

SECOND REGULAR SESSION

# HOUSE BILL NO. 1417

100TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE MCGIRL.

3293H.011

DANA RADEMAN MILLER, Chief Clerk

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## AN ACT

To repeal section 326.289, RSMo, and to enact in lieu thereof one new section relating to the practice of public accounting.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Section 326.289, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 326.289, to read as follows:

326.289. 1. The board may grant or renew permits to practice as a certified public accounting firm to applicants that demonstrate their qualifications in accordance with this chapter.

(1) The following shall hold a permit issued under this chapter:

(a) Any firm with an office in this state, as defined by the board by rule, offering or performing attest or compilation services; or

(b) Any firm with an office in this state that uses the title "CPA" or "CPA firm".

(2) Any firm that does not have an office in this state may offer or perform attest or compilation services in this state without a valid permit only if it meets each of the following requirements:

(a) It complies with the qualifications described in subdivision (1) of subsection 4 of this section;

(b) It complies with the requirements of peer review as set forth in this chapter and the board's promulgated regulations;

(c) It performs such services through an individual with practice privileges under section 326.283; and

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

17 (d) It can lawfully do so in the state where said individual with the privilege to practice  
18 has his or her principal place of business.

19 (3) A firm which is not subject to the requirements of subdivisions (1) or (2) of this  
20 subsection may perform other nonattest or noncompilation services while using the title "CPA"  
21 or "CPA firm" in this state without a permit issued under this section only if it:

22 (a) Performs such services through an individual with the privilege to practice under  
23 section 326.283; and

24 (b) Can lawfully do so in the state where said individual with privilege to practice has  
25 his or her principal place of business.

26 (4) (a) All firms practicing public accounting in this state shall register with the  
27 secretary of state.

28 (b) Firms which may be exempt from this requirement include:

29 a. Sole proprietorships;

30 b. Trusts created pursuant to revocable trust agreements, of which the trustee is a natural  
31 person who holds a license or privilege to practice as set forth in section 326.280, 326.283, or  
32 326.286;

33 c. General partnerships not operating as a limited liability partnership; or

34 d. Foreign professional corporations which do not meet criteria of chapter 356 due to  
35 name or ownership, shall obtain a certificate of authority as a general corporation.  
36 Notwithstanding the provisions of chapter 356, the secretary of state may issue a certificate of  
37 authority to a foreign professional corporation which does not meet the criteria of chapter 356  
38 due to name or ownership, if the corporation meets the requirements of this section and the rules  
39 of the board.

40 2. Permits shall be initially issued and renewed for periods of not more than three years  
41 or for a specific period as prescribed by board rule following issuance or renewal.

42 3. The board shall determine by rule the form for application and renewal of permits and  
43 shall annually determine the fees for permits and their renewals.

44 4. An applicant for initial issuance or renewal of a permit to practice under this section  
45 shall be required to show that:

46 (1) A simple majority of the ownership of the firm, in terms of financial interests and  
47 voting rights of all partners, officers, principals, shareholders, members or managers, belongs  
48 to licensees who are licensed in some state, and the partners, officers, principals, shareholders,  
49 members or managers, whose principal place of business is in this state and who perform  
50 professional services in this state are licensees under section 326.280 or the corresponding  
51 provision of prior law. Although firms may include nonlicensee owners, the firm and its  
52 ownership shall comply with rules promulgated by the board;

53 (2) Any certified public accounting firm may include owners who are not licensees  
54 provided that:

55 (a) The firm designates a licensee of this state, or in the case of a firm which must have  
56 a permit under this section designates a licensee of another state who meets the requirements of  
57 section 326.283, who is responsible for the proper registration of the firm and identifies that  
58 individual to the board;

59 (b) All nonlicensee owners are active individual participants in the certified public  
60 accounting firm or affiliated entities;

61 (c) All owners are of good moral character; and

62 (d) The firm complies with other requirements as the board may impose by rule;

63 (3) Any licensee who is responsible for supervising attest services, or signs or authorizes  
64 someone to sign the licensee's report on the financial statements on behalf of the firm, shall meet  
65 competency requirements as determined by the board by rule which shall include one year of  
66 experience in addition to the experience required under subdivision (6) of subsection 1 of section  
67 326.280 and shall be verified by a licensee. The additional experience required by this  
68 subsection shall include experience in attest work supervised by a licensee.

69 5. An applicant for initial issuance or renewal of a permit to practice shall register each  
70 office of the firm within this state with the board and show that all attest and compilation  
71 services rendered in this state are under the charge of a licensee.

72 6. No licensee or firm holding a permit under this chapter shall use a professional or firm  
73 name or designation that is misleading as to:

74 (1) The legal form of the firm;

75 (2) The persons who are partners, officers, members, managers or shareholders of the  
76 firm; or

77 (3) Any other matter.

78 The names of one or more former partners, members or shareholders may be included in the  
79 name of a firm or its successor unless the firm becomes a sole proprietorship because of the  
80 death or withdrawal of all other partners, officers, members or shareholders. A firm may use a  
81 fictitious name if the fictitious name is registered with the board and is not otherwise misleading.  
82 The name of a firm shall not include the name or initials of an individual who is not a present  
83 or a past partner, member or shareholder of the firm or its predecessor. The name of the firm  
84 shall not include the name of an individual who is not a licensee.

85 7. Applicants for initial issuance or renewal of permits shall list in their application all  
86 states in which they have applied for or hold permits as certified public accounting firms and list  
87 any past denial, revocation, suspension or any discipline of a permit by any other state. Each  
88 holder of or applicant for a permit under this section shall notify the board in writing within

89 thirty days after its occurrence of any change in the identities of partners, principals, officers,  
90 shareholders, members or managers whose principal place of business is in this state; any change  
91 in the number or location of offices within this state; any change in the identity of the persons  
92 in charge of such offices; and any issuance, denial, revocation, suspension or any discipline of  
93 a permit by any other state.

94 8. Firms which fall out of compliance with the provisions of this section due to changes  
95 in firm ownership or personnel after receiving or renewing a permit shall take corrective action  
96 to bring the firm back into compliance as quickly as possible. The board may grant a reasonable  
97 period of time for a firm to take such corrective action. Failure to bring the firm back into  
98 compliance within a reasonable period as defined by the board may result in the suspension or  
99 revocation of the firm permit.

100 9. The board shall require by rule, as a condition to the renewal of permits, that firms  
101 undergo, no more frequently than once every three years, peer reviews conducted in a manner  
102 as the board shall specify. The review shall include a verification that individuals in the firm  
103 who are responsible for supervising attest and compilation services or sign or authorize someone  
104 to sign the accountant's report on the financial statements on behalf of the firm meet the  
105 competency requirements set out in the professional standards for such services, provided that  
106 any such rule:

107 (1) Shall include reasonable provision for compliance by a firm showing that it has  
108 within the preceding three years undergone a peer review that is a satisfactory equivalent to peer  
109 review generally required under this subsection;

110 (2) May require, with respect to peer reviews, that peer reviews be subject to oversight  
111 by an oversight body established or sanctioned by board rule, which shall periodically report to  
112 the board on the effectiveness of the review program under its charge and provide to the board  
113 a listing of firms that have participated in a peer review program that is satisfactory to the board;  
114 and

115 (3) Shall require, with respect to peer reviews, that the peer review processes be operated  
116 and documents maintained in a manner designed to preserve confidentiality, and that the board  
117 or any third party other than the oversight body shall not have access to documents furnished or  
118 generated in the course of the peer review of the firm except as provided in subdivision (2) of  
119 this subsection.

120 10. The board may, by rule, charge a fee for oversight of peer reviews, provided that the  
121 fee charged shall be substantially equivalent to the cost of oversight. **Notwithstanding any**  
122 **other provision in this section, the board may obtain the following information regarding**  
123 **peer review from any approved American Institute for Certified Public Accountants peer**  
124 **review program:**

- 125           **(1) A firm's name and address;**  
126           **(2) A firm's dates of enrollment in the program;**  
127           **(3) The date of acceptance and the period covered by a firm's most recently**  
128 **accepted peer review; and**  
129           **(4) If applicable, whether a firm's enrollment in the program has been dropped or**  
130 **terminated.**

131           11. In connection with proceedings before the board or upon receipt of a complaint  
132 involving the licensee performing peer reviews, the board shall not have access to any documents  
133 furnished or generated in the course of the performance of the peer reviews except for peer  
134 review reports, letters of comment and summary review memoranda. The documents shall be  
135 furnished to the board only in a redacted manner that does not specifically identify any firm or  
136 licensee being peer reviewed or any of their clients.

137           12. The peer review processes shall be operated and the documents generated thereby  
138 be maintained in a manner designed to preserve their confidentiality. No third party, other than  
139 the oversight body, the board, subject to the provisions of subsection 11 of this section, or the  
140 organization performing peer review shall have access to documents furnished or generated in  
141 the course of the review. All documents shall be privileged and closed records for all purposes  
142 and all meetings at which the documents are discussed shall be considered closed meetings under  
143 subdivision (1) of section 610.021. The proceedings, records and workpapers of the board and  
144 any peer review subjected to the board process shall be privileged and shall not be subject to  
145 discovery, subpoena or other means of legal process or introduction into evidence at any civil  
146 action, arbitration, administrative proceeding or board proceeding. No member of the board or  
147 person who is involved in the peer review process shall be permitted or required to testify in any  
148 civil action, arbitration, administrative proceeding or board proceeding as to any matters  
149 produced, presented, disclosed or discussed during or in connection with the peer review process  
150 or as to any findings, recommendations, evaluations, opinions or other actions of such  
151 committees or any of its members; provided, however, that information, documents or records  
152 that are publicly available shall not be subject to discovery or use in any civil action, arbitration,  
153 administrative proceeding or board proceeding merely because they were presented or considered  
154 in connection with the peer review process.

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