

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

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.

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

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

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

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

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

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

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

22 (d) Professional education requirements.

23 (e) A decree of censure.

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

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

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

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

33 12. "Federal securities laws" means the securities act of 1933, the
34 securities exchange act of 1934, the public utility holding company act of
35 1935 and the investment company act of 1940, as amended.

36 13. "Financial statements":

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

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

1 (c) Does not include tax returns or information contained in tax
2 returns.

3 14. "Firm" means a business organization that is engaged in the
4 practice of public accounting and that is established under the laws of any
5 state or foreign country, including a sole practitioner, partnership,
6 professional corporation, professional limited liability company, limited
7 liability company, limited liability partnership or any other entity
8 recognized by the board that has met the applicable requirements contained in
9 ~~sections~~ SECTION 32-731 and ~~32-732~~.

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

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

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

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

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

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

37 20. "Practice of accounting" means providing accounting services for a
38 client or an employer.

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

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

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

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

5 25. "Related courses" means:

6 (a) Business administration.

7 (b) Statistics.

8 (c) Computer science, information systems or data processing.

9 (d) Economics.

10 (e) Finance.

11 (f) Management.

12 (g) Business law.

13 (h) College algebra or more advanced mathematics.

14 (i) Advanced written communication.

15 (j) Advanced oral communication.

16 (k) Ethics.

17 (l) Marketing.

18 (m) Other courses closely related to the subject of accounting and
19 satisfactory to the board.

20 Sec. 2. Section 32-721, Arizona Revised Statutes, is amended to read:

21 32-721. Certified public accountants; qualifications

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

24 1. Meets the requirements of section 41-1080.

25 2. Is at least eighteen years of age.

26 3. Is of good moral character.

27 4. Has not engaged in any conduct that would constitute grounds for
28 revocation or suspension of a certificate or other disciplinary action
29 pursuant to section 32-741.

30 5. Meets the requirements of subsection B, C or D of this section.

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

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

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

6 (a) At least thirty-six semester hours are nonduplicative accounting
7 courses of which at least thirty semester hours are ~~upper-division~~
8 UPPER-LEVEL courses.

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

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

16 1. The certificate, registration or license is issued by a
17 jurisdiction whose requirements are determined by the board to be
18 substantially equivalent to the requirements prescribed in subsection B of
19 this section.

20 2. The applicant has a baccalaureate degree or its equivalent or a
21 higher degree from an accredited institution or a college or university that
22 maintains standards comparable to those of an accredited institution and
23 either of the following applies:

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

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

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

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

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

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

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

41 D. If an applicant passes the international uniform certified public
42 accountant qualification examination of the American institute of certified
43 public accountants, all of the following apply:

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

5 (ii) A passing grade on the uniform certified public accountant
6 examination.

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

9 (b) The individual meets the qualifications prescribed in section
10 32-721, subsection C.

11 C. An individual qualifying for limited reciprocity privilege under
12 this section is considered to have qualifications that are substantially
13 equivalent to the requirements prescribed pursuant to this chapter and has
14 all of the privileges of registrants, certificate holders or licensees in
15 this state without obtaining a registration, certificate or license under
16 this chapter.

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

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

27 1. Shall:

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

34 (b) Cease the offering or practicing of accounting in person or by
35 mail, telephone or electronic means in this state if the individual no longer
36 satisfies the requirements of subsection B of this section or the
37 partnership, corporation or other entity no longer satisfies the requirements
38 of subsection G of this section.

39 2. Is subject to:

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

42 (b) Service by either of the following:

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

1 (ii) Directly on the person.

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

8 1. Expert witness services.

9 2. Teaching or lecturing.

10 3. Other services as determined by the board.

11 G. A partnership, corporation or other entity formed under the laws of
12 another ~~state or United States territory~~ JURISDICTION relating to the
13 practice of accounting in that ~~state or United States territory~~ JURISDICTION
14 may use the title "certified public accountant" or "CPA" in this state and
15 may engage in the practice of accounting in this state, including the
16 provision of attest services, without having to register as a firm if all of
17 the following apply:

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

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

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

27 4. The partnership, corporation or other entity does not have an
28 office in this state and does not represent that it has an office in this
29 state.

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

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

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

38 32-730.01. Inactive status; reactivation; exception

39 A. A registrant who is not actively engaged in the practice of
40 accounting in this state for a fee or other compensation may request that the
41 registrant's certificate be placed on inactive status by meeting the
42 requirements for inactive status and completing the forms prescribed by the
43 board. A registrant whose certificate is under a disciplinary order by the
44 board, **EXCEPT FOR SUSPENSION FOR NONREGISTRATION PURSUANT TO SECTION**

1 32-741.01, or against whom disciplinary proceedings have been initiated may
2 not place or maintain a certificate on inactive status.

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

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

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

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

14 C. A registrant may request that the registrant's certificate be
15 reactivated if the certificate has been inactive for six years or less and if
16 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 D. A registrant may reactivate an inactive certificate pursuant to
25 subsection C of this section only once.

26 E. A certificate expires if it has been inactive for more than six
27 years.

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

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

32 32-730.02. Canceled status; reinstatement

33 A. A registrant may cancel a certificate or registration by submitting
34 a written request on a form prescribed by the board. A registrant whose
35 certificate or registration is under a disciplinary order by the board,
36 EXCEPT FOR SUSPENSION FOR NONREGISTRATION PURSUANT TO SECTION 32-741.01, or
37 against whom disciplinary proceedings have been initiated may not cancel the
38 certificate or registration.

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

44 C. An individual whose certificate has been canceled and who does not
45 qualify for certification by reciprocity pursuant to section 32-721,

1 subsection C may apply for reinstatement and the board may reinstate the
2 certificate if the individual meets all of the following requirements:

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

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

8 3. Affirms that the individual 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 4. On board approval of reinstatement, pays the registration fee
12 pursuant to section 32-729.

13 D. A FIRM WHOSE REGISTRATION HAS BEEN CANCELED MAY APPLY FOR
14 REINSTATEMENT AND THE BOARD MAY REINSTATE THE FIRM'S REGISTRATION WITH A NEW
15 EFFECTIVE DATE OF THE FIRM'S FORMATION IF THE FIRM MEETS BOTH OF THE
16 FOLLOWING REQUIREMENTS:

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

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

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

22 32-730.03. Expired status; reinstatement

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

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

33 C. An individual whose certificate has expired may apply for
34 reinstatement and the board may reinstate the certificate if the individual
35 meets all of the following requirements:

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

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

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

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

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

9 32-730.04. Retired status; reactivation

10 A. A registrant who is at least fifty-five years of age, who has been
11 a certified public accountant or public accountant in one or more
12 jurisdictions for at least twenty years and who is not actively engaged in
13 the practice of accounting for a fee or other compensation may request that
14 the registrant's certificate be placed on retired status by submitting a
15 request on a form approved by the board. A registrant whose certificate is
16 under a disciplinary order by the board EXCEPT FOR SUSPENSION FOR
17 NONREGISTRATION PURSUANT TO SECTION 32-741.01 or against whom disciplinary
18 proceedings have been initiated may not place or maintain a certificate on
19 retired status.

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

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

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

26 3. Shall not assume or use the title or designation of "certified
27 public accountant" or "public accountant" or the abbreviation "C.P.A.",
28 "CPA", "P.A." or "PA" unless accompanied by the word "retired" or the
29 abbreviation "RET" while the registrant's certificate remains on retired
30 status.

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

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

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

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

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

41 32-731. Certified public accountant partnership;
42 qualifications; definitions

43 A. Except as provided in section 32-725, subsection G, once every two
44 years a partnership engaged in this state in the practice of accounting by
45 certified public accountants OR PUBLIC ACCOUNTANTS shall pay the registration

1 fee pursuant to section 32-729 and register with the board as a partnership
2 of certified public accountants and shall meet the following requirements:

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

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

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

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

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

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

23 (i) The partner performs at least five hundred hours of ~~professional~~
24 ACCOUNTING services for the public accounting partnership during the calendar
25 year.

26 (ii) The ~~professional~~ ACCOUNTING services performed constitute the
27 partner's principal occupation.

28 (iii) The partner's interest in the public accounting partnership
29 reverts to the partnership if the partner stops performing services for the
30 partnership.

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

34 3. Any partner who is ultimately responsible for supervising attest
35 services in this state or the partner who signs any reports related to attest
36 services on behalf of the partnership in this state shall be certified
37 pursuant to this chapter OR QUALIFIED TO EXERCISE THE LIMITED RECIPROcity
38 PRIVILEGE PURSUANT TO SECTION 32-725, SUBSECTION G and shall meet the
39 experience requirements for carrying out these functions adopted by the board
40 in its rules.

41 4. The partnership complies with other requirements imposed by the
42 board in its rules.

43 C. Application for registration pursuant to this section shall be made
44 on affidavit of a partner of the partnership who is a certified public
45 accountant OR PUBLIC ACCOUNTANT in good standing in this state. The board in

1 each case shall determine whether the applicant is eligible for
2 registration. A partnership that is registered pursuant to this section may
3 use the words "certified public accountants" or the abbreviation "C.P.A.'s"
4 or "CPA's" OR THE WORDS "PUBLIC ACCOUNTANTS" OR THE ABBREVIATION "P.A.'S" OR
5 "PA'S" in connection with its partnership name as provided for by the board
6 in its rules. Partnerships registered pursuant to this chapter may provide
7 attest services. ~~Notification shall be given to the board within one month~~
8 ~~of the termination of any partnership, or of the admission to or withdrawal~~
9 ~~of an Arizona partner from any partnership registered pursuant to this~~
10 ~~section.~~

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

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

20 1. THE TERMINATION OF ANY PARTNERSHIP.

21 2. THE ADMISSION OF A PARTNER TO A PARTNERSHIP THAT IS REGISTERED
22 PURSUANT TO THIS SECTION IF THE PARTNER IS A CERTIFIED PUBLIC ACCOUNTANT OR A
23 PUBLIC ACCOUNTANT.

24 3. THE WITHDRAWAL OF A PARTNER FROM A PARTNERSHIP THAT IS REGISTERED
25 PURSUANT TO THIS SECTION IF THE PARTNER IS A CERTIFIED PUBLIC ACCOUNTANT OR A
26 PUBLIC ACCOUNTANT.

27 4. A CHANGE OF A PARTNER'S RESIDENCE FROM THIS STATE TO ANOTHER
28 JURISDICTION OR FROM ANOTHER JURISDICTION TO THIS STATE IF THE PARTNER IS IN
29 A PARTNERSHIP THAT IS REGISTERED PURSUANT TO THIS SECTION AND THE PARTNER WAS
30 A CERTIFIED PUBLIC ACCOUNTANT OR A PUBLIC ACCOUNTANT.

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

34 6. ANY CHANGE BY ANY JURISDICTION IN THE CERTIFICATE OR LICENSE STATUS
35 OF A CERTIFIED PUBLIC ACCOUNTANT OR A PUBLIC ACCOUNTANT OWNER OF THE
36 PARTNERSHIP THAT PREVENTS THE CERTIFICATE OR LICENSE FROM BEING IN GOOD
37 STANDING OR THAT PREVENTS THE RIGHT OF THE CERTIFIED PUBLIC ACCOUNTANT OR A
38 PUBLIC ACCOUNTANT TO PRACTICE ACCOUNTING AS A CERTIFIED PUBLIC ACCOUNTANT OR
39 A PUBLIC ACCOUNTANT IN THAT JURISDICTION.

40 7. ~~of any change of partners whose principal place of business is in~~
41 ~~this state,~~ Any change in the number or location of offices of the
42 partnership in this state, AND any change in the identity of the individuals
43 in charge of the partnership's offices in this state ~~and any issuance,~~
44 ~~denial, revocation or suspension of a registration, license or permit by any~~
45 ~~other state.~~

1 ~~F. A partnership that fails to comply with this section due to changes~~
2 ~~in the ownership of the firm or personnel after receiving or renewing the~~
3 ~~registration must take corrective action to comply with this section as~~
4 ~~quickly as possible. The board may grant a reasonable period of time for the~~
5 ~~firm to take these corrective actions. A failure to comply with these~~
6 ~~requirements is grounds for suspension or revocation of the partnership~~
7 ~~registration.~~

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

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

14 H. LIMITED LIABILITY COMPANIES, PROFESSIONAL LIMITED LIABILITY
15 COMPANIES AND LIMITED LIABILITY PARTNERSHIPS COMPOSED OF CERTIFIED PUBLIC
16 ACCOUNTANTS OR PUBLIC ACCOUNTANTS SHALL MEET THE REQUIREMENTS OF TITLE 29,
17 CHAPTERS 4 OR 5 AND ANY ADDITIONAL NONCONFLICTING REQUIREMENTS CONTAINED IN
18 THIS SECTION.

19 I. FOR THE PURPOSES OF THIS SECTION:

20 1. "PARTNER" INCLUDES ANY SHAREHOLDER OF A PROFESSIONAL CORPORATION
21 AND ANY MEMBER OF A LIMITED LIABILITY COMPANY OR PROFESSIONAL LIMITED
22 LIABILITY COMPANY.

23 2. "PARTNERSHIP" INCLUDES A PROFESSIONAL CORPORATION, A LIMITED
24 LIABILITY COMPANY AND A PROFESSIONAL LIMITED LIABILITY COMPANY.

25 Sec. 10. Repeal

26 Sections 32-732, 32-734 and 32-735, Arizona Revised Statutes, are
27 repealed.

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

29 32-741. Revocation or suspension of certificate; disciplinary
30 action; letter of concern

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

35 1. Conviction of a felony under the laws of any ~~state~~ JURISDICTION or
36 of the United States if civil rights have not been restored pursuant to title
37 13, chapter 9 or other applicable recognized judicial or gubernatorial order.

38 2. Conviction of any crime that has a reasonable relationship to the
39 practice of accounting by a certified public accountant or by a public
40 accountant, including crimes involving accounting or tax violations,
41 dishonesty, fraud, misrepresentation, embezzlement, theft, forgery, perjury
42 or breach of fiduciary duty, regardless of whether civil rights have been
43 restored.

- 1 3. Fraud or deceit in obtaining a certificate as a certified public
2 accountant or in obtaining a certificate as a public accountant under this
3 chapter.
- 4 4. Dishonesty, fraud or gross or continuing negligence in the practice
5 of accounting.
- 6 5. Discipline to the holder of any certificate or other authority to
7 practice or refusal to renew the certificate or other authority to practice
8 as a certified public accountant by any other ~~state~~ JURISDICTION or foreign
9 country for any cause other than failure to pay license or registration fees.
- 10 6. Violation of any of the provisions of this chapter, of title 44,
11 chapter 12, article 13 or of any fraud provisions of the federal securities
12 laws.
- 13 7. Final judgment in a civil action if the court makes findings of
14 accounting violations, dishonesty, fraud, misrepresentation or breach of
15 fiduciary duty.
- 16 8. Final judgment or order in a civil action or administrative
17 proceeding if the court or agency makes findings of violations of any fraud
18 provisions of the laws of ~~this state~~ ANY JURISDICTION or federal securities
19 laws.
- 20 9. Violation of any decision, order or rule issued or adopted by the
21 board.
- 22 10. Suspension or revocation for cause of the right to practice before
23 the federal securities exchange commission or any other governmental body or
24 agency or the public company accounting oversight board or its successor.
- 25 11. Offering or accepting commissions or contingency fees for services
26 rendered for clients for whom the attest function is also offered or rendered
27 in the performance of the practice of accounting unless:
28 (a) The fee is fixed by a court or another public authority.
29 (b) In a tax matter, the fee is determined based on the results of a
30 judicial proceeding or the finding of a governmental agency.
- 31 12. Failing to disclose to a client that the registrant has received or
32 expects to receive a commission from a third party for any engagement,
33 services or product sales involving services other than the attest function.
- 34 13. Making any false or misleading statement or verification in support
35 of an application for a certificate, registration or permit filed by another
36 person.
- 37 14. Making a false or misleading statement:
38 (a) To the board or its designated agent.
39 (b) On a form required by the board.
40 (c) In written correspondence to the board.
- 41 15. Failing to respond in writing or furnish information in a timely
42 manner to the board or its designated agent, if the information is legally
43 requested by the board and is in the registrant's possession or control.

1 B. Pursuant to title 41, chapter 6, article 10, the board may
2 summarily suspend the certificate of any certified public accountant or
3 public accountant pending proceedings for revocation or other disciplinary
4 action on the receipt of either of the following:

5 1. A notice of conviction of any crime that has a reasonable
6 relationship to the practice of accounting, including crimes involving
7 accounting or tax violations, dishonesty, fraud, misrepresentation,
8 embezzlement, theft, forgery, perjury or breach of fiduciary duty or of any
9 felony.

10 2. A final judgment or order in a civil action or administrative
11 proceeding in which the court or agency made findings of violations of any
12 fraud provisions of the laws of ~~this state~~ ANY JURISDICTION or federal
13 securities laws.

14 C. The board may take disciplinary action against a holder of a
15 certificate issued pursuant to this chapter who is practicing accounting even
16 if the person is not representing to the public that the person is a
17 certified public accountant or a public accountant and even if the person is
18 practicing accounting in a firm that is not registered by the board.

19 D. The board may issue a letter of concern if, in the opinion of the
20 board, there is insufficient evidence to support disciplinary action against
21 the registrant, but the board believes, as a result of information
22 ascertained during an investigation, that continuation of the activities that
23 led to the investigation may result in future board action against the
24 registrant. A registrant may file a response with the board within thirty
25 days after receipt of a letter of concern. Letters of concern issued by the
26 board and records kept by the board in connection with investigations leading
27 to letters of concern are confidential and are not public records.

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

30 32-741.01. Suspension for nonregistration: expiration of
31 certificate or registration

32 A. The certificate OR REGISTRATION of any registrant who fails to
33 timely register and pay the biennial registration fee as required by section
34 32-729 is automatically suspended without prior notice or a hearing.

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

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

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

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

3 32-741.03. Revoked certificate; qualifications for new
4 certificate

5 A. If the board revokes the certificate of an individual registrant,
6 the individual shall return the certificate to the board. If the individual
7 is unable to return the certificate, the individual must sign and submit to
8 the board an affidavit on a form prescribed by the board stating that the
9 individual is unable to return the certificate to the board.

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

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

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

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

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

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

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

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

43 ~~(d)~~ (e) Other evidence of rehabilitation that the board deems
44 appropriate.

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

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

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

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

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

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

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

16 32-741.04. Relinquishment of certificate with disciplinary
17 proceedings pending; qualifications for new
18 certificate

19 A. A certified public accountant or public accountant may relinquish
20 the individual's certificate pending or in lieu of an investigation or
21 disciplinary proceedings or while under a disciplinary order. The board
22 shall consider a relinquishment tendered by a certified public accountant or
23 public accountant pursuant to this section and shall determine whether to
24 accept the relinquishment. The board shall issue an order documenting its
25 decision.

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

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

32 1. Files an application for reinstatement on the form prescribed by
33 the board and pays the reinstatement application fee pursuant to section
34 32-729.

35 2. Demonstrates through substantial evidence presented to the board
36 that the individual is completely rehabilitated with respect to the conduct
37 that was pending at the time of relinquishment. Demonstration of
38 rehabilitation shall include evidence of the following:

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

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

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

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

11 ~~(d)~~ (e) Other evidence of rehabilitation that the board deems
12 appropriate.

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

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

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

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

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

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

26 D. If the board accepts the relinquishment of a certificate of a
27 certified public accountant or public accountant, the person shall return the
28 certificate to the board and shall attach to the certificate a document that
29 is signed and dated and that is in substantially the following form:

30 I, (insert name of registrant), acknowledge that disciplinary
31 proceedings have been initiated against me pursuant to title 32,
32 chapter 6, article 3, Arizona Revised Statutes, and I relinquish
33 my right to practice accounting as a (insert either "certified
34 public accountant" or "public accountant") in the state of
35 Arizona. I understand that if I choose to apply for a new
36 certificate, I must meet all requirements for certification
37 pursuant to section 32-741.04, Arizona Revised Statutes. I
38 further understand that, in deciding whether to issue a new
39 certificate to me, the board will consider all disciplinary
40 actions currently pending against me and any other matters it
41 determines to be appropriate.

1 Sec. 15. Section 32-742, Arizona Revised Statutes, is amended to read:

2 32-742. Revocation or suspension of firm's registration;
3 failure to renew or reinstate; reinstatement;
4 relinquishment

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

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

13 1. The revocation or suspension of any certificate issued by the board
14 of any partner, shareholder, member, manager, officer, director, agent or
15 employee of the firm.

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

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

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

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

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

34 ~~2. Has not engaged in any conduct that would constitute grounds for~~
35 ~~revocation or suspension of a registration pursuant to section 32-741.~~

36 ~~3. On board approval of reinstatement, pays the registration fee~~
37 ~~pursuant to section 32-729.~~

38 C. A FIRM MAY RELINQUISH ITS REGISTRATION PENDING OR IN LIEU OF AN
39 INVESTIGATION OR A DISCIPLINARY PROCEEDING OR WHILE UNDER A DISCIPLINARY
40 ORDER. THE BOARD SHALL CONSIDER A RELINQUISHMENT TENDERED BY THE FIRM
41 PURSUANT TO THIS SECTION AND MAY DETERMINE WHETHER TO ACCEPT THE
42 RELINQUISHMENT. THE BOARD SHALL ISSUE AN ORDER DOCUMENTING ITS DECISION.

43 D. A FIRM WHOSE REGISTRATION HAS BEEN RELINQUISHED SHALL NOT ASSUME OR
44 USE THE TITLE OR DESIGNATION "CERTIFIED PUBLIC ACCOUNTANT" OR "PUBLIC
45 ACCOUNTANT" OR THE ABBREVIATION "C.P.A.", "CPA", "P.A." OR "PA".

1 E. A FIRM WHOSE REGISTRATION HAS BEEN RELINQUISHED PURSUANT TO THIS
2 SECTION MAY APPLY FOR REINSTATEMENT, AND THE BOARD MAY ISSUE A NEW
3 REGISTRATION IF THE FIRM DOES ALL OF THE FOLLOWING:

4 1. FILES AN APPLICATION FOR REINSTATEMENT ON THE FORM PRESCRIBED BY
5 THE BOARD AND PAYS THE REGISTRATION FEE PURSUANT TO SECTION 32-729,
6 PARAGRAPH 4.

7 2. DEMONSTRATES THROUGH SUBSTANTIAL EVIDENCE PRESENTED TO THE BOARD
8 THAT THE FIRM IS COMPLETELY REHABILITATED WITH RESPECT TO THE CONDUCT THAT
9 WAS PENDING AT THE TIME OF RELINQUISHMENT. DEMONSTRATION OF REHABILITATION
10 INCLUDES EVIDENCE OF THE FOLLOWING:

11 (a) THE FIRM OR ANY PARTNER OF THE FIRM HAS NOT ENGAGED IN ANY CONDUCT
12 DURING THE RELINQUISHMENT PERIOD THAT, IF THE FIRM OR PARTNER OF THE FIRM HAD
13 BEEN REGISTERED DURING THAT PERIOD, WOULD HAVE CONSTITUTED A BASIS FOR
14 REVOCATION OR SUSPENSION PURSUANT TO SECTION 32-741.

15 (b) THE FIRM HAS ADDRESSED OR REMEDIED ANY COMPLAINTS, INVESTIGATIONS
16 OR BOARD-ORDERED REQUIREMENTS THAT ARE PENDING OR OUTSTANDING AT THE TIME OF
17 RELINQUISHMENT.

18 (c) OTHER EVIDENCE OF REHABILITATION THAT THE BOARD DEEMS APPROPRIATE.

19 3. MEETS ALL OF THE REQUIREMENTS FOR REGISTRATION PURSUANT TO THIS
20 CHAPTER.

21 F. IF THE BOARD ACCEPTS THE RELINQUISHMENT OF A REGISTRATION OF A
22 FIRM, BEFORE THE RELINQUISHMENT MAY TAKE EFFECT, THE FIRM SHALL SUBMIT A
23 DOCUMENT THAT IS SIGNED AND DATED AND THAT IS IN SUBSTANTIALLY THE FOLLOWING
24 FORM:

25 I, INSERT NAME OF REGISTRANT ACTING ON BEHALF OF THE
26 FIRM), ACKNOWLEDGE THAT DISCIPLINARY PROCEEDINGS HAVE BEEN
27 INITIATED AGAINST (INSERT NAME OF FIRM) PURSUANT TO TITLE 32,
28 CHAPTER 6, ARTICLE 3, ARIZONA REVISED STATUTES, AND THE FIRM
29 RELINQUISHES ITS RIGHT TO PRACTICE ACCOUNTING AS A CERTIFIED
30 PUBLIC ACCOUNTING FIRM IN THE STATE OF ARIZONA. I UNDERSTAND
31 THAT IF THE FIRM APPLIES FOR A NEW REGISTRATION, IT MUST MEET
32 ALL REQUIREMENTS FOR REGISTRATION PURSUANT TO SECTION 32-742,
33 ARIZONA REVISED STATUTES. I FURTHER UNDERSTAND THAT, IN
34 DECIDING WHETHER TO ISSUE A NEW REGISTRATION TO THE FIRM, THE
35 BOARD WILL CONSIDER ALL DISCIPLINARY ACTIONS CURRENTLY PENDING
36 AGAINST THE FIRM AND ANY OTHER MATTERS IT DETERMINES TO BE
37 APPROPRIATE.

38 DATED THIS ____ DAY OF _____, 20__.

39 BY: INSERT NAME OF FIRM, NAME OF INDIVIDUAL SIGNING ON
40 BEHALF OF FIRM, AND THAT INDIVIDUAL'S POSITION IN FIRM)

41 Sec. 16. Section 32-744, Arizona Revised Statutes, is amended to read:
42 32-744. Ownership and custody of working papers and records

43 A. All statements, records, schedules, working papers and memoranda
44 prepared by a registrant or a partner, shareholder, officer, director,
45 member, manager or employee of a registrant incidental to or in the course of

1 rendering professional services to a client while a registrant are and shall
2 remain the property of the registrant, except:

3 1. In the case of an express agreement between the registrant and the
4 client to the contrary.

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

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

7 B. Without the consent of the client or the client's personal
8 representative or assignee, no statement, record, schedule, working paper or
9 memorandum may be sold, transferred or bequeathed to anyone other than
10 surviving partners, stockholders or members or new partners, new
11 stockholders, new members of the firm or any combined or merged firm or
12 successor in interest to the firm.

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

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

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

23 D. A registrant or firm shall maintain all records pertaining to any
24 legal action initiated against the registrant or firm for a period of three
25 years after the resolution of the action. On request, the registrant or firm
26 shall timely furnish all records pertaining to the legal action to the
27 board. For the purposes of this subsection, "legal action" means any civil
28 or criminal lawsuit or state, UNITED STATES TERRITORY or federal
29 administrative proceeding where the allegations against the registrant or
30 firm are violations of accounting or auditing standards or that result from
31 negligence, gross negligence or reckless conduct, dishonesty, fraud,
32 misrepresentation, breach of fiduciary duty or the suspension or revocation
33 of the right to practice before the federal securities and exchange
34 commission, the internal revenue service or any other state, UNITED STATES
35 TERRITORY or federal agency.

36 E. Except as provided in subsection D OF THIS SECTION, this section
37 does not require a registrant to keep any work paper beyond the period
38 prescribed by any other applicable statute.