

SECOND REGULAR SESSION  
SENATE COMMITTEE SUBSTITUTE FOR

# SENATE BILL NO. 703

100TH GENERAL ASSEMBLY

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Reported from the Committee on Small Business and Industry, March 2, 2020, with recommendation that the Senate Committee Substitute do pass.

3558S.02C

ADRIANE D. CROUSE, Secretary.

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## AN ACT

To repeal sections 326.280 and 326.289, RSMo, and to enact in lieu thereof two new sections relating to the practice of public accounting.

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*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 326.280 and 326.289, RSMo, are repealed and two new  
2 sections enacted in lieu thereof, to be known as sections 326.280 and 326.289, to  
3 read as follows:

326.280. 1. A license shall be granted by the board to any person who  
2 meets the requirements of this chapter and who:

3 (1) Is a resident of this state or has a place of business in this state or, as  
4 an employee, is regularly employed in this state;

5 (2) Has attained the age of eighteen years;

6 (3) Is of good moral character;

7 (4) Either:

8 (a) Applied for the initial examination prior to June 30, 1999, and holds  
9 a baccalaureate degree conferred by an accredited college or university recognized  
10 by the board, with a concentration in accounting or the substantial equivalent of  
11 a concentration in accounting as determined by the board; or

12 (b) Applied for the initial examination on or after June 30, 1999, and has  
13 at least one hundred fifty semester hours of college education, including a  
14 baccalaureate or higher degree conferred by an accredited college or university  
15 recognized by the board, with the total educational program including an  
16 accounting concentration or equivalent as determined by board rule to be  
17 appropriate;

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

18           **(c) Applicants applying for the examination after June 30, 2021,**  
19 **shall have at least one hundred twenty semester hours of college**  
20 **education at an accredited college or university recognized by the**  
21 **board, with an accounting concentration or equivalent as determined**  
22 **by the board;**

23           (5) Has passed an examination in accounting, auditing and such other  
24 related subjects as the board shall determine is appropriate; and

25           (6) Has had one year of experience. Experience shall be verified by a  
26 licensee and shall include any type of service or advice involving the use of  
27 accounting, attest, compilation, management advisory, financial advisory, tax or  
28 consulting skills including governmental accounting, budgeting or auditing. The  
29 board shall promulgate rules and regulations concerning the verifying licensee's  
30 review of the applicant's experience.

31           2. The board may prescribe by rule the terms and conditions for  
32 reexaminations and fees to be paid for reexaminations.

33           3. A person who, on August 28, 2001, holds an individual permit issued  
34 pursuant to the laws of this state shall not be required to obtain additional  
35 licenses pursuant to sections 326.280 to 326.286, and the licenses issued shall be  
36 considered licenses issued pursuant to sections 326.280 to 326.286. However,  
37 such persons shall be subject to the provisions of section 326.286 for renewal of  
38 licenses.

39           4. Upon application, the board may issue a temporary license to an  
40 applicant pursuant to this subsection for a person who has made a prima facie  
41 showing that the applicant meets all of the requirements for a license and  
42 possesses the experience required. The temporary license shall be effective only  
43 until the board has had the opportunity to investigate the applicant's  
44 qualifications for licensure pursuant to subsection 1 of this section and notify the  
45 applicant that the applicant's application for a license has been granted or  
46 rejected. In no event shall a temporary license be in effect for more than twelve  
47 months after the date of issuance nor shall a temporary license be reissued to the  
48 same applicant. No fee shall be charged for a temporary license. The holder of  
49 a temporary license which has not expired, been suspended or revoked shall be  
50 deemed to be the holder of a license issued pursuant to this section until the  
51 temporary license expires, is terminated, suspended or revoked.

52           5. An applicant for an examination who meets the educational  
53 requirements of subdivision (4) of subsection 1 of this section or who reasonably

54 expects to meet those requirements within sixty days after the examination shall  
55 be eligible for examination if the applicant also meets the requirements of  
56 subdivisions [(1),] (2) and (3) of subsection 1 of this section. For an applicant  
57 admitted to examination on the reasonable expectation that the applicant will  
58 meet the educational requirements within sixty days, no license shall be issued  
59 nor credit for the examination or any part thereof given unless the educational  
60 requirement is in fact met within the sixty-day period.

326.289. 1. The board may grant or renew permits to practice as a  
2 certified public accounting firm to applicants that demonstrate their  
3 qualifications in accordance with this chapter.

4 (1) The following shall hold a permit issued under this chapter:

5 (a) Any firm with an office in this state, as defined by the board by rule,  
6 offering or performing attest or compilation services; or

7 (b) Any firm with an office in this state that uses the title "CPA" or "CPA  
8 firm".

9 (2) Any firm that does not have an office in this state may offer or perform  
10 attest or compilation services in this state without a valid permit only if it meets  
11 each of the following requirements:

12 (a) It complies with the qualifications described in subdivision (1) of  
13 subsection 4 of this section;

14 (b) It complies with the requirements of peer review as set forth in this  
15 chapter and the board's promulgated regulations;

16 (c) It performs such services through an individual with practice  
17 privileges under section 326.283; and

18 (d) It can lawfully do so in the state where said individual with the  
19 privilege to practice has his or her principal place of business.

20 (3) A firm which is not subject to the requirements of subdivisions (1) or  
21 (2) of this subsection may perform other nonattest or noncompilation services  
22 while using the title "CPA" or "CPA firm" in this state without a permit issued  
23 under this section only if it:

24 (a) Performs such services through an individual with the privilege to  
25 practice under section 326.283; and

26 (b) Can lawfully do so in the state where said individual with privilege to  
27 practice has his or her principal place of business.

28 (4) (a) All firms practicing public accounting in this state shall register  
29 with the secretary of state.

30 (b) Firms which may be exempt from this requirement include:  
31 a. Sole proprietorships;  
32 b. Trusts created pursuant to revocable trust agreements, of which the  
33 trustee is a natural person who holds a license or privilege to practice as set forth  
34 in section 326.280, 326.283, or 326.286;  
35 c. General partnerships not operating as a limited liability partnership;  
36 or  
37 d. Foreign professional corporations which do not meet criteria of chapter  
38 356 due to name or ownership, shall obtain a certificate of authority as a general  
39 corporation. Notwithstanding the provisions of chapter 356, the secretary of state  
40 may issue a certificate of authority to a foreign professional corporation which  
41 does not meet the criteria of chapter 356 due to name or ownership, if the  
42 corporation meets the requirements of this section and the rules of the board.

43 2. Permits shall be initially issued and renewed for periods of not more  
44 than three years or for a specific period as prescribed by board rule following  
45 issuance or renewal.

46 3. The board shall determine by rule the form for application and renewal  
47 of permits and shall annually determine the fees for permits and their renewals.

48 4. An applicant for initial issuance or renewal of a permit to practice  
49 under this section shall be required to show that:

50 (1) A simple majority of the ownership of the firm, in terms of financial  
51 interests and voting rights of all partners, officers, principals, shareholders,  
52 members or managers, belongs to licensees who are licensed in some state, and  
53 the partners, officers, principals, shareholders, members or managers, whose  
54 principal place of business is in this state and who perform professional services  
55 in this state are licensees under section 326.280 or the corresponding provision  
56 of prior law. Although firms may include nonlicensee owners, the firm and its  
57 ownership shall comply with rules promulgated by the board;

58 (2) Any certified public accounting firm may include owners who are not  
59 licensees provided that:

60 (a) The firm designates a licensee of this state, or in the case of a firm  
61 which must have a permit under this section designates a licensee of another  
62 state who meets the requirements of section 326.283, who is responsible for the  
63 proper registration of the firm and identifies that individual to the board;

64 (b) All nonlicensee owners are active individual participants in the  
65 certified public accounting firm or affiliated entities;

66 (c) All owners are of good moral character; and  
67 (d) The firm complies with other requirements as the board may impose  
68 by rule;

69 (3) Any licensee who is responsible for supervising attest services, or signs  
70 or authorizes someone to sign the licensee's report on the financial statements on  
71 behalf of the firm, shall meet competency requirements as determined by the  
72 board by rule which shall include one year of experience in addition to the  
73 experience required under subdivision (6) of subsection 1 of section 326.280 and  
74 shall be verified by a licensee. The additional experience required by this  
75 subsection shall include experience in attest work supervised by a licensee.

76 5. An applicant for initial issuance or renewal of a permit to practice shall  
77 register each office of the firm within this state with the board and show that all  
78 attest and compilation services rendered in this state are under the charge of a  
79 licensee.

80 6. No licensee or firm holding a permit under this chapter shall use a  
81 professional or firm name or designation that is misleading as to:

82 (1) The legal form of the firm;

83 (2) The persons who are partners, officers, members, managers or  
84 shareholders of the firm; or

85 (3) Any other matter.

86 The names of one or more former partners, members or shareholders may be  
87 included in the name of a firm or its successor unless the firm becomes a sole  
88 proprietorship because of the death or withdrawal of all other partners, officers,  
89 members or shareholders. A firm may use a fictitious name if the fictitious name  
90 is registered with the board and is not otherwise misleading. The name of a firm  
91 shall not include the name or initials of an individual who is not a present or a  
92 past partner, member or shareholder of the firm or its predecessor. The name of  
93 the firm shall not include the name of an individual who is not a licensee.

94 7. Applicants for initial issuance or renewal of permits shall list in their  
95 application all states in which they have applied for or hold permits as certified  
96 public accounting firms and list any past denial, revocation, suspension or any  
97 discipline of a permit by any other state. Each holder of or applicant for a permit  
98 under this section shall notify the board in writing within thirty days after its  
99 occurrence of any change in the identities of partners, principals, officers,  
100 shareholders, members or managers whose principal place of business is in this  
101 state; any change in the number or location of offices within this state; any

102 change in the identity of the persons in charge of such offices; and any issuance,  
103 denial, revocation, suspension or any discipline of a permit by any other state.

104 8. Firms which fall out of compliance with the provisions of this section  
105 due to changes in firm ownership or personnel after receiving or renewing a  
106 permit shall take corrective action to bring the firm back into compliance as  
107 quickly as possible. The board may grant a reasonable period of time for a firm  
108 to take such corrective action. Failure to bring the firm back into compliance  
109 within a reasonable period as defined by the board may result in the suspension  
110 or revocation of the firm permit.

111 9. The board shall require by rule, as a condition to the renewal of  
112 permits, that firms undergo, no more frequently than once every three years, peer  
113 reviews conducted in a manner as the board shall specify. The review shall  
114 include a verification that individuals in the firm who are responsible for  
115 supervising attest and compilation services or sign or authorize someone to sign  
116 the accountant's report on the financial statements on behalf of the firm meet the  
117 competency requirements set out in the professional standards for such services,  
118 provided that any such rule:

119 (1) Shall include reasonable provision for compliance by a firm showing  
120 that it has within the preceding three years undergone a peer review that is a  
121 satisfactory equivalent to peer review generally required under this subsection;

122 (2) May require, with respect to peer reviews, that peer reviews be subject  
123 to oversight by an oversight body established or sanctioned by board rule, which  
124 shall periodically report to the board on the effectiveness of the review program  
125 under its charge and provide to the board a listing of firms that have participated  
126 in a peer review program that is satisfactory to the board; and

127 (3) Shall require, with respect to peer reviews, that the peer review  
128 processes be operated and documents maintained in a manner designed to  
129 preserve confidentiality, and that the board or any third party other than the  
130 oversight body shall not have access to documents furnished or generated in the  
131 course of the peer review of the firm except as provided in subdivision (2) of this  
132 subsection.

133 10. The board may, by rule, charge a fee for oversight of peer reviews,  
134 provided that the fee charged shall be substantially equivalent to the cost of  
135 oversight.

136 11. **Notwithstanding any other provision in this section, the**  
137 **board may obtain the following information regarding peer review from**

138 **any approved American Institute for Certified Public Accountants peer**  
139 **review program:**

140 **(1) The firm's name and address;**

141 **(2) The firm's dates of enrollment in the program;**

142 **(3) The date of acceptance and the period covered by the firm's**  
143 **most recently accepted peer review; and**

144 **(4) If applicable, whether the firm's enrollment in the program**  
145 **has been dropped or terminated.**

146 **12.** In connection with proceedings before the board or upon receipt of a  
147 complaint involving the licensee performing peer reviews, the board shall not  
148 have access to any documents furnished or generated in the course of the  
149 performance of the peer reviews except for peer review reports, letters of comment  
150 and summary review memoranda. The documents shall be furnished to the board  
151 only in a redacted manner that does not specifically identify any firm or licensee  
152 being peer reviewed or any of their clients.

153 **[12.] 13.** The peer review processes shall be operated and the documents  
154 generated thereby be maintained in a manner designed to preserve their  
155 confidentiality. No third party, other than the oversight body, the board, subject  
156 to the provisions of subsection **[11] 12** of this section, or the organization  
157 performing peer review shall have access to documents furnished or generated in  
158 the course of the review. All documents shall be privileged and closed records for  
159 all purposes and all meetings at which the documents are discussed shall be  
160 considered closed meetings under subdivision (1) of section 610.021. The  
161 proceedings, records and workpapers of the board and any peer review subjected  
162 to the board process shall be privileged and shall not be subject to discovery,  
163 subpoena or other means of legal process or introduction into evidence at any civil  
164 action, arbitration, administrative proceeding or board proceeding. No member  
165 of the board or person who is involved in the peer review process shall be  
166 permitted or required to testify in any civil action, arbitration, administrative  
167 proceeding or board proceeding as to any matters produced, presented, disclosed  
168 or discussed during or in connection with the peer review process or as to any  
169 findings, recommendations, evaluations, opinions or other actions of such  
170 committees or any of its members; provided, however, that information,  
171 documents or records that are publicly available shall not be subject to discovery  
172 or use in any civil action, arbitration, administrative proceeding or board  
173 proceeding merely because they were presented or considered in connection with

174 the peer review process.

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