STATE OF OKLAHOMA

1st Session of the 55th Legislature (2015)

COMMITTEE SUBSTITUTE
FOR
SENATE BILL 370 By: Halligan

COMMITTEE SUBSTITUTE

An Act relating to the practice of accounting; amending 59 O.S. 2011, Sections 15.15A and 15.15B, which relate to firm permits and required designation of a manager; providing certain exceptions for succession of business; authorizing continuation of certain business for certain time; defining term; requiring certain notice upon death of certain persons; requiring notice on completion of sale or transfer; stating content of notice; providing for extended time to complete sale or transfer; construing provisions; allowing injunctive relief for violations; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 59 O.S. 2011, Section 15.15A, is amended to read as follows:

Section 15.15A. A. The Oklahoma Accountancy Board, upon application, shall issue a permit to practice public accounting to each firm seeking to provide professional services to the public in this state except that a firm not required to register with the Board under paragraph 4 of subsection A of Section 15.12A of this title shall also not be required to obtain a permit under this

section. Renewals of firm permits shall be applied for during the month of May of each year.

B. Applicants for initial firm permits shall provide the Board with the following information:

1. A list of all states in which the firm has applied for or been issued a permit or its equivalent within the five (5) years immediately preceding the date of application;

2. Relevant details as to a denial, revocation, or suspension of a permit or its equivalent of the firm, or any partner or shareholder of the firm in any other state or jurisdiction;

3. Documentary proof that the firm has complied with the requirements of the Oklahoma Office of the Secretary of State applicable to such entities; and

4. Such other information as the Board deems appropriate for demonstrating that the qualifications of the firm are sufficient for the practice of public accounting in this state.

C. The following changes in a firm affecting the offices in this state shall be reported to the Board within thirty (30) calendar days from the date of occurrence:

1. Changes in the partners or shareholders of the firm;

2. Changes in the structure of the firm;

3. Change of the designated manager of the firm;

4. Changes in the number or location of offices of the firm; and

5. Denial, revocation, or suspension of certificates, licenses, permits, or their equivalent to the firm or its partners, shareholders, or employees other than in this state.

D. The Board shall be notified in the event the firm is dissolved. Such notification shall be made within thirty (30) calendar days of the dissolution. The Board shall adopt rules for notice and rules appointing the responsible party to receive such notice for the various types of firms authorized to receive permits. Such notice of dissolution shall contain but not be limited to the following information:

1. A list of all partners and shareholders at the time of dissolution;

2. The location of each office of the firm at the time of dissolution; and

3. The date the dissolution became effective.

E. The Board shall set a fee of not more than Two Hundred Dollars ($200.00) for each initial or renewal firm permit except for sole proprietorships.

F. Each firm seeking a permit to practice accounting as a CPA firm shall be issued a permit by the Board upon application and payment of appropriate fees. A firm applying for a permit shall provide documentary proof to the Board that:

1. ~~A~~ <u>Except as authorized in Section 15.15B of this title, a</u> simple majority of the ownership of the firm, in terms of financial

interests and voting rights, belongs to partners or shareholders engaged in the practice of public accounting in the United States and holding a certificate as a certified public accountant in one or more jurisdictions. Although firms may include non-certificate holder owners, the firm and its ownership must comply with rules promulgated by the Board; and

2. Each designated manager of an office in this state is a holder of a valid Oklahoma certificate and permit to practice as a certified public accountant; and

3. All nonlicensed owners are active individual participants in the public accounting firm or affiliated entities, except as authorized in Section 15.15B of this title.

G. Each firm seeking a permit to practice accounting as a PA firm shall be issued a permit by the Board upon application and payment of appropriate fees. A firm applying for a permit shall provide documentary proof to the Board that:

1. ~~A~~ Except as authorized in Section 15.15B of this title, a simple majority of the ownership of the firm, in terms of financial interests and voting rights, belongs to partners or shareholders engaged in the practice of public accounting in the United States and holding a license as a public accountant in one or more jurisdictions. Although firms may include nonlicense holder owners, the firm and its ownership must comply with rules promulgated by the Board; and

2. Each designated manager of an office in this state has received an Oklahoma license and permit to practice as a public accountant or certificate and permit to practice as a certified public accountant; and

3. All nonlicensed owners are active individual participants in the public accounting firm or affiliated entities, except as authorized in Section 15.15B of this title.

H. Any individual licensee who is responsible for supervising attest or compilation services and signs or authorizes someone to sign the accountant's report on the financial statement on behalf of the firm shall meet the competency requirements set out in the professional standards for such services.

I. Any individual licensee who signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm shall meet the competency requirements of the prior subsection.

SECTION 2. AMENDATORY 59 O.S. 2011, Section 15.15B, is amended to read as follows:

Section 15.15B. A. ~~Each~~ Except as authorized in subsection B of this section, each office established or maintained in this state for the practice of public accounting shall be under the direct supervision of a designated manager.

1. The designated manager must be the holder of a certificate in order for the title "Certified Public Accountant" or the abbreviation "C.P.A." to be used in connection with such office; or

2. The designated manager must be the holder of a certificate or a license in order for the title "Public Accountant" or the abbreviation "P.A." to be used in connection with such office.

B. 1. For the purposes of a sale or transfer of an existing office established or maintained in this state for the practice of public accounting, the office is authorized to continue its accounting practice during the pendency of its sale or transfer to a qualified person or entity only upon the actual review of all client documents by a qualified certified public accountant or public accountant in this state. The sale or transfer of an existing office shall be completed within a reasonable time period, preferably not exceeding sixty (60) days. For purposes of this subsection, the term "sale or transfer" means and includes, but is not limited to:

a. the succession of an office established or maintained in this state for the practice of public accounting by the sale or transfer to another person or entity authorized by law to practice public accountancy in this state, or

b. the succession of an office established or maintained in this state for the practice of public accounting by

transfer to a grantor trust upon the death of the holder of a permit to practice public accounting as an interim interest holder before being transferred to qualified individual owners as set out in paragraph F or G of Section 15.15A of this title.

2. Upon the death of a sole proprietor, single owner of a firm or a majority stockholder of a firm, notice shall be given to the executive director of the Oklahoma Accountancy Board by letter within ten (10) days of the death expressing any intention to sell, transfer or assume responsibility of the office, and declaring the name of the qualified person or entity who has agreed to continue the business or review the client documents during pendency of the sale or transfer.

3. Upon completion of a sale or transfer authorized by this subsection, notice shall be given to the executive director of the Oklahoma Accountancy Board by affidavit within ten (10) days of conclusion of the sale or transfer stating the date of completion of the sale or transfer, the name of the designated manager who reviewed client documents or continued the business through completion of the sale or transfer, and the name of the purchaser or transferee that has assumed responsibility for the office, if different from the designated manager.

4. If a sale or transfer cannot be completed within sixty (60) days, the executive director of the Oklahoma Accountancy Board shall be notified monthly until the sale or transfer has been completed.

5. Nothing in this subsection shall prohibit the executive director of the Oklahoma Accountancy Board from seeking an action for injunctive relief or disciplinary action if there is reasonable cause to believe a person is violating the law or is not acting in good faith to complete a sale or transfer authorized by this subsection.

C. The Board shall prescribe such rules as are necessary to implement ~~registration pursuant to~~ the provisions of this section.

SECTION 3. This act shall become effective November 1, 2015.

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