the renewal fee therefor to the State Board of  
37 Accountancy within 30 days after demand for such renewal fee shall  
38 have been made by the State Board of Accountancy."

39 Sec. 9. This act is effective upon ratification.