

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 541  
Senate Judiciary II Committee Substitute Adopted 7/22/93

Short Title: CPA Amendments.

(Public)

Sponsors:

Referred to:

March 25, 1993

1 A BILL TO BE ENTITLED  
2 AN ACT TO IMPLEMENT A RECOMMENDATION OF THE GENERAL  
3 STATUTES COMMISSION TO DELETE THE DOMICILIARY OR RESIDENCY  
4 AND CITIZENSHIP REQUIREMENTS FOR EXAMINATION AND  
5 LICENSURE AS A CERTIFIED PUBLIC ACCOUNTANT AND TO MAKE  
6 TECHNICAL AMENDMENTS BY DELETING OBSOLETE REFERENCES TO  
7 PUBLIC ACCOUNTANTS.

8 The General Assembly of North Carolina enacts:

9 Section 1. The title of Chapter 93 of the General Statutes reads as rewritten:

10 "CHAPTER 93.

11 "CERTIFIED PUBLIC ACCOUNTANTS."

12 Sec. 2. G.S. 93-1 reads as rewritten:

13 "§ 93-1. Definitions; practice of law.

14 (a) Definitions. – As used in this Chapter certain terms are defined as follows:

15 (1) An 'accountant' is a person engaged in the public practice of  
16 accountancy who is ~~neither~~ not a certified public accountant ~~nor a public~~  
17 ~~accountant~~ as defined in this Chapter.

18 (2) 'Board' means the Board of Certified Public Accountant Examiners as  
19 provided in this Chapter.

20 (3) A 'certified public accountant' is a person who holds a certificate as a  
21 certified public accountant issued to him under the provisions of this  
22 Chapter.

1 (4) A 'public accountant' is a person engaged in the public practice of  
2 accountancy who is registered as a public accountant under the  
3 provisions of this Chapter.

4 (5) A person is engaged in the 'public practice of accountancy' who holds  
5 himself out to the public as a certified public accountant or an  
6 accountant and in consideration of compensation received or to be  
7 received offers to perform or does perform, for other persons, services  
8 which involve the auditing or verification of financial transactions,  
9 books, accounts, or records, or the preparation, verification or  
10 certification of financial, accounting and related statements intended  
11 for publication or renders professional services or assistance in or  
12 about any and all matters of principle or detail relating to accounting  
13 procedure and systems, or the recording, presentation or certification  
14 and the interpretation of such service through statements and reports.

15 (b) Practice of Law. – Nothing in this Chapter shall be construed as authorizing  
16 certified public accountants, ~~public accountants~~ accountants or accountants to engage in  
17 the practice of law, and such person shall not engage in the practice of law unless duly  
18 licensed so to do."

19 Sec. 3. G.S. 93-2 reads as rewritten:

20 **"§ 93-2. Qualifications.**

21 Any person who is a citizen of the United States, ~~or person who has duly declared his~~  
22 the intention of becoming such a citizen, is a resident alien, or is a citizen of a foreign  
23 jurisdiction which extends to citizens of this State like or similar privileges to be  
24 examined or certified, and who is over 18 years of age and of good moral character, and  
25 who shall have has received from the State Board of Certified Public Accountant  
26 Examiners a certificate of qualification admitting him to practice as a certified public  
27 accountant as hereinafter provided, or who is the holder of a valid and unrevoked certificate  
28 issued under the provisions of Chapter 157 of the Public Laws of 1913, shall be licensed to  
29 practice and be styled and known as a certified public accountant."

30 Sec. 4. G.S. 93-6 reads as rewritten:

31 **"§ 93-6. Practice as accountants permitted; use of misleading titles prohibited.**

32 It shall be unlawful for any person to engage in the public practice of accountancy in  
33 this State who is not a holder of a certificate as a certified public accountant issued by  
34 the Board, ~~or is not registered as a public accountant under the provisions of this Chapter,~~  
35 unless such person uses the term 'accountant' and only the term 'accountant' in  
36 connection with his name on all reports, letters of transmittal, or advice, and on all  
37 stationery and documents used in connection with his services as an accountant, and  
38 refrains from the use in any manner of any other title or designation in such practice."

39 Sec. 5. G.S. 93-7 is repealed.

40 Sec. 6. G.S. 93-9 reads as rewritten:

41 **"§ 93-9. Assistants need not be certified.**

42 Nothing contained in this Chapter shall be construed to prohibit the employment by  
43 a certified public accountant or by any person, firm, copartnership, association, or  
44 corporation permitted to engage in the practice of public accounting in the State of

1 North Carolina, of persons who have not received certificates of qualification admitting  
2 them to practice as certified public accountants, as assistant accountants or clerks:  
3 Provided, that such employees work under the control and supervision of certified  
4 public accountants ~~or public accountants~~, and do not certify to anyone the accuracy or  
5 verification of audits or statements; and provided further, that such employees do not  
6 hold themselves out as engaged in the practice of public accounting."

7 Sec. 7. G.S. 93-10 reads as rewritten:

8 **"§ 93-10. Persons certified in other states.**

9 ~~A public accountant~~ An individual who holds a valid and unrevoked certificate as a  
10 certified public accountant, or its equivalent, issued under authority of any state, or the  
11 District of Columbia, and who resides without the State of North Carolina, may perform  
12 work within the State: Provided, that he register with the State Board of Certified Public  
13 Accountant Examiners and comply with its rules regarding such registration."

14 Sec. 8. G.S. 93-12 reads as rewritten:

15 **"§ 93-12. Board of Certified Public Accountant Examiners.**

16 The name of the State Board of Accountancy is hereby changed to State Board of  
17 Certified Public Accountant Examiners and said name State Board of Certified Public  
18 Accountant Examiners is hereby substituted for the name State Board of Accountancy  
19 wherever the latter name appears or is used in Chapter 93 of the General Statutes. Said  
20 Board is created as an agency of the State of North Carolina and shall consist of seven  
21 members to be appointed by the Governor, five persons to be holders of valid and  
22 unrevoked certificates as certified public accountants issued under the provisions of this  
23 Chapter and two persons who are not certified public accountants who shall represent  
24 the interest of the public at large. Members of the Board shall hold office for the term  
25 of three years and until their successors are appointed. Appointments to the Board shall  
26 be made under the provisions of this Chapter as and when the terms of the members of  
27 the present State Board of Accountancy expire; provided, that all future appointments to  
28 said Board shall be made for a term of three years expiring on the thirtieth day of June.  
29 All Board members serving on June 30, 1980, shall be eligible to complete their  
30 respective terms. No member appointed to a term on or after July 1, 1980, shall serve  
31 more than two complete consecutive terms. The powers and duties of the Board shall be  
32 as follows:

- 33 (1) To elect from its members a president, vice-president and secretary-  
34 treasurer. The members of the Board shall receive compensation and  
35 reimbursement for travel expenses in accordance with G.S. 93B-5.
- 36 (2) To employ legal counsel, clerical and technical assistance and to fix  
37 the compensation therefor, and to incur such other expenses as may be  
38 deemed necessary in the performance of its duties and the enforcement  
39 of the provisions of this Chapter. Upon request the Attorney General  
40 of North Carolina will advise the Board with respect to the  
41 performance of its duties and will assign a member of his staff, or  
42 approve the employment of counsel, to represent the Board in any  
43 hearing or litigation arising under this Chapter. The Board may, in the  
44 exercise of its discretion, cooperate with similar boards of other states,

1 territories and the District of Columbia in activities designed to bring  
2 about uniformity in standards of admission to the public practice of  
3 accountancy by certified public accountants, and may employ a  
4 uniform system of preparation of examinations to be given to  
5 candidates for certificates as certified public accountants, including the  
6 services and facilities of the American Institute of Certified Public  
7 Accountants, or of any other persons or organizations of recognized  
8 skill in the field of accountancy, in the preparation of examinations  
9 and assistance in establishing and maintaining a uniform system of  
10 grading of examination papers, provided however, that all  
11 examinations given by said Board shall be adopted and approved by  
12 the Board and that the grade or grades given to all persons taking said  
13 examinations shall be determined and approved by the Board.

- 14 (3) To formulate rules for the government of the Board and for the  
15 examination of applicants for certificates of qualification admitting  
16 such applicants to practice as certified public accountants.
- 17 (4) To hold written or oral examinations of applicants for certificates of  
18 qualification at least once a year, or ~~often~~, more often, as may be  
19 deemed necessary by the Board.
- 20 (5) To issue certificates of qualification admitting to practice as certified  
21 public accountants, each applicant who, having the qualifications  
22 herein specified, shall have passed an examination to the satisfaction  
23 of the Board, in 'accounting theory,' 'accounting practice,' 'auditing,'  
24 'business law,' and other related subjects.

25 ~~From and after July 1, 1961, any~~ Any person shall be eligible to take  
26 the examination given by the Board, or to receive a certificate of  
27 qualification to practice as a certified public accountant, who is a  
28 citizen of the United States ~~States~~, ~~or~~ has declared his ~~the~~ intention of  
29 becoming a ~~citizen~~ citizen, ~~or~~ is a resident alien, and has been domiciled  
30 ~~in or resided for at least four months within the State of North Carolina~~  
31 ~~immediately prior to the filing of an application to take the examination or to~~  
32 ~~receive a certificate of qualification, or is a citizen of a foreign~~  
33 jurisdiction which extends to citizens of this State like or similar  
34 privileges to be examined or certified, is 18 years of age or over, ~~and~~ is  
35 of good moral character, and submits evidence satisfactory to the  
36 Board that:

- 37 a. He holds a bachelor's degree from a college or university  
38 accredited by one of the regional accrediting associations or  
39 from a college or university determined by the Board to have  
40 standards substantially equivalent to a regionally accredited  
41 institution, and
- 42 b. His degree studies included a concentration in accounting as  
43 defined by the Board or that he supplemented his degree studies

1 with courses that the Board determines to be substantially  
2 equivalent to a concentration in accounting, and

- 3 c. Satisfactory evidence of the completion of two years in an  
4 accredited college or university or its equivalent with a  
5 concentration in accounting as defined by the Board and two  
6 years experience in the practice of public accountancy under the  
7 direct supervision of a certified public accountant, in addition to  
8 other experience requirements in this section, may be  
9 substituted for a bachelor's degree.

10 Provided, however, the Board may, in its discretion, waive the  
11 education requirement of any candidate if the Board is satisfied from  
12 the result of a special written examination given the candidate by the  
13 Board to test his educational qualifications that he is as well equipped,  
14 educationally, as if he met the education requirements specified above.  
15 The Board may provide by regulation for the general scope of such  
16 examinations and may obtain such advice and assistance as it deems  
17 appropriate to assist it in preparing, administering and grading such  
18 special examinations.

19 Such applicant, in addition to passing the examination given by the  
20 Board, shall have the endorsement as to his eligibility of three certified  
21 public accountants who currently hold licenses in any state or territory  
22 of the United States or the District of Columbia and shall have had  
23 either:

- 24 a. Two years experience in the field of accounting under the direct  
25 supervision of a certified public accountant who currently holds  
26 a valid license in any state or territory of the United States or  
27 the District of Columbia, or  
28 b. Five years experience teaching accounting in a four-year  
29 college or university accredited by one of the regional  
30 accrediting associations or in a college or university determined  
31 by the Board to have standards substantially equivalent to a  
32 regionally accredited institution; or  
33 c. Five years experience in the field of accounting; or five years  
34 experience teaching college transfer accounting courses at a  
35 community college or technical institute accredited by one of  
36 the regional accrediting associations; or  
37 d. Any combination of such experience determined by the Board  
38 to be substantially equivalent to the foregoing.

39 A Master's or more advanced degree in accounting, tax law,  
40 economics, business administration, or the equivalent thereof, or a law  
41 degree with emphasis in taxation or accounting from an accredited  
42 college or university may be substituted for one year of experience.  
43 The Board may permit persons otherwise eligible to take its

1 examinations and withhold certificates until such person shall have had  
2 the required experience.

3 (6) In its discretion to grant certificates of qualification admitting to  
4 practice as certified public accountants such applicants who shall be  
5 the holders of valid and unrevoked certificates as certified public  
6 accountants, or the equivalent, issued by or under the authority of any  
7 state, or territory of the United States or the District of Columbia,  
8 when in the judgment of the Board the requirements for the issuing or  
9 granting of such certificates or degrees are substantially equivalent to  
10 the requirements established by this Chapter: Provided, however, ~~that~~  
11 ~~such applicant has been a bona fide resident of this State for not less than~~  
12 ~~four months or, if a nonresident, he has maintained or has been a member of~~  
13 ~~a firm that has maintained for not less than four months a bona fide office~~  
14 ~~within this State for the public practice of accounting and, provided further,~~  
15 that the state or political subdivision of the United States upon whose  
16 certificate the reciprocal action is based grants the same privileges to  
17 holders of certificates as certified public accountants issued pursuant to  
18 the provisions of this Chapter. The Board, by general rule, may grant  
19 temporary permits to applicants under this subsection pending their  
20 qualification for reciprocal certificates.

21 (7) To charge for each examination provided for in this Chapter a fee not  
22 exceeding two hundred dollars (\$200.00). This fee shall be payable to  
23 the secretary-treasurer of the Board by the applicant at the time of  
24 filing application. In no case shall the examination fee be refunded,  
25 unless in the discretion of the Board the applicant shall be deemed  
26 ineligible for examination.

27 (7a) To charge for each initial certificate of qualification provided for in  
28 this Chapter a fee not exceeding seventy-five dollars (\$75.00).

29 (7b) To require an annual registration of each firm and to charge an annual  
30 registration fee not to exceed two hundred dollars (\$200.00) for each  
31 firm with one office, and a fee not to exceed twenty-five dollars  
32 (\$25.00) for each additional North Carolina office of the firm, to  
33 defray the administrative costs of accounting practice review  
34 programs. The Board may charge an annual fee not to exceed twenty-  
35 five dollars (\$25.00) for each firm application for exemption from the  
36 accounting practice review program.

37 (8) To require the renewal of all certificates of qualification annually on  
38 the first day of July, and to charge an annual renewal fee not to exceed  
39 fifty dollars (\$50.00).

40 (8a) To require the registration of certified public accountant firms which  
41 have offices both within and outside of North Carolina, and the  
42 payment by such firms of an annual registration fee based on the total  
43 number of partners in each such firm, but not to exceed two thousand  
44 five hundred dollars (\$2,500) per firm per year.

- 1 (8b) To formulate rules and regulations for the continuing professional  
2 education of all persons holding the certificate of certified public  
3 accountant, subject to the following provisions:
- 4 a. After January 1, 1983, any person desiring to obtain or renew a  
5 certificate as a certified public accountant must offer evidence  
6 satisfactory to the Board that such person has complied with the  
7 continuing professional education requirement approved by the  
8 Board. The Board may grant a conditional license for not more  
9 than 12 months for persons who are being licensed for the first  
10 time, or moving into North Carolina, or for other good cause, in  
11 order that such person may comply with the continuing  
12 professional education requirement.
- 13 b. The Board shall promulgate rules and regulations for the  
14 administration of the continuing professional education  
15 requirement with a minimum number of hours of 20 and a  
16 maximum number of hours of 40 per year, and the Board may  
17 exempt persons who are retired or inactive from said continuing  
18 professional education requirement. The Board may also  
19 permit any certified public accountant to accumulate hours of  
20 continuing professional education in any calendar year of as  
21 much as two additional years annual requirement in advance of  
22 or subsequent to the required calendar year.
- 23 c. Any applicant who offers satisfactory evidence on forms  
24 promulgated by the Board that he has participated in a  
25 continuing professional education program of the type required  
26 by the Board shall be deemed to have complied with this  
27 section.
- 28 (8c) The Board may formulate rules and regulations for report review and  
29 peer review of audits, reviews, compilations, and other reports issued  
30 on financial information in the public practice of accountancy of all  
31 firms, as herein defined, subject to the following provisions:
- 32 a. After June 30, 1992, any firm desiring to obtain or maintain a  
33 registration as a firm must offer satisfactory evidence to the  
34 Board that such firm has complied with the peer review and  
35 report review requirements approved by the Board; provided,  
36 however, that the Board shall give to every firm subject to this  
37 section not less than 12 months advance notice of each peer  
38 review and report review required of the firm.
- 39 b. The Board may grant a conditional registration for not more  
40 than 24 months for firms which are being registered for the first  
41 time, or moving into North Carolina, or for other good cause, in  
42 order that such firm may comply with the report review and  
43 peer review requirements, and in order that the Board may

- 1 develop a system of review rotation among the various firms  
2 that must comply with this section.
- 3 c. The peer review and report review shall be valid for a minimum  
4 of three years subject to the power of the Board to require  
5 remedial action by any firm with a deficiency in the review  
6 according to the rules established by the Board.
- 7 d. The Board shall promulgate rules and regulations for the  
8 administration of the report review and peer review  
9 requirements and the Board shall exempt firms that show to the  
10 satisfaction of the Board that they are not engaged in the public  
11 practice of accountancy or that the scope of their practice does  
12 not come within the peer review and report review guidelines  
13 established by the Board.
- 14 e. Any firm that offers satisfactory evidence to the Board that the  
15 firm has satisfactorily participated in and successfully  
16 completed a peer review or a report review of the type required  
17 by the Board shall be deemed to have complied with this  
18 section and the Board shall promulgate rules and regulations for  
19 the administration of this procedure.
- 20 f. For purposes of this section, a firm means an entity, individual  
21 proprietorship, partnership or professional association through  
22 which one or more certificate holder engages in the public  
23 practice of accountancy through an office or offices.
- 24 (9) Adoption of Rules of Professional Conduct; Disciplinary Action. –  
25 The Board shall have the power to adopt rules of professional ethics  
26 and conduct to be observed by certified public accountants ~~and public~~  
27 ~~accountants~~ in this State. The Board shall have the power to revoke,  
28 either permanently or for a specified period, any certificate issued  
29 under the provisions of this Chapter to a certified public accountant ~~or~~  
30 ~~public accountant~~ or to censure the holder of any such certificate or to  
31 assess a civil penalty not to exceed one thousand dollars (\$1,000) for  
32 any one or combination of the following causes:
- 33 a. Conviction of a felony under the laws of the United States or of  
34 any state of the United States.
- 35 b. Conviction of any crime, an essential element of which is  
36 dishonesty, deceit or fraud.
- 37 c. Fraud or deceit in obtaining a certificate as a certified public  
38 accountant.
- 39 d. Dishonesty, fraud or gross negligence in the public practice of  
40 accountancy.
- 41 e. Violation of any rule of professional ethics and professional  
42 conduct adopted by the Board.
- 43 Any disciplinary action taken shall be in accordance with the  
44 provisions of Chapter 150B of the General Statutes. Any civil penalty



1 assessed under this section shall be collected by the Board and  
2 transferred to the State Treasurer for use in the General Fund.

3 (10) ~~Within 60 days after March 10, 1925, the Board shall formulate rules  
4 for the registration of those persons, firms, copartnerships, associations  
5 or corporations who, not being holders of valid and unrevoked  
6 certificates as certified public accountants issued under the provisions  
7 of Chapter 157 of the Public Laws of 1913, and who, having on March  
8 10, 1925, been engaged in the practice of public accounting and  
9 maintaining an office as a public accountant in the State of North  
10 Carolina, shall, under the provisions of G.S. 93-7 apply to the Board  
11 for registration as public accountants. The Board shall maintain a  
12 register of all persons, firms, copartnerships, associations or  
13 corporations who have made application for such registration and have  
14 complied with the rules of registration adopted by the Board.~~

15 (11) ~~Within 60 days after March 10, 1925, the Board shall formulate rules  
16 for registration of these public accountants who are qualified to  
17 practice under this Chapter and who under the provisions of G.S. 93-  
18 10 are permitted to engage in work within the State of North Carolina.  
19 The Board shall have the power to deny or withdraw the privilege  
20 herein referred to for good and sufficient reasons.~~

21 (12) To submit annually on or before the first day of May to the Secretary  
22 of Revenue the names of all persons who have qualified under this  
23 Chapter as certified public ~~accountants~~ accountants ~~or public~~  
24 ~~accountants~~. Privilege license issued under G.S. 105-41 shall designate  
25 whether such license is issued to a certified public ~~accountant~~, a public  
26 ~~accountant~~, accountant or an accountant.

27 (13) The Board shall keep a complete record of all its proceedings and shall  
28 annually submit a full report to the Governor.

29 (14) All fees collected on behalf of the Board and all receipts of every kind  
30 and nature, as well as the compensation paid the members of the Board  
31 and the necessary expenses incurred by them in the performance of the  
32 duties imposed upon them, shall be reported annually to the State  
33 Treasurer. All fees and other moneys received by the Board pursuant  
34 to the provisions of the General Statutes shall be kept in a separate  
35 fund by the treasurer of the Board, to be held and expended only for  
36 such purposes as are proper and necessary to the discharge of the  
37 duties of the Board and to enforce the provisions of this Chapter. No  
38 expense incurred by the Board shall be charged against the State.

39 (15) Any certificate of qualification issued under the provisions of this  
40 Chapter, or issued under the provisions of Chapter 157 of the Public  
41 Laws of 1913, shall be forfeited for the failure of the holder to renew  
42 same and to pay the renewal fee therefor to the State Board of  
43 Accountancy within 30 days after demand for such renewal fee shall  
44 have been made by the State Board of Accountancy."

1           Sec. 9. This act is effective upon ratification.