

An Act

ENROLLED SENATE
BILL NO. 422

By: Dugger of the Senate

and

West (Kevin) of the House

An Act relating to the Oklahoma Accountancy Board; amending 59 O.S. 2011, Sections 15.1A, as amended by Section 1, Chapter 60, O.S.L. 2015, 15.2, as amended by Section 1, Chapter 55, O.S.L. 2014, 15.10A, 15.14 and 15.14A (59 O.S. Supp. 2018, Sections 15.1A and 15.2), which relate to definitions, qualifications, examinations, registration, and permits; modifying definition; making application fee nonrefundable; modifying language; expanding reinstatement license fee; increasing permit fee; updating statutory reference; providing an effective date; and declaring an emergency.

SUBJECT: Oklahoma Accountancy Board requirements

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 59 O.S. 2011, Section 15.1A, as amended by Section 1, Chapter 60, O.S.L. 2015 (59 O.S. Supp. 2018, Section 15.1A), is amended to read as follows:

Section 15.1A. As used in the Oklahoma Accountancy Act:

1. "Accountancy" means the profession or practice of accounting;

2. "AICPA" means the American Institute of Certified Public Accountants;

3. "Applicant" means an individual or entity that has made application to the Board for a certificate, license, or permit and said application has not been approved;

4. "Assurance" means independent professional services that improve the quality of information, or its context, for decision makers;

5. "Attest" means providing the following services:

- a. any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS),
- b. any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS),
- c. any engagement performed in accordance with the Statements on Standards for Attestation Engagements (SSAE), and
- d. any engagement to be performed in accordance with the Auditing Standards of the Public Company Accounting Oversight Board (PCAOB).

The statements on standards specified in this definition shall be adopted by reference by the Board pursuant to rulemaking and shall be those developed for general application by recognized national accountancy organizations, such as the AICPA, IFAC and the PCAOB;

6. "Audit" can only be performed by an individual or entity who is registered with the Board and holding a valid permit issued pursuant to the Oklahoma Accountancy Act, or an individual granted practice privileges under Section 15.12A of this title, and means a systematic investigation or appraisal of information, procedures, or operations performed in accordance with generally accepted auditing standards in the United States, for the purpose of determining

conformity with established criteria and communicating the results to interested parties;

7. "Board" means the Oklahoma Accountancy Board;

8. "Candidate" means an individual who has been qualified and approved by the Board to take an examination for a certificate or license;

9. "Certificate" means the Oklahoma document issued by the Board to a candidate upon successful completion of the certified public accountant examination designating the holder as a certified public accountant pursuant to the laws of Oklahoma. "Certificate" shall also mean the Oklahoma document issued by reciprocity to an individual who has previously been certified in another jurisdiction;

10. "Certified public accountant" means any person who has received a certificate from the Board or other jurisdictions;

11. "Client" means the individual or entity which retains a registrant, an individual granted practice privileges under Section 15.12A of this title, or a firm exempt from the permit and registration requirements under Section 15.15C of this title to perform professional services;

12. "Compilation" when used with reference to financial statements, means presenting information in the form of financial statements which is the representation of management or owners without undertaking to express any assurance on the statements;

13. "CPA" or "C.P.A." means certified public accountant;

14. "Designated manager" means the ~~individual domiciled in Oklahoma and~~ Oklahoma certified public accountant or public accountant appointed by the firm partners or shareholders to be responsible for the administration of the office;

15. "Designee" means the National Association of State Boards of Accountancy (NASBA) or other entities so designated by the Board;

16. "Entity" means an organization whether for profit or not, recognized by the State of Oklahoma to conduct business;

17. "Examination" means the test sections of Auditing and Attestation, Business Environment and Concepts, Financial Accounting and Reporting, and Regulation or their successors, administered, supervised, and graded by, or at the direction of, the Board or other jurisdiction that is required for a certificate as a certified public accountant or a license as a public accountant;

18. "Executive director" means the chief administrative officer of the Board;

19. "Financial statements" means statements and footnotes related thereto that undertake to present an actual or anticipated financial position as of a point in time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory service reports to support recommendations to a client; nor does it include tax returns and supporting schedules;

20. "Firm" means an entity that is either a sole proprietorship, partnership, professional limited liability company, professional limited liability partnership, limited liability partnership or professional corporation, or any other professional form of organization organized under the laws of the State of Oklahoma or the laws of another jurisdiction and issued a permit in accordance with Section 15.15A of this title or exempt from the permit requirement under Section 15.15C of this title, including individual partners or shareholders, that is engaged in accountancy;

21. "Holding out" means any representation by an individual that he or she holds a certificate or license and a valid permit, or by an entity that it holds a valid permit. Any such representation is presumed to invite the public to rely upon the professional skills implied by the certificate or license and valid permit in connection with the services or products offered;

22. "Home office" means the location specified by the client as the address to which a service described in Section 15.12A of this title is directed;

23. "IFAC" means the International Federation of Accountants;

24. "Individual" means a human being;

25. "Jurisdiction" means any state or territory of the United States and the District of Columbia;

26. "License" means the Oklahoma document issued by the Board to a candidate upon successful completion of the public accountant examination designating the holder as a public accountant pursuant to the laws of Oklahoma. "License" shall also mean the Oklahoma document issued by the Board by reciprocity to a public accountant who has previously been licensed by examination in another jurisdiction;

27. "Management advisory services", also known as "management consulting services", "management services", "business advisory services" or other similar designation, hereinafter collectively referred to as "MAS", means the function of providing advice and/or technical assistance, performed in accordance with standards for MAS engagements and MAS consultations such as those issued by the American Institute of Certified Public Accountants, where the primary purpose is to help the client improve the use of its capabilities and resources to achieve its objectives including but not limited to:

- a. counseling management in analysis, planning, organizing, operating, risk management and controlling functions,
- b. conducting special studies, preparing recommendations, proposing plans and programs, and providing advice and technical assistance in their implementation,
- c. reviewing and suggesting improvement of policies, procedures, systems, methods, and organization relationships, and

- d. introducing new ideas, concepts, and methods to management.

MAS shall not include recommendations and comments prepared as a direct result of observations made while performing an audit, review, or compilation of financial statements or while providing tax services, including tax consultations;

28. "NASBA" means the National Association of State Boards of Accountancy;

29. "PA" or "P.A." means public accountant;

30. "Partnership" means a contractual relationship based upon a written, oral, or implied agreement between two or more individuals who combine their resources and activities in a joint enterprise and share in varying degrees and by specific agreement in the management and in the profits or losses. A partnership may be general or limited as the laws of this state define those terms;

31. "PCAOB" means the Public Company Accounting Oversight Board;

32. "Peer Review" means a review performed pursuant to a set of peer review rules established by the Board. The term "peer review" also encompasses the term "quality review";

33. "Permit" means the written authority granted annually by the Board to individuals or firms to practice public accounting in Oklahoma, which is issued pursuant to the Oklahoma Accountancy Act;

34. a. "Practice of public accounting", also known as "practice public accounting", "practice" and "practice accounting", refers to the activities of a registrant, an individual granted practice privileges under Section 15.12A of this title, or a firm exempt from the permit and registration requirements under Section 15.15C of this title in reference to accountancy. An individual or firm shall be deemed to be engaged in the practice of public accounting if the individual or firm holds itself out to the public in any manner as one skilled in the knowledge, science, and practice of

accounting and auditing, taxation and management advisory services and is qualified to render such professional services as a certified public accountant or public accountant, and performs the following:

- (1) maintains an office for the transaction of business as a certified public accountant or public accountant,
- (2) offers to prospective clients to perform or who does perform on behalf of clients professional services that involve or require an audit, verification, investigation, certification, presentation, or review of financial transactions and accounting records or an attestation concerning any other written assertion,
- (3) prepares or certifies for clients reports on audits or investigations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports which are to be used for publication or for the purpose of obtaining credit, or for filing with a court of law or with any governmental agency, or for any other purpose,
- (4) generally or incidentally to the work described herein, renders professional services to clients in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data,
- (5) keeps books, or prepares trial balances, financial statements, or reports, all as a part of bookkeeping services for clients,
- (6) prepares or signs as the tax preparer, tax returns for clients, consults with clients on tax matters, conducts studies for clients on tax matters and prepares reports for clients on tax matters, unless the services are uncompensated

and are limited solely to the registrant's, or the registrant's spouse's lineal and collateral heirs,

- (7) prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans, or
- (8) provides management advisory services to clients.

b. Except for an individual granted practice privileges under Section 15.12A of this title or a firm exempt from the permit and registration requirements under Section 15.15C of this title, an individual or firm not holding a certificate, license or permit shall not be deemed to be engaged in the practice of public accounting if the individual or firm does not hold itself out, solicit, or advertise for clients using the certified public accountant or public accountant designation and engages only in the following services:

- (1) keeps books, or prepares trial balances, financial statements, or reports, provided such instruments do not use the terms "audit", "audited", "exam", "examined", "review" or "reviewed" or are not exhibited as having been prepared by a certified public accountant or public accountant. Except for an individual granted practice privileges under Section 15.12A of this title or a firm exempt from the permit and registration requirements under Section 15.15C of this title, nonregistrants may use the following disclaimer language in connection with financial statements and be in compliance with the Oklahoma Accountancy Act: "I (we) have not audited, examined or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.",

- (2) prepares or signs as the tax preparer, tax returns for clients, consults with clients on tax matters, conducts studies for clients on tax matters and prepares reports for clients on tax matters,
 - (3) prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans, or
 - (4) provides management advisory services to clients.
- c. Only permit holders, individuals granted practice privileges under Section 15.12A of this title, or firms exempt from the permit and registration requirements under Section 15.15C of this title may render or offer to render any attest service, as defined herein, or issue a report on financial statements which purport to be in compliance with the Statements on Standards for Accounting and Review Services (SSARS). This restriction shall not prohibit any act of a public official or public employee in the performance of that person's duties. This restriction shall not be construed to prohibit the performance by any unlicensed individual of other services as set out in subparagraph b of this paragraph.
- d. A person is not deemed to be practicing public accounting within the meaning of this section solely by displaying an Oklahoma CPA certificate or a PA license in an office, identifying himself or herself as a CPA or PA on letterhead or business cards, or identifying himself or herself as a CPA or PA. However, the designation of CPA or PA on such letterheads, business cards, public signs, advertisements, publications directed to clients or potential clients, financial or tax documents of a client, performance of any attest service or issuance of a report constitutes the practice of public accounting and requires a permit, practice privileges under Section 15.12A of this title, or an exemption

from the permit and registration requirements under Section 15.15C of this title;

35. "Preissuance review" means a review performed pursuant to a set of procedures that include review of engagement document, report, and clients' financial statements in order to permit the reviewer to assess compliance with all applicable professional standards;

36. "Principal place of business" means the office location designated by the licensee for the purposes of substantial equivalency and reciprocity;

37. "Professional corporation" means a corporation organized pursuant to the laws of this state;

38. "Professional" means arising out of or related to the specialized knowledge or skills associated with CPAs or PAs;

39. "Public accountant" means any individual who has received a license from the Board;

40. "Public interest" means the collective well-being of the community of people and institutions the profession serves;

41. "Qualification applicant" means an individual who has made application to the Board to qualify to become a candidate for examination;

42. "Registrant" means a CPA, PA, or firm composed of certified public accountants or public accountants or combination of both currently registered with the Board pursuant to the authority of the Oklahoma Accountancy Act;

43. "Report", when used with reference to any attest or compilation service, means an opinion, report or other form of language that states or implies assurance as to the reliability of the attested information or compiled financial statements, and that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in accounting or auditing. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the

report of names or titles indicating that the person or firm is an accountant or auditor, or from the language of the report itself. The term "report" includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply any positive assurance as to the reliability of the attested information or compiled financial statements referred to and/or special competence on the part of the person or firm issuing such language; and it includes any other form of language that is conventionally understood to imply such assurance and/or such special knowledge or competence. This definition is not intended to include a report prepared by a person not holding a certificate or license or not granted practice privileges under Section 15.12A of this title. However, such report shall not refer to "audit", "audited", "exam", "examined", "review" or "reviewed", nor use the language "in accordance with standards established by the American Institute of Certified Public Accountants" or successor of said entity, or governmental agency approved by the Board, except for the Internal Revenue Service. Except for an individual granted practice privileges under Section 15.12A of this title or a firm exempt from the permit and registration requirements under Section 15.15C of this title, nonregistrants may use the following disclaimer language in connection with financial statements not to be in violation of the Oklahoma Accountancy Act: "I (we) have not audited, examined, or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.";

44. "Representation" means any oral or written communication including but not limited to the use of title or legends on letterheads, business cards, office doors, advertisements, and listings conveying the fact that an individual or entity holds a certificate, license or permit;

45. "Review", when used with reference to financial statements, means a registrant or an individual granted practice privileges under Section 15.12A of this title, or a firm exempt from the permit and registration requirements under Section 15.15C of this title performing inquiry and analytical procedures that provide the registrant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting; and

46. "Substantial equivalency" is a determination by the Oklahoma Accountancy Board or its designee that:

- a. the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination and experience requirements contained in the AICPA/NASBA Uniform Accountancy Act, or
- b. that an individual certified public accountant's or public accountant's education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements contained in the Oklahoma Accountancy Act and rules of the Board.

In ascertaining substantial equivalency as used in the Oklahoma Accountancy Act, the Board or its designee shall take into account the qualifications without regard to the sequence in which experience, education, or examination requirements were attained.

SECTION 2. AMENDATORY 59 O.S. 2011, Section 15.2, as amended by Section 1, Chapter 55, O.S.L. 2014 (59 O.S. Supp. 2018, Section 15.2), is amended to read as follows:

Section 15.2. A. There is hereby re-created, to continue until July 1, 2020, in accordance with the provisions of the Oklahoma Sunset Law, the Oklahoma Accountancy Board. The Oklahoma Accountancy Board shall have the responsibility for administering and enforcing the Oklahoma Accountancy Act. The Oklahoma Accountancy Board shall be composed of seven (7) members, who shall have professional or practical experience in the use of accounting services and financial matters, so as to be qualified to make judgments about the qualifications and conduct of persons and firms subject to regulation under ~~this act~~ the Oklahoma Accountancy Act to be appointed by the Governor and confirmed by the Senate. The number of registrant members shall not be more than six, not including a firm, who shall serve terms of five (5) years. No member who has served two successive complete terms shall be eligible for reappointment, but an appointment to fill an unexpired

term shall not be considered a complete term for this purpose. The public member shall serve coterminously with the Governor appointing the public member.

B. One member shall be either a public accountant licensed and holding a permit pursuant to the provisions of the Oklahoma Accountancy Act, or a person with professional or practical experience in the use of accounting services and financial matters and who shall have met the educational requirements to qualify as a candidate for examination for the license of public accountant as provided in subsection B of Section 15.8 of this title. A list of qualified persons shall be compiled and submitted to the Governor by the Oklahoma Society of Public Accountants, or successor organization from time to time as appointment of the Board member is required to be made. A list of three names shall be submitted for each single appointment from which the Governor may make the appointment.

C. Five members shall be certified public accountants holding certificates and four shall hold permits issued pursuant to the provisions of the Oklahoma Accountancy Act, at least four of whom shall have been engaged in the practice of public accounting as a certified public accountant continuously for not less than five (5) out of the last fifteen (15) years immediately preceding their appointments. A list of qualified persons shall be compiled and submitted to the Governor by the Oklahoma Society of Certified Public Accountants from time to time as appointments of the certified public accountant Board members are required. A list of three names shall be submitted for each single appointment from which the Governor may make the appointment.

D. One member shall be a public member who is not a certified public accountant or licensed public accountant. The public member shall be appointed by the Governor to a term coterminous with the Governor. The public member shall serve at the pleasure of the Governor.

E. Upon the expiration of the term of office, a member shall continue to serve until a qualified successor has been appointed. Confirmation by the Senate is required during the next regular session of the Oklahoma Senate for the member to continue to serve.

SECTION 3. AMENDATORY 59 O.S. 2011, Section 15.10A, is amended to read as follows:

Section 15.10A. Each candidate shall pay fees, to be determined by the Oklahoma Accountancy Board, not to exceed One Thousand Dollars (\$1,000.00) for each examination.

An application fee, payable to the Board, shall be paid by the candidate at the time the application for the examination is filed. The application fee shall ~~not be refunded unless the Board determines that the candidate is unqualified to sit for the examination or for such other good causes as determined by the Board on a case-by-case basis~~ nonrefundable. Also, each candidate shall pay test fees to the organizations designated by the Board to provide a computer-based examination. In no event shall the total fees paid by a candidate for each examination exceed One Thousand Dollars (\$1,000.00).

SECTION 4. AMENDATORY 59 O.S. 2011, Section 15.14, is amended to read as follows:

Section 15.14. A. In addition to obtaining a certificate or license, certified public accountants and public accountants, unless granted practice privileges under Section 15.12A of this title, shall register with the Oklahoma Accountancy Board and pay a registration fee.

~~B. Until January 1, 2010, all valid certificates and licenses ending in an odd number shall expire on July 31 of each odd-numbered year. All valid certificates and licenses ending in an even number shall expire on July 31 of each even-numbered year. All such registrations shall expire on the last day of July and may be renewed for a period of two (2) years. The Board shall implement rules for the scheduling of expiration and renewal of certificates and licenses, including the prorating of fees.~~

~~C.~~ After the initial registration, renewal of registrations shall be accomplished by registrants in good standing upon filing of the registration and upon payment of the registration fee. Interim registration shall be at full rates.

~~D. Effective January 1, 2010, all~~

C. All valid certificates or licenses shall be renewed ~~based on staggered expiration dates on~~ by the last day of the individuals' birth months. Renewal will be effective for a twelve-month period. The Board shall implement rules for the scheduling of expiration and renewal of certificates and licenses, including the prorating of fees.

~~E.~~ D. Not less than thirty (30) calendar days before the expiration of a valid certificate or license, written notice of the expiration date shall be mailed to the individual holding the valid certificate or license at the last-known address of such individual according to the official records of the Board.

~~F.~~ E. A certificate or license shall be renewed by payment of a registration renewal fee set by the Board which shall not exceed Two Hundred Dollars (\$200.00) for each two-year period.

1. Upon failure of an individual to pay registration fees on or before the expiration date, the Board shall notify the individual in writing by certified mail to the last known address of the individual, as reflected in the records of the Board, of the individual's failure to comply with the Oklahoma Accountancy Act.

2. A certificate or license granted under authority of the Oklahoma Accountancy Act shall automatically be revoked if the individual fails to pay registration fees within thirty (30) days after the expiration date.

3. Any individual whose certificate or license is canceled, revoked for cause or automatically revoked by this provision may be reinstated by the Board upon payment of:

- a. a fee set by the Board which shall not exceed Three Hundred Dollars (\$300.00) for a renewal within one (1) year of the due date, or
- b. a fee set by the Board which shall not exceed ~~Six Hundred Dollars (\$600.00) for a renewal after the expiration of a year~~ Five Thousand Dollars (\$5,000.00) after one (1) year of the expiration date.

However, an individual whose certificate or license has been ~~expired, surrendered, canceled or~~ revoked for cause for five (5) years or more may not renew the certificate or license. The individual may obtain a new certificate or license by complying with the requirements and procedures, including the examination requirements, for obtaining an original certificate or license. This provision shall not apply to an individual who is licensed to practice in another jurisdiction for the five (5) years immediately preceding their application for reinstatement.

~~G.~~ F. The Board shall establish rules whereby the registration fee for certified public accountants and public accountants may, upon written application to the Board, be reduced or waived by the Board for registrants who have retired upon reaching retirement age, or who have attained the age of sixty-five (65) years, or who have become disabled to a degree precluding the continuance of their practice for six (6) months or more prior to the due date of any renewal fee. The Board shall use its discretion in determining conditions required for retirement or disability.

~~H.~~ G. All notifications of criminal arrests or charges, disciplinary actions by any other jurisdiction or foreign country, revocation or suspension by enforcement action of any professional credential and all changes of employment or mailing address shall be reported to the Board within thirty (30) calendar days of such changes becoming effective.

~~I.~~ H. At the direction of the Board, a register of registrants may be published in any media format the Board considers appropriate for public distribution.

SECTION 5. AMENDATORY 59 O.S. 2011, Section 15.14A, is amended to read as follows:

Section 15.14A. A. Before any individual may practice public accounting or hold himself or herself out as being engaged in the practice of public accounting as a certified public accountant or public accountant in this state, such person shall obtain a permit from the Oklahoma Accountancy Board, unless such person is granted practice privileges under Section 15.12A of this title. Any individual, corporation or partnership or any other entity who provides any of the services defined hereinabove as the "practice of

public accounting" without holding a license and permit, or without holding a certificate and permit, shall be assessed a fine not to exceed Ten Thousand Dollars (\$10,000.00) for each separate offense, unless such person is granted practice privileges under Section 15.12A of this title, or such entity is exempt from the permit and registration requirements of Section 15.15C of this title.

B. The Board shall promulgate rules establishing the qualifications for obtaining a permit to practice public accounting in this state. Such rules shall include but not be limited to provisions that:

1. Any individual seeking a permit must have a valid certificate or license;

2. Any individual or entity seeking a permit must be registered pursuant to the provisions of the Oklahoma Accountancy Act;

3. Any individual seeking a permit must meet continuing professional education requirements as set forth by the Oklahoma Accountancy Act and rules promulgated by the Board; and

4. There shall be no examination for obtaining a permit.

C. All such individuals shall, upon application and compliance with the rules establishing qualifications for obtaining a permit and payment of the fees, be granted an annual permit to practice public accounting in this state. ~~Until January 1, 2010, all permits issued shall expire on June 30 of each year and may be renewed from year to year. Effective January 1, 2010, all~~ All permits issued shall be renewed ~~based on staggered expiration dates~~ on the last day of the individual's birth month in conjunction with the registrant's certificate or license renewal. The Board may issue interim permits upon payment of the same fees required for annual permits.

D. Failure to apply for and obtain a permit shall disqualify an individual from practicing public accounting in this state until such time as a valid permit has been obtained.

E. The Board shall charge a fee for each individual permit not to exceed ~~One Hundred Dollars (\$100.00)~~ Two Hundred Dollars (\$200.00).

SECTION 6. This act shall become effective July 1, 2019.

SECTION 7. It being immediately necessary for the preservation of the public peace, health or safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the Senate the 2nd day of May, 2019.

Presiding Officer of the Senate

Passed the House of Representatives the 16th day of April, 2019.

Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____