

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
90th General Assembly  
Regular Session, 2015

*As Engrossed: S3/2/15*  
**A Bill**

HOUSE BILL 1189

By: Representative Hillman  
By: Senator B. Sample

### **For An Act To Be Entitled**

AN ACT TO AMEND THE LAW CONCERNING ACCOUNTANTS; AND  
FOR OTHER PURPOSES.

### **Subtitle**

TO AMEND THE LAW CONCERNING ACCOUNTANTS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 17-12-103(a), concerning definitions in the chapter on accountants, is amended to add additional subdivisions to read as follows:

(20) "SAS" means the AICPA Statements on Auditing Standards;

(21) "SSARS" means the AICPA Statements on Standards for Accounting and Review Services; and

(22) "SSAE" means the AICPA Statements on Standards for Attestation Engagements.

SECTION 2. Arkansas Code § 17-12-103(a)(2), concerning the definition of "attest", is amended to read as follows:

(2) "Attest" means providing the following ~~financial statement~~ services:

(A) An audit or other engagement to be performed in accordance with the AICPA ~~Statements on Auditing Standards~~ SAS;

(B) A review of a financial statement to be performed in accordance with the AICPA ~~Statements on Standards for Accounting and Review Services~~ SSARS;



(C) An examination of prospective financial information to be performed in accordance with the AICPA ~~Statements on Standards for Attestation Engagements~~ SSAE; and

(D) An engagement to be performed in accordance with PCAOB standards; and

(E) An examination, review, or agreed-upon procedures engagement to be performed in accordance with the SSAE, other than an examination under subdivision (a)(2)(C) of this section;

SECTION 3. Arkansas Code § 17-12-109(b), concerning accountants' working papers, is amended to read as follows:

(b) No statement, record, schedule, working paper, or memorandum shall be sold, transferred, or bequeathed without the consent of the client or his or her personal representative or assignee to anyone other ~~than one~~: (1) One (1) or more surviving partners or new partners of the accountant or to his or her *corporation or limited liability company; or*

(2) A licensee who has acquired the practice of another licensee and has provided written notice to the client within thirty (30) days of the sale, transfer, or bequest and has received no objection from the client.

SECTION 4. Arkansas Code § 17-12-301 is amended to read as follows:  
17-12-301. Requirements generally.

(a) A certificate as a certified public accountant shall be granted by the Arkansas State Board of Public Accountancy to any person of good moral character and professional competency:

(1) Who has met the education and experience requirements set forth in this chapter and by the board; and

(2) Who has passed an examination in accounting and auditing and such related subjects as the board shall determine to be appropriate.

(b)(1)(A) "Good moral character" as used in this section means lack of a history of:

(i) Dishonest or felonious acts; or

(ii) Conduct involving fraud or moral turpitude.

(B)(i) The board may refuse to grant a certificate on the ground of failure to satisfy this requirement only if there is a substantial connection between the lack of good moral character or professional

competency of the applicant and the professional responsibilities of a licensee ~~and if the finding by the board of lack of good moral character is supported by clear and convincing evidence.~~

(ii) The burden of proof lies with the applicant for a license as a certified public accountant or public accountant.

(2) When an applicant is found to be unqualified for a certificate because of a lack of good moral character or professional competency, the board shall furnish the applicant a:

- (A) Statement containing the findings of the board;
- (B) Complete record of the evidence upon which the determination was based; and
- (C) Notice of the applicant's right of appeal.

(c) "Professional competency" as used in this section means lack of a history of:

(1) Disciplinary actions taken by accountancy boards of other jurisdictions;

(2) Rejection of financial reports or tax returns by various bodies that routinely accept reports issued by certified public accountants or public accountants; or

(3) Disciplinary actions taken by other regulatory or professional organizations, including without limitation the Internal Revenue Service, the United States Securities and Exchange Commission, or the American Institute of Certified Public Accountants.

~~(e)~~(d)(1) ~~Any~~ A person who has received from the board a certificate as a certified public accountant which is currently in full force and effect shall be styled and known as a "certified public accountant" and may also use the abbreviation "CPA".

(2) The board shall maintain a list of certified public accountants. ~~Any~~ A certified public accountant may also be known as a public accountant.

SECTION 5 Arkansas Code § 17-12-505 is amended to read as follows:  
17-12-505. Inactive status.

(a) The Arkansas State Board of Public Accountancy may by rule create an exception to the continuing education requirement of § 17-12-502 for licensees who do not perform or offer to perform for the public one (1) or

more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or of one (1) or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. ~~Each~~ A licensee granted such an exception by the board must place the word "inactive" adjacent to his or her CPA title or PA title on any business card, letterhead, electronic transmission, or any other document or device, with the exception of his or her CPA certificate or PA registration, on which his or her CPA or PA title appears.

(b)(1) A firm offering services under subsection (a) of this section may not employ an inactive certified public accountant in a professional capacity unless the employee agrees to upgrade to active status within one (1) year of hire.

(2) The agreement under this subsection shall be made with the Arkansas State Board of Public Accountancy before employment with the firm.

SECTION 6. Arkansas Code § 17-12-507(a), concerning quality review of each practice unit, is amended to read as follows:

(a) ~~The~~ Until December 31, 2016, the Arkansas State Board of Public Accountancy may by rule require as a condition for the renewal of a license a quality review of each practice unit maintained in this state.

SECTION 7. Arkansas Code Title 17, Chapter 12, Subchapter 5, is amended to add an additional section to read as follows:

17-12-508. Peer review.

(a)(1) Beginning January 1, 2017, the Arkansas State Board of Public Accountancy may by rule require licensees who perform attest services to undergo peer review one (1) time every three (3) years.

(2) Engagement-level peer reviews are required for licensees who issue reviews or agreed-upon procedures reports.

(3) System-level peer reviews are required for licensees who issue audit reports.

(4) Compilation or other non attest engagements may be excluded from the peer review.

(b) Peer reviews shall be conducted in accordance with standards the board sets by rule.

(c) Failure of a licensee to provide full cooperation with the board in the performance of a peer review is subject to sanctions under § 17-12-602.

*/s/Hillman*