



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB0899

Introduced 2/7/2017, by Sen. Pamela J. Althoff

SYNOPSIS AS INTRODUCED:

225 ILCS 450/0.03	from Ch. 111, par. 5500.03
225 ILCS 450/5.2	
225 ILCS 450/13	from Ch. 111, par. 5514
225 ILCS 450/16	from Ch. 111, par. 5517

Amends the Illinois Public Accounting Act. Allows a certified public accountant (CPA) firm whose principal place of business is not in this State to have all the privileges of a CPA firm licensed under the Act without the need to obtain a license from the Department of Financial and Professional Regulation or to file notice with the Department if the CPA firm complies with specified substantial equivalency requirements; makes conforming changes. Provides that firms that do not meet the certain requirements but offer or render services in the State must hold a license issued under the Act. Provides that every application for renewal of a license by a licensed CPA who has been licensed under the Act for 3 years or more shall be accompanied or supported by evidence showing the completion of professional education as prescribed by Department rule (rather than showing the completion of 120 hours of continuing professional education each 3 years as prescribed by Department rule) and makes related changes. Effective immediately.

LRB100 05774 SMS 15797 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Public Accounting Act is amended by
5 changing Sections 0.03, 5.2, 13, and 16 as follows:

6 (225 ILCS 450/0.03) (from Ch. 111, par. 5500.03)

7 (Section scheduled to be repealed on January 1, 2024)

8 Sec. 0.03. Definitions. As used in this Act, unless the
9 context otherwise requires:

10 "Accountancy activities" means the services as set forth in
11 Section 8.05 of the Act.

12 "Address of record" means the designated address recorded
13 by the Department in the applicant's, licensee's, or
14 registrant's application file or license file maintained by the
15 Department's licensure maintenance unit. It is the duty of the
16 applicant, licensee, or registrant to inform the Department of
17 any change of address, and those changes must be made either
18 through the Department's website or by directly contacting the
19 Department.

20 "Certificate" means a certificate issued by the Board or
21 University or similar jurisdictions specifying an individual
22 has successfully passed all sections and requirements of the
23 Uniform Certified Public Accountant Examination. A certificate

1 issued by the Board or University or similar jurisdiction does
2 not confer the ability to use the CPA title and is not
3 equivalent to a registration or license under this Act.

4 "Compilation" means providing a service to be performed in
5 accordance with Statements on Standards for Accounting and
6 Review Services that is presented in the form of financial
7 statements or information that is the representation of
8 management or owners without undertaking to express any
9 assurance on the statements.

10 "CPA" or "C.P.A." means a certified public accountant who
11 holds a license or registration issued by the Department or an
12 individual authorized to use the CPA title under Section 5.2 of
13 this Act.

14 "CPA firm" means a sole proprietorship, a corporation,
15 registered limited liability partnership, limited liability
16 company, partnership, professional service corporation, or any
17 other form of organization issued a license in accordance with
18 this Act or a CPA firm authorized to use the CPA firm title
19 under Section 5.2 of this Act.

20 "CPA (inactive)" means a licensed certified public
21 accountant who elects to have the Department place his or her
22 license on inactive status pursuant to Section 17.2 of this
23 Act.

24 "Financial statement" means a structured presentation of
25 historical financial information, including, but not limited
26 to, related notes intended to communicate an entity's economic

1 resources and obligations at a point in time or the changes
2 therein for a period of time in accordance with generally
3 accepted accounting principles (GAAP) or other comprehensive
4 basis of accounting (OCBOA).

5 "Other attestation engagements" means an engagement
6 performed in accordance with the Statements on Standards for
7 Attestation Engagements.

8 "Registered Certified Public Accountant" or "registered
9 CPA" means any person who has been issued a registration under
10 this Act as a Registered Certified Public Accountant.

11 "Report", when used with reference to financial
12 statements, means an opinion, report, or other form of language
13 that states or implies assurance as to the reliability of any
14 financial statements and that also includes or is accompanied
15 by any statement or implication that the person or firm issuing
16 it has special knowledge or competence in accounting or
17 auditing. Such a statement or implication of special knowledge
18 or competence may arise from use by the issuer of the report of
19 names or titles indicating that the person or firm is an
20 accountant or auditor, or from the language of the report
21 itself. "Report" includes any form of language that disclaims
22 an opinion when the form of language is conventionally
23 understood to imply any positive assurance as to the
24 reliability of the financial statements referred to or special
25 competence on the part of the person or firm issuing such
26 language; it includes any other form of language that is

1 conventionally understood to imply such assurance or such
2 special knowledge or competence.

3 "Licensed Certified Public Accountant" or "licensed CPA"
4 means any person licensed under this Act as a Licensed
5 Certified Public Accountant.

6 "Committee" means the Public Accountant Registration and
7 Licensure Committee appointed by the Secretary.

8 "Department" means the Department of Financial and
9 Professional Regulation.

10 "License", "licensee", and "licensure" refer to the
11 authorization to practice under the provisions of this Act.

12 "Peer review" means a study, appraisal, or review of one or
13 more aspects of a CPA firm's or sole practitioner's compliance
14 with applicable accounting, auditing, and other attestation
15 standards adopted by generally recognized standard-setting
16 bodies.

17 "Principal place of business" means the office location
18 designated by the licensee from which the person directs,
19 controls, and coordinates his or her professional services.

20 "Review committee" means any person or persons conducting,
21 reviewing, administering, or supervising a peer review
22 program.

23 "Secretary" means the Secretary of the Department of
24 Financial and Professional Regulation.

25 "University" means the University of Illinois.

26 "Board" means the Board of Examiners established under

1 Section 2.

2 "Registration", "registrant", and "registered" refer to
3 the authorization to hold oneself out as or use the title
4 "Registered Certified Public Accountant" or "Certified Public
5 Accountant", unless the context otherwise requires.

6 "Peer Review Administrator" means an organization
7 designated by the Department that meets the requirements of
8 subsection (f) of Section 16 of this Act and other rules that
9 the Department may adopt.

10 (Source: P.A. 98-254, eff. 8-9-13; 99-78, eff. 7-20-15.)

11 (225 ILCS 450/5.2)

12 (Section scheduled to be repealed on January 1, 2024)

13 Sec. 5.2. Substantial equivalency.

14 (a) An individual whose principal place of business is not
15 in this State shall have all the privileges of a person
16 licensed under this Act as a licensed CPA without the need to
17 obtain a license from the Department or to file notice with the
18 Department, if the individual:

19 (1) holds a valid license as a certified public
20 accountant issued by another state that the National
21 Qualification Appraisal Service of the National
22 Association of State Boards of Accountancy has verified to
23 be in substantial equivalence with the CPA licensure
24 requirements of the Uniform Accountancy Act of the American
25 Institute of Certified Public Accountants and the National

1 Association of State Boards of Accountancy; or

2 (2) holds a valid license as a certified public
3 accountant issued by another state and obtains from the
4 National Qualification Appraisal Service of the National
5 Association of State Boards of Accountancy verification
6 that the individual's CPA qualifications are substantially
7 equivalent to the CPA licensure requirements of the Uniform
8 Accountancy Act of the American Institute of Certified
9 Public Accountants and the National Association of State
10 Boards of Accountancy; however, any individual who has
11 passed the Uniform CPA Examination and holds a valid
12 license issued by any other state prior to January 1, 2012
13 shall be exempt from the education requirements of Section
14 3 of this Act for the purposes of this item (2).

15 (a-5) A CPA firm whose principal place of business is not
16 in this State shall have all the privileges of a CPA firm
17 licensed under this Act without the need to obtain a license
18 from the Department or to file notice with the Department if
19 the CPA firm complies with the requirements outlined in
20 Sections 14.4 and 16 through substantial equivalency of their
21 licensed state.

22 (b) Notwithstanding any other provision of law, an
23 individual or CPA firm who offers or renders professional
24 services under this Section, whether in person or by mail,
25 telephone, or electronic means, shall be granted practice
26 privileges in this State and no notice or other submission must

1 be provided by any such individual or CPA firm.

2 (c) An individual licensee or CPA firm of another state ~~who~~
3 ~~is~~ exercising the privilege afforded under this Section and the
4 CPA firm that employs such individual licensee, if any, as a
5 condition of the grant of this privilege, hereby simultaneously
6 consents:

7 (1) to the personal and subject matter jurisdiction and
8 disciplinary authority of the Department;

9 (2) to comply with this Act and the Department's rules
10 adopted under this Act;

11 (3) that in the event that the license from the state
12 of the individual's or CPA firm's principal place of
13 business is no longer valid, the individual or CPA firm
14 shall cease offering or rendering accountancy activities
15 as outlined in paragraphs (1) and (2) of Section 8.05 in
16 this State individually or on behalf of a CPA firm; and

17 (4) to the appointment of the state board that issued
18 the individual's or the CPA firm's license as the agent
19 upon which process may be served in any action or
20 proceeding by the Department against the individual or CPA
21 firm.

22 (d) An individual licensee who qualifies for practice
23 privileges under this Section who, for any entity headquartered
24 in this State, performs (i) a financial statement audit or
25 other engagement in accordance with Statements on Auditing
26 Standards; (ii) an examination of prospective financial

1 information in accordance with Statements on Standards for
2 Attestation Engagements; or (iii) an engagement in accordance
3 with Public Company Accounting Oversight Board Auditing
4 Standards may only do so through a CPA firm licensed under this
5 Act or a CPA firm with practice privileges under this Section.

6 (e) A CPA firm that qualifies for practice privileges under
7 this Section and, for any entity headquartered in this State,
8 performs the following may only do so through an individual or
9 individuals licensed under this Act or an individual or
10 individuals with practice privileges under this Section:

11 (1) a financial statement audit or other engagement in
12 accordance with Statements on Auditing Standards;

13 (2) an examination of prospective financial
14 information in accordance with Statements on Standards for
15 Attestation Engagements; or

16 (3) an engagement in accordance with Public Company
17 Accounting Oversight Board auditing standards.

18 (Source: P.A. 98-254, eff. 8-9-13.)

19 (225 ILCS 450/13) (from Ch. 111, par. 5514)

20 (Section scheduled to be repealed on January 1, 2024)

21 Sec. 13. Application for licensure.

22 (a) A person or CPA firm that wishes to perform accountancy
23 activities in this State, as defined in paragraph (1) of
24 subsection (a) of Section 8.05 of this Act, or use the CPA
25 title shall make application to the Department and shall pay

1 the fee required by rule.

2 Applicants have 3 years from the date of application to
3 complete the application process. If the process has not been
4 completed in 3 years, the application shall be denied, the fee
5 forfeited and the applicant must reapply and meet the
6 requirements in effect at the time of reapplication.

7 (b) Any CPA firm that (i) has an office in this State that
8 uses the title "CPA" or "CPA firm"; (ii) has an office in this
9 State that performs accountancy activities, as defined in
10 paragraph (1) of subsection (a) of Section 8.05 of this Act; or
11 (iii) does not have an office in this State and does not meet
12 the practice privilege requirements as defined in Section 5.2
13 of this Act, but offers or renders ~~performs~~ services, as set
14 forth in subsection (e) ~~(d)~~ of Section 5.2 of this Act, for a
15 client that is headquartered in this State must hold a license
16 as a CPA firm issued under this Act.

17 (c) (Blank). ~~A CPA firm that does not have an office in~~
18 ~~this State may perform a review of a financial statement in~~
19 ~~accordance with the Statements on Standards for Accounting and~~
20 ~~Review Services for a client with its headquarters in this~~
21 ~~State and may use the title "CPA" or "CPA firm" without~~
22 ~~obtaining a license as a CPA firm under this Act, only if the~~
23 ~~firm (i) performs such services through individuals with~~
24 ~~practice privileges under Section 5.2 of this Act; (ii)~~
25 ~~satisfies any peer review requirements in those states in which~~
26 ~~the individuals with practice privileges under Section 5.2 have~~

1 ~~their principal place of business; and (iii) meets the~~
2 ~~qualifications set forth in paragraph (1) of Section 14.4 of~~
3 ~~this Act.~~

4 (d) A CPA firm that is not subject to the requirements of
5 subsection (b) ~~or (c)~~ of this Section may perform professional
6 services that are not regulated under subsection (b) ~~or (c)~~ of
7 this Section while using the title "CPA" or "CPA firm" in this
8 State without obtaining a license as a CPA firm under this Act
9 if the firm (i) performs such services through individuals with
10 practice privileges under Section 5.2 of this Act and (ii) may
11 lawfully perform such services in the state where those
12 individuals with practice privileges under Section 5.2 of this
13 Act have their principal place of business.

14 (Source: P.A. 98-254, eff. 8-9-13.)

15 (225 ILCS 450/16) (from Ch. 111, par. 5517)

16 (Section scheduled to be repealed on January 1, 2024)

17 Sec. 16. Expiration and renewal of licenses; renewal of
18 registration; continuing education; peer review.

19 (a) The expiration date and renewal period for each license
20 or registration issued under this Act shall be set by rule.

21 (b) Every holder of a license or registration under this
22 Act may renew such license or registration before the
23 expiration date upon payment of the required renewal fee as set
24 by rule.

25 (c) Every application for renewal of a license by a

1 licensed CPA who has been licensed under this Act for 3 years
2 or more shall be accompanied or supported by any evidence the
3 Department shall prescribe, in satisfaction of completing,
4 ~~each 3 years, not less than 120 hours of continuing~~
5 professional education as prescribed by Department rules. ~~Of~~
6 ~~the 120 hours, not less than 4 hours shall be courses covering~~
7 ~~the subject of professional ethics.~~ All continuing education
8 sponsors applying to the Department for registration shall be
9 required to submit an initial nonrefundable application fee set
10 by Department rule. Each registered continuing education
11 sponsor shall be required to pay an annual renewal fee set by
12 Department rule. Publicly supported colleges, universities,
13 and governmental agencies located in Illinois are exempt from
14 payment of any fees required for continuing education sponsor
15 registration. Failure by a continuing education sponsor to be
16 licensed or pay the fees prescribed in this Act, or to comply
17 with the rules and regulations established by the Department
18 under this Section regarding requirements for continuing
19 education courses or sponsors, shall constitute grounds for
20 revocation or denial of renewal of the sponsor's registration.

21 (d) Licensed CPAs are exempt from the continuing
22 professional education requirement for the first renewal
23 period following the original issuance of the license.

24 Failure by an applicant for renewal of a license as a
25 licensed CPA to furnish the evidence shall constitute grounds
26 for disciplinary action, unless the Department in its

1 discretion shall determine the failure to have been due to
2 reasonable cause. The Department, in its discretion, may renew
3 a license despite failure to furnish evidence of satisfaction
4 of requirements of continuing education upon condition that the
5 applicant follow a particular program or schedule of continuing
6 education. In issuing rules and individual orders in respect of
7 requirements of continuing education, the Department in its
8 discretion may, among other things, use and rely upon
9 guidelines and pronouncements of recognized educational and
10 professional associations; may prescribe rules for the
11 content, duration, and organization of courses; shall take into
12 account the accessibility to applicants of such continuing
13 education as it may require, and any impediments to interstate
14 practice of public accounting that may result from differences
15 in requirements in other states; and may provide for relaxation
16 or suspension of requirements in regard to applicants who
17 certify that they do not intend to engage in the performance of
18 accountancy activities, and for instances of individual
19 hardship.

20 The Department shall establish by rule a means for the
21 verification of completion of the continuing education
22 required by this Section. This verification may be accomplished
23 through audits of records maintained by licensees; by requiring
24 the filing of continuing education certificates with the
25 Department; or by other means established by the Department.

26 The Department may establish, by rule, guidelines for

1 acceptance of continuing education on behalf of licensed CPAs
2 taking continuing education courses in other jurisdictions.

3 (e) For renewals on and after July 1, 2012, as a condition
4 for granting a renewal license to CPA firms and sole
5 practitioners who perform accountancy activities outlined in
6 paragraph (1) of subsection (a) of Section 8.05 under this Act,
7 the Department shall require that the CPA firm or sole
8 practitioner satisfactorily complete a peer review during the
9 immediately preceding 3-year period, accepted by a Peer Review
10 Administrator in accordance with established standards for
11 performing and reporting on peer reviews, unless the CPA firm
12 or sole practitioner is exempted under the provisions of
13 subsection (i) of this Section. A CPA firm or sole practitioner
14 shall, at the request of the Department, submit to the
15 Department a letter from the Peer Review Administrator stating
16 the date on which the peer review was satisfactorily completed.

17 A new CPA firm or sole practitioner shall not be required
18 to comply with the peer review requirements for the first
19 license renewal. A CPA firm or sole practitioner shall undergo
20 its first peer review during the first full renewal cycle after
21 it is granted its initial license.

22 The requirements of this subsection (e) shall not apply to
23 any person providing services requiring a license under this
24 Act to the extent that such services are provided in the
25 capacity of an employee of the Office of the Auditor General or
26 to a nonprofit cooperative association engaged in the rendering

1 of licensed service to its members only under paragraph (3) of
2 Section 14.4 of this Act or any of its employees to the extent
3 that such services are provided in the capacity of an employee
4 of the association.

5 (f) The Department shall approve only Peer Review
6 Administrators that the Department finds comply with
7 established standards for performing and reporting on peer
8 reviews. The Department may adopt rules establishing
9 guidelines for peer reviews, which shall do all of the
10 following:

11 (1) Require that a peer review be conducted by a
12 reviewer that is independent of the CPA firm reviewed and
13 approved by the Peer Review Administrator under
14 established standards.

15 (2) Other than in the peer review process, prohibit the
16 use or public disclosure of information obtained by the
17 reviewer, the Peer Review Administrator, or the Department
18 during or in connection with the peer review process. The
19 requirement that information not be publicly disclosed
20 shall not apply to a hearing before the Department that the
21 CPA firm or sole practitioner requests be public or to the
22 information described in paragraph (3) of subsection (i) of
23 this Section.

24 (g) If a CPA firm or sole practitioner fails to
25 satisfactorily complete a peer review as required by subsection
26 (e) of this Section or does not comply with any remedial

1 actions determined necessary by the Peer Review Administrator,
2 the Peer Review Administrator shall notify the Department of
3 the failure and shall submit a record with specific references
4 to the rule, statutory provision, professional standards, or
5 other applicable authority upon which the Peer Review
6 Administrator made its determination and the specific actions
7 taken or failed to be taken by the licensee that in the opinion
8 of the Peer Review Administrator constitutes a failure to
9 comply. The Department may at its discretion or shall upon
10 submission of a written application by the CPA firm or sole
11 practitioner hold a hearing under Section 20.1 of this Act to
12 determine whether the CPA firm or sole practitioner has
13 complied with subsection (e) of this Section. The hearing shall
14 be confidential and shall not be open to the public unless
15 requested by the CPA firm or sole practitioner.

16 (h) The CPA firm or sole practitioner reviewed shall pay
17 for any peer review performed. The Peer Review Administrator
18 may charge a fee to each firm and sole practitioner sufficient
19 to cover costs of administering the peer review program.

20 (i) A CPA firm or sole practitioner shall not be required
21 to comply with the peer review requirements if:

22 (1) Within 3 years before the date of application for
23 renewal licensure, the sole practitioner or CPA firm has
24 undergone a peer review conducted in another state or
25 foreign jurisdiction that meets the requirements of
26 paragraphs (1) and (2) of subsection (f) of this Section.

1 The sole practitioner or CPA firm shall, at the request of
2 the Department, submit to the Department a letter from the
3 organization administering the most recent peer review
4 stating the date on which the peer review was completed; or

5 (2) Within 2 years before the date of application for
6 renewal licensure, the sole practitioner or CPA firm
7 satisfies all of the following conditions:

8 (A) has not accepted or performed any accountancy
9 activities outlined in paragraph (1) of subsection (a)
10 of Section 8.05 of this Act; and

11 (B) the firm or sole practitioner agrees to notify
12 the Peer Review Administrator within 30 days of
13 accepting an engagement for services requiring a
14 license under this Act and to undergo a peer review
15 within 18 months after the end of the period covered by
16 the engagement; or

17 (3) For reasons of personal health, military service,
18 or other good cause, the Department determines that the
19 sole practitioner or firm is entitled to an exemption,
20 which may be granted for a period of time not to exceed 12
21 months.

22 (j) If a peer review report indicates that a CPA firm or
23 sole practitioner complies with the appropriate professional
24 standards and practices set forth in the rules of the
25 Department and no further remedial action is required, the Peer
26 Review Administrator shall, after issuance of the final letter

1 of acceptance, destroy all working papers and documents related
2 to the peer review, other than report-related documents and
3 documents evidencing completion of remedial actions, if any, in
4 accordance with rules established by the Department.

5 (k) (Blank).

6 (Source: P.A. 98-254, eff. 8-9-13; 98-730, eff. 1-1-15.)

7 Section 99. Effective date. This Act takes effect upon
8 becoming law.