

**CHAPTER 99 (HB 273)**

AN ACT relating to certified public accountants.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

Section 1. KRS 325.220 is amended to read as follows:

As used in this chapter, unless the context otherwise requires:

- (1) "Board" means the State Board of Accountancy;
- (2) "State" includes and means any state, territory, or insular possession of the United States, or the District of Columbia;
- (3) "Public accountant" means a public accountant issued a *license*~~[permit]~~ to practice by the Commonwealth of Kentucky under the Public Accounting Act of 1946 as amended;
- (4) "Attest," "attesting," or "attestation," when used with reference to financial information or the practice of public accountancy, means to issue, or the issuance of, opinions, reports, or other forms of language which state or imply assurance as to the reliability of any:
  - (a) Financial information; or
  - (b) Facts respecting compliance with conditions established by law or contract, including but not limited to statutes, ordinances, administrative regulations, grants, loans, and appropriations, together with any wording accompanying or contained in the opinion or certificate, when such opinions, reports, or other forms of language are accompanied by or include any name, title, or wording that indicates that the person or firm issuing them is:
    1. An accountant or auditor;
    2. Has expert knowledge in accounting or auditing; or
    3. That his *or her* or the firm's work has been performed in accordance with the applicable professional standards for accounting or auditing services as established by the American Institute of Certified Public Accountants or other authorities, as recognized by the board by administrative regulation. The terms include forms of language which disclaim an opinion when the forms of language are conventionally understood to imply any assurance as to the reliability of the financial information referred to and expertise on the part of the person uttering the language; and any other form of language which is conventionally understood to imply such assurance and expertise; or which indicates certain procedures have been performed in accordance with applicable professional standards for accounting or auditing services as established by the American Institute of Certified Public Accountants or other authorities, as recognized by the board by administrative regulation;
- (5) "***Regulated activities***~~[Practice of or practicing public accountancy]~~" means the offering to perform or the performance for a client or potential client by a person or firm ***holding a license issued under this chapter***~~[holding himself or itself out to the public as a licensee]~~ of one (1) or more types of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements, or one (1) or more types of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing

of advice on tax matters. This definition shall not prohibit anyone who is not a certified public accountant from performing accounting services, such as the preparation of tax returns or financial statements, for which attestation by the preparer is not required;

- (6) "Firm" means a sole proprietorship, partnership, professional service corporation, or any other form of business organization ***that is authorized to operate under***~~engaged solely in the practice of public accountancy that is not otherwise prohibited from operating by~~ the laws of this Commonwealth, ~~and which~~ complies with the provisions of this chapter, ***and is issued a license to practice by the board***;
- (7) "***License***~~Certificate~~" means a ***license***~~certificate~~ as a "certified public accountant" issued pursuant to this chapter ~~or corresponding provisions of prior law~~;
- (8) "Licensee" means a certified public accountant, firm, or public accountant, holding a ***license***~~permit~~ to practice ~~public accounting~~ issued under this chapter;
- ~~(9) "Quality enhancement review" means a study, appraisal, or review by the board of one (1) or more aspects of the professional work of a person or firm in the practice of public accountancy;~~
- ~~(10) "Peer~~***Quality*** ~~review" means a study, appraisal, or review of one (1) or more aspects of the professional work of a person or firm ***licensed to practice***~~in the practice of public accountancy~~ and may include a quality assurance or peer review, or any internal review or inspection that is required by professional standards relating to quality control policies and procedures~~. The term shall not include a positive enforcement program of a state accountancy board~~; ~~and~~~~
- ~~(10)~~~~(11)~~ "Review committee" means any person or persons carrying out, administering, or overseeing a ***peer***~~quality~~ review program; ***and***
- (11) "***Substantial equivalency***" means a determination by the board or its designee that the education, examination, and experience requirements in the statutes and administrative regulations of another state for the licensing of a certified public accountant are comparable or better than those contained in the Uniform Accountancy Act issued by the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASB), or that an individual certified public accountant's education, examination, and experience qualifications are comparable or exceed these national standards.

Section 2. KRS 325.230 is amended to read as follows:

- (1) There is hereby created a State Board of Accountancy. The board shall consist of seven (7) members, appointed by the Governor. Six (6) of the members shall be certified public accountants. One (1) of the members shall be a citizen-at-large who is not a certified public accountant. Members serving on the board as of July 15, 1994, shall retain their appointments until their terms expire. Whenever an appointment is to be made, the Kentucky Society of Certified Public Accountants shall submit to the Governor the names of three (3) persons for each vacancy to be filled. All persons recommended shall be qualified for membership on the board, and the Governor shall appoint one (1) of the three (3) recommended. Members of the board shall be citizens of the United States and residents of this state and the certified public accountant members shall hold ***licenses***~~permits~~ to practice issued under the provisions of this chapter. Of the new members appointed to the

board, as provided by this section, one (1) member shall be appointed for a term of one (1) year and one (1) member shall be appointed for a term of four (4) years from June 19, 1976. Succeeding appointments to the board shall be for a term of four (4) years. Vacancies occurring during a term shall be filled by appointment for the unexpired term. Upon the expiration of his term of office, a member shall continue to serve until his successor shall have been appointed and shall have qualified. The Governor shall remove from the board any member whose *license*~~permit~~ to practice is not renewed or which has become void, revoked, or suspended, and may, after hearing, remove any member of the board for neglect of duty or other just cause.

- (2) Each member of the board shall be paid one hundred dollars (\$100) for each day spent in the discharge of his official duties and shall be reimbursed for his actual and necessary expenses therein incurred.

Section 3. KRS 325.240 is amended to read as follows:

The board shall elect annually a president, a secretary and a treasurer from its members. The office of secretary and treasurer may be held by the same individual. The board may *promulgate*~~adopt~~, and amend from time to time, *administrative* regulations, in accordance with the provisions of KRS Chapter 13A, for the orderly conduct of its affairs and for the administration of this chapter. The board may also promulgate, and amend from time to time, rules of professional conduct appropriate to establish and maintain a high standard of integrity and dignity in the profession of public accounting. A majority of the board shall constitute a quorum for the transaction of business. The board shall have a seal which shall be judicially noticed. The board shall keep records of its proceedings, and in any proceeding in court, civil or criminal, arising out of or founded upon any provision of this chapter, copies of said records certified as correct under the seal of the board shall be admissible in evidence as tending to prove the content of said records.~~The board shall have printed and published for public distribution, in September of each year, an annual register which shall contain the names, arranged alphabetically by classifications, of all individuals and firms holding permits to practice under this chapter; the names of the members of the board; and such other matters as may be deemed proper by the board. Copies of said registers shall be mailed to each registered practitioner.~~ The board may employ an executive director and such other personnel as it deems necessary in its administration and enforcement of this chapter. It may appoint such committees or persons, to advise or assist it in the administration and enforcement, as it may see fit. It may retain its own counsel to advise and assist it, in addition to such advice and assistance as is provided by the Attorney General of this state.

Section 4. KRS 325.261 is amended to read as follows:

~~(1)~~ The *license*~~certificate~~ of "certified public accountant" shall be granted by the board to any person who satisfies the following requirements:

- (1)~~(a)~~ Is no less than eighteen (18) years of age;
- (2)~~(b)~~ Is of good moral character;
- (3)~~(c)~~ Meets the following educational credentials prior to applying for the examination:
- (a)~~(1)~~ Has a baccalaureate degree or master's degree conferred by a college or university recognized by the board with a major or concentration program in accounting or its equivalent, as defined in administrative regulations promulgated by the board; or
- (b)~~(2)~~ Beginning in the year 2000 with a new examination applicant, approved to sit for the first examination of the year or subsequent examination, has completed one hundred

and fifty (150) college semester hours which include a baccalaureate degree conferred by a college or university recognized by the board with a major or concentration program in accounting or its equivalent, as defined in administrative regulations promulgated by the board;

- (4)~~{(d)}~~ Has one (1) year of ~~{public}~~ accounting *or attest* experience obtained while employed *in an accounting or auditing position*~~{by}~~ *in* ~~{a}~~ public *practice, academia, industry, or government that shall be verified by*~~{accounting firm and under the supervision of}~~ a certified public accountant who, *during the time being verified*, held *an active license*~~{a certificate and an active license or an active permit}~~ to practice~~{ public accountancy}~~ from any state~~{ as determined by administrative regulations promulgated by the board. The supervising certified public accountant's license or permit shall be active during the time he supervises the applicant}~~;
- (5)~~{(e)}~~ Passes a board-approved written examination in accounting, auditing, and other related subjects as the board deems appropriate. To be eligible to apply for the examination, a person shall first satisfy requirements of *subsections (1), (2), and (3)*~~{subsection (1)(a), (b), and (c)}~~ of this section; and
- (6)~~{(f)}~~ Submits *a complete*~~{an}~~ application for a *license to practice*~~{certificate}~~ as a certified public accountant *in accordance with Section 8 of this Act*~~{on a form prescribed by the board and accompanied by a fee not to exceed one hundred dollars (\$100)}~~.
- ~~{(2)}~~ The experience requirement of subsection (1)(d) of this section may alternatively be satisfied by having obtained two (2) years of experience while under the supervision of a certified public accountant who, during the time he supervised the applicant, held a certificate and an active license or an active permit to practice public accountancy from any state. This experience may be obtained in any of the ways set out in paragraphs (a) and (b) of this subsection, as determined by administrative regulations promulgated by the board:
- (a) ~~Private enterprise, a governmental agency, or an institution of higher education in an accounting or auditing position which required the performance of any auditing, accounting, or tax services; or~~
- (b) ~~Teaching of accounting in an institution of higher education that grants a degree which qualifies a person to sit for the Uniform Certified Public Accountants Examination under this chapter.~~
- ~~{(3)}~~ Experience gained under subsection (1) (d) of this section may be combined with experience gained under subsection (2) of this section to satisfy the two (2) years of experience required by subsection (2) of this section.

Section 5. KRS 325.280 is amended to read as follows:

- (1) The board may issue a *license*~~{certificate and permit}~~ to practice by reciprocity, if the applicant submits an application for a *license*~~{certificate and permit}~~ to practice public accountancy, upon forms approved by the board, that includes all required fees, in the amounts as determined by administrative regulation promulgated by the board, and meets the following requirements:
- (a) The applicant received a grade on the Uniform Certified Public Accountants Examination in another state that was equivalent to a passing grade at the time in this Commonwealth;

- (b) The applicant holds a valid *active license*~~[certificate, active permit]~~, and is in good standing as a certified public accountant, issued under the laws of any other state; and
  - (c) 1. The applicant meets all current experience requirements in this Commonwealth at the time application is made; or
    - 2.~~[— At the time of issuance of the applicant's certificate and permit to practice in the other state, the applicant met all experience requirements then in effect in this Commonwealth; or~~
    - 3.~~]~~ Within the ten (10) years immediately preceding the application had four (4) years of experience in the practice of public accountancy acceptable to the board upon which the *license*~~[certificate]~~ was based.
- (2) The board may issue a *license*~~[certificate and permit]~~ to practice public accountancy without examination to an applicant who holds a valid *license*~~[certificate]~~ to engage in the practice of public accountancy in good standing from a foreign country if:
- (a) The applicant's foreign country makes similar provisions to allow a person who holds a valid *license*~~[certificate]~~ to practice public accountancy issued by this Commonwealth to obtain that foreign country's comparable designation;
  - (b) The authority of the foreign country that issued the designation regulates the practice of public accountancy including the issuance of reports upon financial statements;
  - (c) The foreign designation was granted upon education and examination requirements which were established by the foreign authority or law and were substantially equivalent to those in effect in this Commonwealth at the time the foreign designation was granted;
  - (d) The applicant satisfies the applicable experience requirement contained in paragraph (c) of subsection (1) of this section;
  - (e) The applicant has successfully passed a uniform qualifying examination on United States national standards and an examination on the law and administrative regulations of the board; and
  - (f) The applicant submits an application for a *license*~~[certificate and permit]~~ to practice public accountancy, upon forms approved by the board, that includes all required fees, in the amounts as determined by administrative regulation promulgated by the board.
- (3) ***The board may issue a license to practice to an applicant whose principal place of business is not in this state and who holds a valid license to practice as a certified public accountant in another state deemed by the board to have substantially equivalent licensing standards. The board shall determine the procedure for reviewing and determining the substantial equivalency of any state.***
- (4) ***The applicant shall apply in accordance with administrative regulations promulgated by the board and meet the following requirements:***
- (a) ***Submit an application and pay a fee not to exceed two hundred dollars (\$200);***
  - (b) ***Agree to submit to the personal and subject matter jurisdiction and disciplinary authority of the board;***
  - (c) ***Comply with the laws of this chapter and the board's administrative regulations;***

- (d) *Agree to the appointment of the board that issued the license as the agent upon whom process may be served in any action or proceeding by the board against the applicant;*
- (e) *Agree to immediately cease offering services if any of the information filed is false;*
- (f) *Agree to renew the license by affirming continuing licensure in the home jurisdiction; and*
- (g) *Recognize that if the applicant moves his or her principal place of business to Kentucky he or she shall notify the board and revise the license application to reflect this information.*

Section 6. KRS 325.290 is amended to read as follows:

- (1) Only an individual who has received a **license**~~{certificate and a current permit}~~ to practice shall be styled and known as a "certified public accountant". A certified public accountant may also use the abbreviation "CPA" or "public accountant."
- (2) **Licensees**~~{The achievement of the requirements necessary to be awarded a certificate shall not allow the use of the titles "certified public accountant" or "CPA," unless a permit to practice has been issued and is current. Permit holders}~~ granted a waiver from continuing professional education based on retirement may use "certified public accountant," "public accountant," or "CPA," but shall not **engage in regulated activities**~~{practice public accounting}~~.

Section 7. KRS 325.301 is amended to read as follows:

- (1) All firms *seeking to obtain a license to practice*~~{engaged in the practice of public accountancy}~~ in this Commonwealth shall meet the following requirements:
  - (a) *Licensees shall hold fifty-one percent (51%) or more of the ownership of the firm in terms of financial interests and voting rights of all partners, officers, shareholders, members, or managers of the firm*~~{The sole purpose and business of the firm shall be to practice public accountancy}~~;
  - (b) *Nonlicensed owners of the firm shall be natural persons actively engaged in the firm's operations and shall satisfy additional requirements as promulgated by the board in administrative regulations;*
  - (c) The name of the firm shall *comply with the requirements of Section 13 of this Act*~~{include the name of at least one (1) current or former certified public accountant who holds or has held an ownership interest in the firm, subject to the conditions set out in KRS 325.380(9) and (10). The firm may use the words "certified public accountants" or the abbreviation "CPA's" in connection with its name}~~;
  - ~~(d){(e)}~~ *All certified public accountants who are partners, shareholders, members, officers, ~~or~~ directors, or employees of the firm, ~~and all certified public accountant employees of the firm,~~ who regularly practice in this Commonwealth, shall maintain ~~be certified public accountants with~~ current licenses ~~permits~~ to practice issued by the board;*
  - ~~(e){(d)}~~ *Any individual licensee who is responsible for supervising attest services and signs or authorizes someone to sign the report on the financial statements on behalf of the firm shall meet the competency requirements as promulgated by the board in administrative regulation*~~{At least one (1) partner, shareholder, or other person holding~~

~~an ownership interest in the firm shall be a certified public accountant with a current permit to practice issued by the board~~; and

~~(f)(e)~~—The firm shall comply with the provisions of this chapter, the administrative regulations promulgated by the board, and all other laws of this Commonwealth applicable to the firm's particular form of business organization.

- (2) Before a firm may practice in this Commonwealth, it shall:
  - (a) Submit an initial application to the board for a firm *license*~~[permit]~~ to practice in this Commonwealth. This application shall be made upon forms approved by the board and signed by the firm manager, who shall also be the certified public accountant in charge of the administrative matters of the firm. The application for a firm *license*~~[permit]~~ to practice shall include the name of the firm manager, the name of each certified public accountant *and nonlicensee* with an ownership interest in the firm, the name of each certified public accountant employee of the firm, the location of each office, and any other information as the board, by duly promulgated administrative regulation, may require; and
  - (b) With the exception of a sole proprietorship, pay a fee not to exceed two hundred dollars (\$200) set by an administrative regulation promulgated by the board.
- (3) The firm *license*~~[permit]~~ to practice shall be renewed every two (2) years by the firm. The application for renewal shall be submitted by the manager of the firm on forms established in administrative regulations promulgated by the board. The renewal fee, not to exceed two hundred dollars (\$200), shall be established by administrative regulation promulgated by the board.
- (4) The firm *license*~~[permit]~~ to practice shall be effective for a two (2) year period following the date of its issuance and shall expire on the first day of July in the year of expiration.
- (5) The manager of the firm shall notify the board, on a form established in administrative regulations promulgated by the board, of any change in its *licensing*~~[registration]~~ information within thirty (30) days. Any change in the name of a firm shall require the filing of an initial application.
- (6) All firms that perform audits, reviews, or compilations shall ~~undergo a quality enhancement review as determined by administrative regulations promulgated by the board.~~
- (7) ~~Firms that perform audits shall~~ complete an approved *peer*~~[quality]~~ review program with standards that are equivalent to or better than the *peer*~~[quality]~~ review program administered by the American Institute of Certified Public Accountants as determined by administrative regulations promulgated by the board.
- ~~(7)(8)~~—Nothing contained in this chapter shall require a certified public accountant or firm of certified public accountants licensed by another state or foreign country to obtain a *license*~~[permit]~~ to practice in this Commonwealth if the certified public accountant or firm of certified public accountants enter this Commonwealth solely to:
  - (a) Conduct a *peer*~~[quality]~~ review of a firm; or
  - (b) Perform attestation work, incidental to an engagement which was initiated with a client located outside of the Commonwealth and has extended into the Commonwealth due

to common ownership or existence of a subsidiary, assets, or other operations located within the Commonwealth.

Section 8. KRS 325.330 is amended to read as follows:

- (1) An applicant for initial issuance of a *license*~~[permit]~~ to practice shall~~[show]~~:
  - (a) *Satisfy all the requirements of Section 4 of this Act and the administrative regulations promulgated by the board*~~[That he has obtained a certificate as specified in this chapter]~~;
  - (b) *Pay*~~[That he has paid]~~ a fee not to exceed two hundred dollars (\$200); and
  - (c) *Submit a completed*~~[That he has completed an]~~ application on a form issued by the board.
- (2) *Licenses*~~[Permits]~~ shall be initially issued and renewed for a period of two (2) years, and shall expire on the first day of July in the year of expiration.
- (3) *When an initial license to practice is granted, the board shall issue a nonrenewable document that indicates that the licensee has satisfied all requirements to receive an initial license as a certified public accountant*~~[In July, 1991, one half (1/2) of the permit holders on that date shall be issued permits with a one (1) year expiration date, while the remaining permit holders shall be issued permits with a two (2) year expiration date]~~.
- (4) An applicant for renewal of a *license*~~[permit]~~ to practice, in good standing, shall complete a *license*~~[permit]~~ renewal form provided by the board showing the applicant has:
  - (a) Fulfilled the requirement of continuing professional education for professional enhancement as defined by the board by administrative regulation, but not to exceed eighty (80) hours during a two (2) year calendar period ending December 31 preceding the July 1 renewal date. Certified public accountants not *employed by a firm licensed by the board*~~[engaged in public accounting]~~ shall be required to achieve continuing professional education not to exceed sixty (60) hours during the two (2) year calendar period ending December 31 preceding the July 1 renewal date. The board shall provide for lesser, prorated requirements for applicants whose initial permit was issued substantially less than two (2) years prior to the renewal date;
  - (b) Paid a fee not to exceed two hundred dollars (\$200) biennially;
  - (c) Listed a permanent mailing address; and
  - (d) Designated on the *license*~~[permit]~~ renewal application whether he is *employed by a firm licensed by the board*~~[engaged in any manner of public accounting]~~.
- (5) Any *license*~~[permit]~~ not renewed by the expiration date shall automatically expire and the holder of the expired *license*~~[permit]~~ shall be prohibited from practicing public accounting or holding himself out as a certified public accountant.
- (6) The holder of *a license that from the date of renewal has been expired for a period shorter than six (6) months, and*~~[an expired permit]~~ who has not violated any other provision of this chapter, may renew the *license*~~[permit]~~ by meeting all of the requirements of this section and paying a late penalty fee not to exceed one hundred dollars (\$100).
  - (a) If the *license*~~[permit]~~ has expired for a period longer than *six (6)*~~[twelve (12)]~~ months, the applicant shall apply to the board for reinstatement. The board shall determine the



eligibility for *license*~~[permit]~~ reissuance, including a late penalty fee not to exceed two hundred dollars (\$200) and additional continuing professional education hours.

- (b) Failure to receive a renewal notice shall not constitute an adequate reason for failing to renew the *license*~~[permit]~~ to practice in a timely manner.
- (7) The board may reduce or waive the *license*~~[permit]~~ to practice renewal requirements upon written request of the *licensee*~~[permit holder]~~ showing illness, extreme hardship, or age and complete retirement from practice as prescribed by the board by administrative regulation.

Section 9. KRS 325.340 is amended to read as follows:

- (1) After notice and hearing as provided in KRS Chapter 13B, the board may revoke ~~or suspend~~ any certificate of a certified public accountant issued under this chapter or any registration of a public accountant granted under this chapter, or may revoke~~], suspend,~~ **impose a fine not to exceed one thousand dollars (\$1,000)**~~[or] refuse to issue or renew any license,~~~~[permit issued under this chapter, or may] censure, or~~~~[the holder of the permit,] place~~~~[any licensee] on probation~~ **any licensee**, all with or without terms, for any one (1) or any combination of the following causes:
  - (a) Fraud or deceit in obtaining~~[a certificate as certified public accountant, or in obtaining registration under this chapter, or in obtaining] a license issued~~~~[permit to practice public accounting] under this chapter;~~
  - (b) Dishonesty, fraud, or negligence **while performing any regulated activity**~~[in the practice of public accounting]~~, including fiscal dishonesty or an intentional breach of fiduciary responsibility of any kind, and also including, but not limited to, the following:
    - 1. Knowing preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information; and
    - 2. Embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses;
  - (c) Violation of any of the provisions of this chapter or administrative regulations promulgated by the board under this chapter or violation of any order of the board;
  - (d) Violation of a rule of professional conduct promulgated by the board;
  - (e) **Conviction of any felony, or of any crime in which dishonesty or fraud is an element, under the laws of any state or of the United States. Conviction includes but is not limited to** pleading no contest, entering an Alford plea, **or entry of a court order** suspending the imposition of a criminal penalty **to a crime**~~[, or the conviction of a felony or any crime an element of which is dishonesty or fraud, under the laws of any state or of the United States];~~
  - (f) Cancellation, revocation, suspension, or refusal to renew the authority to practice as a certified public accountant or a public accountant in any state;
  - (g) Suspension or revocation of the right to practice before any state or federal agency;
  - (h) Conduct discreditable to the accounting profession; or
  - (i) Failure to respond to a board inquiry regarding any licensing or complaint matter.
- (2)~~— The board may issue an order to a certificate holder to show cause why his certificate shall not be revoked for failure to renew his permit to practice. The order shall be sent to the~~

~~certificate holder by certified mail, return receipt requested, to the mailing address given to the board by the certificate holder. If he fails to request a hearing on the order within twenty (20) days from the date of the order being mailed, the board may without a hearing, revoke the certificate. If a hearing is timely requested, it shall be conducted pursuant to KRS Chapter 13B.~~

~~(3)~~In any proceeding in which a remedy provided by subsection (1) of this section is imposed, the board may also require the respondent licensee to pay the costs of the proceeding.

Section 10. KRS 325.350 is amended to read as follows:

- (1) After notice and hearing as provided in KRS Chapter 13B, the board shall revoke the *license*~~[registration and permit]~~ to practice of a firm if at any time it does not have all the qualifications prescribed by this chapter under which it qualified for *licensing*~~[registration]~~.
- (2) After notice and hearing as provided in KRS Chapter 13B, the board may ~~revoke or suspend the registration or may~~ revoke, suspend, or refuse to renew the *license*~~[permit]~~ to practice of a firm or may censure the *licensee*~~[holder of any permit]~~ for any of the causes enumerated in KRS 325.340, and for the following additional causes:
  - (a) The revocation, ~~or suspension of the certificate or registration or the revocation or~~ suspension, or refusal to renew the *license*~~[permit]~~ to practice of any partner or shareholder, or any other person with an ownership interest; or
  - (b) The cancellation, revocation, suspension, or refusal to renew the authority of the firm or any partner or shareholder, or any other person with an ownership interest thereof to practice public accounting in any other state.

Section 11. KRS 325.360 is amended to read as follows:

- (1) The board may conduct investigations of suspected violations of this chapter or the administrative regulations promulgated by the board to determine whether there is probable cause to institute proceedings against any person or firm for any violation under this chapter; but an investigation under this section shall not be a prerequisite to proceedings. In aid of these investigations, the board or its designee may issue subpoenas to compel witnesses to testify and to produce evidence. Subpoenas may be served in person or by certified mail, return receipt requested.
- (2) The board may designate a member, or any other person of appropriate competence, to serve as investigating officer to conduct an investigation. Upon completion of an investigation, the investigating officer shall report to the board. The board shall then find probable cause or lack of probable cause, or it shall request that the investigating officer investigate further. Until there has been a determination of probable cause, the findings of the investigating officer, the testimony and documents gathered in the investigation, and the fact of pendency of the investigation shall be treated as confidential information and shall not be disclosed to any person except law enforcement authorities and, to the extent deemed necessary in order to conduct the investigation, the subject of the investigation, persons whose complaints are being investigated, and witnesses questioned in the course of the investigation.
- (3) Upon a finding of probable cause, if the subject of the investigation is a licensee, the board shall direct that a complaint be issued pursuant to this section; and if the subject of the investigation is not a licensee, the board shall take appropriate action pursuant to this chapter. Upon a finding of a lack of probable cause, the board shall close the matter.

- (4) In any case where probable cause has been determined pursuant to this section with respect to a violation by a licensee, or where the board has received a written complaint by any person furnishing grounds for a determination of probable cause about a violation or where the board has received notice of a decision by the board of accountancy of another state furnishing grounds, the board shall issue a complaint setting forth appropriate charges and set a date for a hearing which shall be conducted in accordance with KRS Chapter 13B.
- (5) A licensee, after having been served with the notice of hearing and complaint as provided for in subsection (4) of this section, shall file a written response within twenty (20) days from the date he was served. If the respondent licensee fails to file a timely response or fails to appear at the hearing, the board may hear evidence against him and may enter a final order as shall be justified by the evidence.
- (6) In a hearing under this section, the respondent licensee may appear in person or, in the case of a firm, through a partner, or shareholder or other person with an ownership interest.
- (7) The evidence supporting the complaint shall be presented by the investigating officer, by a board member designated for that purpose, or by counsel. A board member who presents the evidence, or who has conducted the investigation of the matter under this section, shall not participate in the board's decision of the matter.
- (8) In a hearing under this section before the board or in acting upon the recommended order of a hearing officer, a vote of a majority of all members of the board then in office, other than a member disqualified by reason of subsection (7) of this section, shall be required to sustain any charge and to impose any penalty with respect thereto.
- (9) Any person adversely affected by any order of the board may obtain a review thereof by filing a written petition for review with the Franklin Circuit Court in accordance with KRS Chapter 13B.
- (10) On rendering a final order to revoke, suspend, refuse to renew, or censure the holder of a *license*~~[certificate or a permit]~~ to practice issued under this chapter, the board shall examine its records to determine whether the respondent *is authorized or licensed to practice as a certified public accountant*~~[holds a certificate, a registration, or a permit to practice]~~ in any other state. If the board determines that the respondent *is authorized or licensed to practice*~~[holds a certificate, a registration, or a permit to practice]~~ in any other state, the board shall notify the board of accountancy of the other state of its action by mail within thirty (30) days of rendering the final order.
- (11) The board may exchange information relating to proceedings resulting in disciplinary action against licensees with the boards of accountancy of other states and with other public authorities or private organizations having an interest in the information.

Section 12. KRS 325.370 is amended to read as follows:

- (1) In any case where the board has suspended,~~[or]~~ revoked,~~[a certificate or a permit or]~~ refused to renew a *license*~~[permit]~~, the board may, upon application in writing by the person or firm affected and for good cause shown, modify the suspension or reissue the *license*~~[certificate and permit]~~.
- (2) The board shall by administrative regulation, specify the manner in which:
  - (a) Applications shall be made;

- (b) The times within which the applications shall be made, and the circumstances in which hearings, to be conducted in accordance with KRS Chapter 13B, shall be held thereon; and
- (c) Any corrective or remedial education, training, or review requirement for reinstatement.

Section 13. KRS 325.380 is amended to read as follows:

- (1) No person shall assume or use the title or designation "certified public accountant," "**public accountant**," or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant, unless the person ~~has received a certificate as a certified public accountant under this chapter and~~ holds a **license**~~permit~~ issued under this chapter ~~which has not been revoked or suspended, and all offices of the person in this Commonwealth for the practice of public accounting are maintained and registered as required under this chapter~~.
- (2) No firm shall assume or use the title or designation "certified public accountants," "**public accountants**," or the abbreviation "CPA's" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants, unless the firm ~~is registered as a firm of certified public accountants under this chapter,~~ holds a **license**~~permit~~ issued under this chapter which has not been revoked or suspended, and all offices of the firm in this state ~~for the practice of public accounting~~ are maintained ~~and registered~~ as required under this chapter.
- ~~(3) No individual shall assume or use the title or designation "public accountant" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a public accountant, unless the individual is registered as a public accountant under this chapter and holds a permit issued under this chapter which has not been revoked or suspended, and all offices of the individual in this state for the practice of public accounting are maintained and registered as required under this chapter, or unless the individual has received a certificate as a certified public accountant under this chapter and holds a permit issued under this chapter which has not been revoked or suspended, and all offices of the individual in this state for the practice of public accounting are maintained and registered as required under this chapter.~~
- ~~(4) No firm shall assume or use the title or designation "public accountants" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of public accountants, unless the firm is registered as a firm of public accountants under this chapter or as a firm of certified public accountants under this chapter and holds a permit issued under this chapter which has not been revoked or suspended, and all offices of the firm in this state for the practice of public accounting are maintained and registered as required under this chapter.~~
- ~~(5) No individuals or firm shall assume or use the title or designation "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "accredited auditor," "accounting practitioner," "accredited accountant," "expert accountant," "expert auditor," "certified auditor," or any other title or designation likely to be confused with "certified public accountant" and "public accountant" or any of the abbreviations "CA," "AP," "PA," "RA," "LA," or "AA" or similar abbreviations likely to be confused with "CPA."~~
- ~~(4)(6)~~ No person or firm shall sign or affix his name or a firm name to any document or prepare or issue any document which indicates that the person or firm performed the attest function

in the preparation of the documents or that includes any language which indicates that he or the firm has expert knowledge in the use of the attest function, unless the person or firm holds a ~~license~~~~permit~~ to practice *issued* under this chapter. This prohibition shall be applicable to issuance by *any unlicensed*~~a~~ person or firm~~not holding a valid permit~~ of a report using any form of language conventionally used by licensees with respect to a compilation of financial statements. ***The board shall issue safe harbor language, to be defined by the promulgation of administrative regulations, that nonlicensees may use in connection with a compilation of financial information.*** The provisions of this subsection shall not prohibit any officer, employee, partner, or principal of any organization from affixing his signature to any statement or report in reference to the financial affairs of the organization with any wording designating the position, title, or office which he holds in the organization, nor shall the provisions of this subsection prohibit any act of a public official or public employee in the performance of his duties.

- (5)~~(7)~~—No person shall assume or use the title or designation "certified public accountant" or "public accountant" in conjunction with names indicating or implying that there is a firm, or in conjunction with the designation "and Company" or "and Associates" or a similar designation if there is in fact no bona fide firm *licensed*~~registered~~ under this chapter.
- (6)~~(8)~~—No firm performing functions permitted by this chapter shall use designations "and Company" or "and Associates" or a similar designation, if there is in fact only one (1) licensee with an ownership interest.
- (7)~~(9)~~—No person or firm holding a *license*~~permit~~ under this chapter shall ~~use~~~~engage in the practice of public accountancy using~~ a professional or firm name or designation which ***contains the names of any nonlicensees***, is misleading as to the legal form of the firm, or as to the persons who are partners, officers, shareholders, or any other owners of the firm, or as to any other matters. If more than one (1) certified public accountant has an ownership interest in the firm, the names of one (1) or more deceased, retired, or withdrawn partners, shareholders, or other certified public accountants with an ownership interest may be included in the name of a firm or its successor.
- (8)~~(10)~~—If the death or retirement of a certified public accountant results in a firm having only one (1) certified public accountant with an ownership interest, the board may permit the firm to continue to use the firm name for no more than two (2) years from the certified public accountant's respective death or retirement.

Section 14. KRS 325.410 is amended to read as follows:

The display or uttering by a person of a card, sign, advertisement or other printed, engraved or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof, or "public accountant" shall be prima facie evidence in any action brought under KRS 325.400 or 325.990 that the person whose name is so displayed, caused or procured the display or uttering of such card, sign, advertisement or other printed, engraved or written instrument or device, and that such person is holding himself or itself out to be a certified public accountant *licensed*~~or a public accountant holding a permit~~ to practice under KRS 325.330. In any such action evidence of the commission of a single act prohibited by this chapter shall be sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

SECTION 15. A NEW SECTION OF KRS CHAPTER 325 IS CREATED TO READ AS FOLLOWS:

*Persons registered with the board as "public accountants" by July 1, 1946, shall receive the designation of "Public Accountant Emeritus" and shall be exempt from the payment of licensing fees and the reporting of continuing education hours. No persons shall assume or use the title or designation "Public Accountant Emeritus" unless designated by the board under this section.*

Section 16. The following KRS sections are repealed:

325.310 Registration of public accountants -- Use of title "public accountant." 325.320

Partnership or corporation of public accountants -- Registration.

**Approved March 9, 2000**