

FEDERAL AND STATE AFFAIRS COMMITTEE

December 11, 1969

The meeting was called to order by the Chairman at 10:10 A.M. in Room 522 of the Capitol Building. All members were present except Messrs. Turner, Woodward and Patton.

The Chairman stated that during the last Legislative session, S.B. 260 had been considered, and that now the CPA's have a substitute bill which they are proposing.

Mr. Bill Mitchell stated that SB 260, even though endorsed by most of the CPA's, was not exactly as they desired, and presented a proposed substitute bill (See attached as Exhibit A). He stated that the IRS people are in accord with this proposal; that it would allow the IRS people who have a Masters Degree with concentration in Accounting, to take an exam and if they pass, to take the CPA examination. It eliminates the experience requirement on this type of arrangement only. He explained the equivalency and experience requirements, stating that the Board could determine that an applicant has knowledge necessary, and after passing a preliminary examination could take the CPA examination.

Mr. Corey of Wichita, past president of the CPA's association, testified that there has been a lack of uniformity in legislation and after study, it would seem that this would be a step toward uniformity between the states. He cited, for example, how the differences in Oklahoma and Kansas statutes can sometimes cause difficulty. He stated that they are seeking to protect the attest function of the CPA with this bill; that any auditor can say that in his opinion something is a "fair statement" but the CPA attest assures that the person is knowledgeable in the particular field.

Mr. McGill inquired about a grandfather clause, and Mr. Corey explained that anyone qualified to sit for the examination now would have five years or ten examinations to finish his qualifications. After that the law would say a college degree is needed to sit. Mr. Keenan inquired if there is room for discretionary approval by the board on educational requirements or equivalent, and Mr. Corey stated under the present law a high school graduate with three years experience in a CPA's office can take the examination.

Mr. Unruh inquired if CPA firms don't employ accountants, and Mr. Corey stated that they have a lot of non-certified people but they are recent graduates and are working up. Mr. Unruh asked if they are willing to certify the work of these people, and Mr. Corey explained that a CPA supervises the jobs and sets up a program and then takes the responsibility for it even though non-certified people may perform the work.

Mr. Bill Michel, a CPA of Topeka, stated that he was the main CPA last year who opposed the legislation; that he believes if business

colleges continue to improve their quality of instruction those graduates may have as good a reputation as CPA's. He explained that Kansas CPA's cannot and do not seek to regulate interstate commerce, like for example auditors for firms like Sears. He states that if an individual wants to establish practice in Kansas, dealing with the general public, he must qualify under Kansas law; that his firm audits firms from Virginia, Seattle and other places and are signed by Kansas CPA's because he has specialists who are accepted anywhere. He states that he believes an improvement in educational background can only be in the public interest. He stated that CPA's have no desire to eliminate others from the practice of accountancy.

Mr. Unruh inquired if this would affect for example, H & R Block and Mr. Richel stated that he didn't think so; that they don't certify-- they only do income tax. Mr. Keenan stated that he believes the proposal is so discretionary in the Board, so vacant of guidelines that he believes they would be in trouble. Mr. Mitchell stated that this same discretion is in the present law.

The Chairman suggested to the Committee that they look the proposal over and clear up any questions; that he suggested to the people requesting this legislation that this be introduced as a Committee bill rather than attempt to amend the Senate bill.

The meeting was adjourned.

Margaret Gentry, SECRETARY

APPROVED:

Jess Taylor, CHAIRMAN

AN ACT relating to certified public accountants; providing for the licensing thereof; regulating the practice of public accounting by certified public accountants; amending K. S. A. 1-301, 1-302 and 1-311 and repealing the existing sections and also repealing K. S. A. 1-303, 1-305 and 1-309.

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

Section 1. K. S. A. 1-301 is hereby amended to read as follows: 1-301. The board shall charge and collect a fee from each applicant for the certificate of certified public accountant and shall collect an annual fee for a permit to practice as a certified public accountant. The fee shall accompany the application provided by the board. No portion of the fee shall be returned to the applicant unless his application is rejected. The board each year, on or before the thirtieth day of May, shall determine the amount that may be necessary for the next ensuing year to carry out and enforce the provisions of this act and the act of which this section is amendatory, and shall fix the fees provided to be charged and collected under this section, which shall be as follows: (a) Application fee for the certificate of certified public accountant, not to exceed fifty dollars (\$50): Provided, That should the applicant fail to pass the required examination, a complete re-examination may be had on payment of an additional fee of not to exceed ~~twenty-five-dollars-(\$25)~~ forty dollars (\$40) for each such complete re-examination: Provided further, Should the applicant fail to pass part of the required examination, a partial re-examination may be had on payment of an ~~additional fee of not to exceed fifteen-dollars-(\$15)~~ twenty-five (\$25); (b) first an annual renewal fee for permit to practice, not to exceed twenty-five dollars (\$25), subject to the provisions of subsection (c) of this section; (c) renewal fee of one and one-half times the then regular fee for a permit to practice in

the case of an applicant who had in some prior year held a permit to practice but who did not hold such a permit for the year immediately preceding the year for which a permit to practice is requested, or who, if holding permit to practice for such year immediately preceding applies for renewal subsequent to the expiration date of such permit. Upon fixing the renewal fees as above provided, the board shall immediately notify all holders of permits to practice of the amount of said fee for the ensuing year.

Sec. 2. K. S. A. 1-302 is hereby amended to read as follows:

1-302. The certificate of "certified public accountant" shall be granted by the board to any person (a) ~~who is a citizen of the United States, and (b)~~ who is a resident of this state or has a place of business or is employed therein, and ~~(c)~~ (b) who has attained the age of twenty-one (21) years, and ~~(d)~~ (c) who is of good moral character, and ~~(e)~~ (d) who meets the education and experience requirements prescribed by ~~sections 7 and 9 of this act K. S. A. 1-303 and 1-305, as amended~~ sections 3 and 4 of this act and who shall have successfully passed a written examination in ~~theory of accounts, accounting, practice, and auditing, commercial law, as affecting public accounting, and in such other related subjects as the board may determine advisable~~ to be appropriate. Any person who is the holder of a valid certificate of certified public accountant issued under the laws of this state shall be styled and known as a "certified public accountant."

Sec. 3. (a) An applicant for admission to the examination required in K. S. A. 1-302, as amended, must submit evidence satisfactory to the board of accountancy of at least one of the following:

(1) A baccalaureate, master's or higher academic degree from a college or university recognized by the board, with a concentration in accounting; or

(2) A baccalaureate, master's or higher academic degree

from a college or university recognized by the board, without regard to course of study completed; that the applicant has completed two (2) years of practical public accounting experience; or

(3) Knowledge which the board determines to be substantially the equivalent of that required for a baccalaureate degree; that the applicant has taken and passed a comprehensive examination designed to measure knowledge after completion of a college course of study with a concentration in accounting; and that the applicant has completed two (2) years of practical public accounting experience; or

(4) That the applicant was admitted, or would be eligible to be admitted, to sit for an examination prior to June 30, 1973, under provisions of law in effect immediately prior to the effective date of this act, except that the provisions of this paragraph shall be of no force or effect from and after August 1, 1976.

(b) The board, by rule and regulation, may provide for admittance to an examination of persons who will be graduated from a college or university, and who are otherwise qualified, all as provided herein, within ninety (90) days after the examination to which admitted, but no report on the examination of any such person shall be made unless he shall be so graduated.

(c) The practical public accounting experience required in this act shall be defined by a duly adopted rule or regulation of the board of accountancy, but any such experience must include extensive participation in the examination of financial statements in accordance with generally accepted auditing standards for third party reliance and, unless otherwise provided, must be acquired under the supervision of a practicing certified public accountant.

Sec. 4. (a) Except as hereinafter provided, any applicant who successfully passes the examination provided for in K. S. A. 1-302, as amended, shall not receive a certificate as a certified public accountant until he can submit evidence satisfactory to the board of having completed two (2) years of practical public accounting experience, except that:

(1) After August 1, 1970, a certificate as a certified public accountant may be issued to any applicant who is otherwise qualified, who passes the examination required by K. S. A. 1-302, as amended by this act, and also holds or receives a master's or higher academic degree from a college or university recognized by the board having completed a course of study including a concentration in accounting.

(2) Any applicant who qualified to take the examination pursuant to paragraph (4) of subsection (a) of section 3 of this act shall not receive a certificate as a certified public accountant until he has completed a total of three (3) years of practical public accounting experience, either on his own account or under the supervision of a practicing public accountant.

Sec. 5. K. S. A. 1-311 is hereby amended to read as follows:

1-311. After notice and hearing as provided in ~~section 17 of this act~~ K. S. A. 1-313, the board may revoke or suspend any certificate issued under the laws of this state, or any registration granted under ~~section 12 of this act~~ K. S. A. 1-308, or may revoke, suspend or refuse to renew any permit issued under ~~section 14 of this act~~ K. S. A. 1-310, or may censure the holder of any such permit, for any one or any combination of the following causes:

(a) Fraud or deceit in obtaining a certificate as certified public accountant, or in obtaining registration under this act, or in obtaining a permit to practice as a certified public accountant under this act; (b) dishonesty, fraud, or gross negligence in his practice as a public accountant; (c) violation of any of the provisions of ~~section 20 of this act~~ K. S. A. 1-316; (d) ~~repeated~~ willful violation of a rule of professional conduct promulgated by the board under the authority granted by ~~this act, after~~ warning by the board that such continued violation will constitute ground for proceedings hereunder K. S. A. 1-202; (e) conviction of a felony under the laws of any state or of the United States; (f) conviction of any crime, an essential element of which is dishonesty or fraud, under the laws of any state or of the United

States; (g) cancellation, revocation, suspension, or refusal to renew, authority to practice as a certified public accountant or a public accountant in any state or foreign country.

Sec. 6. K. S. A. 1-301, 1-302, 1-303, 1-305, 1-309 and 1-311 are hereby repealed.

Sec. 7. This act shall take effect and be in force from and after August 1, 1970, and its publication in the statute book.