

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 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7 (Section scheduled to be repealed on January 1, 2014)

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

10 (a) "Registered Certified Public Accountant" means any
11 person who has been issued a registration under this Act as a
12 Registered Certified Public Accountant.

13 (b) "Licensed Certified Public Accountant" means any
14 person licensed under this Act as a Licensed Certified Public
15 Accountant.

16 (c) "Committee" means the Public Accountant Registration
17 Committee appointed by the Director.

18 (d) "Department" means the Department of Professional
19 Regulation.

20 (e) "Director" means the Director of Professional
21 Regulation.

22 (f) "License", "licensee" and "licensure" refers to the
23 authorization to practice under the provisions of this Act.

24 (g) "Peer review program" means a study, appraisal, or
25 review of one or more aspects of the professional work of an
26 individual ~~a person~~ or firm in the practice of public
27 accounting to determine the degree of compliance by the
28 individual or firm with generally accepted accounting
29 principles and auditing standards and other generally accepted
30 technical standards, conducted by persons who hold current
31 licenses to practice public accounting under the laws of this
32 or another state and who are not affiliated with the individual

1 ~~or firm being reviewed certified or licensed under this Act,~~
2 ~~including quality review, peer review, practice monitoring,~~
3 ~~quality assurance, and similar programs undertaken voluntarily~~
4 ~~or as a prerequisite to the providing of professional services~~
5 ~~under government requirements, or any similar internal review~~
6 ~~or inspection that is required by professional standards.~~

7 (h) "Review committee" means any person or persons
8 conducting, reviewing, administering, or supervising a peer
9 review program.

10 (i) "University" means the University of Illinois.

11 (j) "Board" means the Board of Examiners established under
12 Section 2.

13 (k) "Registration", "registrant", and "registered" refer
14 to the authorization to hold oneself out as or use the title
15 "Registered Certified Public Accountant" or "Certified Public
16 Accountant", unless the context otherwise requires.

17 (l) "Peer Review Administrator" means the American
18 Institute of Certified Public Accountants, the Illinois CPA
19 Society, and other organizations that the Department may
20 designate that meet the requirements of subsection (f) of
21 Section 16 of this Act and other rules that the Department may
22 adopt.

23 (Source: P.A. 92-457, eff. 7-1-04; 93-683, eff. 7-2-04.)

24 (225 ILCS 450/16) (from Ch. 111, par. 5517)

25 (Section scheduled to be repealed on January 1, 2014)

26 Sec. 16. Expiration and renewal of licenses; renewal of
27 registration; continuing education.

28 (a) The expiration date and renewal period for each license
29 issued under this Act shall be set by rule.

30 (b) Every holder of a license or registration under this
31 Act may renew such license or registration before the
32 expiration date upon payment of the required renewal fee as set
33 by rule.

34 (c) Every application for renewal of a license by a
35 licensed certified public accountant who has been licensed

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

22 (d) Licensed Certified Public Accountants are exempt from
23 the continuing professional education requirement for the
24 first renewal period following the original issuance of the
25 license.

26 Notwithstanding the provisions of this subsection (c), the
27 Department may accept courses and sponsors approved by other
28 states, by the American Institute of Certified Public
29 Accountants, by other state CPA societies, or by national
30 accrediting organizations such as the National Association of
31 State Boards of Accountancy.

32 Failure by an applicant for renewal of a license as a
33 licensed certified public accountant to furnish the evidence
34 shall constitute grounds for disciplinary action, unless the
35 Department in its discretion shall determine the failure to
36 have been due to reasonable cause. The Department, in its

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

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

24 The Department may establish, by rule, guidelines for
25 acceptance of continuing education on behalf of licensed
26 certified public accountants taking continuing education
27 courses in other jurisdictions.

28 (e) For renewals on and after January 1, 2009, as a
29 condition for granting a renewal license to firms and sole
30 practitioners who provide services requiring a license under
31 this Act, the Department shall require that the firm or sole
32 practitioner undergo a peer review covering the immediately
33 preceding 3-year period, accepted by a Peer Review
34 Administrator in accordance with this Section, unless the firm
35 or sole practitioner is exempted under the provisions of
36 subsection (i). Each firm or sole practitioner shall submit to

1 the Department with its renewal application a letter from the
2 Peer Review Administrator stating the date on which the peer
3 review was satisfactorily completed.

4 A new firm or sole practitioner not subject to subsection
5 (l) shall undergo its first peer review within 18 months after
6 it is granted its initial license.

7 The rules of the Department may lengthen any of the periods
8 between required peer reviews prescribed in this subsection (e)
9 in the manner, under the circumstances, or with respect to
10 firms that the Department in its discretion may consider
11 appropriate.

12 (f) The Department may adopt rules establishing guidelines
13 for peer reviews, which shall do all of the following:

14 (1) Require that a peer review be conducted pursuant to
15 a program and standards of the American Institute of
16 Certified Public Accountants. The Department shall approve
17 only Peer Review Administrators that the Department finds
18 comply with established standards for performing and
19 reporting on peer reviews.

20 (2) Require that a peer review be conducted by a
21 reviewer that is independent of the firm reviewed and
22 approved by the Peer Review Administrator under
23 established standards.

24 (3) Other than in the peer review process, prohibit the
25 use or public disclosure of information obtained by the
26 reviewer, the Peer Review Administrator, or the Department
27 during or in connection with the peer review process. The
28 requirement that information not be publicly disclosed
29 shall not apply to a hearing before the Department that the
30 firm or sole practitioner requests be public or to the
31 information described in paragraph (3) of subsection (i).

32 (g) If a firm or sole practitioner does not comply with any
33 remedial actions determined appropriate by the Peer Review
34 Administrator, the Peer Review Administrator shall refer the
35 matter to the Department to determine if further action under
36 this subsection (g) is warranted. The Department may at its

1 discretion or shall upon submission of a written application by
2 the firm or sole practitioner hold a hearing to determine
3 whether the firm or sole practitioner complies with the
4 appropriate professional standards and practices. The hearing
5 shall be confidential and shall not be open to the public
6 unless requested by the firm or sole practitioner. If the
7 Department after conducting a hearing determines that the firm
8 or sole practitioner complies with the appropriate
9 professional standards and practices, it shall issue an order
10 requiring the Peer Review Administrator to take any necessary
11 action to record and implement the Department's determination
12 and to restore the status of compliance of the firm or sole
13 practitioner. However, if the Department after conducting the
14 hearing determines that the firm or sole practitioner does not
15 comply with the appropriate professional standards and
16 practices, it may issue an order that requires both of the
17 following:

18 (1) Remedial action, which may include any or all of
19 the following:

20 (A) requiring the sole practitioner or employees
21 of the firm to complete general or specific continuing
22 professional education courses;

23 (B) requiring the sole practitioner or firm to
24 undergo a peer review more frequently than every 3
25 years; or

26 (C) other remedial action as recommended by the
27 Committee.

28 (2) An affidavit from the firm or sole practitioner,
29 submitted within the time specified by the Department,
30 indicating completion of the required remedial actions.

31 (h) The firm or sole practitioner reviewed shall pay for
32 any peer review performed. The Peer Review Administrator may
33 charge a fee to each firm and sole practitioner sufficient to
34 cover its costs of administering the peer review program.

35 (i) A firm or sole practitioner shall be exempt from the
36 requirement to undergo a peer review if:

1 (1) Within 3 years before the date of application for
2 renewal licensure, the sole practitioner or firm has
3 undergone a peer review conducted in another state or
4 foreign jurisdiction that meets the requirements of
5 paragraphs (1) and (2) of subsection (f). The sole
6 practitioner or firm shall submit to the Department a
7 letter from the organization administering the most recent
8 peer review stating the date on which the peer review was
9 completed.

10 (2) The sole practitioner or firm satisfies all of the
11 following conditions:

12 (A) during the preceding 2 years, the firm has not
13 accepted or performed any audit or review engagement;

14 (B) within the next 2 years, the firm does not
15 intend to accept or perform any audit or review
16 engagement; and

17 (C) the firm agrees to notify the Department within
18 30 days of accepting an audit or review engagement and
19 to undergo a peer review within 18 months of accepting
20 an audit or review engagement.

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

26 (j) In any civil action, arbitration, or administrative
27 proceeding, regardless of whether a licensee is a party
28 thereto, all of the following shall apply:

29 (1) The proceedings, records (including, without
30 limitation, letters of acceptance, peer review reports,
31 letters of comment, and letters of response), and working
32 papers related to the peer review process of any reviewer,
33 administering organization, or board member are privileged
34 and not subject to discovery, subpoena, or other means of
35 legal process and may not be introduced into evidence.

36 (2) No employee, member, or agent of a Peer Review

1 Administrator or reviewer shall be permitted or required to
2 testify as to any matters produced, presented, disclosed,
3 or discussed during or in connection with the peer review
4 process or be required to testify to any finding,
5 recommendation, evaluation, opinion, or other actions of
6 any person in connection with the peer review process.

7 (3) No privilege exists under this subsection (j):

8 (A) for information presented or considered in the
9 peer review process that was otherwise available to the
10 public;

11 (B) for materials not prepared in connection with a
12 peer review merely because the materials subsequently
13 are presented or considered as part of the peer review
14 process; or

15 (C) in connection with an administrative
16 proceeding or related civil action brought for the
17 purpose of enforcing this Section.

18 (k) If a peer review report indicates that a firm or sole
19 practitioner complies with the appropriate professional
20 standards and practices set forth in the rules of the
21 Department, the Peer Review Administrator shall destroy all
22 working papers and documents, other than report-related
23 documents, related to the peer review within 90 days after
24 issuance of the letter of acceptance by the Peer Review
25 Administrator. If a peer review letter of acceptance indicates
26 that corrective action is required, the Peer Review
27 Administrator may retain documents and reports related to the
28 peer review until completion of the next peer review or other
29 agreed-to corrective actions.

30 (l) In the event the practices of 2 or more firms or sole
31 practitioners are merged or otherwise combined, the surviving
32 firm shall retain the peer review year of the largest firm, as
33 determined by the number of accounting and auditing hours of
34 each of the practices. In the event that the practice of a firm
35 is divided or a portion of its practice is sold or otherwise
36 transferred, any firm or sole practitioner acquiring some or

1 all of the practice that does not already have its own review
2 year shall retain the review year of the former firm. In the
3 event that the first peer review of a firm that would otherwise
4 be required by this subsection (l) would be less than 12 months
5 after its previous review, a review year shall be assigned by
6 Peer Review Administrator so that the firm's next peer review
7 occurs after not less than 12 months of operation, but not
8 later than 18 months of operation.

9 (m) No Peer Review Administrator or reviewer, or any of its
10 members, employees, agents, or any person furnishing
11 professional counsel or services shall be civilly liable by
12 reason of the performance of any duty, function, or activity
13 under this Section so long as the person or entity has not
14 engaged in recklessness or willful misconduct.

15 (Source: P.A. 92-457, eff. 7-1-04; 93-683, eff. 7-2-04.)

16 Section 99. Effective date. This Act takes effect upon
17 becoming law.