Douglas A. Ducey
Governor

State of Arizona
Office of the Governor

Executive Office

April 27, 2018

The Honorable Michele Reagan
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bill from the Fifty-third Legislature, 2nd Regular Session, which I signed on April 27, 2018:

SB 1443 certified public accountants (Yee)

Sincerely,

Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

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Senate Engrossed

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MICHELE REAGAN

SECRETARY OF STATE

State of Arizona
Senate
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 268

SENATE BILL 1443

AN ACT

AMENDING SECTIONS 9-481, 29-103, 32-701, 32-703, 32-725, 32-729, 32-730, 32-730.01, 32-730.02, 32-730.03 AND 32-730.04, ARIZONA REVISED STATUTES; PROVIDING FOR TRANSFERRING AND RENUMBERING; AMENDING SECTIONS 32-730.05 AND 32-730.06, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED; AMENDING SECTION 32-731, ARIZONA REVISED STATUTES; AMENDING TITLE 32, CHAPTER 6, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 32-732; AMENDING SECTIONS 32-741, 32-741.01, 32-741.02, 32-742, 32-745 AND 32-747, ARIZONA REVISED STATUTES; REPEALING SECTION 32-747.01, ARIZONA REVISED STATUTES; AMENDING TITLE 32, CHAPTER 6, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 32-748; AMENDING SECTIONS 32-749, 41-725 AND 41-1279.07, ARIZONA REVISED STATUTES; RELATING TO CERTIFIED PUBLIC ACCOUNTANTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 9-481, Arizona Revised Statutes, is amended to read:

9-481. Audits of cities and towns; posting; budget

A. The governing body of each incorporated city or town shall cause an audit to be made by a certified public accountant ~~or public accountant~~ who is currently ~~licensed~~ CERTIFIED by the Arizona state board of accountancy or who has a limited reciprocity privilege pursuant to section 32-725 and who is not an employee of the city or town. Audits shall be made for each fiscal year for all incorporated cities. Audits shall be made at least once for every two fiscal years for all incorporated towns, and the audit shall include financial transactions during both fiscal years.

B. The audit and the audit report shall include all of the accounts and funds of the city or town, including operating, special, utility, debt, trust and pension, and all other money or property for which the city or town, or any department or officer of the city or town, is responsible either directly or indirectly. The audits shall be made in accordance with generally accepted auditing standards. The consequent audit report shall contain financial statements that are in conformity with generally accepted municipal accounting principles and shall set forth the financial position and results of the operations for each fund and account of the city or town. The audit report shall also include the following:

1. The professional opinion of the accountant or accountants with respect to the financial statements or, if an opinion cannot be expressed, a declaration of the reasons an opinion cannot be expressed.

2. A determination as to whether highway user revenue fund monies received by the city or town pursuant to title 28, chapter 18, article 2 and any other dedicated state transportation revenues received by the city or town are being used solely for the authorized transportation purposes.

C. The audit shall begin as soon as possible after the close of the fiscal year, although interim auditing may be performed during the year or years under audit. The audit shall be completed and the final audit report shall be submitted within six months after the close of the fiscal year or years audited.

D. At least three copies of the audit report shall be signed by the auditor and filed with the city or town. The city or town shall immediately do the following:

1. Make one copy of the report a public record that is open to the public for inspection.

2. File one copy of the report with the auditor general pursuant to section 41-1279.07, subsection C.

3. Submit one copy of the report to the secretary of state.

E. The financial statements required to be filed with the auditor general pursuant to section 41-1279.07, including the audit report, must be posted in a prominent location on the official website of the city or town no later than seven business days after the date of filing the financial statements with the auditor general. The financial statements must be retained and accessible in a prominent location on the official website for at least sixty months. If the financial statements are not filed pursuant to section 41-1279.07, the form as prescribed by subsection F of this section shall be posted on the website of the city or town in place of the financial statements until the financial statements are filed.

F. If the financial statements for a city or town are not completed and filed as prescribed by section 41-1279.07 on or before the adoption of the city or town budget in the subsequent fiscal year, the governing body shall include a form, as prescribed by the auditor general, in the published budget in the subsequent fiscal year pursuant to sections 42-17103 and 42-17105 stating that the financial statements required to be filed with the auditor general pursuant to section 41-1279.07 are pending, the reasons for the delay and the estimated date of completion.

G. If the governing body of a city or town is required to complete the form as prescribed by subsection F of this section, the governing body shall send a copy of the form to the auditor general, the speaker of the house of representatives and the president of the senate.

Sec. 2. Section 29-103, Arizona Revised Statutes, is amended to read:

29-103. <u>Partnerships not required to record certificate</u>

A. A partnership transacting business under a firm name or style which contains the surnames of all persons interested as partners, or one formed for the practice of law, is not required to record a certificate as required by section 29-102.

B. A commercial or banking partnership established and transacting business without the state under a name which is fictitious or does not show the names of the persons interested as partners may, without recording a certificate as required by section 29-102, use in this state the partnership name used by it without the state.

C. A domestic limited partnership which has filed or recorded a certificate of limited partnership under applicable laws may transact business under the name set forth in such certificate without recording a certificate as required by section 29-102.

D. A foreign limited partnership which has registered pursuant to section 29-349 may transact business in this state under the name set forth in such registration without recording a certificate as required by section 29-102.

E. A partnership THAT IS engaged in this state in the practice of public accounting as certified public accountants ~~or public accountants,~~

~~which~~ AND THAT complies with section 32-731~~,~~ is not required to record a certificate as required by section 29-102.

F. A domestic limited liability partnership that is registered pursuant to section ~~29-244 or~~ 29-1101 may transact business in this state under the name set forth in its registration without recording a certificate as required by section 29-102.

G. A foreign limited liability partnership that is registered pursuant to section ~~29-248 or~~ 29-1106 may transact business in this state under the name set forth in its registration without recording a certificate as required by section 29-102.

Sec. 3. Section 32-701, Arizona Revised Statutes, is amended to read:

32-701. Definitions

In this chapter, unless the context otherwise requires:

1. "Accounting services" means services that are commonly and historically performed by accountants, including recording or summarizing financial transactions, bookkeeping, analyzing or verifying financial information, ~~auditing, reviewing or compiling financial statements,~~ reporting financial results, financial planning~~,~~ OR providing ~~attestation or~~ ATTEST SERVICES, COMPILATION SERVICES, tax SERVICES or consulting services.

2. "Accredited institution" means any public or private regionally or nationally accredited college or university that is accredited by an organization recognized by the council for higher education accreditation or its successor agency.

3. "Attest services" means the following services ~~that are rendered~~ TO BE PERFORMED by the holder of a certificate issued by the board:

(a) Audits or other engagements to be performed in accordance with the statements on auditing standards adopted by the American institute of certified public accountants.

(b) Reviews of financial statements to be performed in accordance with the statements on standards for accounting and review services adopted by the American institute of certified public accountants.

(c) Any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements adopted by the American institute of certified public accountants.

(d) Any engagement to be performed in accordance with the standards of the public company accounting oversight board or its successor.

(e) Any examination, review or agreed on procedure engagement to be performed in accordance with the statements on standards for attestation engagements adopted by the American institute of certified public accountants, other than an examination described in subdivision (c) of this paragraph.

~~4. "Attestation" or "attest function" means the issuance by a registrant of a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.~~

~~5.~~ 4. "Board" means the Arizona state board of accountancy established by section 32-702.

5. "BUSINESS ORGANIZATION" MEANS A PARTNERSHIP, PROFESSIONAL CORPORATION, PROFESSIONAL LIMITED LIABILITY COMPANY, LIMITED LIABILITY COMPANY OR LIMITED LIABILITY PARTNERSHIP OR ANY OTHER ENTITY THAT IS RECOGNIZED BY THE BOARD AND THAT IS ESTABLISHED UNDER THE LAWS OF ANY STATE OR FOREIGN COUNTRY.

6. "Certified public accountant" means an individual who has been issued a certificate of authority by the board to practice as a certified public accountant or who meets the limited reciprocity privilege requirements pursuant to section 32-725.

7. "Client" means a person or entity, other than one's employer, for whom accounting services are provided.

8. "COMPILATION SERVICES" MEANS PROVIDING A SERVICE OF ANY COMPILATION ENGAGEMENT TO BE PERFORMED IN ACCORDANCE WITH THE STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES.

~~8.~~ 9. "Consulting services" includes management advisory services, litigation support services, valuation services and other services that require the use of technical skills, education, observation, experience and knowledge to develop an analytical approach to process and to present findings, conclusions or recommendations.

~~9.~~ 10. "Conviction" means a judgment of conviction by any state or federal court of competent jurisdiction in a criminal cause, regardless of whether an appeal is pending or could be taken, and includes any judgment or order based on a plea of no contest.

11. "CPA DESIGNATION" MEANS THE TITLE "CERTIFIED PUBLIC ACCOUNTANT" OR ANY ABBREVIATION OR GRAMMATICAL DERIVATIVE OF THE TERM "CERTIFIED PUBLIC ACCOUNTANT".

~~10.~~ 12. "Disciplinary action" means any other regulatory sanctions imposed by the board in combination with, or as an alternative to, RELINQUISHMENT, revocation or suspension of a certificate or registration, including the imposition of:

(a) An administrative penalty in an amount not to exceed two thousand dollars for each violation of this chapter or rules adopted pursuant to this chapter.

(b) Restrictions on the scope of the registrant's ~~accounting~~ practice~~, including, without limitation, restriction of audit or attest function practice, restriction of tax practice or restriction of consulting services~~ OF ACCOUNTING.

(c) Pre-issuance and post-issuance peer review.

(d) Professional education requirements.

(e) A decree of censure.

(f) Probation requirements best adapted to protect the public welfare.

(g) Reimbursement of the board's costs of investigations and proceedings initiated under this chapter, including attorney fees.

(h) A requirement for restitution payments to accounting services clients or to other persons suffering economic loss resulting from violations of this chapter or rules adopted pursuant to this chapter.

~~11.~~ 13. "Employer" means a person or entity that hires an individual to perform a service and that directs and controls the manner in which the service is performed.

~~12.~~ 14. "Federal securities laws" means the securities act of 1933, the securities exchange act of 1934, the public utility holding company act of 1935 and the investment company act of 1940, as amended.

~~13.~~ 15. "Financial statements":

(a) Means statements and footnotes related to statements that purport to show a financial position or changes in a financial position in conformity with generally accepted accounting principles or other comprehensive basis of accounting.

(b) Includes balance sheets, statements of income, statements of retained earnings, statements of cash flows, statements of changes in ~~an owner's~~ equity and other commonly used or recognized summaries of financial information.

(c) Does not include tax returns or information contained in tax returns.

~~14.~~ 16. "Firm" means a business organization, ~~that is engaged in the practice of public accounting and that is established under the laws of any state or foreign country, including a sole practitioner, partnership, professional corporation, professional limited liability company, limited liability company, limited liability partnership or any other entity recognized by the board that has met the applicable requirements contained in~~ A SOLE PROPRIETORSHIP OR AN INDIVIDUAL WHO IS REGISTERED PURSUANT TO section 32-731.

~~15.~~ 17. "Good cause" means factors that temporarily prevent a registrant from satisfying a particular requirement in a specific instance as determined by the board and may include:

(a) A disability.

(b) An illness.

(c) A physical or mental condition.

(d) Military service.

(e) Financial hardship.

(f) A natural disaster.

(g) Any condition or circumstance that the board deems relevant.

~~16.~~ 18. "Jurisdiction" means, for the purposes of examination, certification, FIRM REGISTRATION or limited reciprocity privilege, the

fifty states of the United States, the District of Columbia, the United States Virgin Islands, Guam, the Commonwealth of the northern Mariana Islands or the Commonwealth of Puerto Rico.

~~17.~~ 19. "Letter of concern" means an advisory letter to notify a registrant that, while the evidence does not warrant disciplinary action, the board believes that the registrant should modify or eliminate certain practices and that continuation of the activities that led to the evidence being submitted to the board may result in board action against the registrant. A letter of concern is not a disciplinary action.

~~18.~~ 20. "Limited reciprocity privilege" means the permission to practice as a certified public accountant in this state pursuant to section 32-725 for an individual whose principal place of business is outside of this state.

~~19.~~ 21. "Management advisory services" means advisory services consisting of the development of findings, conclusions or recommendations for the recipient's consideration and decision making.

22. "OFFICE" FOR THE PURPOSES OF FIRM REGISTRATION, LIMITED RECIPROCITY PRIVILEGE AND FEES, MEANS ANY PHYSICAL LOCATION USED IN THE PRACTICE OF ACCOUNTING IN THIS STATE AND THAT IS OWNED, LEASED, LICENSED FOR USE OR MAINTAINED BY THE FIRM OR SOMEONE UNDER THE FIRM'S AUTHORITY.

~~20.~~ 23. "Practice of accounting" means providing accounting services for a client or an employer.

~~21. "Practice of public accounting" means providing accounting services for a client but does not include providing accounting services, other than attest services or compilation services, for a nonprofit entity or a family member without an expectation of and without receiving compensation.~~

~~22. "Principal place of business" means the office designated by the individual or firm as the principal location for the practice of accounting.~~

~~23. "Public accountant" means an individual who has been issued a certificate of authority by the board to practice as a public accountant.~~

24. "Registrant" means any certified public accountant~~, public accountant~~ or firm that is registered with the board.

25. "Related courses" means:

(a) Business administration.
(b) Statistics.
(c) Computer science, information systems or data processing.
(d) Economics.
(e) Finance.
(f) Management.
(g) Business law.
(h) College algebra or more advanced mathematics.
(i) Advanced written communication.
(j) Advanced oral communication.

(k) GENERAL ethics.

(l) Marketing.

(m) Other courses closely related to the subject of accounting and satisfactory to the board.

26. "SOLE PROPRIETOR" MEANS THE OWNER OF A SOLE PROPRIETORSHIP.

27. "SOLE PROPRIETORSHIP" MEANS A BUSINESS THAT IS OWNED BY ONE INDIVIDUAL AND THAT DOES NOT HAVE A LEGAL DISTINCTION BETWEEN THE OWNER AND THE BUSINESS.

Sec. 4. Section 32-703, Arizona Revised Statutes, is amended to read:

32-703. Powers and duties; rules; executive director; advisory committees and individuals

A. The primary duty of the board is to protect the public from unlawful, incompetent, unqualified or unprofessional certified public accountants ~~or public accountants~~ through certification, regulation and rehabilitation.

B. The board may:

1. Investigate complaints filed with the board or on its own motion to determine whether a certified public accountant ~~or public accountant~~ has engaged in conduct in violation of this chapter or rules adopted pursuant to this chapter.

2. Establish and maintain high standards of competence, independence and integrity in the practice of accounting by a certified public accountant ~~or by a public accountant~~ as required by generally accepted auditing standards and generally accepted accounting principles and, in the case of publicly held corporations or enterprises offering securities for sale, in accordance with state or federal securities agency accounting requirements.

3. Establish reporting requirements that require registrants to report:

(a) The imposition of any discipline on the right to practice before the federal securities and exchange commission, the internal revenue service, any state board of accountancy, other government agencies or the public company accounting oversight board.

(b) Any criminal conviction, any civil judgment involving negligence in the practice of accounting by a certified public accountant ~~or by a public accountant~~ and any judgment or order as described in section 32-741, subsection A, paragraphs 7 and 8.

4. Establish basic requirements for continuing professional education of certified public accountants ~~and public accountants~~, except that the requirements shall not exceed eighty hours in any registration renewal period.

5. Adopt procedures concerning disciplinary actions, administrative hearings and consent decisions.

6. Issue to qualified applicants certificates executed for and on behalf of the board by the signatures of the president and secretary of the board.

7. Adopt procedures and rules to administer this chapter.

8. Require peer review pursuant to rules adopted by the board on a general and random basis of the professional work of a registrant engaged in the practice of accounting.

9. Subject to title 41, chapter 4, article 4, employ an executive director and other personnel that it considers necessary to administer and enforce this chapter.

10. Appoint accounting and auditing, tax, peer review, law, certification, continuing professional education or other committees or individuals as it considers necessary to advise or assist the board OR THE BOARD'S EXECUTIVE DIRECTOR in administering and enforcing this chapter. These committees and individuals serve at the pleasure of the board.

11. Take all action that is necessary and proper to effectuate the purposes of this chapter.

12. Sue and be sued in its official name as an agency of this state.

13. Adopt and amend rules concerning the definition of terms, the orderly conduct of the board's affairs and the effective administration of this chapter.

14. DELEGATE TO THE EXECUTIVE DIRECTOR THE AUTHORITY TO:

(a) APPROVE AN APPLICANT TO TAKE THE UNIFORM CERTIFIED PUBLIC ACCOUNTANT EXAMINATION PURSUANT TO SECTION 32-723.

(b) ISSUE A CERTIFICATE OF CERTIFIED PUBLIC ACCOUNTANT PURSUANT TO SECTION 32-721.

(c) APPROVE AN APPLICATION FOR FIRM REGISTRATION PURSUANT TO SECTION 32-731.

(d) APPROVE A REGISTRANT'S NAME CHANGE AND REISSUE A CERTIFICATE OF CERTIFIED PUBLIC ACCOUNTANT DUE TO THE NAME CHANGE.

(e) APPROVE A REGISTRANT'S CANCELLATION REQUEST PURSUANT TO SECTION 32-730.02.

(f) APPROVE A REQUEST FOR RETIRED STATUS PURSUANT TO SECTION 32-730.04.

(g) APPROVE REACTIVATION FROM INACTIVE STATUS OR RETIRED STATUS PURSUANT TO SECTION 32-732.

(h) APPROVE COMPLIANCE WITH PEER REVIEW REQUIREMENTS PURSUANT TO THIS SECTION.

(i) APPROVE COMPLIANCE WITH CONTINUING PROFESSIONAL EDUCATION AUDITS.

(j) APPROVE CONTINUING PROFESSIONAL EDUCATION COMPLIANCE WITH DECISIONS AND ORDERS.

(k) TERMINATE DECISIONS AND ORDERS BASED ON A REGISTRANT'S SUCCESSFUL COMPLETION OF ALL ORDER REQUIREMENTS.

C. The board or an authorized agent of the board may:

1. Issue subpoenas to compel the attendance of witnesses or the production of documents. If a subpoena is disobeyed, the board may invoke the aid of any court in requiring the attendance and testimony of witnesses and the production of documents.

2. Administer oaths and take testimony.

3. Cooperate with the appropriate authorities in other jurisdictions in investigation and enforcement concerning violations of this chapter and comparable statutes of other jurisdictions.

4. Receive evidence concerning all matters within the scope of this chapter.

Sec. 5. Section 32-725, Arizona Revised Statutes, is amended to read:

32-725. Limited reciprocity privilege; qualifications; definition

A. The limited reciprocity privilege may be exercised by an individual who is not a resident of this state and who meets the requirements of this section.

B. To qualify to exercise the limited reciprocity privilege, an individual must:

1. Have a principal place of business that is not in this state.

2. NOT HAVE OR REPRESENT TO HAVE AN OFFICE IN THIS STATE.

~~2.~~ 3. Not be the subject of suspension or revocation of a certificate as provided by section 32-741 or relinquishment of a certificate as provided by section ~~32-741.04~~ 32-730.06.

~~3.~~ 4. Hold a valid registration, certificate or license as a certified public accountant issued by another jurisdiction and either of the following ~~must apply~~ APPLIES:

(a) The other jurisdiction requires as a condition of licensure that an individual has all of the following:

(i) At least one hundred fifty semester hours of college education, including a baccalaureate degree or a higher degree that is conferred by an accredited institution or a college or university that maintains standards that are comparable to those of an accredited institution.

(ii) A passing grade on the uniform certified public accountant examination.

(iii) At least one year of experience in the practice of accounting that has been verified.

(b) The individual meets the qualifications prescribed in section 32-721, subsection C.

C. An individual qualifying for limited reciprocity privilege under this section is considered to have qualifications that are substantially equivalent to the requirements prescribed pursuant to this chapter and has all of the privileges of registrants, certificate holders or licensees in this state without obtaining a registration, certificate or license under this chapter.

D. An individual qualifying for limited reciprocity privilege under this section may use the ~~title "CPA" or "certified public accountant"~~ CPA DESIGNATION and may offer or practice accounting in person or by mail, telephone or electronic means. ~~No~~ A notice, fee or other submission is NOT required. The individual is subject to the requirements prescribed in subsection E of this section.

E. Each individual who holds a registration, certificate or license issued by another jurisdiction and who exercises the limited reciprocity privilege and each partnership, corporation or other entity engaging in the practice of accounting as provided by this section, as a condition of exercising the privilege provided by this section:

1. Shall:

(a) Comply with article 3 of this chapter and rules adopted pursuant to article 3 of this chapter. In any investigation or other proceedings conducted pursuant to article 3 of this chapter, an individual claiming permission to practice as a certified public accountant in this state under the limited reciprocity privilege has the burden of demonstrating that the applicable requirements of subsection B of this section have been satisfied.

(b) Cease the offering or practicing of accounting in person or by mail, telephone or electronic means in this state if the individual no longer satisfies the requirements of subsection B of this section or the partnership, corporation or other entity no longer satisfies the requirements of subsection G of this section.

2. Is subject to:

(a) The personal and subject matter jurisdiction of the board and the power of the board to investigate complaints and take disciplinary action.

(b) Service by either of the following:

(i) The appointment of the state board that issued the registration, certificate or license to the individual as agent, on whom process may be served in any action or proceeding against the person by the board.

(ii) Directly on the person.

F. Any individual who holds a valid registration, certificate or license as a certified public accountant issued by another jurisdiction or a foreign country, whose principal place of business is not in this state and who does not otherwise qualify under this section for limited reciprocity privilege may enter this state and provide services if the services are limited to the following:

1. Expert witness services.

2. Teaching or lecturing.

3. Other services as determined by the board.

G. A partnership, corporation or other entity formed under the laws of another jurisdiction relating to the practice of accounting in that

jurisdiction may use the ~~title "certified public accountant" or "CPA"~~ CPA DESIGNATION in this state and may engage in the practice of accounting in this state, including the provision of attest services, without having to register as a firm if all of the following apply:

1. The partnership, corporation or other entity is owned by or employs an individual who is a limited reciprocity privilege holder pursuant to this section.

2. The partnership, corporation or other entity is in good standing in its principal place of business under the laws of that jurisdiction relating to the practice of accounting.

3. The principal place of business of the limited reciprocity privilege holder is a recognized place of business for the practice of accounting by the partnership, corporation or other entity.

4. The partnership, corporation or other entity does not have an office in this state and does not represent that it has an office in this state.

5. The partnership, corporation or other entity holds an active permit or registration as a certified public accountant firm in another jurisdiction.

6. The practice of accounting is performed by or under the direct supervision of an individual who is qualified for the limited reciprocity privilege under this section.

H. FOR THE PURPOSES OF THIS SECTION, "PRINCIPAL PLACE OF BUSINESS" MEANS THE OFFICE DESIGNATED BY THE INDIVIDUAL OR FIRM AS THE PRINCIPAL LOCATION FOR THE INDIVIDUAL'S OR FIRM'S PRACTICE OF ACCOUNTING.

Sec. 6. Section 32-729, Arizona Revised Statutes, is amended to read:

32-729. <u>Fees</u>

The board shall establish and collect:

1. A uniform fee from an applicant for each initial examination and reexamination application pursuant to section 32-723 to cover reasonable costs of reviewing the applicant's eligibility to take the examination and facilitating the applicant to take the examination until the applicant passes all sections.

2. A uniform fee from each applicant for a certificate to be issued pursuant to section 32-721.

3. A uniform registration fee of at least one hundred and not more than three hundred dollars from each applicant for registration as a certified public accountant ~~or public accountant~~ pursuant to section 32-730. The registration fee is due during the month of the anniversary of the registrant's birth. Registrants for less than two years shall be charged on a pro rata basis for the remainder of the registration period. The board shall establish and collect a late fee, if applicable, of not more than one hundred dollars.

4. A uniform registration fee of at least one hundred dollars and not more than three hundred dollars from each applicant for registration as a firm pursuant to section 32-730. The registration fee is due during the month of the anniversary of the effective date of the firm's formation. The board shall establish and collect a late fee, if applicable, of not more than one hundred dollars. The board shall not charge a fee for the registration of additional offices of the same firm or for the registration of a sole ~~practitioner~~ PROPRIETORSHIP OR AN INDIVIDUAL WHO IS REQUIRED TO REGISTER AS A FIRM PURSUANT TO SECTION 32-731.

5. A uniform application fee in an amount to be determined by the board to reinstate ~~a certificate~~ pursuant to this chapter.

6. A uniform registration fee of fifty dollars for retired status registration as described in section 32-730.04. The board shall establish and collect a late fee, if applicable, and it is the intent of the legislature that the fee ~~is~~ BE not more than one hundred dollars.

Sec. 7. Section 32-730, Arizona Revised Statutes, is amended to read:

32-730. Biennial registration; continuing professional education

A. Except as provided in subsection B of this section and in section 32-4301, the board shall require every certified public accountant~~, public accountant~~ and firm to register once every two years with the board and pay a registration fee pursuant to section 32-729.

B. The registration fee for certified public accountants ~~and public accountants~~ may be reduced or waived by the board for registrants with a disability to a degree precluding the continuance of their practice for six months or more prior to the due date of any renewal fee.

C. At the time of registration, every certified public accountant ~~and public accountant~~, as a prerequisite to biennial registration, shall submit to the board satisfactory proof in a manner prescribed by the board that the registrant has completed the continuing professional education requirements established by the board. The board may grant a full or partial exemption from continuing professional education requirements or an extension of time to complete the continuing professional education requirements for registrants on a demonstration of good cause.

Sec. 8. Section 32-730.01, Arizona Revised Statutes, is amended to read:

32-730.01. Inactive status; exception

A. A registrant who ~~is not actively engaged in the practice of accounting in this state for a fee or other compensation~~ MEETS ALL OF THE FOLLOWING REQUIREMENTS may request that the registrant's certificate be placed on inactive status: ~~by meeting the requirements for inactive status and completing~~

1. COMPLETES the forms prescribed by the board.

2. DOES NOT PROVIDE ATTEST OR COMPILATION SERVICES IN THIS STATE.

3. DOES NOT PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER COMPENSATION IN THIS STATE.

4. ~~A registrant whose~~ DOES NOT HAVE A certificate ~~is~~ under a disciplinary order by the board, except for suspension for nonregistration pursuant to section 32-741.01. ~~, or against whom~~

5. DOES NOT HAVE disciplinary proceedings ~~have been~~ initiated ~~may not place or maintain a certificate on inactive status~~ AGAINST THE REGISTRANT.

B. A registrant whose certificate is on inactive status:

1. Shall continue to register once every two years with the board and pay fifty percent of the registration fee and one hundred percent of any applicable late fee pursuant to section 32-729.

2. Shall not ~~engage in the practice of accounting in this state for a fee or other compensation while the registrant's certificate remains on inactive status.~~ DO ANY OF THE FOLLOWING:

(a) PROVIDE ATTEST OR COMPILATION SERVICES IN THIS STATE.

(b) PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER COMPENSATION IN THIS STATE.

~~3.~~ (c) ~~In this state shall not~~ Assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the registrant's certificate remains on inactive status~~ IN THIS STATE unless accompanied by the word "inactive".

~~C. A registrant may request that the registrant's certificate be reactivated if the certificate has been inactive for six years or less and if the registrant meets all of the following requirements:~~

~~1. Files an application for renewal on the form prescribed by the board and pays the registration fee pursuant to section 32-729.~~

~~2. Submits proof that the registrant has satisfied continuing professional education requirements as prescribed by the board.~~

~~3. Affirms that the registrant has not engaged in any conduct that would constitute grounds for revocation or suspension of a certificate pursuant to section 32-741.~~

~~D.~~ C. A registrant may reactivate an inactive certificate ~~pursuant to subsection C of this section~~ only once.

~~E.~~ D. A certificate expires if it has been inactive for more than six years.

~~F.~~ E. Subsections ~~D~~ C and ~~E~~ D of this section do not apply if inactive status is approved by the board for good cause based on a registrant's disability.

Sec. 9. Section 32-730.02, Arizona Revised Statutes, is amended to read:

32-730.02. Canceled status

A. A registrant may cancel a certificate or registration by submitting a written request on a form prescribed by the board. A registrant whose certificate or registration is under a disciplinary order by the board, except for suspension for nonregistration pursuant to section 32-741.01, or against whom disciplinary proceedings have been initiated may not cancel the certificate or registration.

B. An individual whose certificate has been canceled shall not assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~ while the certificate remains on canceled status unless the individual qualifies for limited reciprocity privilege pursuant to section 32-725.

~~C. An individual whose certificate has been canceled and who does not qualify for certification by reciprocity pursuant to section 32-721, subsection C may apply for reinstatement and the board may reinstate the certificate if the individual meets all of the following requirements:~~

~~1. Files an application for reinstatement on the form prescribed by the board and pays the reinstatement application fee pursuant to section 32-729.~~

~~2. Submits proof that the individual has satisfied continuing professional education requirements as prescribed by the board.~~

~~3. Affirms that the individual has not engaged in any conduct that would constitute grounds for revocation or suspension of a certificate pursuant to section 32-741.~~

~~4. On board approval of reinstatement, pays the registration fee pursuant to section 32-729.~~

~~D. A firm whose registration has been canceled may apply for reinstatement and the board may reinstate the firm's registration with a new effective date of the firm's formation if the firm meets both of the following requirements:~~

~~1. Files an application on a form prescribed by the board and pays the registration fee pursuant to section 32-729.~~

~~2. Meets the requirements of section 32-731.~~

Sec. 10. Section 32-730.03, Arizona Revised Statutes, is amended to read:

32-730.03. Expired status

A. A registrant's certificate or registration is expired if the registrant fails to reinstate the certificate or registration within twelve months after it has been suspended pursuant to section 32-741.01 or 32-741.02 or fails to reinstate a certificate that has been on inactive status pursuant to section 32-730.01 for more than six years.

B. An individual whose certificate has expired shall not assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~ while the certificate remains on expired status unless the individual qualifies for limited reciprocity privilege pursuant to section 32-725.

~~C. An individual whose certificate has expired may apply for reinstatement and the board may reinstate the certificate if the individual meets all of the following requirements:~~

~~1. Files an application for reinstatement on a form prescribed by the board and pays the reinstatement application fee pursuant to section 32-729.~~

~~2. Submits proof that the individual has satisfied continuing professional education requirements as prescribed by the board.~~

~~3. Affirms that the individual has not engaged in any conduct that would constitute grounds for revocation or suspension of a certificate pursuant to section 32-741.~~

~~4. On board approval of reinstatement, pays the registration fee pursuant to section 32-729.~~

~~D. A firm whose registration has expired may apply for reinstatement and the board may reinstate the firm's registration with a new effective date of the firm's formation if the firm meets both of the following requirements:~~

~~1. Files an application on a form prescribed by the board and pays the registration fee pursuant to section 32-729.~~

~~2. Meets the requirements of section 32-731.~~

Sec. 11. Section 32-730.04, Arizona Revised Statutes, is amended to read:

32-730.04. Retired status

A. A registrant who ~~is at least fifty-five years of age, who has been a certified public accountant or public accountant in one or more jurisdictions for at least twenty years and who is not actively engaged in the practice of accounting for a fee or other compensation~~ MEETS ALL OF THE FOLLOWING REQUIREMENTS may request that the registrant's certificate be placed on retired status: ~~by submitting a request on a form approved~~

1. COMPLETES THE FORMS PRESCRIBED by the board. ~~A registrant whose~~

2. IS AT LEAST FIFTY-FIVE YEARS OF AGE.

3. HAS BEEN A CERTIFIED PUBLIC ACCOUNTANT IN ONE OR MORE JURISDICTIONS FOR AT LEAST TWENTY YEARS.

4. DOES NOT HAVE A certificate ~~is~~ under a disciplinary order by the board, except for suspension for nonregistration pursuant to section 32-741.01. ~~or against whom~~

5. DOES NOT HAVE disciplinary proceedings ~~have been~~ initiated ~~may not place or maintain a certificate on retired status~~ AGAINST THE REGISTRANT.

6. DOES NOT PROVIDE ATTEST OR COMPILATION SERVICES.

7. DOES NOT PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER COMPENSATION IN THIS STATE.

B. A registrant whose certificate is on retired status:

1. Shall continue to register once every two years with the board and pay a registration fee and all of an applicable late fee as prescribed by section 32-729.

~~2. Shall not engage in the practice of accounting for a fee or other compensation while the registrant's certificate remains on retired status.~~

~~3.~~ 2. Shall not DO ANY OF THE FOLLOWING:

(a) PROVIDE ATTEST OR COMPILATION SERVICES.

(b) PROVIDE ACCOUNTING SERVICES FOR A FEE OR OTHER COMPENSATION IN THIS STATE.

(c) Assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~ IN THIS STATE unless accompanied by the word "retired" or the abbreviation "RET" ~~while the registrant's certificate remains on retired status~~.

~~C. A registrant may request that the registrant's certificate be reactivated if the registrant meets all of the following requirements:~~

~~1. Files an application for renewal on the form prescribed by the board and pays the registration fee pursuant to section 32-729.~~

~~2. Submits proof that the registrant has satisfied continuing professional education requirements as prescribed by the board.~~

~~3. Affirms that the registrant has not engaged in any conduct that would constitute grounds for revocation or suspension of a certificate pursuant to section 32-741.~~

Sec. 12. Section 32-741.03, Arizona Revised Statutes, is transferred and renumbered for placement in title 32, chapter 6, article 2, Arizona Revised Statutes, as section 32-730.05 and, as so renumbered, is amended to read:

32-730.05. Revoked status

~~A. If the board revokes the certificate of an individual registrant, the individual shall return the certificate to the board. If the individual is unable to return the certificate, the individual must sign and submit to the board an affidavit on a form prescribed by the board stating that the individual is unable to return the certificate to the board.~~

~~B.~~ An individual whose certificate has been revoked shall not assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~.

~~C. Except as otherwise provided in this subsection, the board shall not issue a certificate to an individual whose certificate has been revoked until five years after the effective date of revocation. If the~~

~~revocation is based only on section 32-741, subsection A, paragraph 1 or 2 and the criminal conviction is ultimately reversed on appeal, the board shall enter an order vacating the revocation.~~

~~D. An individual whose certificate has been revoked may apply for and the board may issue a new certificate if the individual does all of the following:~~

~~1. Files an application for reinstatement on a form prescribed by the board and pays the reinstatement application fee pursuant to section 32-729.~~

~~2. Demonstrates through substantial evidence presented to the board that the individual is completely rehabilitated with respect to the conduct that was the basis of the revocation of the certificate. Demonstration of rehabilitation shall include evidence of the following:~~

~~(a) The individual has not engaged in any conduct during the revocation period that, if the individual had been registered during the period, would have constituted a basis for revocation or suspension pursuant to section 32-741.~~

~~(b) With respect to any criminal conviction that constitutes any part of the basis for the previous revocation, civil rights have been fully restored pursuant to statute or an applicable recognized judicial or gubernatorial order.~~

~~(c) The individual has made restitution as ordered by the board or by a court of competent jurisdiction as a result of the individual's violation of this chapter or rules adopted pursuant to this chapter.~~

~~(d) The individual has addressed or remedied any complaints, investigations or board-ordered requirements that are pending or outstanding at the time of revocation.~~

~~(e) Other evidence of rehabilitation that the board deems appropriate.~~

~~3. Submits proof that the individual has satisfied continuing professional education requirements as prescribed by the board.~~

~~4. If not waived by the board, presents satisfactory evidence from an accredited institution or a college or university that maintains standards comparable to those of an accredited institution that the individual has completed at least one hundred fifty semester hours of education as follows:~~

~~(a) At least thirty-six semester hours are accounting courses of which at least thirty semester hours are upper-level courses.~~

~~(b) At least thirty semester hours are related courses.~~

~~5. If prescribed by the board, presents evidence that the individual has retaken and passed the uniform certified public accountant examination.~~

~~6. On board approval of reinstatement, pays the registration fee pursuant to section 32-729.~~

Sec. 13. Section 32-741.04, Arizona Revised Statutes, is transferred and renumbered for placement in title 32, chapter 6, article 2, Arizona Revised Statutes, as section 32-730.06 and, as so renumbered, is amended to read:

32-730.06. Relinquished status

A. A ~~certified public accountant or public accountant~~ REGISTRANT may relinquish ~~the individual's~~ A certificate OR FIRM REGISTRATION pending or in lieu of an investigation or disciplinary ~~proceedings~~ PROCEEDING or while under a disciplinary order. The board shall consider a relinquishment tendered by a ~~certified public accountant or public accountant~~ REGISTRANT pursuant to this section and shall determine whether to accept the relinquishment. The board shall issue an order documenting its decision.

B. An individual whose certificate, OR AN INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION WHOSE FIRM REGISTRATION, has been relinquished shall not assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~.

~~C. An individual who relinquishes a certificate pursuant to this section may apply for reinstatement and the board may issue a new certificate if the individual does all of the following:~~

~~1. Files an application for reinstatement on the form prescribed by the board and pays the reinstatement application fee pursuant to section 32-729.~~

~~2. Demonstrates through substantial evidence presented to the board that the individual is completely rehabilitated with respect to the conduct that was pending at the time of relinquishment. Demonstration of rehabilitation shall include evidence of the following:~~

~~(a) The individual has not engaged in any conduct during the relinquishment period that, if the individual had been registered during the period, would have constituted a basis for revocation or suspension pursuant to section 32-741.~~

~~(b) With respect to any criminal conviction that constitutes any part of the basis for the relinquishment, civil rights have been fully restored pursuant to statute or an applicable recognized judicial or gubernatorial order.~~

~~(c) The individual has addressed or remedied any complaints, investigations or board-ordered requirements that are pending or outstanding at the time of relinquishment.~~

~~(d) The individual has made restitution as ordered by the board or by a court of competent jurisdiction as a result of the individual's violation of this chapter or rules adopted pursuant to this chapter.~~

~~(e) Other evidence of rehabilitation that the board deems appropriate.~~

~~3. Submits proof that the individual has satisfied continuing education requirements as prescribed by the board.~~

~~4. If not waived by the board, presents satisfactory evidence from an accredited institution or a college or university that maintains standards comparable to those of an accredited institution that the individual has completed at least one hundred fifty semester hours of education as follows:~~

~~(a) At least thirty-six semester hours are accounting courses of which at least thirty semester hours are upper-level courses.~~

~~(b) At least thirty semester hours are related courses.~~

~~5. If prescribed by the board, presents evidence that the individual has retaken and passed the uniform certified public accountant examination.~~

~~6. On board approval of reinstatement, pays the registration fee pursuant to section 32-729.~~

~~D.~~ C. If the board accepts the relinquishment of a certificate of a certified public accountant or ~~public accountant~~ REGISTRATION OF A FIRM, the ~~person~~ REGISTRANT shall ~~return the certificate to the board and shall attach to the certificate a document that is signed and dated and that is in substantially the following form:~~

~~I, (insert name of registrant),~~ acknowledge that disciplinary proceedings have been initiated against ~~me~~ THE REGISTRANT pursuant to ~~title 32, chapter 6,~~ article 3~~, Arizona Revised Statutes,~~ OF THIS CHAPTER and ~~I relinquish my~~ THAT THE REGISTRANT RELINQUISHES THE right to practice accounting as a ~~(insert either "certified public accountant" or "public accountant")~~ CERTIFIED PUBLIC ACCOUNTANT OR FIRM in ~~the~~ THIS state ~~of Arizona~~. ~~I understand that~~ THE REGISTRANT SHALL ACKNOWLEDGE THAT THE REGISTRANT UNDERSTANDS BOTH OF THE FOLLOWING:

1. If ~~I choose~~ THE REGISTRANT CHOOSES to apply for a new certificate OR FIRM REGISTRATION, ~~I must~~ THE REGISTRANT SHALL meet all requirements for certification OR FIRM REGISTRATION pursuant to section ~~32-741.04, Arizona Revised Statutes~~ 32-731. ~~I further understand that,~~

2. In deciding whether to issue a new certificate OR FIRM REGISTRATION to ~~me~~ THE REGISTRANT, the board will consider all disciplinary actions currently pending against ~~me~~ THE REGISTRANT and any other matters it determines to be appropriate.

Sec. 14. Section 32-731, Arizona Revised Statutes, is amended to read:

32-731. Certified public accountant firm registration requirements; performance of attest and compilation services; definition

A. Except as provided in section 32-725, subsection G, once every two years ~~a partnership engaged in this state in the practice of accounting by certified public accountants or public accountants~~ EACH OF THE FOLLOWING shall pay the registration fee pursuant to section 32-729 and register with the board as a ~~partnership of certified public accountants and shall meet the following requirements~~ FIRM:

~~1. At least one partner shall be a resident and a full-time practicing certified public accountant in good standing in this state.~~

~~2. At least fifty-one percent of the ownership of the partnership, in terms of direct and indirect financial interests and voting rights, must belong to holders in good standing of certificates or licenses to practice accounting as certified public accountants or public accountants in any jurisdiction. Only certified public accountants or public accountants whose qualifications are considered to be substantially equivalent, as provided by section 32-721, subsections C and D, may be considered as meeting the requirement prescribed by this paragraph.~~

~~B. A partnership registered with the board pursuant to this section may include owners who are not certified pursuant to this chapter if all of the following apply:~~

~~1. The partnership designates an individual who is certified pursuant to this chapter and who is responsible for the proper registration of the firm.~~

~~2. All noncertified partners actively participate in the management of the partnership or a directly affiliated entity that has been approved by the board. For the purposes of this paragraph:~~

~~(a) A partner actively participates if all of the following occur:~~

~~(i) The partner performs at least five hundred hours of accounting services for the public accounting partnership during the calendar year.~~

~~(ii) The accounting services performed constitute the partner's principal occupation.~~

~~(iii) The partner's interest in the public accounting partnership reverts to the partnership if the partner stops performing services for the partnership.~~

~~(b) "Directly affiliated entity" means a firm in which each owner of an equity interest in the entity actively participates in the business of providing services to the firm's clients.~~

~~3. Any partner who is ultimately responsible for supervising attest services in this state or the partner~~

1. A BUSINESS ORGANIZATION THAT MEETS ALL OF THE FOLLOWING CRITERIA:

(a) HAS A SIMPLE MAJORITY OF THE OWNERSHIP, IN TERMS OF DIRECT AND INDIRECT FINANCIAL INTERESTS AND VOTING RIGHTS, THAT BELONG TO HOLDERS IN GOOD STANDING OF CERTIFICATES OR LICENSES AS CERTIFIED PUBLIC ACCOUNTANTS IN ANY JURISDICTION.

(b) HAS AN OFFICE IN THIS STATE.

(c) EITHER:

(i) PROVIDES ATTEST OR COMPILATION SERVICES.

(ii) USES THE CPA DESIGNATION IN ITS FIRM NAME.

2. A SOLE PROPRIETORSHIP THAT MEETS ALL OF THE FOLLOWING CRITERIA:

(a) HAS AN OWNER THAT IS A CERTIFIED PUBLIC ACCOUNTANT IN GOOD STANDING IN THIS STATE.

(b) HAS AN OFFICE IN THIS STATE.

(c) EITHER:

(i) PERFORMS ATTEST OR COMPILATION SERVICES.

(ii) USES THE CPA DESIGNATION IN ITS FIRM NAME, UNLESS THE FIRM NAME IS THE NAME OF THE SOLE PROPRIETOR AS REGISTERED WITH THE BOARD.

3. AN INDIVIDUAL WHO MEETS BOTH OF THE FOLLOWING CRITERIA:

(a) IS A CERTIFIED PUBLIC ACCOUNTANT IN GOOD STANDING IN THIS STATE.

(b) PERFORMS ATTEST OR COMPILATION SERVICES IN THIS STATE, OTHER THAN AS AN OWNER OR EMPLOYEE OF A SOLE PROPRIETORSHIP OR BUSINESS ORGANIZATION REQUIRED TO REGISTER UNDER PARAGRAPH 1 OR 2 OF THIS SUBSECTION OR IN THE CAPACITY AS AN EMPLOYEE OF A GOVERNMENTAL ENTITY.

B. ATTEST OR COMPILATION SERVICES SHALL BE PROVIDED ONLY THROUGH A REGISTERED FIRM IN GOOD STANDING IN THIS STATE. ANY ATTEST OR COMPILATION SERVICES REPORTS ISSUED BY A FIRM MUST BE SIGNED BY A PERSON who ~~signs any reports related to attest services on behalf of the partnership in this state shall be~~ IS certified pursuant to this chapter or qualified to exercise the limited reciprocity privilege pursuant to section 32-725, subsection G ~~and shall meet the experience requirements for carrying out these functions adopted by the board in its rules~~.

~~4. The partnership complies with other requirements imposed by the board in its rules.~~

C. AN application ~~for~~ OR registration pursuant to this section shall be made ~~on affidavit of a partner~~ BY AN OWNER of the ~~partnership~~ FIRM who is a certified public accountant ~~or public accountant~~ in good standing ~~in this state~~. ~~The board in each case shall determine whether the applicant is eligible for registration.~~ A ~~partnership~~ FIRM that is registered pursuant to this section may use the ~~words "certified public accountants" or the abbreviation "C.P.A.'s" or "CPA's" or the words "public accountants" or the abbreviation "P.A.'s" or "PA's"~~ CPA DESIGNATION in connection with its ~~partnership~~ FIRM name as provided for by the board in its rules. ~~Partnerships registered pursuant to this chapter may provide attest services.~~

D. A ~~partnership~~ FIRM that applies ~~for an initial registration~~ or ~~a renewal~~ REGISTERS pursuant to this section shall list in its application OR REGISTRATION all jurisdictions in which the ~~partnership has applied for or holds a registration, license or permit as a certified public accountant partnership and shall list any past denials, revocations or suspensions of registrations, licenses or permits~~ FIRM HAS ANY DISCIPLINARY ACTIONS, OTHER THAN FOR FAILURE TO TIMELY RENEW A REGISTRATION, LICENSE OR PERMIT, by any other jurisdiction.

E. Except as provided in subsection F of this section, an applicant for registration or a ~~partnership~~ FIRM registered pursuant to this section shall notify the board in writing within one month of any ~~of the following:~~

~~1. The termination of any partnership.~~

~~2. The admission of a partner to a partnership that is registered pursuant to this section if the partner is a certified public accountant or a public accountant.~~

~~3. The withdrawal of a partner from a partnership that is registered pursuant to this section if the partner is a certified public accountant or a public accountant.~~

~~4. A change of a partner's residence from this state to another jurisdiction or from another jurisdiction to this state if the partner is in a partnership that is registered pursuant to this section and the partner was a certified public accountant or a public accountant.~~

~~5. The death of a person who is a partner in a partnership that is registered pursuant to this section and who was a certified public accountant or a public accountant.~~

~~6. Any change by any jurisdiction in the certificate or license status of a certified public accountant or a public accountant owner of the partnership that prevents the certificate or license from being in good standing or that prevents the right of the certified public accountant or a public accountant to practice accounting as a certified public accountant or a public accountant in that jurisdiction.~~

~~7. Any change in the number or location of offices of the partnership in this state and any change in the identity of the individuals in charge of the partnership's offices in this state.~~ CHANGE IN OWNERS THAT RESULTS IN LESS THAN A SIMPLE MAJORITY OF THE OWNERSHIP IN TERMS OF DIRECT AND INDIRECT FINANCIAL INTERESTS AND VOTING RIGHTS THAT BELONG TO HOLDERS IN GOOD STANDING OF CERTIFICATES OR LICENSES AS CERTIFIED PUBLIC ACCOUNTANTS IN ANY JURISDICTION.

F. ~~If a partnership fails to comply with subsection E of this section,~~ The board OR THE BOARD'S EXECUTIVE DIRECTOR may grant a reasonable period of time for the ~~partnership~~ FIRM to take corrective action TO MAINTAIN ITS QUALIFICATIONS AS A FIRM.

G. Professional corporations composed of certified public accountants ~~or public accountants~~ shall meet the requirements of title 10,

chapter 20 and any additional nonconflicting requirements contained in this section.

H. Limited liability companies, professional limited liability companies and limited liability partnerships composed of certified public accountants ~~or public accountants~~ shall meet the requirements of title 29, ~~chapters~~ CHAPTER 4 or 5 and any additional nonconflicting requirements contained in this section.

I. A REGISTRANT MAY NOT USE ANY FIRM NAME OTHER THAN THE FIRM NAME THAT IS REGISTERED WITH THE BOARD.

~~I.~~ J. For the purposes of this section, ~~:~~

~~1. "Partner" includes any shareholder of a professional corporation and any member of a limited liability company or professional limited liability company.~~

~~2. "Partnership" includes a professional corporation, a limited liability company and a professional limited liability company.~~ "GOOD STANDING" MEANS:

1. FOR AN INDIVIDUAL, A STATUS THAT ALLOWS THE INDIVIDUAL TO USE THE CPA DESIGNATION AND TO PERFORM ACCOUNTING SERVICES FOR A FEE OR OTHER COMPENSATION.

2. FOR A FIRM, A STATUS THAT ALLOWS THE FIRM TO USE THE CPA DESIGNATION.

Sec. 15. Title 32, chapter 6, article 2, Arizona Revised Statutes, is amended by adding section 32-732, to read:

32-732. Reactivation from inactive or retired status; reinstatement from canceled, expired, relinquished or revoked status

A. A CERTIFIED PUBLIC ACCOUNTANT WITH A CERTIFICATE STATUS OF INACTIVE OR RETIRED MAY REQUEST THAT THE CERTIFIED PUBLIC ACCOUNTANT'S CERTIFICATE BE REACTIVATED IF ALL OF THE FOLLOWING APPLY:

1. THE REGISTRANT FILES AN APPLICATION FOR RENEWAL ON THE FORM PRESCRIBED BY THE BOARD AND PAYS THE REGISTRATION FEE PURSUANT TO SECTION 32-729.

2. THE REGISTRANT SUBMITS PROOF THAT THE REGISTRANT HAS SATISFIED CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS AS PRESCRIBED BY THE BOARD.

3. EITHER:

(a) THE REGISTRANT AFFIRMS THAT THE REGISTRANT HAS NOT ENGAGED IN ANY CONDUCT DURING THE PERIOD OF TIME THAT THE CERTIFICATE WAS IN INACTIVE OR RETIRED STATUS THAT WOULD CONSTITUTE A REASON TO REVOKE OR SUSPEND THE CERTIFICATE PURSUANT TO SECTION 32-741.

(b) THE BOARD DETERMINES THAT GOOD CAUSE EXISTS FOR THE CONDUCT.

B. AN INDIVIDUAL WITH A CERTIFICATE STATUS OF CANCELED, WHO DOES NOT QUALIFY FOR CERTIFICATION BY RECIPROCITY PURSUANT TO SECTION 32-721, SUBSECTION C, MAY REQUEST THAT THE INDIVIDUAL'S CERTIFICATE BE REINSTATED IF ALL OF THE FOLLOWING APPLY:

1. THE REGISTRANT FILES AN APPLICATION FOR REINSTATEMENT ON THE FORM PRESCRIBED BY THE BOARD AND PAYS THE REINSTATEMENT APPLICATION FEE PURSUANT TO SECTION 32-729.

2. THE REGISTRANT SUBMITS PROOF THAT THE REGISTRANT HAS SATISFIED CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS AS PRESCRIBED BY THE BOARD.

3. EITHER:

(a) THE REGISTRANT AFFIRMS THAT THE INDIVIDUAL HAS NOT ENGAGED IN ANY CONDUCT DURING THE PERIOD OF TIME THAT THE CERTIFICATE WAS IN CANCELED STATUS THAT WOULD CONSTITUTE A REASON TO SUSPEND OR REVOKE PURSUANT TO SECTION 32-741.

(b) THE BOARD DETERMINES THAT GOOD CAUSE EXISTS FOR THE CONDUCT.

4. ON BOARD APPROVAL OF REINSTATEMENT, PAYS THE REGISTRATION FEE PURSUANT TO SECTION 32-729.

C. AN INDIVIDUAL WITH A CERTIFICATE STATUS OF EXPIRED, RELINQUISHED OR REVOKED MAY REQUEST THAT THE INDIVIDUAL'S CERTIFICATE BE REINSTATED IF THE INDIVIDUAL MEETS ALL THE FOLLOWING REQUIREMENTS:

1. THE REQUIREMENTS PRESCRIBED BY SUBSECTION B, PARAGRAPHS 1, 2 AND 4 OF THIS SECTION.

2. UNLESS WAIVED BY A BOARD RELINQUISHMENT OR REVOCATION ORDER, PRESENTS SATISFACTORY EVIDENCE FROM AN ACCREDITED INSTITUTION OR A COLLEGE OR UNIVERSITY THAT MAINTAINS STANDARDS COMPARABLE TO THOSE OF AN ACCREDITED INSTITUTION THAT THE INDIVIDUAL HAS COMPLETED AT LEAST ONE HUNDRED FIFTY SEMESTER HOURS OF EDUCATION AS FOLLOWS:

(a) AT LEAST THIRTY-SIX SEMESTER HOURS OF ACCOUNTING COURSES OF WHICH AT LEAST THIRTY SEMESTER HOURS ARE UPPER-LEVEL COURSES.

(b) AT LEAST THIRTY SEMESTER HOURS OF ACCOUNTING-RELATED COURSES.

3. IF PRESCRIBED BY A BOARD RELINQUISHMENT OR REVOCATION ORDER, PRESENTS EVIDENCE THAT THE INDIVIDUAL HAS RETAKEN AND PASSED THE UNIFORM CERTIFIED PUBLIC ACCOUNTANT EXAMINATION.

4. DEMONSTRATES THROUGH SUBSTANTIAL EVIDENCE PRESENTED TO THE BOARD THAT THE INDIVIDUAL IS COMPLETELY REHABILITATED WITH RESPECT TO THE CONDUCT THAT WAS PENDING OR OUTSTANDING AT THE TIME THE CERTIFICATE WAS RELINQUISHED OR REVOKED OR THAT OCCURRED BEFORE OR AFTER THE CERTIFICATE EXPIRED. DEMONSTRATION OF REHABILITATION INCLUDES EVIDENCE OF THE FOLLOWING:

(a) THE INDIVIDUAL HAS NOT ENGAGED IN ANY CONDUCT THAT, IF THE INDIVIDUAL HAD BEEN REGISTERED DURING THE PERIOD THE CONDUCT OCCURRED, WOULD HAVE CONSTITUTED A BASIS FOR REVOCATION OR SUSPENSION PURSUANT TO SECTION 32-741.

(b) THE INDIVIDUAL'S CIVIL RIGHTS HAVE BEEN FULLY RESTORED PURSUANT TO STATUTE OR AN APPLICABLE RECOGNIZED JUDICIAL OR GUBERNATORIAL ORDER WITH RESPECT TO ANY CRIMINAL CONVICTION THAT CONSTITUTES ANY PART OF THE BASIS FOR THE RELINQUISHMENT OR REVOCATION OR THAT OCCURRED BEFORE OR AFTER THE CERTIFICATE EXPIRED.

(c) THE INDIVIDUAL HAS ADDRESSED OR REMEDIED ANY COMPLAINTS, INVESTIGATIONS OR BOARD-ORDERED REQUIREMENTS THAT WERE PENDING OR OUTSTANDING AT THE TIME OF EXPIRATION, RELINQUISHMENT OR REVOCATION.

(d) THE INDIVIDUAL HAS MADE RESTITUTION AS ORDERED BY THE BOARD OR BY A COURT OF COMPETENT JURISDICTION AS A RESULT OF THE INDIVIDUAL'S VIOLATION OF THIS CHAPTER OR RULES ADOPTED PURSUANT TO THIS CHAPTER.

(e) OTHER EVIDENCE OF REHABILITATION THAT THE BOARD DEEMS APPROPRIATE.

D. EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION C OF THIS SECTION, THE BOARD MAY NOT ISSUE A CERTIFICATE TO AN INDIVIDUAL WHOSE CERTIFICATE HAS BEEN REVOKED UNTIL FIVE YEARS AFTER THE EFFECTIVE DATE OF REVOCATION. IF THE REVOCATION IS BASED ONLY ON SECTION 32-741, SUBSECTION A, PARAGRAPH 1 OR 2 AND THE CRIMINAL CONVICTION IS ULTIMATELY REVERSED ON APPEAL, THE BOARD SHALL ENTER AN ORDER VACATING THE REVOCATION.

E. AN INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION WHOSE FIRM REGISTRATION HAS BEEN CANCELED MAY REQUEST THAT THE FIRM REGISTRATION BE REINSTATED IF THE INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION DOES ALL OF THE FOLLOWING:

1. FILES AN APPLICATION FOR REINSTATEMENT ON THE FORM PRESCRIBED BY THE BOARD AND PAYS THE REINSTATEMENT APPLICATION FEE PURSUANT TO SECTION 32-729.

2. MEETS THE REQUIREMENTS OF SECTION 32-731.

3. ON BOARD APPROVAL OF REINSTATEMENT, PAYS THE REGISTRATION FEE PURSUANT TO SECTION 32-729.

F. AN INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION WHOSE FIRM REGISTRATION HAS EXPIRED OR BEEN RELINQUISHED OR REVOKED MAY REQUEST THAT THE FIRM REGISTRATION BE REINSTATED IF THE INDIVIDUAL, SOLE PROPRIETOR OR BUSINESS ORGANIZATION MEETS ALL OF THE FOLLOWING REQUIREMENTS:

1. THE REQUIREMENTS PRESCRIBED BY SUBSECTION E OF THIS SECTION.

2. DEMONSTRATES THROUGH SUBSTANTIAL EVIDENCE PRESENTED TO THE BOARD THAT THE FIRM IS COMPLETELY REHABILITATED WITH RESPECT TO THE CONDUCT THAT WAS PENDING OR OUTSTANDING AT THE TIME THE REGISTRATION WAS RELINQUISHED OR REVOKED OR THAT OCCURRED BEFORE OR AFTER THE REGISTRATION EXPIRED. DEMONSTRATION OF REHABILITATION INCLUDES EVIDENCE OF THE FOLLOWING:

(a) THE FIRM OR ANY OWNER OF THE FIRM HAS NOT ENGAGED IN ANY CONDUCT THAT, IF THE FIRM HAD BEEN REGISTERED DURING THE PERIOD THE CONDUCT OCCURRED, WOULD HAVE CONSTITUTED A BASIS FOR REVOCATION OR SUSPENSION PURSUANT TO SECTION 32-741.

(b) THE FIRM HAS ADDRESSED OR REMEDIED ANY COMPLAINTS, INVESTIGATIONS OR BOARD-ORDERED REQUIREMENTS THAT WERE PENDING OR OUTSTANDING AT THE TIME OF EXPIRATION, RELINQUISHMENT OR REVOCATION.

(c) THE FIRM HAS MADE RESTITUTION AS ORDERED BY THE BOARD OR BY A COURT OF COMPETENT JURISDICTION AS A RESULT OF ANY VIOLATION OF THIS CHAPTER OR RULES ADOPTED PURSUANT TO THIS CHAPTER.

(d) OTHER EVIDENCE OF REHABILITATION THAT THE BOARD DEEMS APPROPRIATE.

Sec. 16. Section 32-741, Arizona Revised Statutes, is amended to read:

32-741. Revocation or suspension of certificate; disciplinary action; letter of concern

A. After notice and an opportunity for a hearing, the board may revoke or suspend any certificate granted under this chapter and may take disciplinary action concerning the holder of any certificate for any of the following causes:

1. Conviction of a felony under the laws of any jurisdiction or of the United States if civil rights have not been restored pursuant to title 13, chapter 9 or other applicable recognized judicial or gubernatorial order.

2. Conviction of any crime that has a reasonable relationship to the practice of accounting by a certified public accountant ~~or by a public accountant~~, including crimes involving accounting or tax violations, dishonesty, fraud, misrepresentation, embezzlement, theft, forgery, perjury or breach of fiduciary duty, regardless of whether civil rights have been restored.

3. Fraud or deceit in obtaining a certificate as a certified public accountant ~~or in obtaining a certificate as a public accountant~~ under this chapter.

4. Dishonesty, fraud or gross or continuing negligence in the practice of accounting.

5. Discipline to the holder of any certificate or other authority to practice or refusal to renew the certificate or other authority to practice as a certified public accountant by any other jurisdiction or foreign country for any cause other than failure to pay license or registration fees.

6. Violation of any of the provisions of this chapter, of title 44, chapter 12, article 13 or of any fraud provisions of the federal securities laws.

7. Final judgment in a civil action if the court makes findings of accounting violations, dishonesty, fraud, misrepresentation or breach of fiduciary duty.

8. Final judgment or order in a civil action or administrative proceeding if the court or agency makes findings of violations of any fraud provisions of the laws of any jurisdiction or federal securities laws.

9. Violation of any decision, order or rule issued or adopted by the board.

10. Suspension or revocation for cause of the right to practice before the federal securities AND exchange commission or any other

governmental body or agency or the public company accounting oversight board or its successor.

11. Offering or accepting commissions or contingency fees for services rendered for clients for whom ~~the~~ attest ~~function is~~ SERVICES ARE also offered or rendered in the performance of the practice of accounting unless:

(a) The fee is fixed by a court or another public authority.

(b) In a tax matter, the fee is determined based on the results of a judicial proceeding or the finding of a governmental agency.

12. Failing to disclose to a client that the registrant has received or expects to receive a commission from a third party for any engagement, services or product sales involving services other than ~~the~~ attest ~~function~~ SERVICES.

13. Making any false or misleading statement or verification in support of an application for a certificate, registration or permit filed by another person.

14. Making a false or misleading statement:

(a) To the board or its designated agent.

(b) On a form required by the board.

(c) In written correspondence to the board.

15. Failing to respond in writing or furnish information in a timely manner to the board or its designated agent, if the information is legally requested by the board and is in the registrant's possession or control.

B. Pursuant to title 41, chapter 6, article 10, the board may summarily suspend the certificate of any certified public accountant ~~or public accountant~~ pending proceedings for revocation or other disciplinary action on the receipt of either of the following:

1. A notice of conviction of any crime that has a reasonable relationship to the practice of accounting, including crimes involving accounting or tax violations, dishonesty, fraud, misrepresentation, embezzlement, theft, forgery, perjury or breach of fiduciary duty or of any felony.

2. A final judgment or order in a civil action or administrative proceeding in which the court or agency made findings of violations of any fraud provisions of the laws of any jurisdiction or federal securities laws.

C. The board may take disciplinary action against a holder of a certificate issued pursuant to this chapter who is practicing accounting even if the person is not representing to the public that the person is a certified public accountant ~~or a public accountant~~ and even if the person is practicing accounting in a firm that is not registered by the board.

D. The board may issue a letter of concern if, in the opinion of the board, there is insufficient evidence to support disciplinary action against the registrant, but the board believes, as a result of information ascertained during an investigation, that continuation of the activities

that led to the investigation may result in future board action against the registrant. A registrant may file a response with the board within thirty days after receipt of a letter of concern. Letters of concern issued by the board and records kept by the board in connection with investigations leading to letters of concern are confidential and are not public records.

Sec. 17. Section 32-741.01, Arizona Revised Statutes, is amended to read:

32-741.01. Suspension for nonregistration; expiration of certificate or registration

A. The certificate or registration of any registrant who fails to timely register and pay the biennial registration fee as required by section 32-729 is automatically suspended without prior notice or a hearing.

B. A registrant whose certificate or registration is suspended shall not assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~ while the registrant's certificate OR REGISTRATION remains on suspended status.

C. A suspension under this section is vacated when the board has determined that the registrant has paid all past due fees and has satisfied all other requirements for renewal.

D. If the registrant fails to renew the registrant's certificate or registration within ~~twelve~~ THREE months after the date of suspension, the certificate or registration expires.

Sec. 18. Section 32-741.02, Arizona Revised Statutes, is amended to read:

32-741.02. Suspension for noncompliance with continuing education requirements; expiration of certificate

A. After notice and an opportunity for a hearing, the board shall suspend the certificate of any registrant who fails to show proof of compliance with the continuing professional education requirements established by the board pursuant to section 32-730.

B. A registrant whose certificate is suspended shall not assume or use the ~~title or~~ CPA designation ~~of "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA"~~ while the registrant's certificate remains on suspended status.

C. A suspension issued under this section is vacated when the board has determined that the registrant has complied with the continuing professional education requirements and has satisfied all other requirements for renewal.

D. If the registrant fails to meet the requirements of subsection C of this section within ~~twelve~~ SIX months after the date of suspension, the certificate expires.

Sec. 19. Section 32-742, Arizona Revised Statutes, is amended to read:

32-742. Revocation or suspension of firm's registration; failure to renew or reinstate; reinstatement; relinquishment

A. After notice and an opportunity for a hearing, the board shall revoke a firm's registration ~~to practice public accounting~~ if at any time ~~it~~ THE FIRM does not have all the qualifications prescribed by this chapter AND HAS NOT BEEN GRANTED AN EXTENSION OF TIME TO COMPLY WITH FIRM REGISTRATION REQUIREMENTS PURSUANT TO SECTION 32-731, SUBSECTION F.

B. After notice and an opportunity for a hearing, the board may revoke or suspend a firm's registration ~~to practice public accounting~~ or may take disciplinary action ~~concerning the registrant~~ for any of the causes enumerated in section 32-741, subsection A or for any of the following additional causes:

1. The RELINQUISHMENT, revocation or suspension of any certificate issued by the board ~~of~~ TO any ~~partner, shareholder, member, manager, officer, director, agent or employee~~ OWNER of the firm. THIS PARAGRAPH DOES NOT APPLY TO A SUSPENSION FOR NONREGISTRATION PURSUANT TO SECTION 32-741.01.

~~2. The cancellation, revocation, suspension or refusal to renew the authority of the firm or any Arizona partner, shareholder, member, manager, officer, director, agent or employee to practice public accounting in any jurisdiction for any cause other than failure to pay a registration fee in the jurisdiction.~~

~~3.~~ 2. The failure to comply with section 32-731, subsection E.

~~C. A firm may relinquish its registration pending or in lieu of an investigation or a disciplinary proceeding or while under a disciplinary order. The board shall consider a relinquishment tendered by the firm pursuant to this section and may determine whether to accept the relinquishment. The board shall issue an order documenting its decision.~~

~~D. A firm whose registration has been relinquished shall not assume or use the title or designation "certified public accountant" or "public accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA".~~

~~E. A firm whose registration has been relinquished pursuant to this section may apply for reinstatement, and the board may issue a new registration if the firm does all of the following:~~

~~1. Files an application for reinstatement on the form prescribed by the board and pays the registration fee pursuant to section 32-729, paragraph 4.~~

~~2. Demonstrates through substantial evidence presented to the board that the firm is completely rehabilitated with respect to the conduct that was pending at the time of relinquishment. Demonstration of rehabilitation includes evidence of the following:~~

~~(a) The firm or any partner of the firm has not engaged in any conduct during the relinquishment period that, if the firm or partner of the firm had been registered during that period, would have constituted a basis for revocation or suspension pursuant to section 32-741.~~

~~(b) The firm has addressed or remedied any complaints, investigations or board-ordered requirements that are pending or outstanding at the time of relinquishment.~~

~~(c) Other evidence of rehabilitation that the board deems appropriate.~~

~~3. Meets all of the requirements for registration pursuant to this chapter.~~

~~F. If the board accepts the relinquishment of a registration of a firm, before the relinquishment may take effect, the firm shall submit a document that is signed and dated and that is in substantially the following form:~~

~~I, (insert name of registrant acting on behalf of the firm), acknowledge that disciplinary proceedings have been initiated against (insert name of firm) pursuant to title 32, chapter 6, article 3, Arizona Revised Statutes, and the firm relinquishes its right to practice accounting as a certified public accounting firm in the state of Arizona. I understand that if the firm applies for a new registration, it must meet all requirements for registration pursuant to section 32-742, Arizona Revised Statutes. I further understand that, in deciding whether to issue a new registration to the firm, the board will consider all disciplinary actions currently pending against the firm and any other matters it determines to be appropriate.~~

~~Dated this ____ day of _____, 20___.~~

~~By: (insert name of firm, name of individual signing on behalf of firm, and that individual's position in firm)~~

Sec. 20. Section 32-745, Arizona Revised Statutes, is amended to read:

32-745. Employment of persons by accountants

~~Nothing in~~ This chapter ~~shall be construed as preventing~~ DOES NOT PREVENT a person from being employed by a certified public accountant~~, a public accountant,~~ OR a ~~partnership~~ FIRM of certified public accountants ~~or a partnership of public accountants~~ if ~~such~~ THE employed person does not sign reports or assume any responsibility for the conduct of ~~his~~ THE employer's professional practice.

Sec. 21. Section 32-747, Arizona Revised Statutes, is amended to read:

32-747. CPA designation; title; use; unlawful use; classification

A. ~~An individual who has received from the board a certificate to practice as a certified public accountant or as a public accountant issued under the laws of the state or who is a~~ A REGISTRANT OR AN INDIVIDUAL OR FIRM THAT QUALIFIES FOR THE limited reciprocity privilege ~~holder~~ under section 32-725 shall be known as a ~~"~~certified public accountant~~"~~ or ~~"public accountant", in accordance with the certificate or the privilege~~ CERTIFIED PUBLIC ACCOUNTING FIRM and may ~~also~~ use the ~~abbreviation "C.P.A.", "CPA", "P.A." or "PA", in accordance with the certificate or the privilege~~ CPA DESIGNATION unless the status of the ~~certificate~~ REGISTRANT, INDIVIDUAL OR FIRM is canceled, expired, suspended, relinquished or revoked. ~~No other individual or firm shall assume or use any title, designation or abbreviation or any other title, designation, sign, card or device in this state tending to indicate that the individual or firm using it is authorized to practice public accounting or is a certified public accountant or a public accountant.~~

B. ~~No~~ AN individual or firm ~~shall~~ when referring to accounting or accounting practices SHALL NOT assume or use the ~~title or~~ CPA designation ~~"chartered accountant", "certified accountant", "enrolled accountant", "registered accountant", "licensed accountant", "certified tax accountant", "certified tax consultant" or any other title or designation likely or intended to be confused with "certified public accountant" or "public accountant"~~ unless ~~the individual or firm has received from the board a certificate to practice as a certified public accountant or as a public accountant issued under the laws of this state, the individual is a limited reciprocity privilege holder under section 32-725 or the partnership, corporation or other entity is permitted to practice accounting in this state pursuant to section 32-725, subsection G. No individual or firm shall assume or use any of the abbreviations "C.A.", "E.A.", "R.A.", "C.T.A.", "C.T.C.", "L.A." or similar abbreviations likely or intended to be confused with "C.P.A.", "CPA", "P.A." or "PA". An individual who is qualified as a certified public accountant in this state and who also holds a comparable title under the laws of another country may use the title in conjunction with the title "certified public accountant", "C.P.A." or "CPA", and an individual enrolled to practice before the internal revenue service and recognized as an enrolled agent may use the abbreviation "E.A."~~ THE INDIVIDUAL OR FIRM IS QUALIFIED PURSUANT TO SUBSECTION A OF THIS SECTION.

C. This section does not apply to or affect or limit the right to continuous use of a ~~partnership~~ FIRM name, or a modification of a ~~partnership~~ FIRM name, by successor firms formed by the remaining ~~partner~~ OWNER or ~~partners~~ OWNERS or added ~~partner~~ OWNER or ~~partners~~ OWNERS even

though the individuals whose names are included in the ~~partnership~~ FIRM name are not ~~partners~~ OWNERS, but the successor firm shall conform to all other provisions of this chapter. This section does not apply to or affect or limit the right to continuous use of a professional corporation's name as provided pursuant to this chapter or title 10, chapter 20 or a professional limited liability company's name pursuant to this chapter or title 29, chapter 4.

~~D. No corporation or professional limited liability company shall be permitted to practice public accounting in this state, except that this subsection does not apply to a professional corporation incorporated under the laws of this state or to a professional limited liability company, either of which is properly qualified to do business within this state and is otherwise qualified to practice accounting under this chapter.~~

~~E. If an individual violates this chapter, or represents himself to the public as having received a certificate or registration to practice after a certificate or registration has been revoked or suspended, the individual is guilty of a class 2 misdemeanor unless another classification is specifically prescribed in this chapter. Each day an offense is committed constitutes a separate offense.~~

~~F.~~ D. The displaying or uttering by ~~an individual or firm~~ A REGISTRANT OR AN INDIVIDUAL OR FIRM THAT QUALIFIES FOR THE LIMITED RECIPROCITY PRIVILEGE UNDER SECTION 32-725 of any card, sign, advertisement or other printed, engraved or written instrument or device bearing ~~an individual's or firm's~~ A name and intended to be confused with the ~~words "certified public accountant" or "public accountant" or an abbreviation of either shall be~~ CPA DESIGNATION IS prima facie evidence in a prosecution, proceeding or hearing brought under this section that the ~~individual or firm whose name is~~ REGISTRANT, INDIVIDUAL OR FIRM so displayed caused or procured the displaying or uttering of the card, sign, advertisement or other printed, engraved or written instrument or device.

E. A FIRM MAY NOT REFER TO ITSELF AS A CPA FIRM UNLESS IT HAS A SIMPLE MAJORITY OF THE OWNERSHIP IN TERMS OF DIRECT AND INDIRECT FINANCIAL INTERESTS AND VOTING RIGHTS THAT BELONG TO HOLDERS IN GOOD STANDING OF CERTIFICATES OR LICENSES AS CERTIFIED PUBLIC ACCOUNTANTS IN ANY JURISDICTION.

Sec. 22. Repeal

Section 32-747.01, Arizona Revised Statutes, is repealed.

Sec. 23. Title 32, chapter 6, article 3, Arizona Revised Statutes, is amended by adding section 32-748, to read:

32-748. Board review; executive director's actions

A PERSON WHO IS AGGRIEVED BY AN ACTION TAKEN BY THE EXECUTIVE DIRECTOR OF THE BOARD PURSUANT TO SECTION 32-703, SUBSECTION B, PARAGRAPH 14 MAY REQUEST THAT THE BOARD REVIEW THE ACTION. THE PERSON SHALL FILE WITH THE BOARD A WRITTEN REQUEST WITHIN THIRTY DAYS AFTER THE DATE OF THE LETTER INFORMING THE PERSON OF THE EXECUTIVE DIRECTOR'S ACTION. AT THE

NEXT REGULAR BOARD MEETING, THE BOARD SHALL REVIEW THE EXECUTIVE DIRECTOR'S ACTION AND SHALL APPROVE, MODIFY OR REJECT THE ACTION.

Sec. 24. Section 32-749, Arizona Revised Statutes, is amended to read:

32-749. Confidential nature of information acquired by accountants; privilege; conditions for disclosure; public records; exceptions

A. Certified public accountants ~~and public accountants~~ practicing in this state shall not be required to divulge, nor shall they voluntarily divulge, client records or information ~~which~~ they have received by reason of the confidential nature of their employment. Information derived from or as a result of ~~such~~ A professional source shall be kept confidential as provided in this section, but this section ~~shall not be construed as modifying, changing or affecting~~ DOES NOT MODIFY, CHANGE OR AFFECT the criminal or bankruptcy laws of this state or the United States~~, nor shall it be construed to~~ OR limit the authority of this state or any agency of this state to subpoena and use the information in connection with any investigation, public hearing or other proceeding.

B. The board shall not require a registrant to disclose taxpayer information protected from disclosure by section 42-2069 or section 43-381 except as provided by those sections.

C. This section and section 32-744 do not prohibit the disclosure of information for:

1. Compliance with ethical investigations or practice monitoring programs conducted by the board or private professional organizations pursuant to programs preapproved by the board. These programs include, but are not limited to, quality and peer reviews. The scope of quality and peer reviews may include subsequent, remedial or corrective actions. Disclosure of information under this paragraph shall not destroy its confidentiality and privilege nor relieve any registrant of the obligation of confidentiality. The registrants to whom the information is provided shall be bound by this section.

2. Access by the board or its duly authorized agents or employees during business hours to examine and copy any documents, reports, records or other physical evidence of any person being investigated by the board on its own motion or as the result of a complaint received, if the documents, reports, records or evidence relates to the competence or professional conduct of the registrant who is being investigated.

D. Records the board maintains in exercising its statutory duties are presumed to be public records pursuant to title 39, chapter 1, article 2 and are generally accessible for inspection and copying. Exceptions to the public records presumption include investigations of registrants. The board shall treat as confidential information the complaint, the investigation report, the testimony and documents submitted in support of the complaint or gathered in the investigation, including information

obtained pursuant to section 32-721, and any correspondence related to the complaint or investigation. After the initial analysis under section 32-742.01, if the board opens an investigation file on a complaint, the details and records of the complaint and investigation shall remain confidential. However the fact that a complaint or investigation is pending and the nature of the complaint shall be public. The board shall not disclose this confidential information to any person except law enforcement authorities and, to the extent deemed necessary to conduct the investigation, the subject of the investigation, persons whose complaints are being investigated and witnesses questioned in the course of the investigation. Except for client records or information and any information from which the client or the client's property may be identified, the information made confidential under this subsection becomes public record if the board institutes civil enforcement or disciplinary proceedings or issues a consent order in lieu of disciplinary proceedings. If the board dismisses the matter with no disciplinary action, the board may disclose the information relating to the matter only with the consent of the registrant or entity under investigation.

Sec. 25. Section 41-725, Arizona Revised Statutes, is amended to read:

41-725. Comprehensive database of receipts and expenditures of state monies; local reporting; definition

A. The department shall establish and maintain an official internet website that is electronically searchable by the public at no cost and that contains a comprehensive database of receipts and expenditures of state monies. The database shall include the information as prescribed in the comprehensive annual financial report of a budget unit that has been made by a certified public accountant ~~or public accountant~~ who is currently ~~licensed~~ CERTIFIED by the Arizona state board of accountancy or who has a limited reciprocity privilege pursuant to section 32-725 and who is not an employee of the department. The report shall be made in accordance with generally accepted auditing standards and shall contain financial statements that are in conformity with generally accepted accounting principles. If the department has a comprehensive annual financial report of a budget unit that has been presented with a certificate of achievement for excellence in financial reporting by the governmental finance officers association, the department may post such a financial report to satisfy the requirements of this subsection.

B. The department must present information in the database in a manner that is intuitive to members of the general public, including graphical representations. The database must allow users to:

1. Search and aggregate payments by individual budget units and programs.

2. Search and aggregate payments by individual vendors, including the total amount of state funding awarded by all budget units to individual vendors.

3. Download information yielded by a search of the database.

4. Access electronic versions of contracts that relate to expenditures.

C. The database shall include the following information:

1. Annual receipts of revenues, including:

(a) Receipts or deposits by each state budget unit into funds established in the state treasury.

(b) Taxes.

(c) Earnings by each budget unit, including amounts collected for merchandise sold, services performed and licenses, certifications and permits issued.

(d) Revenue from the use of publicly owned money or property, including leases and licenses.

(e) Gifts, donations and grants received, including amounts received from the federal government.

(f) Any other type of public revenue, however denominated or derived, deposited into the state treasury.

2. Annual expenditures and disbursements of state revenues by each state budget unit from funds established in the state treasury, as applicable, including:

(a) Bond payments, debt service and redemption charges and fees.

(b) Contractual services and cooperative agreements.

(c) Commodities.

(d) Capital outlay.

(e) Revenue sharing and other aid to other levels of government, including tribal governments.

(f) Any other expenditure or disbursement of state revenue from the state treasury, however denominated or structured.

D. Expenditure data shall list:

1. The manner of payment, including check or warrant or credit, debit or other purchase card.

2. The funding source, including categorical codes and the state accounts the expenditure is appropriated from.

3. A standardized descriptive title of the type and purpose of the transaction.

4. The date and amount of each payment.

5. The state agency or budget unit making the payment.

6. The name of the person or entity receiving the payment, including to the extent practicable a parent entity of the recipient if the recipient is owned by another entity.

7. The primary location of performance under the contract, including the county, city or town and legislative district.

E. The database shall not include:

1. Tax payment or refund data that include confidential taxpayer information.

2. Data relating to payments of state assistance to individual recipients.

3. Payees' addresses or telephone numbers, but the department may allow public access in the database to information identifying the county in which the payee is located.

4. Work product in anticipation of litigation or information subject to attorney-client privilege.

5. Any other information that is designated by law as confidential or preapproved as confidential by the department pursuant to rule. The department and any officer or employee of the department:

(a) May rely on a determination made by a budget unit regarding confidentiality of information relating to the budget unit's expenditures.

(b) Are immune from civil liability for posting confidential information under this section if the posting is in reliance on the budget unit's determination relating to confidentiality.

F. Each budget unit shall cooperate with the department as necessary to implement and administer this section. Each budget unit shall provide to the department any additional data in a manner and schedule prescribed by the department that are required to be included in the database. The database shall be updated within thirty days after the end of each fiscal year and may be updated as new data become available. The data shall be retained in the database for at least ten full fiscal years.

G. The governor, secretary of state, state treasurer and legislature shall include a link to the database under this section in their individual official websites. Each budget unit that maintains a generally accessible internet website, or for which a generally accessible website is maintained, shall include a link on that website to the database under this section.

H. Each local government shall establish and maintain an official internet website that is accessible to the public at no cost and that contains a comprehensive reporting of all revenues and expenditures over five thousand dollars of local monies in as nearly as practicable the same manner and consistent with subsections B through E of this section. The database shall include the information as prescribed in the comprehensive annual financial report of a budget unit that has been made by a certified public accountant ~~or public accountant~~ who is currently ~~licensed~~ CERTIFIED by the Arizona state board of accountancy or who has a limited reciprocity privilege pursuant to section 32-725 and who is not an employee of the local government. The report shall be made in accordance with generally accepted auditing standards and shall contain financial statements that are in conformity with generally accepted accounting principles. If a

local government has a comprehensive annual financial report of a budget unit that has been presented with a certificate of achievement for excellence in financial reporting by the governmental finance officers association, the local government may post such a financial report to satisfy the requirements of this subsection. A link to this data shall be displayed in a prominent place on the local government's official internet website or on a website of an association of cities and towns for cities and towns that do not have official websites and on the department's official internet website as prescribed in this section. The data shall be updated no less frequently than every three months and may be updated as new data becomes available. The data shall be retained and accessible online for at least three fiscal years.

I. For the purposes of this section "local government" means:

1. A county, city or town with a population of more than twenty-five hundred persons.

2. Any community college district and school district having a student count of more than six hundred pupils.

3. A state university.

Sec. 26. Section 41-1279.07, Arizona Revised Statutes, is amended to read:

41-1279.07. <u>Uniform expenditure reporting system; reports by counties, community college districts, cities and towns; certification and attestation; assistance by auditor general; violation; classification</u>

A. The auditor general shall prescribe a uniform expenditure reporting system for all political subdivisions subject to the constitutional expenditure limitations prescribed by article IX, sections 20 and 21, Constitution of Arizona. The system shall include:

1. For counties:

(a) An annual expenditure limitation report that includes at least the following information:

(i) The expenditure limitation established for the reporting fiscal year by the economic estimates commission.

(ii) Total expenditures, by fund, for the reporting fiscal year.

(iii) Total exclusions from local revenues, as defined by article IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal year.

(iv) Total amounts, by fund, of expenditures subject to the expenditure limitation for the reporting fiscal year.

(b) Annual financial statements prepared in accordance with generally accepted accounting principles.

(c) A reconciliation of the total expenditures reported within the financial statements to the total expenditures stated within the expenditure limitation report.

2. For community college districts:

(a) An annual budgeted expenditure limitation report that includes at least the following information:

(i) The expenditure limitation established for the reporting fiscal year by the economic estimates commission.

(ii) Total budgeted expenditures, by fund, for the reporting fiscal year.

(iii) Total exclusions from local revenues, as defined by article IX, section 21, Constitution of Arizona, by fund, for the reporting fiscal year.

(iv) Total amounts, by fund, of budgeted expenditures subject to the expenditure limitation for the reporting fiscal year.

(b) Annual financial statements prepared in accordance with generally accepted accounting principles.

(c) A reconciliation of the total expenditures reported within the financial statements to the total expenditures reported within the expenditure limitation report.

3. For cities and towns:

(a) An annual expenditure limitation report that includes at least the following information:

(i) The expenditure limitation established for the reporting fiscal year by the economic estimates commission and, if applicable, the voter approved alternative expenditure limitation.

(ii) Total expenditures, by fund, for the reporting fiscal year.

(iii) Total exclusions from local revenues, as defined by article IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal year or, if applicable, the total exclusions from the voter approved alternative expenditure limitation.

(iv) Total amounts, by fund, of expenditures subject to the expenditure limitation for the reporting fiscal year.

(b) Financial statements prepared in accordance with generally accepted accounting principles.

(c) A reconciliation of the total expenditures reported within the financial statements to the total expenditures reported within the expenditure limitation report.

B. The auditor general shall provide detailed instructions for completion and submission of the reports described in subsection A of this section. The auditor general shall prescribe definitions for terms utilized in and the form of the reports described in subsection A of this section. The reports described in subsection A of this section are required of counties and community college districts beginning with fiscal year 1981-1982. The reports described in subsection A of this section are required of cities and towns beginning with the fiscal year the political subdivision is subject to the expenditure limitation. The annual reporting requirements also apply to political subdivisions subject to an

alternative expenditure limitation enacted pursuant to article IX, section 20, subsection (9), Constitution of Arizona.

C. The reports described in subsection A of this section must be filed with the auditor general within nine months after the close of each fiscal year.

D. The auditor general or a certified public accountant ~~or public accountant~~ performing the annual audit required pursuant to sections 41-1279.21 and 9-481 shall attest to the expenditure limitation reports and financial statements for counties, community college districts and cities. The certified public accountant ~~or public accountant~~ performing the annual or biennial audit required pursuant to section 9-481 shall attest to the expenditure limitation reports and financial statements for towns.

E. Each political subdivision shall provide to the auditor general by July 31 each year the name of the chief fiscal officer designated by the governing board of the political subdivision to submit the current fiscal year's expenditure limitation report. The political subdivision shall notify the auditor general of any changes of individuals designated to file the required reports. The designated chief fiscal officer shall certify to the accuracy of the annual expenditure limitation report.

F. The auditor general shall prescribe forms for the uniform reporting system and may provide assistance to individuals, certified public accountants or public accountants responsible for attesting to the expenditure limitation reports and financial statements.

G. A chief fiscal officer, designated pursuant to subsection E of this section, who subsequent to July 1, 1983 refuses to file the reports required by this section within the prescribed time periods or who intentionally files erroneous reports is guilty of a class 1 misdemeanor. A city or town exceeding the expenditure limitation prescribed or authorized pursuant to article IX, section 20, Constitution of Arizona, for any fiscal year, without authorization pursuant to such section, shall have the amount specified in subsection H of this section of its allocations of the state income tax, distributed pursuant to section 43-206, withheld and redistributed to other cities and towns in the same manner as determined pursuant to that section, except that the population of the city or town exceeding the expenditure limitation shall not be included in the computation, and the city or town exceeding the expenditure limitation shall not be entitled to share in the redistribution. A community college district exceeding the expenditure limitation prescribed pursuant to article IX, section 21, Constitution of Arizona, for any fiscal year, without authorization pursuant to such section or section 15-1471, shall have the amount specified in subsection H of this section of its allocations of state aid, distributed pursuant to section 15-1466, withheld.

H. The auditor general shall hold a hearing to determine if any political subdivision has exceeded the expenditure limitations prescribed pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a county has exceeded the expenditure limitations prescribed pursuant to article IX, section 20, Constitution of Arizona, without authorization pursuant to that section, the auditor general shall notify the board of supervisors of the county to reduce the allowable levy of primary property taxes of the county pursuant to section 42-17051, subsection C. If any political subdivision other than a county has exceeded the expenditure limitations prescribed pursuant to article IX, sections 20 and 21, Constitution of Arizona, without authorization, the auditor general shall notify the state treasurer to withhold a portion of the political subdivision's allocations of the revenues described in subsection G of this section for the fiscal year subsequent to the auditor general's hearing as follows:

1. If the excess expenditures are less than five percent of the limitation, an amount equal to the excess expenditures.

2. If the excess expenditures are equal to or greater than five percent but less than ten percent of the limitation, or are less than five percent of the limitation but it is at least the second consecutive instance of excess expenditures, an amount equal to triple the excess expenditures.

3. If the excess expenditures are equal to or greater than ten percent of the limitation, an amount equal to five times the excess expenditures or one-third of the allocation of the revenues described in subsection G of this section, whichever is less.

I. A county, city or town is not deemed to have exceeded the expenditure limitation if the county, city or town makes expenditures for capital improvements from utility revenues pursuant to title 9, chapter 5, article 3 or from excise taxes levied by the county, city or town for a specific purpose and the county, city or town repays the expenditure from the proceeds of bonds or other lawful long-term obligations before the hearing required by subsection H of this section.

APPROVED BY THE GOVERNOR APRIL 27, 2018

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 27, 2018

Passed the House March 22, 2018,

by the following vote: 59 Ayes,

0 Nays, 1 Not Voting

Speaker of the House

Jim Drake

Chief Clerk of the House

Passed the Senate February 27, 2018,

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

President of the Senate

Susan Aceves

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

23rd day of April, 2018,

at 3:02 o'clock P M.

Secretary to the Governor

Approved this 27th day of

April, 2018,

at 4:00 o'clock P. M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 27 day of April, 2018,

at 4:27 o'clock P. M.

Michele Reagan

Secretary of State

S.B. 1443