

1 State of Arkansas  
2 90th General Assembly  
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4

*As Engrossed: S3/2/15*

# A Bill

HOUSE BILL 1189

5 By: Representative Hillman  
6 By: Senator B. Sample  
7

## For An Act To Be Entitled

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

### Subtitle

14 TO AMEND THE LAW CONCERNING ACCOUNTANTS.

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

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

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

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

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

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

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

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

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



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

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

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

9  
 10 SECTION 3. Arkansas Code § 17-12-109(b), concerning accountants'  
 11 working papers, is amended to read as follows:

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

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

20  
 21 SECTION 4. Arkansas Code § 17-12-301 is amended to read as follows:

22 17-12-301. Requirements generally.

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

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

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

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

32 (i) Dishonest or felonious acts; or

33 (ii) Conduct involving fraud or moral turpitude.

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

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

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

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

9 (A) Statement containing the findings of the board;

10 (B) Complete record of the evidence upon which the  
11 determination was based; and

12 (C) Notice of the applicant's right of appeal.

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

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

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

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

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

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

31  
32 SECTION 5 Arkansas Code § 17-12-505 is amended to read as follows:  
33 17-12-505. Inactive status.

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

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

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

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

16  
17 SECTION 6. Arkansas Code § 17-12-507(a), concerning quality review of  
18 each practice unit, is amended to read as follows:

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

22  
23 SECTION 7. Arkansas Code Title 17, Chapter 12, Subchapter 5, is  
24 amended to add an additional section to read as follows:

25 17-12-508. Peer review.

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

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

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

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

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

