

State of Arizona
House of Representatives
Fifty-second Legislature
First Regular Session
2015

CHAPTER 207
HOUSE BILL 2218

AN ACT

AMENDING SECTIONS 32-701, 32-721, 32-723, 32-725, 32-730.01, 32-730.02, 32-730.03, 32-730.04 AND 32-731, ARIZONA REVISED STATUTES; REPEALING SECTIONS 32-732, 32-734 AND 32-735, ARIZONA REVISED STATUTES; AMENDING SECTIONS 32-741, 32-741.01, 32-741.03, 32-741.04, 32-742 AND 32-744, ARIZONA REVISED STATUTES; RELATING TO CERTIFIED PUBLIC ACCOUNTANTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 32-701, Arizona Revised Statutes, is amended to
3 read:

4 32-701. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Accounting services" means services that are commonly and
7 historically performed by accountants, including recording or summarizing
8 financial transactions, bookkeeping, analyzing or verifying financial
9 information, auditing, reviewing or compiling financial statements, reporting
10 financial results, financial planning, providing attestation or tax or
11 consulting services.

12 2. "Accredited institution" means any public or private regionally or
13 nationally accredited college or university that is accredited by an
14 organization recognized by the council for higher education accreditation or
15 its successor agency.

16 3. "Attest services" means the following services that are rendered by
17 the holder of a certificate issued by the board:

18 (a) Audits or other engagements to be performed in accordance with the
19 statements on auditing standards adopted by the American institute of
20 certified public accountants.

21 (b) Reviews of financial statements to be performed in accordance with
22 the statements on standards for accounting and review services adopted by the
23 American institute of certified public accountants.

24 (c) Any examination of prospective financial information to be
25 performed in accordance with the statements on standards for attestation
26 engagements adopted by the American institute of certified public
27 accountants.

28 (d) Any engagement to be performed in accordance with the standards of
29 the public company accounting oversight board or its successor.

30 (e) Any examination, review or agreed on procedure engagement to be
31 performed in accordance with the statements on standards for attestation
32 engagements adopted by the American institute of certified public
33 accountants, other than an examination described in subdivision (c) of this
34 paragraph.

35 4. "Attestation" or "attest function" means the issuance by a
36 registrant of a written communication that expresses a conclusion about the
37 reliability of a written assertion that is the responsibility of another
38 party.

39 5. "Board" means the Arizona state board of accountancy established by
40 section 32-702.

41 6. "Certified public accountant" means an individual who has been
42 issued a certificate of authority by the board to practice as a certified
43 public accountant or who meets the limited reciprocity privilege requirements
44 pursuant to section 32-725.

45 7. "Client" means a person or entity, other than one's employer, for
46 whom accounting services are provided.

1 8. "Consulting services" includes management advisory services,
2 litigation support services, valuation services and other services that
3 require the use of technical skills, education, observation, experience and
4 knowledge to develop an analytical approach to process and to present
5 findings, conclusions or recommendations.

6 9. "Conviction" means a judgment of conviction by any state or federal
7 court of competent jurisdiction in a criminal cause, regardless of whether an
8 appeal is pending or could be taken, and includes any judgment or order based
9 on a plea of no contest.

10 10. "Disciplinary action" means any other regulatory sanctions imposed
11 by the board in combination with, or as an alternative to, revocation or
12 suspension of a certificate or registration, including the imposition of:

13 (a) An administrative penalty in an amount not to exceed two thousand
14 dollars for each violation of this chapter or rules adopted pursuant to this
15 chapter.

16 (b) Restrictions on the scope of the registrant's accounting practice,
17 including, without limitation, restriction of audit or attest function
18 practice, restriction of tax practice or restriction of consulting services.

19 (c) Pre-issuance and post-issuance peer review.

20 (d) Professional education requirements.

21 (e) A decree of censure.

22 (f) Probation requirements best adapted to protect the public welfare.

23 (g) Reimbursement of the board's costs of investigations and
24 proceedings initiated under this chapter, **INCLUDING ATTORNEY FEES.**

25 (h) A requirement for restitution payments to accounting services
26 clients or to other persons suffering economic loss resulting from violations
27 of this chapter or rules adopted pursuant to this chapter.

28 11. "Employer" means a person or entity that hires an individual to
29 perform a service and that directs and controls the manner in which the
30 service is performed.

31 12. "Federal securities laws" means the securities act of 1933, the
32 securities exchange act of 1934, the public utility holding company act of
33 1935 and the investment company act of 1940, as amended.

34 13. "Financial statements":

35 (a) Means statements and footnotes related to statements that purport
36 to show a financial position or changes in a financial position in conformity
37 with generally accepted accounting principles or other comprehensive basis of
38 accounting.

39 (b) Includes balance sheets, statements of income, statements of
40 retained earnings, statements of cash flows, statements of changes in an
41 owner's equity and other commonly used or recognized summaries of financial
42 information.

43 (c) Does not include tax returns or information contained in tax
44 returns.

45 14. "Firm" means a business organization that is engaged in the
46 practice of public accounting and that is established under the laws of any

1 state or foreign country, including a sole practitioner, partnership,
2 professional corporation, professional limited liability company, limited
3 liability company, limited liability partnership or any other entity
4 recognized by the board that has met the applicable requirements contained in
5 ~~sections~~ SECTION 32-731 and ~~32-732~~.

6 15. "Good cause" means factors that temporarily prevent a registrant
7 from satisfying a particular requirement in a specific instance as determined
8 by the board and may include:

- 9 (a) A disability.
- 10 (b) An illness.
- 11 (c) A physical or mental condition.
- 12 (d) Military service.
- 13 (e) Financial hardship.
- 14 (f) A natural disaster.
- 15 (g) Any condition or circumstance that the board deems relevant.

16 16. "Jurisdiction" means, for the purposes of examination,
17 certification or limited reciprocity privilege, the fifty states of the
18 United States, the District of Columbia, the United States Virgin Islands,
19 Guam, ~~or~~ the Commonwealth of the northern Mariana Islands OR THE COMMONWEALTH
20 OF PUERTO RICO.

21 17. "Letter of concern" means an advisory letter to notify a registrant
22 that, while the evidence does not warrant disciplinary action, the board
23 believes that the registrant should modify or eliminate certain practices and
24 that continuation of the activities that led to the evidence being submitted
25 to the board may result in board action against the registrant. A letter of
26 concern is not a disciplinary action.

27 18. "Limited reciprocity privilege" means the permission to practice as
28 a certified public accountant in this state pursuant to section 32-725 for an
29 individual whose principal place of business is outside of this state.

30 19. "Management advisory services" means advisory services consisting
31 of the development of findings, conclusions or recommendations for the
32 recipient's consideration and decision making.

33 20. "Practice of accounting" means providing accounting services for a
34 client or an employer.

35 21. "Practice of public accounting" means providing accounting services
36 for a client but does not include providing accounting services, other than
37 attest services or compilation services, for a nonprofit entity or a family
38 member without an expectation of and without receiving compensation.

39 22. "Principal place of business" means the office designated by the
40 individual or firm as the principal location for the practice of accounting.

41 23. "Public accountant" means an individual who has been issued a
42 certificate of authority by the board to practice as a public accountant.

43 24. "Registrant" means any certified public accountant, public
44 accountant or firm that is registered with the board.

45 25. "Related courses" means:

- 46 (a) Business administration.

- 1 (b) Statistics.
- 2 (c) Computer science, information systems or data processing.
- 3 (d) Economics.
- 4 (e) Finance.
- 5 (f) Management.
- 6 (g) Business law.
- 7 (h) College algebra or more advanced mathematics.
- 8 (i) Advanced written communication.
- 9 (j) Advanced oral communication.
- 10 (k) Ethics.
- 11 (l) Marketing.
- 12 (m) Other courses closely related to the subject of accounting and
- 13 satisfactory to the board.

14 Sec. 2. Section 32-721, Arizona Revised Statutes, is amended to read:
15 32-721. Certified public accountants; qualifications

16 A. The board shall issue a certificate of certified public accountant
17 to any individual who complies with all of the following:

- 18 1. Meets the requirements of section 41-1080.
- 19 2. Is at least eighteen years of age.
- 20 3. Is of good moral character.
- 21 4. Has not engaged in any conduct that would constitute grounds for
- 22 revocation or suspension of a certificate or other disciplinary action
- 23 pursuant to section 32-741.
- 24 5. Meets the requirements of subsection B, C or D of this section.

25 B. If the applicant passes the uniform certified public accountant
26 examination and has never been certified, registered or licensed as a
27 certified public accountant in this state or another jurisdiction, the
28 applicant must comply with both of the following:

29 1. Have had at least two thousand hours of paid or unpaid experience,
30 either before or after passing all sections of the ~~examination for~~ UNIFORM
31 certified public accountant EXAMINATION, that has exposed the applicant to
32 and provided the applicant with experience in the practice of accounting.
33 The applicant's experience must be sufficient to demonstrate the applicant's
34 ability for critical inquiry and analysis of financial accounting
35 information, including balance sheets, income statements, cash flow
36 statements and tax returns and the applicant's ability to communicate, either
37 orally or in writing, on the results of an inquiry or analysis of that
38 information to an employer, client or third party.

39 2. Present satisfactory evidence that the person has successfully
40 obtained a baccalaureate degree or higher degree from an accredited
41 institution or a college or university that maintains standards comparable to
42 those of an accredited institution and that the applicant has completed at
43 least one hundred fifty semester hours of education of which:

44 (a) At least thirty-six semester hours are nonduplicative accounting
45 courses of which at least thirty semester hours are ~~upper-division~~
46 UPPER-LEVEL courses.

1 (b) At least thirty semester hours are related courses.

2 C. If the applicant passes the uniform certified public accountant
3 examination ~~OR THE INTERNATIONAL QUALIFICATION EXAMINATION~~ and has a
4 certificate, registration or license to practice as a certified public
5 accountant in another jurisdiction and the applicant has never had a
6 certificate issued by the board expire or be relinquished or revoked, at
7 least one of the following shall apply:

8 1. The certificate, registration or license is issued by a
9 jurisdiction whose requirements are determined by the board to be
10 substantially equivalent to the requirements prescribed in subsection B of
11 this section.

12 2. The applicant has a baccalaureate degree or its equivalent or a
13 higher degree from an accredited institution or a college or university that
14 maintains standards comparable to those of an accredited institution and
15 either of the following applies:

16 (a) The applicant has been employed as a certified public accountant
17 in the practice of accounting for at least three years and has completed at
18 least one hundred fifty semester hours of education that includes both of the
19 following:

20 (i) At least twenty-four semester hours of nonduplicative accounting
21 courses, of which twelve semester hours are ~~upper-division~~ UPPER-LEVEL
22 courses.

23 (ii) At least eighteen semester hours in related courses.

24 (b) The applicant has been employed as a certified public accountant
25 in the practice of accounting for at least five of the ten preceding years
26 and has completed both of the following:

27 (i) At least twenty-four semester hours of nonduplicative accounting
28 courses, of which twelve semester hours are ~~upper-division~~ UPPER-LEVEL
29 courses.

30 (ii) At least eighteen semester hours in related courses.

31 3. The applicant has been employed as a certified public accountant in
32 the practice of accounting for at least ten of the fifteen preceding years.

33 D. If an applicant passes the international uniform certified public
34 accountant qualification examination of the American institute of certified
35 public accountants, all of the following apply:

36 1. The applicant's country has a mutual recognition agreement with the
37 national association of state boards of accountancy that has been adopted by
38 the board.

39 2. The board recognizes that the applicant's qualifications are
40 substantially equivalent to the qualifications of certified public
41 accountants in the United States in the areas of education, examination and
42 experience.

43 Sec. 3. Section 32-723, Arizona Revised Statutes, is amended to read:
44 32-723. Uniform certified public accountant examination;
45 qualifications

1 A. A person shall not be permitted to take the uniform certified
2 public accountant examination unless the person presents satisfactory
3 evidence that the person has successfully obtained a baccalaureate degree or
4 a higher degree from an accredited institution or a college or university
5 that maintains standards comparable to those of an accredited institution.
6 The evidence must show both of the following:

7 1. At least twenty-four semester hours of nonduplicative accounting
8 courses of which twelve semester hours are ~~upper-division~~ UPPER-LEVEL
9 courses.

10 2. At least eighteen semester hours in related courses.

11 B. The board may contract with a public or private entity for the
12 administration of the examination. The examination may be conducted under a
13 uniform examination system.

14 C. Within a reasonable time after the examination the board or its
15 contracted agent shall notify each candidate of the candidate's grade. Any
16 candidate may request a grade review or an appeal by submitting a uniform
17 certified public accountant examination score review or appeal form to the
18 BOARD OR THE board's contracted agent.

19 Sec. 4. Section 32-725, Arizona Revised Statutes, is amended to read:
20 32-725. Limited reciprocity privilege; qualifications

21 A. The limited reciprocity privilege may be exercised by an individual
22 who is not a resident of this state and who meets the requirements of this
23 section.

24 B. To qualify to exercise the limited reciprocity privilege, an
25 individual must:

26 1. Have a principal place of business that is not in this state.

27 2. Not be the subject of suspension or revocation of a certificate as
28 provided by section 32-741 or relinquishment of a certificate as provided by
29 section 32-741.04.

30 3. Hold a valid registration, certificate or license as a certified
31 public accountant issued by another ~~state~~ JURISDICTION and either of the
32 following must apply:

33 (a) The other ~~state~~ JURISDICTION requires as a condition of licensure
34 that an individual has all of the following:

35 (i) At least one hundred fifty semester hours of college education,
36 including a baccalaureate degree or a higher degree that is conferred by an
37 accredited institution or a college or university that maintains standards
38 that are comparable to those of an accredited institution.

39 (ii) A passing grade on the uniform certified public accountant
40 examination.

41 (iii) At least one year of experience in the practice of accounting
42 that has been verified.

43 (b) The individual meets the qualifications prescribed in section
44 32-721, subsection C.

45 C. An individual qualifying for limited reciprocity privilege under
46 this section is considered to have qualifications that are substantially

1 equivalent to the requirements prescribed pursuant to this chapter and has
2 all of the privileges of registrants, certificate holders or licensees in
3 this state without obtaining a registration, certificate or license under
4 this chapter.

5 D. An individual qualifying for limited reciprocity privilege under
6 this section may use the title "CPA" or "certified public accountant" and may
7 offer or practice accounting in person or by mail, telephone or electronic
8 means. No notice, fee or other submission is required. The individual is
9 subject to the requirements prescribed in subsection E of this section.

10 E. Each individual who holds a registration, certificate or license
11 issued by another ~~state~~ JURISDICTION and who exercises the limited
12 reciprocity privilege and each partnership, corporation or other entity
13 engaging in the practice of accounting as provided by this section, as a
14 condition of exercising the privilege provided by this section:

15 1. Shall:

16 (a) Comply with article 3 of this chapter and rules adopted pursuant
17 to article 3 of this chapter. In any investigation or other proceedings
18 conducted pursuant to article 3 of this chapter, an individual claiming
19 permission to practice as a certified public accountant in this state under
20 the limited reciprocity privilege has the burden of demonstrating that the
21 applicable requirements of subsection B of this section have been satisfied.

22 (b) Cease the offering or practicing of accounting in person or by
23 mail, telephone or electronic means in this state if the individual no longer
24 satisfies the requirements of subsection B of this section or the
25 partnership, corporation or other entity no longer satisfies the requirements
26 of subsection G of this section.

27 2. Is subject to:

28 (a) The personal and subject matter jurisdiction of the board and the
29 power of the board to investigate complaints and take disciplinary action.

30 (b) Service by either of the following:

31 (i) The appointment of the state board that issued the registration,
32 certificate or license to the individual as agent, on whom process may be
33 served in any action or proceeding against the person by the board.

34 (ii) Directly on the person.

35 F. Any individual who holds a valid registration, certificate or
36 license as a certified public accountant issued by another ~~state~~ JURISDICTION
37 or a foreign country, whose principal place of business is not in this state
38 and who does not otherwise qualify under this section for limited reciprocity
39 privilege may enter this state and provide services if the services are
40 limited to the following:

41 1. Expert witness services.

42 2. Teaching or lecturing.

43 3. Other services as determined by the board.

44 G. A partnership, corporation or other entity formed under the laws of
45 another ~~state or United States territory~~ JURISDICTION relating to the
46 practice of accounting in that ~~state or United States territory~~ JURISDICTION

1 may use the title "certified public accountant" or "CPA" in this state and
2 may engage in the practice of accounting in this state, including the
3 provision of attest services, without having to register as a firm if all of
4 the following apply:

5 1. The partnership, corporation or other entity is owned by or employs
6 an individual who is a limited reciprocity privilege holder pursuant to this
7 section.

8 2. The partnership, corporation or other entity is in good standing in
9 its principal place of business under the laws of that jurisdiction relating
10 to the practice of accounting.

11 3. The principal place of business of the limited reciprocity
12 privilege holder is a recognized place of business for the practice of
13 accounting by the partnership, corporation or other entity.

14 4. The partnership, corporation or other entity does not have an
15 office in this state and does not represent that it has an office in this
16 state.

17 5. The partnership, corporation or other entity holds an active permit
18 or registration as a certified public accountant firm in another ~~state or~~
19 ~~United States territory~~ JURISDICTION.

20 6. The practice of accounting is performed by or under the direct
21 supervision of an individual who is qualified for the limited reciprocity
22 privilege under this section.

23 Sec. 5. Section 32-730.01, Arizona Revised Statutes, is amended to
24 read:

25 32-730.01. Inactive status; reactivation; exception

26 A. A registrant who is not actively engaged in the practice of
27 accounting in this state for a fee or other compensation may request that the
28 registrant's certificate be placed on inactive status by meeting the
29 requirements for inactive status and completing the forms prescribed by the
30 board. A registrant whose certificate is under a disciplinary order by the
31 board, **EXCEPT FOR SUSPENSION FOR NONREGISTRATION PURSUANT TO SECTION**
32 **32-741.01**, or against whom disciplinary proceedings have been initiated may
33 not place or maintain a certificate on inactive status.

34 B. A registrant whose certificate is on inactive status:

35 1. Shall continue to register once every two years with the board and
36 pay fifty ~~per-cent~~ **PERCENT** of the registration fee and one hundred ~~per-cent~~
37 **PERCENT** of any applicable late fee pursuant to section 32-729.

38 2. Shall not engage in the practice of accounting in this state for a
39 fee or other compensation while the registrant's certificate remains on
40 inactive status.

41 3. In this state shall not assume or use the title or designation of
42 "certified public accountant" or "public accountant" or the abbreviation
43 "C.P.A.", "CPA", "P.A." or "PA" while the registrant's certificate remains on
44 inactive status unless accompanied by the word "inactive".

1 C. A registrant may request that the registrant's certificate be
2 reactivated if the certificate has been inactive for six years or less and if
3 the registrant meets all of the following requirements:

4 1. Files an application for renewal on the form prescribed by the
5 board and pays the registration fee pursuant to section 32-729.

6 2. Submits proof that the registrant has satisfied continuing
7 professional education requirements as prescribed by the board.

8 3. Affirms that the registrant has not engaged in any conduct that
9 would constitute grounds for revocation or suspension of a certificate
10 pursuant to section 32-741.

11 D. A registrant may reactivate an inactive certificate pursuant to
12 subsection C of this section only once.

13 E. A certificate expires if it has been inactive for more than six
14 years.

15 F. Subsections D and E of this section do not apply if inactive status
16 is approved by the board for good cause based on a registrant's disability.

17 Sec. 6. Section 32-730.02, Arizona Revised Statutes, is amended to
18 read:

19 32-730.02. Canceled status; reinstatement

20 A. A registrant may cancel a certificate or registration by submitting
21 a written request on a form prescribed by the board. A registrant whose
22 certificate or registration is under a disciplinary order by the board,
23 EXCEPT FOR SUSPENSION FOR NONREGISTRATION PURSUANT TO SECTION 32-741.01, or
24 against whom disciplinary proceedings have been initiated may not cancel the
25 certificate or registration.

26 B. An individual whose certificate has been canceled shall not assume
27 or use the title or designation of "certified public accountant" or "public
28 accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the
29 certificate remains on canceled status unless the individual qualifies for
30 limited reciprocity privilege pursuant to section 32-725.

31 C. An individual whose certificate has been canceled and who does not
32 qualify for certification by reciprocity pursuant to section 32-721,
33 subsection C may apply for reinstatement and the board may reinstate the
34 certificate if the individual meets all of the following requirements:

35 1. Files an application for reinstatement on the form prescribed by
36 the board and pays the reinstatement application fee pursuant to section
37 32-729.

38 2. Submits proof that the individual has satisfied continuing
39 professional education requirements as prescribed by the board.

40 3. Affirms that the individual has not engaged in any conduct that
41 would constitute grounds for revocation or suspension of a certificate
42 pursuant to section 32-741.

43 4. On board approval of reinstatement, pays the registration fee
44 pursuant to section 32-729.

45 D. A FIRM WHOSE REGISTRATION HAS BEEN CANCELED MAY APPLY FOR
46 REINSTATEMENT AND THE BOARD MAY REINSTATE THE FIRM'S REGISTRATION WITH A NEW

1 EFFECTIVE DATE OF THE FIRM'S FORMATION IF THE FIRM MEETS BOTH OF THE
2 FOLLOWING REQUIREMENTS:

3 1. FILES AN APPLICATION ON A FORM PRESCRIBED BY THE BOARD AND PAYS THE
4 REGISTRATION FEE PURSUANT TO SECTION 32-729.

5 2. MEETS THE REQUIREMENTS OF SECTION 32-731.

6 Sec. 7. Section 32-730.03, Arizona Revised Statutes, is amended to
7 read:

8 32-730.03. Expired status; reinstatement

9 A. A registrant's certificate OR REGISTRATION is expired if the
10 registrant fails to reinstate the certificate OR REGISTRATION within twelve
11 months after it has been suspended pursuant to section 32-741.01 or 32-741.02
12 or fails to reinstate a certificate that has been on inactive status pursuant
13 to section 32-730.01 for more than six years.

14 B. An individual whose certificate has expired shall not assume or use
15 the title or designation of "certified public accountant" or "public
16 accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the
17 certificate remains on expired status unless the individual qualifies for
18 limited reciprocity privilege pursuant to section 32-725.

19 C. An individual whose certificate has expired may apply for
20 reinstatement and the board may reinstate the certificate if the individual
21 meets all of the following requirements:

22 1. Files an application for reinstatement on a form prescribed by the
23 board and pays the reinstatement application fee pursuant to section 32-729.

24 2. Submits proof that the individual has satisfied continuing
25 professional education requirements as prescribed by the board.

26 3. Affirms that the individual has not engaged in any conduct that
27 would constitute grounds for revocation or suspension of a certificate
28 pursuant to section 32-741.

29 4. On board approval of reinstatement, pays the registration fee
30 pursuant to section 32-729.

31 D. A FIRM WHOSE REGISTRATION HAS EXPIRED MAY APPLY FOR REINSTATEMENT
32 AND THE BOARD MAY REINSTATE THE FIRM'S REGISTRATION WITH A NEW EFFECTIVE DATE
33 OF THE FIRM'S FORMATION IF THE FIRM MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

34 1. FILES AN APPLICATION ON A FORM PRESCRIBED BY THE BOARD AND PAYS THE
35 REGISTRATION FEE PURSUANT TO SECTION 32-729.

36 2. MEETS THE REQUIREMENTS OF SECTION 32-731.

37 Sec. 8. Section 32-730.04, Arizona Revised Statutes, is amended to
38 read:

39 32-730.04. Retired status; reactivation

40 A. A registrant who is at least fifty-five years of age, who has been
41 a certified public accountant or public accountant in one or more
42 jurisdictions for at least twenty years and who is not actively engaged in
43 the practice of accounting for a fee or other compensation may request that
44 the registrant's certificate be placed on retired status by submitting a
45 request on a form approved by the board. A registrant whose certificate is
46 under a disciplinary order by the board EXCEPT FOR SUSPENSION FOR

1 NONREGISTRATION PURSUANT TO SECTION 32-741.01 or against whom disciplinary
2 proceedings have been initiated may not place or maintain a certificate on
3 retired status.

4 B. A registrant whose certificate is on retired status:

5 1. Shall continue to register once every two years with the board and
6 pay a registration fee and all of an applicable late fee as prescribed by
7 section 32-729.

8 2. Shall not engage in the practice of accounting for a fee or other
9 compensation while the registrant's certificate remains on retired status.

10 3. Shall not assume or use the title or designation of "certified
11 public accountant" or "public accountant" or the abbreviation "C.P.A.",
12 "CPA", "P.A." or "PA" unless accompanied by the word "retired" or the
13 abbreviation "RET" while the registrant's certificate remains on retired
14 status.

15 C. A registrant may request that the registrant's certificate be
16 reactivated if the registrant meets all of the following requirements:

17 1. Files an application for renewal on the form prescribed by the
18 board and pays the registration fee pursuant to section 32-729.

19 2. Submits proof that the registrant has satisfied continuing
20 professional education requirements as prescribed by the board.

21 3. Affirms that the registrant has not engaged in any conduct that
22 would constitute grounds for revocation or suspension of a certificate
23 pursuant to section 32-741.

24 Sec. 9. Section 32-731, Arizona Revised Statutes, is amended to read:

25 32-731. Certified public accountant partnership:
26 qualifications; definitions

27 A. Except as provided in section 32-725, subsection G, once every two
28 years a partnership engaged in this state in the practice of accounting by
29 certified public accountants OR PUBLIC ACCOUNTANTS shall pay the registration
30 fee pursuant to section 32-729 and register with the board as a partnership
31 of certified public accountants and shall meet the following requirements:

32 1. At least one partner shall be a resident and a full-time practicing
33 certified public accountant in good standing in this state.

34 2. At least fifty-one ~~per cent~~ PERCENT of the ownership of the
35 partnership, in terms of direct and indirect financial interests and voting
36 rights, must belong to holders in good standing of certificates or licenses
37 to practice accounting as certified public accountants OR PUBLIC ACCOUNTANTS
38 in any ~~state or foreign country~~ JURISDICTION. Only certified public
39 accountants OR PUBLIC ACCOUNTANTS whose qualifications are considered to be
40 substantially equivalent, as provided by section 32-721, subsections C and D,
41 may be considered as meeting the requirement prescribed by this paragraph.

42 B. A partnership registered with the board pursuant to this section
43 may include owners who are not certified pursuant to this chapter if all of
44 the following apply:

1 1. The partnership designates an individual who is certified pursuant
2 to this chapter and who is responsible for the proper registration of the
3 firm.

4 2. All noncertified partners actively participate in the management of
5 the partnership or a directly affiliated entity that has been approved by the
6 board. For the purposes of this paragraph:

7 (a) A partner actively participates if all of the following occur:

8 (i) The partner performs at least five hundred hours of ~~professional~~
9 **ACCOUNTING** services for the public accounting partnership during the calendar
10 year.

11 (ii) The ~~professional~~ **ACCOUNTING** services performed constitute the
12 partner's principal occupation.

13 (iii) The partner's interest in the public accounting partnership
14 reverts to the partnership if the partner stops performing services for the
15 partnership.

16 (b) "Directly affiliated entity" means a firm in which each owner of
17 an equity interest in the entity actively participates in the business of
18 providing services to the firm's clients.

19 3. Any partner who is ultimately responsible for supervising attest
20 services in this state or the partner who signs any reports related to attest
21 services on behalf of the partnership in this state shall be certified
22 pursuant to this chapter **OR QUALIFIED TO EXERCISE THE LIMITED RECIPROCITY**
23 **PRIVILEGE PURSUANT TO SECTION 32-725, SUBSECTION G** and shall meet the
24 experience requirements for carrying out these functions adopted by the board
25 in its rules.

26 4. The partnership complies with other requirements imposed by the
27 board in its rules.

28 C. Application for registration pursuant to this section shall be made
29 on affidavit of a partner of the partnership who is a certified public
30 accountant **OR PUBLIC ACCOUNTANT** in good standing in this state. The board in
31 each case shall determine whether the applicant is eligible for
32 registration. A partnership that is registered pursuant to this section may
33 use the words "certified public accountants" or the abbreviation "C.P.A.'s"
34 or "CPA's" **OR THE WORDS "PUBLIC ACCOUNTANTS" OR THE ABBREVIATION "P.A.'S" OR**
35 **"PA'S"** in connection with its partnership name as provided for by the board
36 in its rules. Partnerships registered pursuant to this chapter may provide
37 attest services. ~~Notification shall be given to the board within one month~~
38 ~~of the termination of any partnership, or of the admission to or withdrawal~~
39 ~~of an Arizona partner from any partnership registered pursuant to this~~
40 ~~section.~~

41 D. A partnership that applies for an initial registration or a renewal
42 pursuant to this section shall list in its application all ~~states~~
43 **JURISDICTIONS** in which the partnership has applied for or holds a
44 registration, license or permit as a certified public accountant partnership
45 and shall list any past denials, revocations or suspensions of registrations,
46 licenses or permits by any other ~~state~~ **JURISDICTION**.

1 E. EXCEPT AS PROVIDED IN SUBSECTION F OF THIS SECTION, an applicant
2 for registration or a partnership registered pursuant to this section shall
3 notify the board in writing within one month OF ANY OF THE FOLLOWING:

4 1. THE TERMINATION OF ANY PARTNERSHIP.

5 2. THE ADMISSION OF A PARTNER TO A PARTNERSHIP THAT IS REGISTERED
6 PURSUANT TO THIS SECTION IF THE PARTNER IS A CERTIFIED PUBLIC ACCOUNTANT OR A
7 PUBLIC ACCOUNTANT.

8 3. THE WITHDRAWAL OF A PARTNER FROM A PARTNERSHIP THAT IS REGISTERED
9 PURSUANT TO THIS SECTION IF THE PARTNER IS A CERTIFIED PUBLIC ACCOUNTANT OR A
10 PUBLIC ACCOUNTANT.

11 4. A CHANGE OF A PARTNER'S RESIDENCE FROM THIS STATE TO ANOTHER
12 JURISDICTION OR FROM ANOTHER JURISDICTION TO THIS STATE IF THE PARTNER IS IN
13 A PARTNERSHIP THAT IS REGISTERED PURSUANT TO THIS SECTION AND THE PARTNER WAS
14 A CERTIFIED PUBLIC ACCOUNTANT OR A PUBLIC ACCOUNTANT.

15 5. THE DEATH OF A PERSON WHO IS A PARTNER IN A PARTNERSHIP THAT IS
16 REGISTERED PURSUANT TO THIS SECTION AND WHO WAS A CERTIFIED PUBLIC ACCOUNTANT
17 OR A PUBLIC ACCOUNTANT.

18 6. ANY CHANGE BY ANY JURISDICTION IN THE CERTIFICATE OR LICENSE STATUS
19 OF A CERTIFIED PUBLIC ACCOUNTANT OR A PUBLIC ACCOUNTANT OWNER OF THE
20 PARTNERSHIP THAT PREVENTS THE CERTIFICATE OR LICENSE FROM BEING IN GOOD
21 STANDING OR THAT PREVENTS THE RIGHT OF THE CERTIFIED PUBLIC ACCOUNTANT OR A
22 PUBLIC ACCOUNTANT TO PRACTICE ACCOUNTING AS A CERTIFIED PUBLIC ACCOUNTANT OR
23 A PUBLIC ACCOUNTANT IN THAT JURISDICTION.

24 7. ~~of any change of partners whose principal place of business is in~~
25 ~~this state,~~ Any change in the number or location of offices of the
26 partnership in this state, ~~AND~~ any change in the identity of the individuals
27 in charge of the partnership's offices in this state ~~and any issuance,~~
28 ~~denial, revocation or suspension of a registration, license or permit by any~~
29 ~~other state.~~

30 ~~F. A partnership that fails to comply with this section due to changes~~
31 ~~in the ownership of the firm or personnel after receiving or renewing the~~
32 ~~registration must take corrective action to comply with this section as~~
33 ~~quickly as possible. The board may grant a reasonable period of time for the~~
34 ~~firm to take these corrective actions. A failure to comply with these~~
35 ~~requirements is grounds for suspension or revocation of the partnership~~
36 ~~registration.~~

37 F. IF A PARTNERSHIP FAILS TO COMPLY WITH SUBSECTION E OF THIS SECTION,
38 THE BOARD MAY GRANT A REASONABLE PERIOD OF TIME FOR THE PARTNERSHIP TO TAKE
39 CORRECTIVE ACTION.

40 G. PROFESSIONAL CORPORATIONS COMPOSED OF CERTIFIED PUBLIC ACCOUNTANTS
41 OR PUBLIC ACCOUNTANTS SHALL MEET THE REQUIREMENTS OF TITLE 10, CHAPTER 20 AND
42 ANY ADDITIONAL NONCONFLICTING REQUIREMENTS CONTAINED IN THIS SECTION.

43 H. LIMITED LIABILITY COMPANIES, PROFESSIONAL LIMITED LIABILITY
44 COMPANIES AND LIMITED LIABILITY PARTNERSHIPS COMPOSED OF CERTIFIED PUBLIC
45 ACCOUNTANTS OR PUBLIC ACCOUNTANTS SHALL MEET THE REQUIREMENTS OF TITLE 29,

1 CHAPTERS 4 OR 5 AND ANY ADDITIONAL NONCONFLICTING REQUIREMENTS CONTAINED IN
2 THIS SECTION.

3 I. FOR THE PURPOSES OF THIS SECTION:

4 1. "PARTNER" INCLUDES ANY SHAREHOLDER OF A PROFESSIONAL CORPORATION
5 AND ANY MEMBER OF A LIMITED LIABILITY COMPANY OR PROFESSIONAL LIMITED
6 LIABILITY COMPANY.

7 2. "PARTNERSHIP" INCLUDES A PROFESSIONAL CORPORATION, A LIMITED
8 LIABILITY COMPANY AND A PROFESSIONAL LIMITED LIABILITY COMPANY.

9 Sec. 10. Repeal

10 Sections 32-732, 32-734 and 32-735, Arizona Revised Statutes, are
11 repealed.

12 Sec. 11. Section 32-741, Arizona Revised Statutes, is amended to read:

13 32-741. Revocation or suspension of certificate; disciplinary
14 action; letter of concern

15 A. After notice and an opportunity for a hearing, the board may revoke
16 or suspend any certificate granted under this chapter and may take
17 disciplinary action concerning the holder of any certificate for any of the
18 following causes:

19 1. Conviction of a felony under the laws of any ~~state~~ JURISDICTION or
20 of the United States if civil rights have not been restored pursuant to title
21 13, chapter 9 or other applicable recognized judicial or gubernatorial order.

22 2. Conviction of any crime that has a reasonable relationship to the
23 practice of accounting by a certified public accountant or by a public
24 accountant, including crimes involving accounting or tax violations,
25 dishonesty, fraud, misrepresentation, embezzlement, theft, forgery, perjury
26 or breach of fiduciary duty, regardless of whether civil rights have been
27 restored.

28 3. Fraud or deceit in obtaining a certificate as a certified public
29 accountant or in obtaining a certificate as a public accountant under this
30 chapter.

31 4. Dishonesty, fraud or gross or continuing negligence in the practice
32 of accounting.

33 5. Discipline to the holder of any certificate or other authority to
34 practice or refusal to renew the certificate or other authority to practice
35 as a certified public accountant by any other ~~state~~ JURISDICTION or foreign
36 country for any cause other than failure to pay license or registration fees.

37 6. Violation of any of the provisions of this chapter, of title 44,
38 chapter 12, article 13 or of any fraud provisions of the federal securities
39 laws.

40 7. Final judgment in a civil action if the court makes findings of
41 accounting violations, dishonesty, fraud, misrepresentation or breach of
42 fiduciary duty.

43 8. Final judgment or order in a civil action or administrative
44 proceeding if the court or agency makes findings of violations of any fraud
45 provisions of the laws of ~~this state~~ ANY JURISDICTION or federal securities
46 laws.

- 1 9. Violation of any decision, order or rule issued or adopted by the
2 board.
- 3 10. Suspension or revocation for cause of the right to practice before
4 the federal securities exchange commission or any other governmental body or
5 agency or the public company accounting oversight board or its successor.
- 6 11. Offering or accepting commissions or contingency fees for services
7 rendered for clients for whom the attest function is also offered or rendered
8 in the performance of the practice of accounting unless:
- 9 (a) The fee is fixed by a court or another public authority.
- 10 (b) In a tax matter, the fee is determined based on the results of a
11 judicial proceeding or the finding of a governmental agency.
- 12 12. Failing to disclose to a client that the registrant has received or
13 expects to receive a commission from a third party for any engagement,
14 services or product sales involving services other than the attest function.
- 15 13. Making any false or misleading statement or verification in support
16 of an application for a certificate, registration or permit filed by another
17 person.
- 18 14. Making a false or misleading statement:
- 19 (a) To the board or its designated agent.
- 20 (b) On a form required by the board.
- 21 (c) In written correspondence to the board.
- 22 15. Failing to respond in writing or furnish information in a timely
23 manner to the board or its designated agent, if the information is legally
24 requested by the board and is in the registrant's possession or control.
- 25 B. Pursuant to title 41, chapter 6, article 10, the board may
26 summarily suspend the certificate of any certified public accountant or
27 public accountant pending proceedings for revocation or other disciplinary
28 action on the receipt of either of the following:
- 29 1. A notice of conviction of any crime that has a reasonable
30 relationship to the practice of accounting, including crimes involving
31 accounting or tax violations, dishonesty, fraud, misrepresentation,
32 embezzlement, theft, forgery, perjury or breach of fiduciary duty or of any
33 felony.
- 34 2. A final judgment or order in a civil action or administrative
35 proceeding in which the court or agency made findings of violations of any
36 fraud provisions of the laws of ~~this state~~ ANY JURISDICTION or federal
37 securities laws.
- 38 C. The board may take disciplinary action against a holder of a
39 certificate issued pursuant to this chapter who is practicing accounting even
40 if the person is not representing to the public that the person is a
41 certified public accountant or a public accountant and even if the person is
42 practicing accounting in a firm that is not registered by the board.
- 43 D. The board may issue a letter of concern if, in the opinion of the
44 board, there is insufficient evidence to support disciplinary action against
45 the registrant, but the board believes, as a result of information
46 ascertained during an investigation, that continuation of the activities that

1 led to the investigation may result in future board action against the
2 registrant. A registrant may file a response with the board within thirty
3 days after receipt of a letter of concern. Letters of concern issued by the
4 board and records kept by the board in connection with investigations leading
5 to letters of concern are confidential and are not public records.

6 Sec. 12. Section 32-741.01, Arizona Revised Statutes, is amended to
7 read:

8 32-741.01. Suspension for nonregistration; expiration of
9 certificate or registration

10 A. The certificate OR REGISTRATION of any registrant who fails to
11 timely register and pay the biennial registration fee as required by section
12 32-729 is automatically suspended without prior notice or a hearing.

13 B. A registrant whose certificate OR REGISTRATION is suspended shall
14 not assume or use the title or designation of "certified public accountant"
15 or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"
16 while the registrant's certificate remains on suspended status.

17 C. A suspension under this section ~~is not a disciplinary order and~~ is
18 vacated when the board has determined that the registrant has paid all past
19 due fees and has satisfied all other requirements for renewal.

20 D. If the registrant fails to renew the registrant's CERTIFICATE OR
21 registration within twelve months after the date of suspension, the
22 certificate OR REGISTRATION expires.

23 Sec. 13. Section 32-741.03, Arizona Revised Statutes, is amended to
24 read:

25 32-741.03. Revoked certificate; qualifications for new
26 certificate

27 A. If the board revokes the certificate of an individual registrant,
28 the individual shall return the certificate to the board. If the individual
29 is unable to return the certificate, the individual must sign and submit to
30 the board an affidavit on a form prescribed by the board stating that the
31 individual is unable to return the certificate to the board.

32 B. An individual whose certificate has been revoked shall not assume
33 or use the title or designation of "certified public accountant" or "public
34 accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA".

35 C. Except as otherwise provided in this subsection, the board shall
36 not issue a certificate to an individual whose certificate has been revoked
37 until five years after the effective date of revocation. If the revocation
38 is based only on section 32-741, subsection A, paragraph 1 or 2 and the
39 criminal conviction is ultimately reversed on appeal, the board shall enter
40 an order vacating the revocation.

41 D. An individual whose certificate has been revoked may apply for and
42 the board may issue a new certificate if the individual does all of the
43 following:

44 1. Files an application for reinstatement on a form prescribed by the
45 board and pays the reinstatement application fee pursuant to section 32-729.

1 2. Demonstrates through substantial evidence presented to the board
2 that the individual is completely rehabilitated with respect to the conduct
3 that was the basis of the revocation of the certificate. Demonstration of
4 rehabilitation shall include evidence of the following:

5 (a) The individual has not engaged in any conduct during the
6 revocation period that, if the individual had been registered during the
7 period, would have constituted a basis for revocation or suspension pursuant
8 to section 32-741.

9 (b) With respect to any criminal conviction that constitutes any part
10 of the basis for the previous revocation, civil rights have been fully
11 restored pursuant to statute or an applicable recognized judicial or
12 gubernatorial order.

13 (c) **THE INDIVIDUAL HAS MADE** restitution ~~has been made~~ as ordered by
14 the board or by a court of competent jurisdiction as a result of the
15 individual's violation of this chapter or rules adopted pursuant to this
16 chapter.

17 (d) **THE INDIVIDUAL HAS ADDRESSED OR REMEDIED ANY COMPLAINTS,**
18 **INVESTIGATIONS OR BOARD-ORDERED REQUIREMENTS THAT ARE PENDING OR OUTSTANDING**
19 **AT THE TIME OF REVOCATION.**

20 ~~(d)~~ (e) Other evidence of rehabilitation that the board deems
21 appropriate.

22 3. Submits proof that the individual has satisfied continuing
23 professional education requirements as prescribed by the board.

24 4. If not waived by the board, presents satisfactory evidence from an
25 accredited institution or a college or university that maintains standards
26 comparable to those of an accredited institution that the individual has
27 completed at least one hundred fifty semester hours of education as follows:

28 (a) At least thirty-six semester hours are accounting courses of which
29 at least thirty semester hours are upper-level courses.

30 (b) At least thirty semester hours are related courses.

31 5. If prescribed by the board, presents evidence that the individual
32 has retaken and passed the uniform certified public accountant examination.

33 6. On board approval of reinstatement, pays the registration fee
34 pursuant to section 32-729.

35 Sec. 14. Section 32-741.04, Arizona Revised Statutes, is amended to
36 read:

37 32-741.04. Relinquishment of certificate with disciplinary
38 proceedings pending; qualifications for new
39 certificate

40 A. A certified public accountant or public accountant may relinquish
41 the individual's certificate pending or in lieu of an investigation or
42 disciplinary proceedings or while under a disciplinary order. The board
43 shall consider a relinquishment tendered by a certified public accountant or
44 public accountant pursuant to this section and shall determine whether to
45 accept the relinquishment. The board shall issue an order documenting its
46 decision.

1 B. An individual whose certificate has been relinquished shall not
2 assume or use the title or designation of "certified public accountant" or
3 "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA".

4 C. An individual who relinquishes a certificate pursuant to this
5 section may apply for reinstatement and the board may issue a new certificate
6 if the individual does all of the following:

7 1. Files an application for reinstatement on the form prescribed by
8 the board and pays the reinstatement application fee pursuant to section
9 32-729.

10 2. Demonstrates through substantial evidence presented to the board
11 that the individual is completely rehabilitated with respect to the conduct
12 that was pending at the time of relinquishment. Demonstration of
13 rehabilitation shall include evidence of the following:

14 (a) The individual has not engaged in any conduct during the
15 relinquishment period that, if the individual had been registered during the
16 period, would have constituted a basis for revocation or suspension pursuant
17 to section 32-741.

18 (b) With respect to any criminal conviction that constitutes any part
19 of the basis for the relinquishment, civil rights have been fully restored
20 pursuant to statute or an applicable recognized judicial or gubernatorial
21 order.

22 (c) The individual has addressed or ~~redeemed~~ REMEDIED any complaints,
23 investigations or ~~any board order~~ BOARD-ORDERED requirements that are pending
24 or outstanding at the time of relinquishment.

25 (d) THE INDIVIDUAL HAS MADE RESTITUTION AS ORDERED BY THE BOARD OR BY
26 A COURT OF COMPETENT JURISDICTION AS A RESULT OF THE INDIVIDUAL'S VIOLATION
27 OF THIS CHAPTER OR RULES ADOPTED PURSUANT TO THIS CHAPTER.

28 ~~(d)~~ (e) Other evidence of rehabilitation that the board deems
29 appropriate.

30 3. Submits proof that the individual has satisfied continuing
31 education requirements as prescribed by the board.

32 4. If not waived by the board, presents satisfactory evidence from an
33 accredited institution or a college or university that maintains standards
34 comparable to those of an accredited institution that the individual has
35 completed at least one hundred fifty semester hours of education as follows:

36 (a) At least thirty-six semester hours are accounting courses of which
37 at least thirty semester hours are upper-level courses.

38 (b) At least thirty semester hours are related courses.

39 5. If prescribed by the board, presents evidence that the individual
40 has retaken and passed the uniform certified public accountant examination.

41 6. On board approval of reinstatement, pays the registration fee
42 pursuant to section 32-729.

43 D. If the board accepts the relinquishment of a certificate of a
44 certified public accountant or public accountant, the person shall return the
45 certificate to the board and shall attach to the certificate a document that
46 is signed and dated and that is in substantially the following form:

1 I, (insert name of registrant), acknowledge that disciplinary
2 proceedings have been initiated against me pursuant to title 32,
3 chapter 6, article 3, Arizona Revised Statutes, and I relinquish
4 my right to practice accounting as a (insert either "certified
5 public accountant" or "public accountant") in the state of
6 Arizona. I understand that if I choose to apply for a new
7 certificate, I must meet all requirements for certification
8 pursuant to section 32-741.04, Arizona Revised Statutes. I
9 further understand that, in deciding whether to issue a new
10 certificate to me, the board will consider all disciplinary
11 actions currently pending against me and any other matters it
12 determines to be appropriate.

13 Sec. 15. Section 32-742, Arizona Revised Statutes, is amended to read:
14 32-742. Revocation or suspension of firm's registration;
15 failure to renew or reinstate; reinstatement;
16 relinquishment

17 A. After notice and an opportunity for a hearing, the board shall
18 revoke a firm's registration to practice public accounting if at any time it
19 does not have all the qualifications prescribed by this chapter.

20 B. After notice and an opportunity for a hearing, the board may revoke
21 or suspend a firm's registration to practice public accounting ~~and~~ OR may
22 ~~additionally~~ take disciplinary action concerning the registrant for any of
23 the causes enumerated in section 32-741, subsection A or for any of the
24 following additional causes:

25 1. The revocation or suspension of any certificate issued by the board
26 of any partner, shareholder, member, manager, officer, director, agent or
27 employee of the firm.

28 2. The cancellation, revocation, suspension or refusal to renew the
29 authority of the firm or any Arizona partner, shareholder, member, manager,
30 officer, director, agent or employee to practice public accounting in any
31 ~~other state~~ JURISDICTION for any cause other than failure to pay a
32 registration fee in the ~~other state~~ JURISDICTION.

33 3. THE FAILURE TO COMPLY WITH SECTION 32-731, SUBSECTION E.

34 ~~C. The board shall suspend, without notice or hearing, the
35 registration to practice public accounting of any firm that fails to register
36 as required by section 32-730 and pay the registration fee as required by
37 section 32-729. Terms of a suspension issued under this subsection shall
38 include a provision that the suspension shall be vacated when the registrant
39 has paid all past due fees and penalties. If the firm fails to reinstate its
40 registration within twelve months after the date of suspension, the
41 registration expires.~~

42 ~~D. A firm whose registration has expired for failure to renew may
43 apply for reinstatement. The board may reinstate the registration if the
44 firm meets all of the following requirements:~~

45 ~~1. Files an application on a form prescribed by the board.~~

1 BOARD WILL CONSIDER ALL DISCIPLINARY ACTIONS CURRENTLY PENDING
2 AGAINST THE FIRM AND ANY OTHER MATTERS IT DETERMINES TO BE
3 APPROPRIATE.

4 DATED THIS ____ DAY OF _____, 20__.

5 BY: (INSERT NAME OF FIRM, NAME OF INDIVIDUAL SIGNING ON
6 BEHALF OF FIRM, AND THAT INDIVIDUAL'S POSITION IN FIRM)

7 Sec. 16. Section 32-744, Arizona Revised Statutes, is amended to read:
8 32-744. Ownership and custody of working papers and records

9 A. All statements, records, schedules, working papers and memoranda
10 prepared by a registrant or a partner, shareholder, officer, director,
11 member, manager or employee of a registrant incidental to or in the course of
12 rendering professional services to a client while a registrant are and shall
13 remain the property of the registrant, except:

14 1. In the case of an express agreement between the registrant and the
15 client to the contrary.

16 2. The reports submitted by the registrant to the client.

17 3. Records that are part of the client's records.

18 B. Without the consent of the client or the client's personal
19 representative or assignee, no statement, record, schedule, working paper or
20 memorandum may be sold, transferred or bequeathed to anyone other than
21 surviving partners, stockholders or members or new partners, new
22 stockholders, new members of the firm or any combined or merged firm or
23 successor in interest to the firm.

24 C. On request with reasonable notice, a registrant shall timely
25 furnish to a client or former client:

26 1. A copy of the registrant's working papers, to the extent that the
27 working papers include records that would ordinarily constitute part of the
28 client's records and are not otherwise available to the client.

29 2. Any accounting or other records belonging to, or obtained from or
30 on behalf of, the client that the registrant removed from the client's
31 premises or received for the client's account. The registrant may make and
32 retain copies of these documents if they form the basis for work done by the
33 registrant.

34 D. A registrant or firm shall maintain all records pertaining to any
35 legal action initiated against the registrant or firm for a period of three
36 years after the resolution of the action. On request, the registrant or firm
37 shall timely furnish all records pertaining to the legal action to the
38 board. For the purposes of this subsection, "legal action" means any civil
39 or criminal lawsuit or state, UNITED STATES TERRITORY or federal
40 administrative proceeding where the allegations against the registrant or
41 firm are violations of accounting or auditing standards or that result from
42 negligence, gross negligence or reckless conduct, dishonesty, fraud,
43 misrepresentation, breach of fiduciary duty or the suspension or revocation
44 of the right to practice before the federal securities and exchange
45 commission, the internal revenue service or any other state, UNITED STATES
46 TERRITORY or federal agency.

1 E. Except as provided in subsection D [OF THIS SECTION](#), this section
2 does not require a registrant to keep any work paper beyond the period
3 prescribed by any other applicable statute.

APPROVED BY THE GOVERNOR APRIL 6, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 7, 2015.