



State of Wisconsin
2015 - 2016 LEGISLATURE

In 12-18
out before X-mas

LRB-1813/P4 P5
MED&MPG:cjs
TWLj

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Repeal

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

Ins Analysis

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

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:

6 **SECTION 1.** 442.04 (5) (b) 3. of the statutes is amended to read:
7 442.04 (5) (b) 3. The person has completed at least 150 semester hours of
8 education ~~with an accounting concentration~~ at an institution that include course

1 work in accounting and business subjects, as determined by the examining board,
 2 and has received a bachelor's or higher degree ~~with an accounting concentration from~~
 3 ~~an institution, except as provided in par. (e).~~

****NOTE: I tried to mimic the language used in the /P3 version. OK? Also, I did not repeat language about accounting and business subjects in relation to the bachelor's degree because it didn't sound correct to say that a degree "included" certain kinds of courses (I think a degree is a degree, no?). Let me know if it's necessary to have language connecting the coursework to the bachelor's degree. A simpler approach might be to say "The person has received a bachelor's or higher degree that required at least 150 semester hours of education at an institution, which included course work in accounting and business subjects, as determined by the examining board."

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

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

11 **SECTION 3.** 442.04 (5) (c) of the statutes is repealed.

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

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

15 **SECTION 5.** Accy 1.001 (3) of the administrative code is amended to read:

16 Accy 1.001 (3) A certified public accountant shall not permit others to carry out
 17 acts on ~~his or her~~ the accountant's behalf, either with or without compensation,
 18 which, if carried out by the certified public accountant, would violate chs. Accy 1 to
 19 ~~9~~ 6.

20 **SECTION 6.** Accy 1.003 (intro.) of the administrative code is amended to read:

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

1 **SECTION 9.** Accy 1.101 of the administrative code is repealed and recreated to
2 read:

3 **Accy 1.101 Professional conduct.** (1) The board adopts by reference the
4 “Code of Professional Conduct” published by the American Institute of Certified
5 Public Accountants, effective as of December 15, 2014, except that references to
6 “member” are replaced by “a person licensed to practice as a certified public
7 accountant.”

8 (2) All definitions included in the American Institute of Certified Public
9 Accountants’ Code of Professional Conduct shall apply only within that document.

****NOTE: Are my changes here OK? *e*

****NOTE: As noted in the comments prepared by the Legislative Council staff, incorporation of standards by reference is only permitted if done in accordance with s. 227.21, which requires the consent of the Attorney General. The rule document indicates this was complied with, correct? In addition, there is a statute, s. 442.01 (2), that governs adoption of rules relating to professional conduct or unethical practice. Has the Board sought to comply with these requirements? If not, we could include an exemption from either requirement in the bill, just to foreclose any argument that the incorporation was invalid. *g*

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

12 American Institute of Certified Public Accountants
13 1211 Avenue of the Americas
14 New York, NY 10036-8775

renumbered (intro) and 1.102

may do any of the following
9 (i) knowingly

15 **SECTION 10.** Accy 1.102 of the administrative code is amended to read:

16 **Accy 1.102 Integrity and objectivity.** (No person licensed to practice as a
17 certified public accountant, as defined in the statutes, shall knowingly misrepresent
18 facts, and when engaged in the practice of public accounting, including the rendering
19 of tax and management advisory services, shall not subordinate his or her judgment

(12) when

↑ ↑

1 to others. ~~In tax practice, a member may resolve doubt in favor of the client as long~~
2 ~~as there is reasonable support for that position.~~

****NOTE: This sentence uses a double negative ("No person... shall not"), which seems to technically result in a meaning that is the opposite of what is intended. Do you want to revise this sentence to avoid this construction? Also, we now prefer to use the phrasing "may not" instead of "shall not." Let me know if you'd like me to change that here.

3 **SECTION 11.** Accy 1.201 (1) (intro.) of the administrative code is amended to
4 read:

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

****NOTE: I made this change, which matches the change in the SECTION 10, because the changes now call for a definition of CPA in the code. I also made a couple of technical changes. I would also suggest using the singular here ("accountant") instead of the plural, for consistency with the paragraphs that follow.

9 **SECTION 12.** Accy 1.202 of the administrative code is amended to read:

10 **Accy 1.202 Auditing standards.** A person licensed to practice as a certified
11 public accountant shall not permit the certified public accountant's name to be
12 associated with financial statements in such a manner as to imply that the certified
13 public accountant is acting as an independent public accountant unless the certified
14 public accountant has complied with the applicable generally accepted auditing
15 standards promulgated by the American Institute of Certified Public Accountants.
16 Statements on auditing standards used by the American Institute of Certified Public
17 Accountants auditing standards ~~executive committee~~ board are, for purposes of this
18 rule chapter, considered to be interpretations of the generally accepted auditing
19 standards, and departures from such statements must be justified by those who do
20 not follow them.

1 **SECTION 13.** Accy 1.301 (2) (d) and (4) of the administrative code are amended
2 to read:

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

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

17 **SECTION 14.** Accy 1.302 (1) and (3) of the administrative code are amended to
18 read:

19 Accy 1.302 (1) **CONTINGENT FEES.** Except as provided in sub. (3) ~~(2)~~, a certified
20 public accountant may charge a contingent fee provided the accountant and the
21 client make a contingent fee agreement in writing, signed by the client, which states
22 the method by which the fee is to be determined and describes all costs and expenses
23 to be charged to the client. Upon conclusion of the contingent fee matter, the
24 accountant shall provide the client with a written statement showing the fee and all
25 the costs and expenses charged to the client.

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

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

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

****NOTE: I made this change, which matches the change in the SECTION 10, because
the changes now call for a definition of CPA in the code.

9 (2) (a) *Client's records and accountant's workpapers.* (intro.) ~~Retention of client~~
10 ~~records after a demand is made for them is an act discreditable to the profession in~~
11 ~~violation of this section. It would be a violation of the code to retain a client's records~~
12 ~~to enforce payment.~~ A certified public accountant's working papers are ~~his or her~~ the
13 property of the certified public accountant and need not be surrendered to the client.
14 However, in some instances working papers will contain data ~~which~~ that should
15 properly be reflected in the client's books and records but ~~which~~ that for convenience
16 have not been duplicated therein, with the result that the client's records are
17 incomplete. In such instances, the portion of the working papers containing such
18 data constitutes part of the client's records, and copies should be made available to
19 the client upon request. If a certified public accountant is engaged to perform certain
20 work for a client and the engagement is terminated prior to the completion of such
21 work, the certified public accountant is required to return or furnish copies of only
22 those records originally given to the certified public accountant by the client.

1 Examples of working papers that are considered to be the client's records would
2 include all of the following:

****NOTE: As I think was noted in the Legislative Council comments, the change in the first two sentences was not described in the analysis for the proposed rule. I would also note that some of the other language seems to be written assuming that records must be returned to a client (see, e.g., par. (c), below, which refers to the "obligation"). With the first sentence struck, one is left to infer this instead of having it stated outright. I just thought I would note this as nothing in the rule analysis explained the intent of this change.

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

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

****NOTE: I made a few additional changes here for grammar. OK? Should "and/or" be changed to "and" here, as proposed, or to "or"? Using "and" suggests the person must aid in both the preparation and the presentation of a false return.

15 **SECTION 16.** Accy 1.401 (2) (f) of the administrative code is amended to read:

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

****NOTE: This paragraph was missing a title (the other ones have them, so this one should too), so I added one. Let me know if you would like a different title.

18 **SECTION 17.** Accy 1.404 (1) of the administrative code is amended to read:

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.

****NOTE: I made this change, which matches the change in the SECTION 10, because the changes now call for a definition of CPA in the code. Also, we now prefer to use the phrasing “may not” instead of “shall not.” Let me know if you’d like me to change that here.

5 **SECTION 18.** 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:

****NOTE: In the first sentence, I changed the first two words to the singular form to agree with the use of the singular “certified public accountant.” OK?

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.

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

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

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

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

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

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

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

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

***NOTE: I rewrote this a bit for grammar. OK?

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

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

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

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

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

****NOTE: As noted in the Legislative Council comments, neither the term “network firm” nor “network” below appear to be defined. Our practice is usually to define terms of art such as this. Can such definitions be provided?

****NOTE: What does it mean to “share common initials”? Share with whom? Common to the network?

12 (4) A network firm may use the network name as the firm’s name, provided that
13 it also shares one or more of the following characteristics with other firms in the
14 network:

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

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

****NOTE: To what does “the association” here and in pars. (c) and (e) refer? It’s also not clear to me what costs “immaterial to the firm” means.

1 (c) A common business strategy that involves ongoing collaboration among the
2 firms whereby the firms are responsible for implementing the association’s strategy
3 and are held accountable for performance pursuant to that strategy.

4 (d) A significant part of professional resources.

****NOTE: As suggested in the Leg. Council comments, can this be further explained?

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

****NOTE: Is “participating firm” here synonymous with the term “network firm” used above?

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

8 **CHAPTER ACCY 2**
9 **INDIVIDUAL LICENSURE** ^{CERTIFICATION AND}

10 SECTION 20. Subchapter I (title) of chapter Accy 2 [precedes Accy 2.001] of the
11 administrative code is created to read:

12 **CHAPTER ACCY 2**
13 **SUBCHAPTER I**
14 **AUTHORITY AND DEFINITIONS**

15 SECTION 21. Accy 2.001 of the administrative code is created to read:

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

18 SECTION 22. Accy 2.002 of the administrative code is created to read:

19 **Accy 2.002 Definitions.** In this chapter:

20 (1) “Accredited” means to be listed by an accrediting agency recognized by the
21 secretary of the federal department of education on or after July 7, 2013.

****NOTE: I’m not sure why a date is necessary here. Does it matter what date the school was accredited? The Legislative Council comments suggested this had to do with

1 **SECTION 25.** Accy 2.101 (3), (4) and (5) of the administrative code are created
2 to read:

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

5 (4) Evidence that the applicant has successfully passed each section of the
6 Uniform Certified Public Accountant Examination.

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

****NOTE: The marked up document had a reference here to Accy 2.307, whereas
the rule document had Accy 2.306. Accy 2.306 appeared to be the correct reference.

10 **SECTION 26.** Subchapter III (title) of chapter Accy 2 [precedes Accy 2.202] of the
11 administrative code is created to read:

CHAPTER ACCY 2
SUBCHAPTER III
EDUCATION

12
13
14
15 **SECTION 27.** Accy 2.202 (1) (a) to ^{ef}(e) and (2) of the administrative code are
16 created to read:

17 Accy 2.202 (1) (a) Intermediate financial accounting.

18 (b) Advanced financial accounting.

****NOTE: It appeared the intent was to require courses in both immediate and
advanced accounting, so I split this out to make that clear. If that was not the intent,
please let me know.

19 (c) Cost or managerial accounting.

20 (d) Ethics, unless completed under sub. (2) (f).

Taxation.

21 (e) Auditing.

(f) Accounting information systems.

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

****NOTE: For clarity, I said "at least one course in all of the following subjects" here.
Please let me know if this was not the intent.

- 4 (a) Economics.
- 5 (b) Finance.
- 6 (c) Marketing.
- 7 (d) Management or organizational behavior.
- 8 (e) Business law.
- 9 (f) Ethics, unless completed under sub. (1) (d.)

Information technology.

10 SECTION 28. Accy ^{e 2.501} (2.205) of the administrative code is created to read:

11 **Accy ^{e 2.501} (2.205) Requirements for renewal and reinstatement of individual**

12 **licenses. (1) RENEWAL BEFORE 5 YEARS.** An individual certified public accountant
13 who files an application for renewal of a license within 5 years after the renewal date
14 may renew his or her license by filing with the board all of the following:

- 15 (a) An application for renewal on a form prescribed by the department.
- 16 (b) The fee determined by the department under s. 440.03 (9) (a), Stats., and
- 17 the applicable late renewal fee specified in s. 440.08 (3) (a), Stats.

18 (2) RENEWAL AFTER 5 YEARS. An individual certified public accountant who files
19 an application for renewal of a license 5 years or more after the renewal date may
20 renew his or her license by filing with the board all of the following:

****NOTE: The language here had "may be renewed," which I changed to match sub.
(1) as it didn't seem to make sense as written. Let me know if this was incorrect.

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

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

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

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

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

- 13 1. (a) Evidence of the completion of the requirements under sub. (2) (c).
- 14 2. (b) Evidence of completion of disciplinary requirements, if applicable.
- 15 3. (c) Evidence of rehabilitation or change in circumstances warranting
16 reinstatement of the credential.

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1/6/16

****NOTE: Would such a person applying for reinstatement have to pay a fee?

****NOTE: This language implies, but does not specifically state, that the board would grant reinstatement if the board was satisfied that the licensee had completed discipline and was rehabilitated. Do you want to make this more explicit that the board would grant a reinstatement if so satisfied?

17 **SECTION 29.** Subchapter IV (title) of chapter Accy 2 [precedes Accy 2.301] of the
18 administrative code is created to read:

CHAPTER ACCY 2
SUBCHAPTER IV
EXAMINATION

22 **SECTION 30.** Accy 2.305 (1) (g) of the administrative code is created to read:

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

3 SECTION 31. Subchapter V (title) of chapter Accy 2 [precedes Accy 2.401] of the
4 administrative code is created to read:

5 CHAPTER ACCY 2

6 SUBCHAPTER V

7 EXPERIENCE

8 SECTION 32. Accy 2.401 (2) of the administrative code is created to read:

9 Accy 2.401 (2) Experience may consist of providing any type of services or
10 advice using accounting, attest, compilation, management advisory, financial
11 advisory, tax, or related consulting skills.

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12 SECTION 33. Chapter Accy 3 (title) of the administrative code is repealed and
13 recreated to read:

14 CHAPTER ACCY 3

15 ENDORSEMENT

16 SECTION 34. Subchapter I (title) of chapter Accy 3 [precedes Accy 3.001] of the
17 administrative code is created to read:

18 CHAPTER ACCY 3

19 SUBCHAPTER I

20 AUTHORITY AND DEFINITIONS

21 SECTION 35. Accy 3.01 of the administrative code is repealed.

22 SECTION 36. Accy 3.02 of the administrative code is renumbered Accy 2.301 and
23 amended to read:

24 Accy 2.301 Examination. A candidate for a certified public accountant
25 certificate shall successfully pass the certified public accountant examination set

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1 forth in s. Accy 3.03 2.302 and the professional ethics examination set forth in s. Accy
2 3.10 2.306.

3 **SECTION 37.** Accy 3.03 of the administrative code is renumbered Accy 2.302,
4 and Accy 2.302 (1), as renumbered, is amended to read:

5 Accy 2.302 (1) The subjects covering the discipline of accounting in the certified
6 public accountant examination shall be as provided ~~in the 4 sections of the~~ by the
7 board of examiners of the American ~~institute of certified public accountants uniform~~
8 ~~certified public accountant examination~~ Institute of Certified Public Accountants
9 Uniform Certified Public Accountant Examination. The passing grade on each
10 section is 75 or higher.

****NOTE: Is it correct that this should say "as provided by the... examination" and
not "as provided in...?"

11 **SECTION 38.** Accy 3.03 (1) (Note) of the administrative code is repealed.

12 **SECTION 39.** Accy 3.04 of the administrative code is renumbered Accy 2.303 and
13 amended to read:

14 **Accy 2.303 Education required for examination.** A candidate for the
15 certified public accountant examination must possess a bachelor's or higher degree
16 ~~with a resident major in accounting, as defined in s. Accy 7.02 (3), or the reasonable~~
17 ~~equivalence of a resident major in accounting, as defined in s. Accy 7.03 (1), or~~
18 ~~reasonably expect to receive a degree with a resident major in accounting or its~~
19 ~~reasonable equivalence within 45 days following the date of examination~~ complete
20 120 semester hours of education, including courses covering ^{each of} the subjects ^{and the semester hours} specified in

21 [INSERT CORRECT CROSS-REFERENCE]

s. Accy 2.202(1) and (2)

****NOTE: The instructions had a reference to "courses covering the subjects
specified in Accy 2.202(1)(1) through (c) and Accy 2.202(2)." I was unable to determine
what this string of cross-references was intending to include. Please let me know what
the intended cross-reference was.

1 **SECTION 40.** Accy 3.05 (title) and (1) (intro.) and (a) of the administrative code
2 are renumbered Accy 2.101 (title), (intro.) and (1), and Accy 2.101 (title) and (intro.),
3 as renumbered, are amended to read:

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

9 **SECTION 41.** Accy 3.05 (1) (b) (intro.) and 1. of the administrative code are
10 consolidated, renumbered Accy 2.101 (2) and amended to read:

11 Accy 2.101 (2) Proof of fulfilling the educational requirements specified in s.
12 Accy 2.202 and s. 442.04 (5), Stats., by submitting either: 1. ~~Certified~~ certified copies
13 of transcripts for all academic work completed at an institution, as defined in s.
14 442.04 (5) (a), Stats., at least one of which must reflect the award of a bachelor's or
15 higher degree, ~~if the candidate has graduated prior to filing the application and the~~
16 completion of 150 semester hours, including in courses covering the subjects
17 specified in ^{s.} Accy 2.202 ^{(1) and (2)} and the completion of 150 semester hours, including in courses covering ^{and the} subjects ^{semester} specified in ^{hours} each of

****NOTE: I tried to rephrase this slightly for readability. Let me know if these changes are not OK.

18 **SECTION 42.** Accy 3.05 (1) (b) 2. and 3. and (c), (2) and (3) of the administrative
19 code are repealed.

20 **SECTION 43.** Accy 3.05 (3) (Note) of the administrative code is repealed.

21 **SECTION 44.** Accy 3.055 of the administrative code is repealed.

22 **SECTION 45.** Accy 3.06 of the administrative code is renumbered Accy 2.304,
23 and Accy 2.304 (title), (1), (3) and (4), as renumbered, are amended to read:

***NOTE: Do you want to strike "or papers" here too? It doesn't sound correct to say "take... papers."

1 (d) Reference to "crib notes," test books ^{or} other materials, or electronic media
2 other than those provided to the candidate as part of the examination, inside or
3 outside of the examination room during periods examinations are being written
4 taken.

***NOTE: I think the "or" after test books should possibly be retained, as "other materials" seems to refer back to that. Alternatively, "electronic media" could be moved before "other materials."

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

***NOTE: What does the scored "take the examination" here mean? Does this mean one or more sections of the examination? Are we sure this isn't redundant since the previous section already referred to "suspension of the right to take the next scheduled examination...?"

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

20 SECTION 49. Accy 3.10 of the administrative code is renumbered Accy 2.306.

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

3 **SECTION 55.** Accy 4.01 of the administrative code is renumbered Accy 5.301.

4 **SECTION 56.** Accy 4.02 of the administrative code is renumbered Accy 5.101 and
5 amended to read:

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

****NOTE: There is already a definition of "attest service" in the code (see s. Accy
1.003 (1)). Is there a reason to cite to the statutory definition, which largely says the same
thing (but see my note above)?

12 **SECTION 57.** Accy 4.03 of the administrative code is renumbered Accy 5.201.

13 **SECTION 58.** Accy 4.035 of the administrative code is repealed.

14 **SECTION 59.** Accy 4.037 of the administrative code is renumbered Accy 5.102,
15 and Accy 5.102 (3) (d), as renumbered, is amended to read:

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

18 **SECTION 60.** Accy 4.04 of the administrative code is renumbered Accy 5.302 and
19 amended to read:

20 **Accy 5.302 Firms without office in this state.** Firms without a bona fide
21 office in this state, as described in s. Accy 4.06 5.303 (2), may be licensed if there is
22 a licensed Wisconsin certified public accountant designated as the individual

1 responsible for the firm’s compliance with ch. 442, Stats., for the Wisconsin
2 engagement or engagements.

3 **SECTION 61.** Accy 4.05 of the administrative code is renumbered Accy 5.402.

4 **SECTION 62.** Accy 4.06 of the administrative code is renumbered Accy 5.303.

5 **SECTION 63.** Accy 4.07 (title) of the administrative code is renumbered 5.401
6 (title).

lws
2-4-5

****NOTE: I had to add this so that the title would carry over to the new number.
If you want changes to the title, which currently reads “Change in member of a firm.”, let
me know.

7 **SECTION 64.** Accy 4.07 (1) of the administrative code is renumbered Accy 5.401
8 (1) (intro.) and amended to read:

9 Accy 5.401 (1) (intro.) The board ~~is to~~ shall be notified by the firm in writing
10 of changes in the ~~member~~ ^{members} of the firm or firm name or any of the following no later
11 than 30 days after the change.

****NOTE: I changed this to the more customary “shall be” instead of “is to be.” OK?
Also, the use of “changes in the member of the firm” does not seem grammatically correct.
It seems to me that this should be “members” or “membership.”

12 **SECTION 65.** Accy 4.07 (2) of the administrative code is renumbered 5.401 (3).

13 **SECTION 66.** Subchapter II of chapter Accy 4 [precedes Accy 4.101] of the
14 administrative code is created to read:

CHAPTER ACCY 4

SUBCHAPTER II

DISCIPLINE

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18 **Accy 4.101 Grounds for discipline.** Grounds for discipline include all of the
19 following:

****NOTE: I changed a few of these grounds below so that they all consistently began
with and use verbs. OK?

1 (1) Engaging in dishonesty, fraud, or deceit in obtaining a certificate or license,
2 including submitting to the board any evidence known to be false or forged in, or in
3 support of, an application for a certificate or license or cheating on an examination.

****NOTE: I added "in" before "support of." Let me know if this is incorrect. I also made some slight changes for grammar. OK?

4 (2) Knowingly making misleading, deceptive, or untrue representations in the
5 performance of services.

6 (3) Using the CPA title or providing attest or compilation services in this state
7 without a certificate or license or without properly qualifying to practice across state
8 lines.

****NOTE: What are "compilation services"? The term is not defined. I would note that Accy 1.003 (1) (b) defines "attest service" to include a "review or compilation of a financial statement," and "compilation of a financial statement" is defined in s. Accy 1.003 (4), so would it be sufficient to just say "attest services" here?

9 (4) Using or attempting to use a certificate or license that has been suspended
10 or revoked.

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

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

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

19 (8) Engaging in conduct reflecting adversely upon the licensee's fitness to
20 perform services, including any of the following:

****NOTE: I changed "all" here and below to "any" because I think the intent is that any of these would be grounds. OK?

ms
25-14

1 (a) Adjudication as mentally incompetent.

****NOTE: I would suggest listing this as a separate grounds, because being adjudged mentally incompetent isn't conduct per se, but would seem to be a *consequence of conduct*. Alternatively, I could change the intro. in sub. (8) to say "*as evinced by any of the following*," which I think would be even better.

2 (b) Incompetence, which includes any of the following:

3 1. Gross negligence, recklessness, or repeated acts of negligence in the
4 licensee's record of professional practice.

5 2. Any condition, whether physical or mental, that endangers the public by
6 impairing skill and care in providing professional services.

7 (9) Presenting a license issued to another person as one's own.

8 (10) Concealing information regarding violations by other licensees when
9 questioned or requested by the board.

10 (11) Willfully failing to file a report or record required by state or federal law;
11 willfully impeding or obstructing the filing of such a report or record or inducing
12 another person to impede or obstruct such filing by another person; or making or
13 filing such a report or record that one knows to be false. A finding, adjudication,
14 consent order, or conviction by a federal or state court, agency, or regulatory
15 authority or by the Public Company Accounting Oversight Board that a licensee has
16 willfully failed to file a required report or record shall be prima facie evidence of a
17 violation of this subsection.

18 (12) Having an active or stayed revocation or suspension of any occupational
19 license or other privilege to practice any licensed occupation by or before any state,
20 federal, foreign, or other licensing or regulatory authority, provided that the grounds
21 for the revocation or suspension include wrongful conduct such as fraud, dishonesty,
22 or deceit or any other conduct that evidences an unfitness of the applicant to practice
23 public accountancy.

1 described in s. 442.04 Stats., that ^{of education} qualifies the applicant to take the CPA
 2 examination 120 semester hours from an accredited college or university ^e with a
 3 concentration in accounting. This experience must have been acquired within 5
 4 ^{years prior to} years after applying for the certification as a certified public accountant.

5 SECTION 72. Accy 5.04 of the administrative code is renumbered Accy 2.404.

6 SECTION 73. Accy 5.05 of the administrative code is renumbered Accy 2.405.

7 SECTION 74. Accy 5.06 of the administrative code is repealed.

8 SECTION 75. Accy 5.07 of the administrative code is renumbered Accy 2.406.

9 SECTION 76. Subchapter I (title) of chapter Accy 5 [precedes Accy 5.101] of the
 10 administrative code is created to read:

11 CHAPTER ACCY 5

12 SUBCHAPTER I

13 APPLICATION FOR FIRM LICENSURE

*including courses covering
each of the subjects and the
semester hours specified in
s. Accy 2.202 (1) and (2)*

14 SECTION 77. Subchapter II (title) of chapter Accy 5 [precedes Accy 5.201] of the
 15 administrative code is created to read:

16 CHAPTER ACCY 5

17 SUBCHAPTER II

18 SOLE PROPRIETOR

19 SECTION 78. Subchapter III (title) of chapter Accy 5 [precedes Accy 5.301] of the
 20 administrative code is created to read:

21 CHAPTER ACCY 5

22 SUBCHAPTER III

23 OFFICE

24 SECTION 79. Subchapter IV (title) of chapter Accy 5 [precedes Accy 5.401] of the
 25 administrative code is created to read:

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CHAPTER ACCY 5

SUBCHAPTER IV

MEMBER

SECTION 80. 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.

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

****NOTE: As in the sub. (1) (intro.), I changed "is to be" to our more customary "shall be."

SECTION 81. Accy 5.403 of the administrative code is created to read:

Accy 5.403 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.

****NOTE: What does "regulatory compliance" here mean?

SECTION 82. Subchapter I of chapter Accy 6 [precedes Accy 6.001] of the administrative code is created to read:

CHAPTER ACCY 6

SUBCHAPTER I

AUTHORITY AND DEFINITIONS

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

Accy 6.002 Definitions. As used in this chapter:

(1) ^{Peer} “Board-approved review program” means ^g the peer reviewer’s entire peer review process, including the standards for administering, performing and reporting on peer reviews, oversight procedures, and training and related guidance materials.

****NOTE: It’s unclear to me why the current definition in Accy 9 is being replaced with this one as opposed to just adding this material to the current definition. As written, this does not say that a “board-approved review program” has to actually be approved by the board. It also seems to be lacking a basic description of what a peer-review program is (compare with current s. Accy 9.01 (1)). Maybe what is in the current definition could be added to this definition and “means” here could be changed to “includes.”

(2) ^{e (1)(b)} “Engagement review” means a peer review in which the peer reviewer evaluates and reports on engagements submitted by a firm that performs at its highest level of service, only services under SSARS, or services under the SSAEs that are not included in a system review in order for the peer reviewer to determine whether the engagements submitted for review conform to applicable professional standards in all material respects.

(3) ^{e (2)(b)} “PCAOB” means the Public Company Accounting Oversight Board that conducts firm inspection of certified public accounting firms’ Securities and Exchange Commission issuer practices and other engagements subject to its inspection process.

(4) ^{e (3)(b)} “Peer review” means a ^g board-approved study, appraisal, or review of one or more aspects of the attest ^{in accordance with a peer review program} or compilation work of a licensee of a registered firm in the practice of public accounting, by a person or persons who hold licenses in this

^{e services}

Ins 31-2

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

***NOTE: Would it be better here to use the defined term "attest service(s)" instead of "attest or compilation work"?

3 (5) "Peer review reports" means reports issued by the peer reviewer or peer
4 reviewing firm in accordance with board-approved peer review standards. Ins 314

5 (6) "Peer review standards" means board-approved professional standards for
6 administering, performing, and reporting on peer reviews. under a peer review program

7 (7) "Peer reviewer" means a certified public accountant or accounting firm
8 responsible for conducting the peer review holding a valid and active license to
9 practice public accounting in good standing issued by this state or some other state
10 who meets the peer reviewer requirements established in the board-approved peer
11 review standards. another jurisdiction

***NOTE: This uses "this state or some other state" while the definition of "peer review" uses "this jurisdiction or another jurisdiction." Is a distinction intended? Also I added "issued" here. Is that correct?

12 (8) "SAS" means the Statements on Auditing Standards issued by the auditing
13 standards board of the American Institute of Certified Public Accountants.

14 (9) "SSAE" means the Statements on Standards for Attestation Engagements
15 issued by the auditing standards board of the American Institute of Certified Public
16 Accountants.

17 (10) "SSARS" means the Statements on Standards for Accounting and Review
18 Services issued by the accounting and review services committee of the American
19 Institute of Certified Public Accountants.

20 (11) "System review" means a peer review in which the peer reviewer
21 determines whether the firm's system of quality control for its accounting and
22 auditing practice is designed and complied with to provide the firm with reasonable

1 assurance of performing and reporting in conformity with applicable professional
 2 standards, including the Statements on Quality Control Standards, No. 8 of the
 3 American Institute of Certified Public Accountants, in all material respects for firms
 4 that at the firm's highest level of service, perform engagements under the SAS,
 5 Government Auditing Standards, examinations under the SSAEs, or pursuant to the
 6 standards of the PCAOB not subject to permanent inspection by the PCAOB.

****NOTE: Please review my minor wording changes here.

7 **SECTION 83.** Subchapter II (title) of chapter Accy 6 [precedes Accy 6.101] of the
 8 administrative code is created to read:

9 **CHAPTER ACCY 6**

10 **SUBCHAPTER II**

11 **FIRM RENEWAL**

12 **SECTION 84.** Subchapter III (title) of chapter Accy 6 [precedes Accy 6.201] of the
 13 administrative code is created to read:

14 **CHAPTER ACCY 6**

15 **SUBCHAPTER III**

16 **REPORTS**

17 **SECTION 85.** Subchapter IV (title) of chapter Accy 6 [precedes Accy 6.301] of the
 18 administrative code is created to read:

19 **CHAPTER ACCY 6**

20 **SUBCHAPTER IV**

21 **CONDUCTING PEER REVIEWS**

22 **SECTION 86.** Accy 6.303 of the administrative code is created to read:

23 **Accy 6.303 Extensions.** The board may accept extensions for completing peer
 24 reviews as long as the board is notified by the firm within 14 days after the date of

*organization administering
 the peer review program
 may grant*

due
organization
prior to

1 the ~~letter from the sponsoring organization granting the extension~~^{peer review}. Extensions may
2 be granted for any of the following reasons:

****NOTE: I changed "will" to "may" here to match "The board may..." OK?

****NOTE: Should this say "grant extensions" instead?

****NOTE: Since there appeared to be no sub. (2), I changed (a) to (c) to be (1) to (3).

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

4 (2) Military service.

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

6 SECTION 87. Accy 6.304 of the administrative code is created to read:

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

11 SECTION 88. Chapter Accy 7 (title) of the administrative code is repealed. }
12

13 SECTION 89. Accy 7.01 of the administrative code is repealed.

14 SECTION 90. Accy 7.02 of the administrative code is repealed.

15 SECTION 91. Accy 7.03 of the administrative code is repealed.

16 SECTION 92. Accy 7.035 (intro.) and (2) of the administrative code are
17 consolidated, renumbered Accy 2.202 (intro.) and amended to read:

18 **Accy 2.202 Education required to take the examination for**
19 **certification**. (intro.) A person may not take the examination leading to the
20 candidate applying for a certificate to practice as a certified public accountant unless
21 the person has, as part of must, in the course of having completed the 150 semester
22 hours of education, met one of the following conditions: (2) Earned have earned a
baccalaureate or graduate degree from a an accredited business school or college of business that

1 is accredited by an accrediting agency recognized by the board secretary of the
2 federal department of education and completed at all of the following:

****NOTE: I think this can just say "an accredited business school or college," because there is already a definition for what "accredited" means included above. Also note that elsewhere, the phrase "accredited college or university" is used instead.

3 (1) At least 24 semester hours in accounting at the undergraduate level or 15
4 semester hours at the graduate level, or an equivalent combination, including
5 courses covering the subjects of financial accounting, auditing, U.S. taxation, and
6 management accounting. at least one course in ^{each} all of the following subjects:

****NOTE: For clarity, I said "at least one course in all of the following subjects" here. Please let me know if this was not the intent.

7 SECTION 93. Accy 7.035 (1), (3), (4) and (5) of the administrative code are
8 repealed.

****NOTE: The Word document provided did not show sub. (5) as being repealed, but it appeared this was probably the intent. If not, please let me know.

9 SECTION 94. Accy 7.04 (title) of the administrative code is renumbered Accy
10 2.203 (title).

11 SECTION 95. Accy 7.04 (1) of the administrative code is renumbered Accy 2.203.

12 SECTION 96. Accy 7.04 (2) of the administrative code is repealed.

13 SECTION 97. Accy 7.05 of the administrative code is renumbered Accy 3.101,
14 and Accy 3.101 (1) (c), as renumbered, is amended to read:

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

16 SECTION 98. Accy 7.06 of the administrative code is repealed.

17 SECTION 99. Accy 7.07 of the administrative code is renumbered Accy 2.204.

18 SECTION 100. Chapter Accy 8 (title) of the administrative code is repealed.

19 SECTION 101. Accy 8.01 (title) of the administrative code is renumbered Accy
20 3.001 (title).

2.102

1 **SECTION 102.** Accy 8.01 (1) of the administrative code is renumbered Accy
2 3.001.

3 **SECTION 103.** Accy 8.02 of the administrative code is renumbered Accy 3.002.

4 **SECTION 104.** Accy 8.03 (title), (1), (3), (4), (5) and (6) of the administrative code
5 are renumbered Accy 3.102 (title), (1), (2), (3), (4) and (5).

6 **SECTION 105.** Accy 8.04 of the administrative code is renumbered Accy 3.201
7 and amended to read:

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

11 **(2)** Except as provided in s. ~~Accy 8.05~~ 3.202, education qualifications in foreign
12 countries are not comparable to those in Wisconsin. As no foreign school is accredited
13 by the ~~North Central Association of Colleges and Schools or its regional equivalent~~
14 an accrediting agency that is recognized by the secretary of the federal department
15 of education, evidence of acceptance without deficiency into a graduate program in
16 a school accredited by the ~~North Central Association of Colleges and Schools or its~~
17 regional equivalent an agency that is recognized by the secretary of the federal
18 department of education will be accepted as evidence of equivalence for a bachelor's
19 or higher degree. ~~The education acquired must constitute the reasonable~~
20 equivalence of a resident major s set forth in s. Accy 7.03.

9 ****NOTE: The original rule provided that s. Accy 7.03 would be renumbered to Accy
10 2.201, but in the additional document, 7.03 was instead marked for repeal. Therefore,
11 the cross-reference in the last sentence would now be invalid. So I struck that entire
12 sentence. OK?

21 **(3)** Except as provided in s. ~~Accy 8.05~~ 3.202, examinations in foreign countries
22 have not been established as being comparable to those in the United States.
23 Candidates must establish at least minimum qualifications in United States

1 practice related to areas of business law, federal income taxes, generally accepted
2 auditing standards, and generally accepted accounting principles. The writing of
3 uniform certified public accountant examinations in these areas would be adequate
4 evidence, although other evidence may be accepted if validated.

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

9 **SECTION 106.** Accy 8.05 of the administrative code is renumbered Accy 3.202,
10 and Accy 3.202 (2) (d), as renumbered, is amended to read:

11 Accy 3.202 (2) (d) The applicant has successfully completed the professional
12 ethics examination in s. Accy 3.10 2.306.

13 **SECTION 107.** Chapter Accy 9 (title) of the administrative code is renumbered
14 Chapter Accy 6 (title).

15 **SECTION 108.** Accy 9.01 of the administrative code is repealed.

16 **SECTION 109.** Accy 9.02 of the administrative code is renumbered Accy 6.101.

***NOTE: I would suggest striking, in sub. (2), the reference to the definition of
attest services in the statutes since the code already has such a definition. OK?

17 **SECTION 110.** Accy 9.02 (Note) of the administrative code is renumbered Accy
18 6.101 (Note) and amended to read:

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

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

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

4 • Statements on Auditing Standards (SASs) – Audits?

5 • Agreed-upon procedures?

6 • Statements on Standards for Accounting and Review Services (SSARS)?

7 • Reviews of financial statements?

8 • Compilations of financial statements with disclosures?

9 • Compilations of financial statements where “Selected
10 Information-Substantially All Disclosures Required Are Not Included?”

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

12 • Statements on Standards for Attestation Engagements (SSAE)?

13 • Engagements applying
14 International Financial Reporting Standards (IFRS) or International
Auditing Standards (IAS)?

15 • Examinations of prospective financial statements under SAARS?

16 • Compilations of prospective financial statements under SAARS?

17 • Agreed-upon procedures of prospective financial statements?

18 • Examinations of written assertions?

19 • Reviews of written assertions?

20 • Agreed-upon procedures of written assertions?

21 • Engagements under Government Auditing Standards (Yellow Book)?

22 • Engagements applying
PCAOB Auditing Standards?

23 • Engagements applying
PCAOB Attestation Standards?

24 • Or any requirement for work performed as subject to requirements of the

25 AICPA peer review program.

****NOTE: Should this end with a question mark like the rest?

1 SECTION 111. Accy 9.03 of the administrative code is renumbered Accy 6.201.

2 SECTION 112. Accy 9.04 of the administrative code is renumbered Accy 6.202.

3 SECTION 113. Accy 9.05 of the administrative code is renumbered Accy 6.301,

4 and Accy 6.301 (1), as renumbered, is amended to read:

5 ~~Accy 6.301 (1) The program complies with s. Accy 9.06-6.302.~~

6 SECTION 114. Accy 9.06 of the administrative code is renumbered Accy 6.302.

7 ****NOTE: I would suggest making the link to the Web site a note instead, as above.
8 Agree?

9 SECTION 115. Nonstatutory provisions.

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

17 ****NOTE: I provided that the board's findings would be sent to the appropriate
18 standing committees. Let me know if you want something different.

19 SECTION 116. Effective dates. This act takes effect on the day after
20 publication, except as follows:

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

(END)

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and
6.201
(intro.)
is renumbered
is amended to
read:

repealed.

repealed.

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INSERT ANALYSIS

OVERVIEW

This bill: 1) revises provisions in the statutes concerning educational requirements to become a certified public accountant (CPA); 2) reorganizes and makes various revisions to the rules of the Accounting Examining Board (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 only be granted 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 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 also 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 coursework 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 in order 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. *for*

6. Revising provisions concerning permissible CPA firm names, requiring notices in the case of 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 must 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.

INSERT 2-14

1 SECTION 1. Accy 1.001 (2) of the administrative code is amended to read:

2 Accy 1.001 (2) A certified public accountant may be held responsible for
3 compliance with the rules of the ~~examining~~ board by any person associated with the
4 certified public accountant in a firm who is either under his or her supervision or is
5 a member of the firm.

INSERT 2-19

(1) and (2)

6 SECTION 2. Accy 1.002 of the administrative code *is* amended to read: *are*

7 **Accy 1.002** **Applicability of rules of conduct to certified public**
8 **accountants who have a significant influence over a CPA-related business**
9 **or who advertise as a CPA.** (1) A person licensed as a certified public accountant

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

14 (2) A person who operates a business and is licensed as a certified public
15 accountant and who advertises or otherwise holds out as a certified public

6 No
8 B

1 accountant shall follow the rules of the ~~examining~~ board in the operation of any
2 business.

INSERT 15-9

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

INSERT 16-16

10 (b) The board shall grant reinstatement of a license following an application
11 for reinstatement under par. (a) if the board determines the individual has satisfied
12 the requirements under par. (a) 1. to 3. and the board determines reinstatement is
13 warranted.

INSERT 17-11

14 **SECTION 3.** Subchapter VI (title) of chapter Accy 2 [precedes Accy 2.501] of the
15 administrative code is created to read:

CHAPTER ACCY 2
SUBCHAPTER VI
LICENSURE

INSERT 24-5

19 **SECTION 4.** Accy 4.07 (title) of the administrative code is renumbered Accy
20 5.401 (title) and amended to read:



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Accy 5.401 (title) Change in member membership of a firm.

INSERT 25-19

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

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

INSERT 31-2

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

1. The Wisconsin Institute of Certified Professional Accountants.
2. A peer review program administrator approved by a board that regulates certified public accountants in any other CPA licensing jurisdiction.

(b) "Peer review program" includes the standards for administering, performing and reporting on peer reviews, oversight procedures, and training and related guidance materials.

Note: The AICPA Standards for Performing and Reporting on Peer Reviews are available on the Internet at <http://www.aicpa.org/Research/Standards/Peer-Review/DownloadableDocuments/PeerReviewStandards.pdf>

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a peer review program and that program's peer review standards

INSERT 36-16

SECTION 5. Accy 9.02 of the administrative code is renumbered Accy 6.101, and Accy 6.101 (1) and (2), as renumbered, are amended to read:

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

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

INSERT 38-6

SECTION 6. Accy 9.06 of the administrative code is renumbered Accy 6.302 and amended to read:

Accy 6.302 Conducting a peer review. In conducting a peer review, a ~~board-approved~~ peer review program shall comply with requirements for performing system reviews, engagement reviews, and any other reviews established under the "Standards for Performing and Reporting on Peer Reviews" issued by the American Institute of Certified Public Accountants, ~~available on the Internet at~~

http://www.aicpa.org/Research/Standards/Peer-

2 Review/DownloadableDocuments/PeerReviewStandards.pdf.

INSERT 38-1

3 **Accy 6.201 Reports Report from board-approved peer review**
 4 **programs program.** (intro.) ~~Each board-approved~~ ^{context} The peer review [⊖] program ^{Peer-review}
 5 described under s. Accy 6.002 (4) (a) 1. shall report the following to the board by
 6 December 1 of each even-numbered year:

INSERT 38-14

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

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1813/P5dn

MED:lj

Wlj

Date

Ins D note

Please ^{also} note the following:

1. A question I had that we discussed was about s. Accy 7.04 (1) (renumbered in the draft to s. Accy 2.203), which appears to address transferring credit on sections of the CPA exam taken in other jurisdictions. I believe the decision was made to leave the provision as is for the time being. However, reading it again, it appears to be addressing transfer of sections of the CPA exam taken in other states and whether a person may carry credit for those sections over to Wisconsin. (I think the reference to "grades" may be referring to the scores received on those sections.) Specifically, it requires that they be passed in accordance with rules applicable to Wisconsin candidates, ^{the exams} which I take to mean that the other jurisdiction must require the same passing score and have other requirements that Wisconsin does for taking the exam. If you agree that this is what this provision is addressing and that it is still important to retain, I think it should go in the subchapter dealing with examinations, and not in the education subchapter. I would also note that current s. Accy 3.08, which is marked for repeal in the bill, seems to address the same topic.

2. I tried to revise ^{s.} Accy 4.101 (8) as we discussed, but upon further review I came to the conclusion that this provision was talking about two separate concepts: 1) engaging in conduct, such as incompetence, that reflects poorly on the licensee; and 2) having an impairing physical or mental condition. I came to the conclusion that instead of further trying to combine these two concepts into one, it made sense to rewrite the language to instead delineate them as two distinct concepts. So I numbered them (8) and (9) and renumbered the subsequent provisions accordingly. Please let me know if you think further changes might be warranted or if you think these changes have made things worse or more unclear. Also, let me know if you think s. Accy 4.101 should also list as grounds for discipline a violation of any of rules, standards, or other laws that apply to CPAs.

3. I made a handful of other minor, nonsubstantive changes, including changing instances of the term "examining board" to "board" to conform to the bill's creation of the defined term "board."

I believe the provision addresses

s. Accy 4.101

We decided

s. Accy 2.203, as

renumbered,

makes

I thought it made

Michael Duchek
Legislative Attorney
(608) 266-0130
michael.duchek@legis.wisconsin.gov

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1813/P5dn
MED:wlj

23
December 22, 2015

Insert D-note

also

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Michael Duchek
Legislative Attorney
(608) 266-0130
michael.duchek@legis.wisconsin.gov

2015-2016 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1813/P5insA
MED:...

INSERT D-NOTE

I wanted to get this draft out as soon as possible to allow for quicker review. However, as with the previous version of the draft, I plan to have produced copies of what the code chapters would look like with the changes in the bill applied, in order to provide for easier review. I will also try to produce documents to compare those chapters to the ones produced for the last version. I will provide those to your office as soon as possible and review them myself as well.

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1813/P5dn
MED:wlj

December 23, 2015

To allow for quicker review I wanted to get this draft out as soon as possible. As with the previous version of the draft, I plan to have produced copies of what the code chapters would look like with the changes in the bill applied, in order to provide for easier review. I will also try to produce documents to compare those chapters to the ones produced for the last version. I will provide those to your office as soon as possible and review them myself as well. Please also note the following:

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Michael Duchek
Legislative Attorney
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michael.duchek@legis.wisconsin.gov