

Approved: RB 2/10/07
Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:02 A.M. on February 06, 2007 in Room 231-N of the Capitol.

All members were present except:
Brenda Landwehr- excused
Candy Ruff- excused

Committee staff present:
Jerry Ann Donaldson, Kansas Legislative Research Department
Dustin Slinkard, Office of Revisor of Statutes
Stephen Bainum, Committee Assistant

Conferees appearing before the committee:
Paul Allen, Vice-Chair of the Kansas Board of Accountancy
Tony A Scott, Executive Director, Kansas Society of Certified Public Accountants
Susan L. Somers, Executive Director, Kansas Board of Accountancy

The Chairman called for bill introductions. There were none from the committee. The Chairman introduced a bill to change the rate of unemployment payments.

The Chairman advised that Wednesday was the last day for individual bill introductions and went over this week and next weeks schedule. The Chairman asked everyone to hold their questions until each conferee finished their presentation.

The Chairman opened the hearing on **HB 2293 - Technical changes to the licensure, examination and registration of certified public accountants.**

Paul Allen, Vice-Chair of the Kansas Board of Accountancy testified in support of **HB 2293** (Attachment 1).

Representative Pauls asked a question on 1-319 regarding the removal of the terms "uttering or utterance". Paul Allen said that he was not aware of a problem connected with it.

Representative Sharp how many accountants would be impacted with the change in 1-316. Paul Allen stated that it's use was limited to the corporate environment and involved people from another state who were only practicing within the corporation.

Representative Kiegerl asked about the changes in wording of 1-302b, using the words *attest* and *service* in place of "audit," "review" and "the examination of prospective financial information". He said that the terms were less precise and asked why they were being changed. Paul Allen explained that in their language *attest* was precise and did mean those things.

The Chairman asked for an explanation of the terms on page 7 line 33. Paul stated that the changes were being made because the terms were being discontinued. This change was to allow the new terms to be used.

Tony Scott, Executive Director, Kansas Society of Certified Public Accountants testified in support of **HB 2293** (Attachment 2).

Representative Kiegerl asked the same question that he had asked of Paul Allen. Tony Scott said that the word *attest* was a professional certified professional accountant term and a more succinct one.

The Chairman asked about the meaning of the changes on page 5, line 41-43. Tony Scott said that they refer to statutory deadlines that CPAs have to remit taxes to the state and if that is not done in a timely fashion it is a discredit to the profession and as a result they would like the authority to discipline those CPAs who through negligence or willful conduct do not comply with the statutory requirements.

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:02 A.M. on February 06, 2007 in Room 231-N of the Capitol.

The Chairman further asked who could be suspended under the change on page 7, line 35. Tony Scott explained that under the present regulation a firm could be suspended from practicing but the individual in the firm could continue to practice. This change was made so that the board could suspend the firm and the individual.

Representative Grant asked for an example of the reason for disciplinary action. Tony Scott referred the question to the Board of Accountancy to answer. Paul Allen answered that this was to correct an oversight when the UAA was adopted that really needed to be addressed. An example might be the case of a firm having an audit failure and the individual in the firm still continuing to practice.

The Chairman closed the hearing on **HB 2293**.

The Chairman opened the hearing on **HB 2314 - Board of accountancy approval of course work**.

Paul Allen, Vice-Chair of the Kansas Board of Accountancy testified in support of **HB 2314** (Attachment 3).

Representative Goico asked if courses offered by the universities over the internet qualified. Paul Allen said that if they were the traditional college courses accredited by the university they would be accepted.

Representative Kiegerl asked about accreditation. Paul Allen indicated that there were many kinds and levels of accreditation. The board needs to have the authority to accept or reject any college's credits.

Representative Sharp asked a question about page 1, line 27 which states the requirement that the credit be accepted by the board. Paul Allen stated that their concern was out of state or out of country colleges. They had no problem with the Kansas regent colleges.

Tony Scott, Executive Director, Kansas Society of Certified Public Accountants testified in support of **HB 2314** (Attachment 4). He stressed that the board needs to be the gate keeper for the profession. This is to protect the profession and the public.

Representative Roth asked what the result would be if we struck item (3). Would the board be forced to accept the credits from any colleges? That would be correct and it is one of our concerns that it would take away the boards ability to regulate the profession.

The Chairman asked what was the time frame for changing the regulation. The question was deferred to Susan Somers, Executive Director, Kansas Board of Accountancy. She said that it would take effect when it was published in the Kansas Register rather than waiting for July 1st statute book. As soon as it is in the Register they can begin the regulation process. They would file notices of hearings. Once the hearings are held they are published again in the Kansas Register and become law. We anticipate early fall for it to be taken care of.

The Chairman closed the hearings on **HB 2314**.

The Chairman again called for bill introductions. There were none.

The Committee was adjourned at 10:08 A.M.

KANSAS

BOARD OF ACCOUNTANCY
SUSAN L. SOMERS, EXECUTIVE DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

TESTIMONY ON HB 2293

MR. CHAIRMAN, I AM PAUL ALLEN, VICE-CHAIR OF THE KANSAS BOARD OF ACCOUNTANCY AND I AM HERE TODAY TO TESTIFY ON BEHALF OF THE BOARD IN FAVOR OF HOUSE BILL 2293.

MOST OF THE PROPOSED REVISIONS GROW OUT OF NEED TO CLEAN UP LANGUAGE FOR CHANGES IN THE PROFESSION AND FOR CLARIFICATION, AND TO ELIMINATE OUTDATED REQUIREMENTS. WITH YOUR PERMISSION I WILL ATTEMPT TO EXPLAIN THE PURPOSE OF EACH CHANGE.

1-302b: CLEAN UP PURPOSES. THE PROFESSION NOW SIMPLY DEFINES THESE SERVICES AS "ATTEST".

1-304: ELIMINATION OF A SECTION THAT IS NO LONGER NEEDED WITH THE COMPLETION OF THE MOVEMENT TO COMPUTER BASED EXAMINATION.

1-308: REQUIRES OUT OF STATE CPA FIRMS DOING BUSINESS IN THE STATE TO REGISTER WITH THE BOARD. THIS IS SO THAT PEER REVIEW MAY BE TRACKED WITH THE FIRM RATHER THAN WITH THE INDIVIDUAL. THE AMENDMENT TO (a)(5) IS DUE TO A CHANGE IN THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA) RULE OF PROFESSIONAL CONDUCT THAT THE BOARD ADOPTS BY REFERENCE.

THE AMENDMENT TO (B) IS TO REMOVE AN OBSOLETE PROVISION WHICH WAS ADOPTED TO ALLOW CERTAIN OWNERS IN GENERAL PARTNERSHIPS TO FORM A PROFESSIONAL CORPORATION FOR THE PRIMARY PURPOSE OF SETTING UP A QUALIFIED RETIREMENT PLAN INDIVIDUALLY. UNDER THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA), THE BENEFIT OF USING THIS METHODOLOGY WAS ELIMINATED.

1-310: WITH THE PROPOSED ADMENDMENT REQUIRING OUT OF STATE FIRMS TO SUBMIT PEER REVIEWS AS PART OF THEIR REGISTRATION, THIS PROVISION WOULD BECOME UNNECESSARY.

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(Attach 1)*

1-311: CHANGES ARE FOR CLARIFICATION AND CLEAN-UP PURPOSES. HOWEVER, WE REQUEST THAT ON LINE PAGE 6, LINE 17, THAT THE WORD'S "PERMIT HOLDER'S" BE STRICKEN, AND THE WORD "PERSON'S" BE INSERTED. THIS WILL COVER BOTH CERTIFICATE HOLDERS AND PERMIT HOLDERS.

1-312: THE AICPA, WHO PROMULGATES THE STANDARDS FOR PERFORMING AND CONDUCTING PEER REVIEWS, IS IN THE PROCESS OF CHANGING LANGUAGE THAT IS CURRENTLY INCLUDED IN THIS STATUTE REGARDING THE TYPE OF PEER REVIEW REPORT THAT IS ISSUED. THE TERMS "MODIFIED" AND "ADVERSE" WILL BE CHANGED; HOWEVER, IT IS NOT KNOWN AT THIS TIME WHAT TERMINOLOGY WILL BE CHOSEN. THEREFORE, (d) WILL MOVE THE DEFINITION TO THE REGULATIONS TO ALLOW THE BOARD TO ACCOMMODATE THE CHANGE IN TERMINOLOGY. THE PURPOSE OF (e) IS TO CLARIFY THE TYPE OF DISCIPLINE THAT CAN BE TAKEN AGAINST A SOLE CPA OWNER OF A FIRM WHEN THE FIRM REGISTRATION IS SUSPENDED OR REVOKED. OTHER AMENDMENTS TO THIS STATUTE ARE FOR CLEAN-UP PURPOSES.

1-316: THESE AMENDMENTS ARE FOR CLEAN-UP PURPOSES. (c) WILL ALLOW PERSONS WHO HAVE A VALID CERTIFICATE FROM ANOTHER STATE TO USE THE TITLE "CPA" IN KANSAS, BUT WILL NOT ALLOW THEM TO PRACTICE AS A CPA WITHOUT HAVING A KANSAS CERTIFICATE AND PERMIT. THIS IS TO ACCOMMODATE THOSE WHO ARE IN INDUSTRY, NOT PROVIDING SERVICES FOR THE PUBLIC, TO USE THE "CPA" AS A CREDENTIAL ONLY.

1-318: CLARIFIES THAT THE BOARD CAN SEEK AN INJUNCTION AGAINST A FIRM, AS WELL AS AN INDIVIDUAL.

1-319: THE PURPOSE OF THIS AMENDMENT IS REMOVE THE TERMS "UTTERING OR UTERRANCE" WHICH ARE INAPPROPRIATELY USED IN CONNECTION WITH THIS STATUTE AND TO REPLACE THEM WITH THE TERMS "ASSERTION OR ASSERTED" TO MORE CORRECTLY CLARIFY THE ACTS PROHIBITED.

1-321: THE PURPOSE OF THESE AMENDMENTS ARE TO INCLUDE THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB) AND MOVE THE DEFINITION OF "FIRM" FROM 1-308 TO THIS STATUTE. THE OTHER AMENDMENTS ARE FOR CLEAN-UP PURPOSES.

1-501: LIKE THE AMENDMENTS TO 1-312, THIS THROWS THE TERMINOLOGY USED FOR PEER REVIEW REPORTS TO THE REGULATIONS.

WE RESPECTFULLY REQUEST FAVORABLE PASSAGE OF THIS BILL. I WILL BE HAPPY TO STAND FOR QUESTIONS.



Kansas Society of Certified Public Accountants

1080 S.W. Wanamaker, Suite 200 • P.O. Box 4291 • Topeka, Kansas 66604-0291 • 785-272-4366 • Fax 785-272-4468

TESTIMONY

To: The Honorable Steven Brunk, Chair
Members, House Committee on Commerce and Labor

From: Tony A. Scott, Executive Director, Kansas Society of Certified Public Accountants

Date: February 6, 2007

Re: Testimony as Proponent of HB 2293

Ladies and Gentlemen of the House Committee on Commerce and Labor:

Approximately 2,600 members strong, the Kansas Society of Certified Public Accountants (KSCPA) is the statewide professional association of CPAs dedicated to implementing strategies that enhance the well-being of our members, the accounting profession and the general public we serve. My name is Tony A. Scott and I am Executive Director of the KSCPA. **Today I am here testifying as a proponent of HB 2293.**

HB 2293 includes several instances of wording changes brought about by the dynamic nature of the CPA profession. One such example is substitution of the word "attest" as a more succinct reference to audits, compilations and other professional services performed, and "attested" to, by CPAs. Another example is the deletion from current statutes of certain exam-related language which is no longer applicable. A final example is use of the word "firm" to encompass a number of different operating structures used by CPAs. The word "firm" is more fully defined in new law contained within HB 2293.

Also included in HB 2293 are substantive additions intended to enhance the ability of the Board of Accountancy (the Board) to engage in compelling disciplinary-related activities. For example, the addition of new law will provide the Board the authority to discipline a CPA for failure to timely comply with applicable federal and state tax filing requirements. Another such addition will allow the Board to suspend an individual practitioner's permit to practice when that individual's firm registration is suspended or revoked.

Another minor, yet important, change will allow certified public accountants duly licensed by another licensing jurisdiction to use the words "Certified Public Accountant" and/or the initials "CPA" as a demonstrated educational and professional credential without subjecting themselves to discipline by the Board. One caveat, of course, is that a CPA using the earned educational and professional designation will be prohibited from holding themselves out to the public as being in the practice of certified public accountancy unless the CPA holds a valid Kansas CPA certificate and permit to practice issued by the Kansas Board of Accountancy.

Finally, several wording changes are proposed to accommodate a significant transition in the CPA profession's peer review program. Peer Review was implemented in the late 1980's by the American Institute of Certified Public Accountants and State Societies of CPAs as a way to

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enhance internal education, mentoring and quality control elements in and among CPA firms. The KSCPA acts as the Kansas Peer Review Program Administrator. Currently there is a nationwide attempt to make peer review more understandable to participants, as well as to the public, and to facilitate state board access to peer review results. Wording changes proposed in HB 2293 will help with this transition pending final changes in the peer review program.

Based upon the foregoing, **we respectfully request members of the Committee vote in favor of HB 2293.**

It is my honor and privilege to appear before you today. I will be pleased to stand for questions.

Respectfully submitted,

Tony A. Scott

TAS/mmi



KANSAS

BOARD OF ACCOUNTANCY
SUSAN L. SOMERS, EXECUTIVE DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

TESTIMONY ON HOUSE BILL 2314

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM PAUL ALLEN, VICE-CHAIR OF THE KANSAS BOARD OF ACCOUNTANCY. I AM HERE TODAY ON BEHALF OF THE BOARD TO TESTIFY IN FAVOR OF HOUSE BILL 2314.

SINCE THE ADOPTION OF THE 150 SEMESTER HOUR EDUCATION REQUIREMENT FOR ADMISSION TO THE CPA EXAMINATION, A GREAT DEAL HAS CHANGED IN HOW OUR UNIVERSITIES AND COLLEGES DELIVER THEIR EDUCATIONAL SERVICES. INCREASINGLY, STUDENTS ARE FULFILLING A PORTION OF THEIR DEGREE REQUIREMENTS BY NON-TRADITIONAL MEANS SUCH AS ADVANCED PLACEMENT CREDITS, CREDITS BY EXAMINATION AND MILITARY CREDITS. UNDER OUR CURRENT STATUTES, THESE CREDITS CANNOT BE RECOGNIZED AS HOURS COUNTING TOWARDS THE 150 SEMESTER HOUR REQUIREMENT. THE PROPOSED ADMENDMENT TO K.S.A. 1-302a WILL GIVE THE BOARD THE SPECIFIC REGULATION AUTHORITY TO ACCEPT SUCH CREDITS AND TO DEFINE THE TYPES AND NUMBER OF SUCH CREDITS TO BE ACCEPTED TOWARDS THE 150 HOUR REQUIREMENT. BY PASSING THE AUTHORITY THROUGH TO THE RULES AND REGULATIONS, IT ALLOWS THE BOARD THE ABILITY TO BE MORE READILY RESPONSIVE TO ANY FUTURE CHANGES IN THE EDUCATIONAL LANDSCAPE.

ALSO ATTACHED TO MY TESTIMONY IS A COPY OF THE PROPOSED AMENDMENT TO K.A.R. 74-4-2. THIS ADMENDMENT HAS BEEN REVIEWED AND COMMENTED ON BY THE COLLEGES AND UNIVERSITIES, THE KANSAS BOARD OF REGENTS, AND BY THE KANSAS SOCIETY OF CPAs. THE PROPOSED REGULATION IS A RESULT OF THE CULMINATION OF OUR MEETINGS AND DISCUSSIONS WITH THESE AND OTHER INTERESTED PARTIES. IT IS THE STATED INTENT OF THE BOARD TO MOVE FORWARD WITH THE ADOPTION OF THIS REGULATION ONCE THE NECESSARY CHANGES TO THE STATUTES ARE PASSED INTO LAW.

WE RESPECTFULLY REQUEST FAVORABLE PASSAGE OF THIS BILL. I AM HAPPY TO STAND FOR ANY QUESTIONS.

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2-6-07
(Attach 3)

**Proposed regulation to implement 2007 Legislation amending K.S.A. 1-302a
Draft dated 12/12/06**

74-2-2. Evaluation of college credits. (a) Pursuant to K.S.A. 1-302a and amendments thereto, the following credits awarded by a college or university approved by the board shall be accepted by the board:

1. Advanced placement credit;

2. credit by examination;

3. military credit; and

4. credit awarded for course work offered by a technical school, a technical college or a similar institution in another jurisdiction;

(b) Notwithstanding paragraph (a), the amount of credits accepted by the board shall not exceed a total of twenty-four credit hours for any credit or combination of credits identified in paragraph

(a). For good cause, the board may waive this limitation and accept the credit.

(c) In evaluating credit hours earned at a college or university operating under the quarter plan, ~~these~~ such hours shall be converted to semester hours at the rate of two (2) semester hours for every three (3) quarter hours. (Authorized by and implementing K.S.A. 1-202 and 2006 K.S.A. Supp. 1-302a, as amended by 2007

HB/SB _____, § _____; effective Jan. 1, 1966; amended May 1, 1978;
amended P-_____.)

Explanation: This reg allows an exam candidate to obtain up to 24 credit hours for the following credits awarded by a college/university approved by the Board:

1. AP courses. [subsection (a)(1)]
2. CLEP credit and any other credit-by-exam.
3. DANTES and any other military credit.
4. credit given by a technical school or a technical college in Kansas or elsewhere.

The 24 credit hour limitation may be waived.

Subsection (c) is current verbiage in the reg.



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Approximately 2,600 members strong, the Kansas Society of Certified Public Accountants (KSCPA) is the statewide professional association of CPAs dedicated to implementing strategies that enhance the well-being of our members, the accounting profession and the general public we serve. My name is Tony A. Scott and I am Executive Director of the KSCPA. **Today I am here testifying as a proponent of HB 2314.**

HB 2314 enhances the statutory authority of the Kansas Board of Accountancy (the Board) to accept certain academic credits awarded by educational institutions to students who are prospective candidates for the uniform CPA examination. Many of you will recall Committee consideration of a similar bill during the 2006 Session. At that time we were concerned that the legislation, as amended, could lead to unintended consequences as it relates to the Board's ability to set appropriate qualifications for the CPA examination and for prospective CPAs.

Following through on a promise we made, this past summer representatives from the Board, the KSCPA, institutions of higher education, and other stakeholders met several times to study a wide-range of issues. Among the issues discussed was the topic of academic credits awarded by educational institutions to prospective CPA examination candidates.

Following comprehensive input and thoughtful consideration, proposed legislation was drafted and is now presented to you in the form of HB 2314. We believe HB 2314 appropriately addresses the award of academic credits by educational institutions to prospective CPA examination candidates. We also believe HB 2314 maintains the Board's professional ability and statutory authority to regulate admission to the CPA examination and to the CPA profession. **As a result, we respectfully request members of the Committee vote in favor of HB 2314.**

It is my honor and privilege to appear before you today. I will be pleased to stand for questions.

Respectfully submitted,

Tony A. Scott

TAS/mmi

House Commerce + Labor
2-6-07
(Attach 4)

February 2, 2007

The Honorable Steve Brunk, Chairperson
House Committee on Commerce and Labor
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Representative Brunk:

SUBJECT: Fiscal Note for HB 2293 by House Committee on Commerce and Labor

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2293 is respectfully submitted to your committee.

HB 2293 would make a variety of amendments to the law governing licensure of certified public accountants. The bill makes clarifying amendments to the law governing supervision of first-year certified public accountants. HB 2293 would eliminate current language that allows for conditional status bestowed on candidates who pass the examination in at least two subjects and who are then allowed to re-take the failed subjects. The bill would institute a new requirement to compel out-of-state firms to register with the Board of Accountancy. The bill would also authorize the Board to deny an application for certification for failure to comply with federal or state requirements regarding the timely filing of the applicant's own personal tax returns, the tax returns of the firm, or the timely remittance of payroll and other taxes collected on behalf of others.

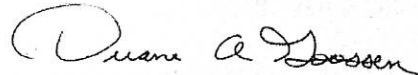
HB 2293 would also add a definition of "firm" to clarify it means an individual who operates as a sole practitioner and who issues reports subject to peer review, or any business organization. Reference to "PCAOB" is added to the Board's statutes, which is the Public Company Accounting Oversight Board created by the Sarbanes-Oxley Act of 2002.

Estimated State Fiscal Effect				
	FY 2007 SGF	FY 2007 All Funds	FY 2008 SGF	FY 2008 All Funds
Revenue	--	--	\$3,000	\$15,000
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Honorable Steve Brunk, Chairperson
February 2, 2007
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The Board of Accountancy indicates enactment of HB 2293 would increase postage and printing costs to communicate with out-of-state firms that would register with the Board. No specific estimate of these costs is made, but they are expected to be negligible. The Board also reports that there would be an increase in fee revenues from the out-of-state firms registering with the agency. The Board estimates this increase to be \$15,000. Of this amount, 20.0 percent, would be deposited in the State General Fund, in accordance with current law regarding agency fee fund earnings. Any fiscal effect resulting from enactment of HB 2293 is not accounted for in *The FY 2008 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Susan Somers, Board of Accountancy

February 2, 2007

The Honorable Steve Brunk, Chairperson
House Committee on Commerce and Labor
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Representative Brunk:

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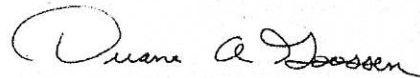
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The Honorable Steve Brunk, Chairperson
February 2, 2007
Page 2—2293

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Sincerely,



Duane A. Goossen
Director of the Budget

cc: Susan Somers, Board of Accountancy