



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-4286/1
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2015 ASSEMBLY BILL 725

January 15, 2016 – Introduced by Representative KOYENGA, cosponsored by Senator MARKLEIN. Referred to Committee on State Affairs and Government Operations.

1 **AN ACT** *to repeal* 442.04 (5) (c); and *to amend* 442.04 (5) (b) 3. and 442.04 (5)
2 (b) 4. of the statutes; **relating to:** continuing education and examination
3 requirements for certified public accountants and modifying various
4 administrative rules promulgated by the Accounting Examining Board
5 relating to accounting.

Analysis by the Legislative Reference Bureau

OVERVIEW

This bill 1) revises provisions in the statutes concerning educational requirements to become a certified public accountant, or CPA; 2) reorganizes and makes various revisions to the rules of the Accounting Examining Board, which issues CPA certificates and licenses; and 3) requires the board to study the feasibility of establishing continuing education requirements for CPAs.

CHANGES TO STATUTES

Current law provides that a CPA certificate may be granted only to a person who has completed at least 150 semester hours of education with an accounting concentration at an institution, except that if an applicant does not have an accounting concentration, the board may review other educational experience and grant the CPA certificate if it determines that such other experience provides the reasonable equivalence of an accounting concentration. This bill deletes the requirement that an applicant for a CPA certificate have an accounting

ASSEMBLY BILL 725

concentration at an institution or its reasonable equivalence and instead requires that an applicant for a CPA certificate have completed course work in accounting and business subjects, as determined by the board.

Current law does not contain specific continuing education requirements for CPAs licensed by the board. This bill requires the board to research the feasibility of rules establishing such continuing education requirements and to report its findings and recommendations to the legislature.

CHANGES TO RULES

The bill makes various substantive and organizational changes to administrative rules promulgated by the board, including all of the following:

1. Specifying the number of semester hours of and subjects in which a person must have completed course work in order to take a CPA exam or to receive a CPA certificate.

2. Revising provisions concerning peer reviews for CPA firms, including adding provisions regarding peer reviews in the case of firm structure changes and extensions for peer-review deadlines. The bill also repeals provisions regarding board approval of peer-review programs and instead lists qualifying peer-review programs, which are limited to the peer-review process developed and maintained by the American Institute of Certified Professional Accountants and administered by the Wisconsin Institute of Certified Professional Accountants or a corresponding administrator approved in another state.

3. Adopting by reference the most recent version of the American Institute of Certified Public Accountants' Code of Professional Conduct and establishing a list of grounds for discipline of a licensee.

4. Specifying what experience constitutes qualifying experience to be eligible for a CPA certificate. The bill also provides that experience must be obtained after completing 120 semester hours of qualifying education at an accredited institution.

5. Specifically prohibiting a CPA from providing attest services, except when in a licensed CPA firm.

6. Revising provisions concerning permissible CPA firm names, requiring notices for certain changes to CPA firms, and establishing requirements for CPA firms offering services via an Internet site.

7. Revising provisions concerning the CPA examination and repealing references to having an accounting major or its reasonable equivalence.

8. Repealing a provision concerning the release of reports by the board on statistical studies of CPA examination results.

9. Requiring that a CPA convicted of a crime notify the board within 48 hours after being convicted, instead of within 60 days.

10. Revising provisions concerning late renewal of licenses and reinstatement of surrendered or revoked licenses.

ASSEMBLY BILL 725

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 442.04 (5) (b) 3. of the statutes is amended to read:

2 442.04 (5) (b) 3. The person has completed at least 150 semester hours of
3 education with an accounting concentration at an institution that include course
4 work in accounting and business subjects, as determined by the examining board,
5 and has received a bachelor's or higher degree with an accounting concentration from
6 an institution, except as provided in par. (e).

7 **SECTION 2.** 442.04 (5) (b) 4. of the statutes is amended to read:

8 442.04 (5) (b) 4. Except as provided in s. 442.05, the person has successfully
9 passed an examination in such subjects affecting accountancy and business as the
10 examining board considers necessary. A person is not eligible to take the
11 examination under this subdivision unless the person has completed at least 120
12 semester hours under subd. 3. of education at an institution that include course work
13 in accounting and business subjects, as determined by the examining board.

14 **SECTION 3.** 442.04 (5) (c) of the statutes is repealed.

15 **SECTION 4.** Accy 1.001 (1) of the administrative code is amended to read:

16 Accy 1.001 (1) Chapters Accy 1 to ~~9~~ 6 apply to a person who practices as a
17 certified public accountant in this state.

18 **SECTION 5.** Accy 1.001 (2) of the administrative code is amended to read:

19 Accy 1.001 (2) A certified public accountant may be held responsible for
20 compliance with the rules of the ~~examining~~ board by any person associated with the

ASSEMBLY BILL 725

1 certified public accountant in a firm who is either under his or her supervision or is
2 a member of the firm.

3 **SECTION 6.** Accy 1.001 (3) of the administrative code is amended to read:

4 Accy 1.001 (3) A certified public accountant shall not permit others to carry out
5 acts on his or her the accountant's behalf, either with or without compensation,
6 which, if carried out by the certified public accountant, would violate chs. Accy 1 to
7 ~~9~~ 6.

8 **SECTION 7.** Accy 1.002 (1) and (2) of the administrative code are amended to
9 read:

10 Accy 1.002 (1) A person licensed as a certified public accountant that has
11 significant influence over a CPA-related business is considered to be practicing as
12 a certified public accountant in the CPA-related business and all persons with
13 ownership interest in the business shall follow the rules of the ~~examining~~ board in
14 the operation of the CPA-related business.

15 (2) A person who operates a business and is licensed as a certified public
16 accountant and who advertises or otherwise holds out as a certified public
17 accountant shall follow the rules of the ~~examining~~ board in the operation of any
18 business.

19 **SECTION 8.** Accy 1.003 (intro.) of the administrative code is amended to read:

20 **Accy 1.003 Definitions.** (intro.) As used in chs. Accy 1 to ~~9~~ 6:

21 **SECTION 9.** Accy 1.003 (2m), (2r) and (7m) of the administrative code are
22 created to read:

23 Accy 1.003 (2m) “Board” means the accounting examining board.

24 (2r) “Certified public accountant” or “CPA” means a person considered to be in
25 practice as a certified public accountant under s. 442.02, Stats.

ASSEMBLY BILL 725

1 **Note:** The AICPA Code of Professional Conduct is available electronically at
2 <http://pub.aicpa.org/codeofconduct/Ethics.aspx> or may be obtained from:

3 American Institute of Certified Public Accountants

4 1211 Avenue of the Americas

5 New York, NY 10036-8775

6 **SECTION 12.** Accy 1.102 of the administrative code is renumbered Accy 1.102
7 (intro.) and amended to read:

8 **Accy 1.102 Integrity and objectivity.** (intro.) No person licensed to practice
9 as a certified public accountant, ~~as defined in the statutes, shall knowingly~~ may do
10 any of the following:

11 (1) Knowingly misrepresent facts, ~~and when,~~

12 (2) When engaged in the practice of public accounting, including the rendering
13 of tax and management advisory services, ~~shall not~~ subordinate his or her judgment
14 to others. ~~In tax practice, a member may resolve doubt in favor of the client as long~~
15 ~~as there is reasonable support for that position.~~

16 **SECTION 13.** Accy 1.201 (1) (intro.) of the administrative code is amended to
17 read:

18 Accy 1.201 (1) (intro.) All persons A person licensed to practice as a certified
19 public accountant, ~~as defined in the statutes,~~ shall comply with all of the following
20 general standards as interpreted by bodies designated by the American Institute of
21 Certified Public Accountants Council, and must justify any departures therefrom.;

22 **SECTION 14.** Accy 1.202 of the administrative code is amended to read:

23 **Accy 1.202 Auditing standards.** A person licensed to practice as a certified
24 public accountant shall not permit the certified public accountant's name to be
25 associated with financial statements in such a manner as to imply that the certified

ASSEMBLY BILL 725

1 public accountant is acting as an independent public accountant unless the certified
2 public accountant has complied with the applicable generally accepted auditing
3 standards promulgated by the American Institute of Certified Public Accountants.
4 Statements on auditing standards used by the American Institute of Certified Public
5 Accountants auditing standards ~~executive committee~~ board are, for purposes of this
6 rule chapter, considered to be interpretations of the generally accepted auditing
7 standards, and departures from such statements must be justified by those who do
8 not follow them.

9 **SECTION 15.** Accy 1.301 (2) (d) and (4) of the administrative code are amended
10 to read:

11 Accy 1.301 (2) (d) To preclude a certified public accountant from responding to
12 an inquiry made by the Professional Ethics Division of the American Institute of
13 Certified Public Accountants, by the duly constituted investigative or disciplinary
14 body of a state society of certified public accountants, or under any state statutes or
15 the standards of the Securities and Exchange Commission or the Public Company
16 Accounting Oversight Board.

17 (4) The prohibition in sub. (1) against disclosure of confidential information
18 obtained in the course of a professional engagement does not apply to disclosure of
19 such information when required to properly discharge the certified public
20 accountant's responsibility according to the profession's standards. The prohibition
21 would not apply, for example, to disclosure, as required by AU-C section ~~561~~ 560 of
22 Statement on Auditing Standards No. 1, of, regarding the subsequent discovery of
23 facts existing at the date of the auditor's report which would have affected the
24 auditor's report had the auditor been aware of such facts.

ASSEMBLY BILL 725

1 **SECTION 16.** Accy 1.302 (1) and (3) of the administrative code are amended to
2 read:

3 Accy 1.302 (1) CONTINGENT FEES. Except as provided in sub. ~~(3)~~ (2), a certified
4 public accountant may charge a contingent fee provided the accountant and the
5 client make a contingent fee agreement in writing, signed by the client, which states
6 the method by which the fee is to be determined and describes all costs and expenses
7 to be charged to the client. Upon conclusion of the contingent fee matter, the
8 accountant shall provide the client with a written statement showing the fee and all
9 the costs and expenses charged to the client.

10 **(3)** COMMISSIONS. Except as provided in sub. ~~(5)~~ (4), a certified public
11 accountant may receive a commission provided that at the time the referral or
12 recommendation is made, the accountant informs the client in writing of the amount
13 and reason for the commission.

14 **SECTION 17.** Accy 1.401 (1) and (2) (a) (intro.), (c) and (e) 2. of the administrative
15 code are amended to read:

16 Accy 1.401 (1) No person licensed to practice as a certified public accountant,
17 ~~as defined in the statutes,~~ shall commit an act discreditable to the profession.

18 **(2)** (a) *Client's records and accountant's workpapers.* (intro.) ~~Retention of client~~
19 ~~records after a demand is made for them is an act discreditable to the profession in~~
20 ~~violation of this section. It would be a violation of the code to retain a client's records~~
21 ~~to enforce payment. A certified public accountant's working papers are his or her the~~
22 ~~property of the certified public accountant and need not be surrendered to the client.~~
23 However, in some instances working papers will contain data ~~which~~ that should
24 properly be reflected in the client's books and records but ~~which~~ that for convenience
25 have not been duplicated therein, with the result that the client's records are

ASSEMBLY BILL 725

1 incomplete. In such instances, the portion of the working papers containing such
2 data constitutes part of the client's records, and copies should be made available to
3 the client upon request. If a certified public accountant is engaged to perform certain
4 work for a client and the engagement is terminated prior to the completion of such
5 work, the certified public accountant is required to return or furnish copies of only
6 those records originally given to the certified public accountant by the client.
7 Examples of working papers that are considered to be the client's records would
8 include all of the following:

9 (c) *Duty discharged.* Once the certified public accountant has returned the
10 client's records or furnished the copies of such records ~~and/or~~ and necessary
11 supporting data, the obligation has been discharged in this regard and it is not
12 necessary to comply with any subsequent requests to again furnish such records.

13 (e) 2. On conviction for willful failure to file an income tax return or ~~other~~
14 another document ~~which,~~ that the certified public accountant as an individual is
15 required by law to file, for filing a false or fraudulent income tax return or other
16 document on his or her or a client's behalf, or for willful aiding in the preparation
17 ~~and/or~~ and presentation of a false or fraudulent income tax return of a client, or for
18 the willful making of a false representation in connection with the determination,
19 collection, or refund of any tax, whether it be in his or her own behalf or in behalf of
20 a client, the board will initiate charges in every instance.

21 **SECTION 18.** Accy 1.401 (2) (f) of the administrative code is amended to read:

22 Accy 1.401 (2) (f) Notification of convictions. A certified public accountant shall
23 notify the board in writing within ~~60 days~~ 48 hours after being convicted of a crime.

24 **SECTION 19.** Accy 1.404 (1) of the administrative code is amended to read:

ASSEMBLY BILL 725

1 Accy 1.404 (1) A person who is engaged in practice as a certified public
2 accountant, ~~as defined in the statutes,~~ shall not concurrently engage in any business
3 or occupation ~~which~~ that would create a conflict of interest rendering professional
4 services.

5 **SECTION 20.** Accy 1.405 of the administrative code is repealed and recreated
6 to read:

7 **Accy 1.405 Firm Names. (1)** An individual or firm may practice as a certified
8 public accountant in any form of business organization permitted by state law. No
9 person licensed to practice as a certified public accountant may practice under a firm
10 name that is misleading as to the type of organization. A misleading CPA firm name
11 is any of the following:

12 (a) A name that contains any representation that would be likely to cause a
13 reasonable person to misunderstand or be confused about the legal form of the firm,
14 or about who the owners or members of the firm are, such as a reference to a type of
15 organization or an abbreviation thereof that does not accurately reflect the form
16 under which the firm is organized, including any of the following:

17 1. A name that implies the existence of a corporation when the firm is not a
18 corporation, such as through the use of the words “corporation,” “incorporated,”
19 “Ltd.,” “professional corporation,” or an abbreviation thereof as part of the firm name
20 if the firm is not incorporated or is not a professional corporation.

21 2. A name that implies the existence of a partnership when there is not a
22 partnership, such as by use of the term “partnership” or “limited liability
23 partnership” or the abbreviation “LLP” if the firm is not such an entity.

24 3. A name that includes the name of an individual who is not a CPA if the title
25 “CPAs” is included in the firm name.

ASSEMBLY BILL 725

1 4. A name that includes information about or indicates an association with
2 persons who are not members of the firm, except as provided in subs. (3) and (4).

3 5. A name that includes the terms “& Company,” “& Associate,” or “Group,” if
4 the firm does not include, in addition to the named partner, shareholder, owner, or
5 member, at least one other unnamed partner, shareholder, owner, member, or staff
6 employee.

7 (b) A name that contains any representation that would be likely to cause a
8 reasonable person to have a false or unjustified expectation of favorable results or
9 capabilities, through the use of a false or unjustified statement of fact as to any
10 material matter.

11 (c) A name that claims or implies the ability to influence a regulatory body or
12 official.

13 (d) A name that includes the name of an owner whose license has been revoked
14 for disciplinary reasons by the board, whereby the licensee has been prohibited from
15 practicing public accountancy or prohibited from using the title CPA or holding
16 himself or herself out as a certified public accountant.

17 (2) Any of the following is a permissible type of CPA firm name if it does not
18 otherwise violate this subchapter:

19 (a) A firm name that includes the names of one or more former or present
20 owners.

21 (b) A firm name that excludes the names of one or more former or present
22 owners.

23 (c) A firm name that uses the CPA title as part of the firm name when all named
24 individuals are owners of the firm who hold such title or are former owners who held
25 such title at the time they ceased to be owners of the firm.

ASSEMBLY BILL 725

1 (d) A firm name that includes the name of a non-CPA owner if the CPA title
2 is not a part of the firm name.

3 (3) A network firm may use a common brand name or share common initials
4 as part of the firm name.

5 (4) A network firm may use the network name as the firm's name, provided that
6 it also shares one or more of the following characteristics with other firms in the
7 network:

8 (a) Common control, as defined by generally accepted accounting principles in
9 the U.S., among the firms through ownership, management, or other means.

10 (b) Profits or costs, excluding costs of operating the association, costs
11 developing audit methodologies, manuals and training courses, and other costs that
12 are immaterial to the firm.

13 (c) A common business strategy that involves ongoing collaboration among the
14 firms whereby the firms are responsible for implementing the association's strategy
15 and are held accountable for performance pursuant to that strategy.

16 (d) A significant part of professional resources.

17 (e) Common quality control policies and procedures that participating firms are
18 required to implement and that are monitored by the association.

19 **SECTION 21.** Chapter Accy 2 (title) of the administrative code is created to read:

20 **CHAPTER ACCY 2**

21 **INDIVIDUAL CERTIFICATION AND**

22 **LICENSURE**

23 **SECTION 22.** Subchapter I (title) of chapter Accy 2 [precedes Accy 2.001] of the
24 administrative code is created to read:

25 **CHAPTER ACCY 2**

ASSEMBLY BILL 725

SUBCHAPTER I

AUTHORITY AND DEFINITIONS

SECTION 23. Accy 2.001 of the administrative code is created to read:

Accy 2.001 Authority. The rules in this chapter are adopted under the authority in ss. 15.08 (5) (b), 227.11 (2), and 442.04, Stats.

SECTION 24. Accy 2.002 of the administrative code is created to read:

Accy 2.002 Definitions. In this chapter:

(1) “Accredited” means to be listed by an accrediting agency recognized by the secretary of the federal department of education.

Note: For a listing of accrediting agencies recognized by the secretary of the federal department of education, see

http://www2.ed.gov/admins/finaid/accred/accreditation_pg6.html.

(2) “Bachelor’s degree” means a baccalaureate degree normally conferred by universities and colleges at the completion of at least a 4-year, full-time, academic-year program of study.

Note: Some students complete the 4-year bachelor’s degree in less than 4 years by attending summer school or maximum course loads over a number of academic semesters.

SECTION 25. Subchapter II (title) of chapter Accy 2 [precedes Accy 2.101] of the administrative code is created to read:

CHAPTER ACCY 2

SUBCHAPTER II

APPLICATION FOR CERTIFICATION

OF INDIVIDUALS

SECTION 26. Accy 2.101 (Note) of the administrative code is created to read:

ASSEMBLY BILL 725

1 Accy 2.101 **Note:** Application forms are available upon request to the board's
2 office at 1400 East Washington Avenue, P.O. Box 8935, Madison WI 53708–8935 or
3 on the Internet at www.dsps.wi.gov. An applicant with a disability will be provided
4 reasonable accommodations.

5 **SECTION 27.** Accy 2.101 (3), (4) and (5) of the administrative code are created
6 to read:

7 Accy 2.101 **(3)** Evidence of at least one year of public accounting experience as
8 required by s. Accy 2.403 and s. 442.04 (5) (b) 5., Stats.

9 **(4)** Evidence that the applicant has successfully passed each section of the
10 Uniform Certified Public Accountant Examination.

11 **(5)** Successful completion of the open book professional ethics examination on
12 statutes and rules governing the practice of public accounting in Wisconsin as set
13 forth in s. Accy 2.306.

14 **SECTION 28.** Subchapter III (title) of chapter Accy 2 [precedes Accy 2.202] of the
15 administrative code is created to read:

CHAPTER ACCY 2**SUBCHAPTER III****EDUCATION**

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19 **SECTION 29.** Accy 2.202 (1) (a) to (f) and (2) of the administrative code are
20 created to read:

21 Accy 2.202 **(1)** (a) Intermediate financial accounting.

22 (b) Advanced financial accounting.

23 (c) Cost or managerial accounting.

24 (d) Taxation.

25 (e) Auditing.

ASSEMBLY BILL 725

1 (f) Accounting information systems.

2 (2) At least 24 semester hours in business courses other than accounting
3 courses, at the undergraduate or graduate level, including at least one course in each
4 of the following subjects:

5 (a) Economics.

6 (b) Finance.

7 (c) Marketing.

8 (d) Management or organizational behavior.

9 (e) Business law.

10 (f) Information technology.

11 **Note:** The courses covering the subjects of advanced financial accounting, cost
12 or managerial accounting, taxation, and auditing under s. Accy 2.202 (1), would
13 generally be courses taken beyond the introduction level. A course would generally
14 be considered advanced financial accounting if it covers one or more of the following
15 topics: foreign currency transactions, partnerships, state and local governments,
16 not-for-profit entities, consolidations, mergers and acquisitions, intercompany
17 transactions, fraud investigations, accounting theory, and accounting research.

18 **SECTION 30.** Subchapter IV (title) of chapter Accy 2 [precedes Accy 2.301] of the
19 administrative code is created to read:

20 **CHAPTER ACCY 2**

21 **SUBCHAPTER IV**

22 **EXAMINATION**

23 **SECTION 31.** Accy 2.305 (1) (g) of the administrative code is created to read:

24 Accy 2.305 (1) (g) Falsifying or misrepresenting educational credentials or
25 other information required for admission to the examination.

ASSEMBLY BILL 725

1 (a) An application for renewal on a form prescribed by the department.

2 (b) The fee determined by the department under s. 440.03 (9) (a), Stats., and
3 the applicable late renewal fee specified in s. 440.08 (3) (a), Stats.

4 (c) Verification of successful completion of examinations specified in s. Accy
5 2.301 or education specified in s. Accy 2.202 or both as may be prescribed by the
6 board.

7 **(3) REINSTATEMENT.** (a) Notwithstanding the board's authority under s. 442.12
8 (1) (g), Stats., to grant a hearing pursuant to an application in writing and notice, an
9 individual certified public accountant who has a license with unmet disciplinary
10 requirements and who has failed to renew the license within 5 years after the
11 renewal date, or an individual whose license has been surrendered or revoked, may
12 apply for reinstatement of his or her license. The request shall be in writing and be
13 accompanied by all of the following:

14 1. The materials and fee specified in sub. (2) (a) to (c).

15 2. Evidence of completion of disciplinary requirements, if applicable.

16 3. Evidence of rehabilitation or change in circumstances warranting
17 reinstatement of the credential.

18 (b) The board shall grant reinstatement of a license following an application
19 for reinstatement under par. (a) if the board determines the individual has satisfied
20 the requirements under par. (a) 1. to 3. and the board determines reinstatement is
21 warranted.

22 **SECTION 36.** Chapter Accy 3 (title) of the administrative code is repealed and
23 recreated to read:

24 **CHAPTER ACCY 3**

25 **ENDORSEMENT**

ASSEMBLY BILL 725

1 with a resident major in accounting, as defined in s. Accy 7.02 (3), or the reasonable
2 equivalence of a resident major in accounting, as defined in s. Accy 7.03 (1), or
3 reasonably expect to receive a degree with a resident major in accounting or its
4 reasonable equivalence within 45 days following the date of examination complete
5 120 semester hours of education, including courses covering each of the subjects and
6 the semester hours specified in s. Accy 2.202 (1) and (2).

7 **SECTION 43.** Accy 3.05 (title) and (1) (intro.) and (a) of the administrative code
8 are renumbered Accy 2.101 (title), (intro.) and (1), and Accy 2.101 (title) and (intro.),
9 as renumbered, are amended to read:

10 **Accy 2.101 (title) Examination application Application.** (intro.) A
11 candidate for the certified public accountant examination applying for a certificate
12 as a certified public accountant shall apply on an application form provided by the
13 board and file the application in the board office no later than 60 days prior to the
14 examination date. The application shall be supported by all of the following:

15 **SECTION 44.** Accy 3.05 (1) (b) (intro.) and 1. of the administrative code are
16 consolidated, renumbered Accy 2.101 (2) and amended to read:

17 Accy 2.101 (2) Proof of fulfilling the educational requirements specified in s.
18 Accy 2.202 and s. 442.04 (5), Stats., by submitting either: 1. Certified certified copies
19 of transcripts for all academic work completed at an institution, as defined in s.
20 442.04 (5) (a), Stats., at least one of which must reflect the award of a bachelor's or
21 higher degree, if the candidate has graduated prior to filing the application and the
22 completion of 150 semester hours, including in courses covering each of the subjects
23 and the semester hours specified in s. Accy 2.202 (1) and (2).

24 **SECTION 45.** Accy 3.05 (1) (b) 2. and 3. and (c), (2) and (3) of the administrative
25 code are repealed.

ASSEMBLY BILL 725

1 **SECTION 46.** Accy 3.05 (3) (Note) of the administrative code is repealed.

2 **SECTION 47.** Accy 3.055 of the administrative code is repealed.

3 **SECTION 48.** Accy 3.06 of the administrative code is renumbered Accy 2.304,
4 and Accy 2.304 (title), (1), (3) and (4), as renumbered, are amended to read:

5 **Accy 2.304 (title) Examination Candidates for examination.** (1) A
6 candidate shall be allowed to sit for each section of the uniform certified public
7 accountant examination individually ~~and in any order~~.

8 (3) A candidate must pass all ~~4~~ sections of the uniform certified public
9 accountant examination within a rolling 18-month period ~~which~~ that begins on the
10 date that the first section is passed.

11 (4) If ~~all 4 sections~~ any section of the uniform certified public accountant
12 examination ~~are~~ is not passed within the rolling 18-month period, credit for any
13 section passed outside the 18-month period shall expire and that section shall be
14 retaken.

15 **SECTION 49.** Accy 3.07 of the administrative code is repealed.

16 **SECTION 50.** Accy 3.08 of the administrative code is repealed.

17 **SECTION 51.** Accy 3.09 of the administrative code is renumbered Accy 2.305,
18 and Accy 2.305 (1) (intro.), (a) to (d), (2) and (4), as renumbered, are amended to read:

19 Accy 2.305 (1) (intro.) Cheating on the certified public accountant examination
20 is a serious breach of integrity and indicates a lack of good professional character.
21 Cheating on an examination includes, ~~but is not limited to~~ any of the following:

22 (a) Communications concerning an examination being ~~written~~ taken between
23 candidates inside or outside of the examination room, or copying another's answers.

24 (b) Communications concerning an examination being ~~written~~ taken with
25 accomplices outside of the examination room.

ASSEMBLY BILL 725

1 (c) Substitution by a candidate of another person to sit in the examination room
2 for the candidate and ~~write~~ take one or more of the examination questions ~~or papers~~
3 for the candidate.

4 (d) Reference to “crib notes,” test books, electronic media, or other materials,
5 other than those provided to the candidate as part of the examination, inside or
6 outside of the examination room during periods examinations are being ~~written~~
7 taken.

8 (2) Penalties imposed by the board for cheating on the examination shall be
9 related to the seriousness of the offense. Cheating ~~which~~ that was planned in
10 advance is the most serious offense. Penalties may include the entering of a failing
11 grade on all sections ~~written~~ taken for the examinations in which cheating occurred
12 and suspension of the right to ~~write~~ take the next scheduled examination after the
13 examination in which cheating occurred ~~or to the entering of a failing grade on all~~
14 ~~sections written for the examinations in which cheating occurred and suspension of~~
15 ~~the right to write for as many as the next 6 scheduled examinations after the~~
16 ~~examination in which cheating occurred~~. Time within which conditional credit
17 previously earned for passing part of the examination may be extended by board
18 action in situations where penalties are levied, and by as long as the period of
19 suspension.

20 (4) Other jurisdictions to which a candidate may apply to ~~write~~ take the
21 certified public accountant examination during a period of suspension of the right to
22 ~~write~~ take the examination shall be notified of the penalty levied in Wisconsin.

23 **SECTION 52.** Accy 3.10 of the administrative code is renumbered Accy 2.306.

24 **SECTION 53.** Subchapter II (title) of chapter Accy 3 [precedes Accy 3.101] of the
25 administrative code is created to read:

ASSEMBLY BILL 7251
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25**CHAPTER ACCY 3****SUBCHAPTER II****CERTIFICATION BY ENDORSEMENT**

SECTION 54. Accy 3.11 of the administrative code is renumbered Accy 2.307, and Accy 2.307 (1), as renumbered, is amended to read:

Accy 2.307 (1) ~~Applicants~~ An applicant for the certified public accountant examination may request a review of ~~their examination papers from the American Institute of certified public accountants advisory grading service~~ his or her examination from the National Association of State Boards of Accountancy.

SECTION 55. Subchapter III (title) of chapter Accy 3 [precedes Accy 3.201] of the administrative code is created to read:

CHAPTER ACCY 3**SUBCHAPTER III****FOREIGN ENDORSEMENT CANDIDATES**

SECTION 56. Chapter Accy 4 (title) of the administrative code is repealed and recreated to read:

CHAPTER ACCY 4**ENFORCEMENT**

SECTION 57. Subchapter I of chapter Accy 4 [precedes Accy 4.001] of the administrative code is created to read:

CHAPTER ACCY 4**SUBCHAPTER I****AUTHORITY**

Accy 4.001 Authority. The rules in this chapter are adopted pursuant to the authority in ss. 15.08 (5) (b), 227.11 (2) and 442.12, Stats.

ASSEMBLY BILL 725

1 **SECTION 58.** Accy 4.01 of the administrative code is renumbered Accy 5.301.

2 **SECTION 59.** Accy 4.02 of the administrative code is renumbered Accy 5.101 and
3 amended to read:

4 **Accy 5.101 Firm license.** A firm shall meet the ownership requirements of
5 s. 442.08 (2) (c) 2., Stats., and be licensed as a certified public accountant if any
6 member of the firm practices as a certified public accountant in Wisconsin ~~other than~~
7 ~~on a temporary basis as described in s. 442.025 (4), Stats.~~ An individual licensed as
8 a CPA may only provide attest services, as defined in s. 442.001 (1), Stats., in a CPA
9 firm that has a firm license.

10 **SECTION 60.** Accy 4.03 of the administrative code is renumbered Accy 5.201.

11 **SECTION 61.** Accy 4.035 of the administrative code is repealed.

12 **SECTION 62.** Accy 4.037 of the administrative code is renumbered Accy 5.102,
13 and Accy 5.102 (3) (d), as renumbered, is amended to read:

14 Accy 5.102 (3) (d) That the applicant has satisfied the peer review
15 requirements in s. 442.087, Stats., and ch. Accy 9 6.

16 **SECTION 63.** Accy 4.04 of the administrative code is renumbered Accy 5.302 and
17 amended to read:

18 **Accy 5.302 Firms without office in this state.** Firms without a bona fide
19 office in this state, as described in s. Accy 4.06 5.303 (2), may be licensed if there is
20 a licensed Wisconsin certified public accountant designated as the individual
21 responsible for the firm's compliance with ch. 442, Stats., for the Wisconsin
22 engagement or engagements.

23 **SECTION 64.** Accy 4.05 of the administrative code is renumbered Accy 5.103.

24 **SECTION 65.** Accy 4.06 of the administrative code is renumbered Accy 5.303.

ASSEMBLY BILL 725

1 (5) Making any false, misleading, or deceptive statement in support of an
2 application for a license filed by another person.

3 (6) Failing to comply with professional standards as to the attest or compilation
4 competency requirements for those who supervise attest or compilation
5 engagements and sign reports on financial statements or other compilation
6 communications with respect to financial statements.

7 (7) Failing to comply with the applicable peer review requirements set out in
8 ch. Accy 6.

9 (8) Engaging in conduct reflecting adversely upon the licensee's fitness to
10 perform services, including conduct constituting incompetence. In this subsection,
11 "conduct constituting incompetence" includes gross negligence, recklessness, or
12 repeated acts of negligence in the licensee's record of professional practice.

13 (9) Engaging in professional practice while having any condition, whether
14 physical or mental, that endangers the public by impairing skill and care in
15 providing professional services. Evidence of such a condition includes evidence that
16 the person has been adjudicated as mentally incompetent.

17 (10) Presenting a license issued to another person as one's own.

18 (11) Concealing information regarding violations by other licensees when
19 questioned or requested by the board.

20 (12) Willfully failing to file a report or record required by state or federal law;
21 willfully impeding or obstructing the filing of such a report or record or inducing
22 another person to impede or obstruct such filing by another person; or making or
23 filing such a report or record that one knows to be false. A finding, adjudication,
24 consent order, or conviction by a federal or state court, agency, or regulatory
25 authority or by the Public Company Accounting Oversight Board that a licensee has

ASSEMBLY BILL 725**SECTION 69**

1 willfully failed to file a required report or record shall be prima facie evidence of a
2 violation of this subsection.

3 (13) Having an active or stayed revocation or suspension of any occupational
4 license or other privilege to practice any licensed occupation by or before any state,
5 federal, foreign, or other licensing or regulatory authority, provided that the grounds
6 for the revocation or suspension include wrongful conduct such as fraud, dishonesty,
7 or deceit or any other conduct that evidences an unfitness of the applicant to practice
8 public accountancy.

9 SECTION 70. Chapter Accy 5 (title) of the administrative code is repealed and
10 recreated to read:

CHAPTER ACCY 5**FIRM LICENSURE**

13 SECTION 71. Accy 5.01 (title) of the administrative code is renumbered Accy
14 2.401 (title) and amended to read:

15 **Accy 2.401 (title) Review dates of candidate's experience.**

16 SECTION 72. Accy 5.01 of the administrative code is renumbered Accy 2.401 (1)
17 and amended to read:

18 Accy 2.401 (1) Following the successful passing of the written each section of
19 the uniform CPA examination and upon written request by a candidate, a candidate's
20 experience shall be reviewed by the board. The written request shall include
21 employer verification statements and information on experience to update the
22 experience data already in the candidate's file. Such evaluation will determine
23 whether the candidate qualifies at that time under the requirement of having at least
24 one year of public accounting experience or its equivalent, the sufficiency of the
25 experience or the equivalency to be judged by the ~~examining~~ board. The board shall

ASSEMBLY BILL 725

1 inform the candidate if additional experience is needed. Upon gaining the required
2 additional experience, the candidate shall notify the board and provide verification.

3 **SECTION 73.** Accy 5.02 of the administrative code is renumbered Accy 2.402.

4 **SECTION 74.** Accy 5.03 of the administrative code is renumbered Accy 2.403 and
5 amended to read:

6 **Accy 2.403 Public accounting experience.** An individual must have at
7 least one year of public accounting experience or its equivalent as determined by the
8 board. Experience shall be acquired after the applicant has earned ~~a degree~~
9 ~~described in s. 442.04 Stats., that qualifies the applicant to take the CPA~~
10 ~~examination~~ 120 semester hours of education from an accredited college or
11 university, including courses covering each of the subjects and the semester hours
12 specified in s. Accy 2.202 (1) and (2). This experience must have been acquired within
13 5 years prior to applying for the certification as a certified public accountant.

14 **SECTION 75.** Accy 5.04 of the administrative code is renumbered Accy 2.404.

15 **SECTION 76.** Accy 5.05 of the administrative code is renumbered Accy 2.405.

16 **SECTION 77.** Accy 5.06 of the administrative code is repealed.

17 **SECTION 78.** Accy 5.07 of the administrative code is renumbered Accy 2.406.

18 **SECTION 79.** Subchapter I (title) of chapter Accy 5 [precedes Accy 5.101] of the
19 administrative code is created to read:

CHAPTER ACCY 5**SUBCHAPTER I****APPLICATION FOR FIRM LICENSURE**

23 **SECTION 80.** Subchapter II (title) of chapter Accy 5 [precedes Accy 5.201] of the
24 administrative code is created to read:

CHAPTER ACCY 5

ASSEMBLY BILL 725

SUBCHAPTER II

SOLE PROPRIETOR

SECTION 81. Subchapter III (title) of chapter Accy 5 [precedes Accy 5.301] of the administrative code is created to read:

CHAPTER ACCY 5

SUBCHAPTER III

OFFICES; INTERNET PRACTICE

SECTION 82. Accy 5.304 of the administrative code is created to read:

Accy 5.304 Internet practice. A CPA firm offering or rendering professional services via an Internet site shall provide in the Internet site’s homepage, a name, an address, and a principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

SECTION 83. Subchapter IV (title) of chapter Accy 5 [precedes Accy 5.401] of the administrative code is created to read:

CHAPTER ACCY 5

SUBCHAPTER IV

FIRM MEMBERS

SECTION 84. Accy 5.401 (1) (a) to (d) and (2) of the administrative code are created to read:

Accy 5.401 (1) (a) Formation of a new firm.

(b) Termination of a firm.

(c) Change in the management of any branch office in this state.

(d) Establishment of a new branch office or the closing or change of address of a branch office in this state.

ASSEMBLY BILL 725

1 (2) The board shall be notified by a firm in writing of any addition of a partner,
2 member, manager or shareholder or the retirement, withdrawal or death of a
3 partner, member, manager or shareholder as of January 1 of each year.

4 **SECTION 85.** Subchapter I of chapter Accy 6 [precedes Accy 6.001] of the
5 administrative code is created to read:

CHAPTER ACCY 6**SUBCHAPTER I****AUTHORITY AND DEFINITIONS**

9 **Accy 6.001 Authority.** The rules in this chapter are adopted pursuant to the
10 authority in ss. 15.08 (5) (b), 227.11 (2) and 442.087 (3), Stats.

11 **Accy 6.002 Definitions.** As used in this chapter:

12 (1) “Engagement review” means a peer review in which the peer reviewer
13 evaluates and reports on engagements submitted by a firm that performs at its
14 highest level of service, only services under SSARS, or services under the SSAE that
15 are not included in a system review in order for the peer reviewer to determine
16 whether the engagements submitted for review conform to applicable professional
17 standards in all material respects.

18 (2) “PCAOB” means the Public Company Accounting Oversight Board that
19 conducts firm inspection of certified public accounting firms’ Securities and
20 Exchange Commission issuer practices and other engagements subject to its
21 inspection process.

22 (3) “Peer review” means a study, appraisal, or review of one or more aspects of
23 the attest services work of a licensee of a registered firm in the practice of public
24 accounting, in accordance with a peer-review program, by a person or persons who

ASSEMBLY BILL 725

1 hold licenses in this jurisdiction or another jurisdiction and who are not affiliated
2 with the person or firm being reviewed.

3 (4) (a) “Peer-review program” means the peer-review process developed and
4 maintained by the American Institute of Certified Professional Accountants and
5 administered by any of the following:

6 1. The Wisconsin Institute of Certified Professional Accountants.

7 2. A peer-review program administrator approved by a board that regulates
8 certified public accountants in any other CPA licensing jurisdiction.

9 (b) “Peer-review program” includes the standards for administering,
10 performing, and reporting on peer reviews, oversight procedures, and training and
11 related guidance materials.

12 **Note:** The AICPA Standards for Performing and Reporting on Peer Reviews
13 are available on the Internet at [http://www.aicpa.org/Research/Standards/Peer-
14 Review/DownloadableDocuments/PeerReviewStandards.pdf](http://www.aicpa.org/Research/Standards/Peer-Review/DownloadableDocuments/PeerReviewStandards.pdf).

15 (5) “Peer-review reports” means reports issued by the peer reviewer or
16 peer-reviewing firm in accordance with a peer-review program and that program’s
17 peer-review standards.

18 (6) “Peer-review standards” means professional standards for administering,
19 performing, and reporting on peer reviews under a peer-review program.

20 (7) “Peer reviewer” means a certified public accountant or accounting firm
21 responsible for conducting the peer review holding a valid and active license to
22 practice public accounting in good standing issued by this jurisdiction or another
23 jurisdiction who meets the peer reviewer requirements established in the
24 peer-review standards.

ASSEMBLY BILL 725

SUBCHAPTER III

REPORTS

SECTION 88. Subchapter IV (title) of chapter Accy 6 [precedes Accy 6.301] of the administrative code is created to read:

CHAPTER ACCY 6

SUBCHAPTER IV

CONDUCTING PEER REVIEWS

SECTION 89. Accy 6.303 of the administrative code is created to read:

Accy 6.303 Extensions. The organization administering the peer-review program may grant extensions for completing peer reviews as long as the organization is notified by the firm within 14 days prior to the due date of the peer review. Extensions may be granted for any of the following reasons:

(1) An adverse health condition, including an illness or injury.

(2) Military service.

(3) Other good cause clearly outside of the control of the public accounting firm.

SECTION 90. Accy 6.304 of the administrative code is created to read:

Accy 6.304 Firm structure changes. In the event a firm is merged, otherwise combined, dissolved, or separated, the organization administering the peer review shall determine which firm, if any, is considered to be the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

SECTION 91. Chapter Accy 7 (title) of the administrative code is repealed.

SECTION 92. Accy 7.01 of the administrative code is repealed.

SECTION 93. Accy 7.02 of the administrative code is repealed.

SECTION 94. Accy 7.03 of the administrative code is repealed.

ASSEMBLY BILL 725

1 **SECTION 95.** Accy 7.035 (intro.) and (2) of the administrative code are
2 consolidated, renumbered Accy 2.202 (intro.) and amended to read:

3 **Accy 2.202 Education required to take the examination for**
4 **certification.** (intro.) A person may not take the examination leading to the
5 candidate applying for a certificate to practice as a certified public accountant unless
6 the person has, as part of must, in the course of having completed the 150 semester
7 hours of education, met one of the following conditions: ~~(2) Earned~~ have earned a
8 baccalaureate or graduate degree from a accredited business school or college of
9 business that is accredited by an accrediting agency recognized by the board and
10 completed at all of the following:

11 **(1)** At least 24 semester hours in accounting at the undergraduate level or 15
12 semester hours at the graduate level, or an equivalent combination, including
13 courses covering the subjects of financial accounting, auditing, U.S. taxation, and
14 management accounting. at least one course in each of the following subjects:

15 **SECTION 96.** Accy 7.035 (1), (3), (4) and (5) of the administrative code are
16 repealed.

17 **SECTION 97.** Accy 7.04 (1) of the administrative code is renumbered Accy 2.308
18 and amended to read:

19 **Accy 2.308 Transfer of credit applicant scores.** Applicants who have
20 passed all or part of the uniform certified public accountant examination in another
21 jurisdiction but who have not yet received their certified public accountant certificate
22 shall be able to transfer ~~grades~~ scores in subjects passed to Wisconsin provided that:

23 **(1)** ~~Grades~~ Scores transferred must be certified to the board by the other
24 jurisdiction and must be passed in accordance with rules applicable to Wisconsin
25 candidates.

ASSEMBLY BILL 725

1 (2) Transfer of grades scores must be accepted by board action and the
2 applicant notified in a manner similar to the action on grades scores for Wisconsin
3 applicants.

4 **SECTION 98.** Accy 7.04 (2) of the administrative code is repealed.

5 **SECTION 99.** Accy 7.05 of the administrative code is renumbered Accy 3.101,
6 and Accy 3.101 (1) (c), as renumbered, is amended to read:

7 Accy 3.101 (1) (c) The applicant has been approved under s. Accy ~~8.05~~ 3.202.

8 **SECTION 100.** Accy 7.06 of the administrative code is repealed.

9 **SECTION 101.** Accy 7.07 of the administrative code is renumbered Accy 2.102.

10 **SECTION 102.** Chapter Accy 8 (title) of the administrative code is repealed.

11 **SECTION 103.** Accy 8.01 (title) of the administrative code is renumbered Accy
12 3.001 (title).

13 **SECTION 104.** Accy 8.01 (1) of the administrative code is renumbered Accy
14 3.001.

15 **SECTION 105.** Accy 8.02 of the administrative code is renumbered Accy 3.002.

16 **SECTION 106.** Accy 8.03 (title), (1), (3), (4), (5) and (6) of the administrative code
17 are renumbered Accy 3.102 (title), (1), (2), (3), (4) and (5).

18 **SECTION 107.** Accy 8.04 of the administrative code is renumbered Accy 3.201
19 and amended to read:

20 **Accy 3.201 Foreign candidates.** (1) Candidates holding certifications from
21 foreign countries shall establish their qualifications for a certificate by endorsement
22 as set forth in ss. Accy ~~8.02 and 8.03~~ 3.002 and 3.102, or in s. Accy ~~8.05~~ 3.202.

23 (2) Except as provided in s. Accy ~~8.05~~ 3.202, education qualifications in foreign
24 countries are not comparable to those in Wisconsin. As no foreign school is accredited
25 by the North Central Association of Colleges and Schools or its regional equivalent

ASSEMBLY BILL 725

1 an accrediting agency that is recognized by the secretary of the federal department
2 of education, evidence of acceptance without deficiency into a graduate program in
3 a school accredited by ~~the North Central Association of Colleges and Schools or its~~
4 ~~regional equivalent~~ an agency that is recognized by the secretary of the federal
5 department of education will be accepted as evidence of equivalence for a bachelor's
6 or higher degree. ~~The education acquired must constitute the reasonable~~
7 ~~equivalence of a resident major s set forth in s. Accy 7.03.~~

8 (3) Except as provided in s. Accy 8.05 3.202, examinations in foreign countries
9 have not been established as being comparable to those in the United States.
10 Candidates must establish at least minimum qualifications in United States
11 practice related to areas of business law, federal income taxes, generally accepted
12 auditing standards, and generally accepted accounting principles. ~~The writing~~
13 taking of uniform certified public accountant examinations in these areas would be
14 adequate evidence, although other evidence may be accepted if validated.

15 (4) Except as provided in s. Accy 8.05 3.202, experience must include practice
16 using United States related techniques as noted in sub. (3). Experience will be
17 considered on its merit without restriction as to where it was acquired, so long as it
18 is relevant to United States practice.

19 **SECTION 108.** Accy 8.05 of the administrative code is renumbered Accy 3.202,
20 and Accy 3.202 (2) (d), as renumbered, is amended to read:

21 Accy 3.202 (2) (d) The applicant has successfully completed the professional
22 ethics examination in s. Accy ~~3-10~~ 2.306.

23 **SECTION 109.** Chapter Accy 9 (title) of the administrative code is renumbered
24 Chapter Accy 6 (title).

25 **SECTION 110.** Accy 9.01 of the administrative code is repealed.

ASSEMBLY BILL 725

1 **SECTION 111.** Accy 9.02 (Note) of the administrative code is renumbered Accy
2 6.101 (Note) and amended to read:

3 Accy 6.101 **Note:** The following questions are intended to assist firms in
4 determining whether a peer review is required for renewal. An affirmative response
5 to any part of any question means that a peer review is required. Caution: This list
6 is not exclusive. Refer to the standards if in doubt.

7 1. Does your firm audit SEC clients, including employer–sponsored plans
8 required to file a form 11–K with the SEC?

9 2. Does your firm currently perform the following types of engagements?

10 • Engagements applying Statements on Auditing Standards (SASs) – Audits?

11 • Agreed–upon procedures?

12 • Engagements applying Statements on Standards for Accounting and Review
13 Services (SSARS)?

14 • Reviews of financial statements?

15 • Compilations of financial statements with disclosures?

16 • Compilations of financial statements where “Selected
17 Information–Substantially All Disclosures Required Are Not Included?”

18 • Compilations of financial statements that omit substantially all disclosures?

19 • Engagements applying Statements on Standards for Attestation
20 Engagements (SSAE)?

21 • Engagements applying International Financial Reporting Standards (IFRS)
22 or International Auditing Standards (IAS)?

23 • Examinations of prospective financial statements under SAARS?

24 • Compilations of prospective financial statements under SAARS?

25 • Agreed–upon procedures of prospective financial statements?

ASSEMBLY BILL 725

- 1 • Examinations of written assertions?
- 2 • Reviews of written assertions?
- 3 • Agreed-upon procedures of written assertions?
- 4 • Engagements under Government Auditing Standards (Yellow Book)?
- 5 • Engagements applying PCAOB Auditing Standards?
- 6 • Engagements applying PCAOB Attestation Standards?
- 7 • Work performed as subject to requirements of the AICPA peer-review
- 8 program?

9 **SECTION 112.** Accy 9.02 of the administrative code is renumbered Accy 6.101,
10 and Accy 6.101 (1) and (2), as renumbered, are amended to read:

11 Accy 6.101 (1) ~~After January 1, 2005, an An~~ application for renewal by a
12 certified public accounting firm that provides or offers to provide attest services shall
13 include a description of at least one peer review of the firm undergone ~~through a peer~~
14 ~~review program approved by the board, or approved by a board that regulates~~
15 ~~certified public accountants in another state, within 3 years preceding the~~
16 application for renewal. The description shall identify the ~~board-approved peer~~
17 review program administrator, if administered by a peer-review program
18 administrator approved by a board that regulates certified public accountants in any
19 other CPA licensing jurisdiction, the outcome of the review, and the year under
20 review.

21 (2) A firm is exempt from the peer review requirements in this section if it does
22 not offer or perform attest services as ~~defined in s. 442.001 (1), Stats.~~

23 **SECTION 113.** Accy 9.03 of the administrative code is renumbered Accy 6.201,
24 and Accy 6.201 (intro.), as renumbered, is amended to read:

ASSEMBLY BILL 725**SECTION 113**

1 **Accy 6.201 Reports Report from board-approved review programs**
2 **peer-review program.** (intro.) Each ~~board-approved peer review~~ The
3 peer-review program described under s. Accy 6.002 (4) (a) 1. shall report the
4 following to the board by December 1 of each even-numbered year:

5 **SECTION 114.** Accy 9.04 of the administrative code is repealed.

6 **SECTION 115.** Accy 9.05 of the administrative code is repealed.

7 **SECTION 116.** Accy 9.06 of the administrative code is repealed.

8 **SECTION 117. Nonstatutory provisions.**

9 (1) The accounting examining board shall research the feasibility of rules
10 establishing continuing education requirements for renewal of a license under
11 section 442.08 (1) of the statutes. The board shall prepare a report describing its
12 findings and recommendations, including a description of any suggested changes to
13 the statutes or the board's rules, and shall submit the report to the appropriate
14 standing committees of the legislature in the manner provided under section 13.172
15 (3) of the statutes no later than December 31, 2016.

16 (2) The requirements under sections 227.21 (2) (a) and 442.01 (2) of the statutes
17 to obtain the consent of the attorney general and to hold a public hearing do not apply
18 with respect to the enactment of this act.

19 **SECTION 118. Effective dates.** This act takes effect on the day after
20 publication, except as follows:

21 (1) Notwithstanding section 227.265 of the statutes, the treatments of
22 provisions of the administrative code take effect on the first day of the 3rd month
23 following publication of this act in the Wisconsin Administrative Register.

24

(END)