

TWENTY-SECOND NORTHERN MARIANAS COMMONWEALTH
LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

_____ Session, 2021

H. B. 22- 64

A BILL FOR AN ACT

To provide for the issuance of certificates as certified public accountants to regulate the practice of accountancy in the public interest; to establish a Board of Accountancy and prescribe its powers and duties, and for other purposes.

**BE IT ENACTED BY THE TWENTY-SECOND NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Purpose.** Because it was passed in 2002, the Accountancy Act
2 regulated accounting practices as they existed two decades ago. Unless it is updated,
3 this critical legislation may become obsolete. Repealing it and re-enacting the
4 Accountancy Act of 2002 is necessary. Good practices and procedures from 2002
5 may no longer be adequate. Each year, better policies and practices are developed.
6 Repealing the 2002 version is consistent with the Commonwealth's policy to
7 promote the reliability of information that is used for guidance in financial
8 transactions, or assessing the financial status or performance of commercial,
9 noncommercial, and governmental enterprises.

10 Dedicated to the public interest, this Act requires that persons professing
11 special competence in accountancy or offering assurance as to the reliability or
12 fairness of presentation of such information shall have demonstrated their
13 qualifications to do so. Additionally, it provides that persons who have not

1 demonstrated and maintained such qualifications, including certificate holders not
2 in public practice, not be permitted to represent themselves as having such special
3 competence or to offer such assurance. Virtually all aspects of accounting practices
4 are comprehensively covered to ensure that the conduct of persons licensed as having
5 special competence in accountancy are properly regulated. In short, this Act
6 establishes a public authority competent to prescribe and assess the qualifications of
7 licensees and to regulate their conduct. Deceptive practices, to include the use of titles
8 that have a capacity or tendency to deceive the public as to the status or competence
9 of the persons using such titles are also prohibited and penalized accordingly.

10 **Section 2. Title.** This Act may be cited as the “Accountancy Act of 2021.”

11 **Section 3. Definitions.** When used in this Act, the following terms have the
12 meanings indicated:

13 (a) “AICPA” means the American Institute of Certified Public
14 Accountants.

15 (b) “Attest” means providing the following services:

16 (1) any audit or other engagement to be performed in
17 accordance with the Statements on Auditing Standards (SAS);

18 (2) any review of a financial statement to be performed in
19 accordance with the Statements on Standards for Accounting and Review
20 Services (SSARS);

1 (3) any examination of prospective financial information to be
2 performed in accordance with the Statements on Standards for Attestation
3 Engagements (SSAE);

4 (4) any engagement to be performed in accordance with the
5 standards of the PCAOB; and

6 (5) any examination, review, or agreed upon procedures
7 engagement to be performed in accordance with the SSAE, other than an
8 examination described in subsection (3).

9 The standards specified in this definition shall be adopted by reference by
10 the Board pursuant to rulemaking and shall be those developed for general
11 application by recognized national accountancy organizations, such as the AICPA,
12 and the PCAOB.

13 (c) “Board” means the CNMI Board of Accountancy established under
14 Section of this Act or its predecessor under prior law.

15 (d) “Certificate” means a certificate as “Certified Public Accountant”
16 issued under Section 6 of this Act or corresponding provisions of prior law, or a
17 corresponding certificate as Certified Public Accountant issued after examination
18 under the law of any other state.

19 (e) “Client” means a person or entity that agrees with a licensee or
20 licensee's employer to receive any professional service.

1 (f) “Compilation” means providing a service of any compilation
2 engagement to be performed in accordance with Statements on Standards for
3 Accounting and Review Services (SSARS).

4 (g) “CPA Firm” means a sole proprietorship, a corporation, a
5 partnership or any other form of organization issued a permit under Section 7 of
6 this Act.

7 (h) “License” means a certificate issued under Section 6 of this Act, a
8 permit issued under Section 7;

9 or, in each case, a certificate or permit issued under corresponding
10 provisions of prior law.

11 (i) “Licensee” means the holder of a license as defined in Section 3(h).

12 (j) “Manager” means a manager of a limited liability company.

13 (k) “Member” means a member of a limited liability company.

14 (l) “NASBA” means the National Association of State Boards of
15 Accountancy.

16 (m) “PCAOB” means the Public Company Accounting Oversight
17 Board.

18 (n) “Peer Review” means a study, appraisal, or review of one or more
19 aspects of the professional work of a certificate holder or CPA firm that issues attest
20 or compilation reports, by a person or persons who hold certificates and who are
21 not affiliated with the certificate holder or CPA firm being reviewed.

1 (o) “Permit” means a permit to practice as a CPA firm issued under
2 Section 7 of this Act or corresponding provisions of prior law or under
3 corresponding provisions of the laws of other states.

4 (p) “Preparation of Financial Statements” means providing a service of
5 any preparation of financial statements engagement to be performed in accordance
6 with Statements on Standards for Accounting and Review Services (SSARS).

7 (q) “Principal place of business” means the office location designated
8 by the licensee for purposes of substantial equivalency and reciprocity.

9 (r) “Professional” means arising out of or related to the specialized
10 knowledge or skills associated with CPAs.

11 (s) “Report,” when used with reference to any attest or compilation
12 service, means an opinion, report, or other form of language that states or implies
13 assurance as to the reliability of the attested information or compiled financial
14 statements and that also includes or is accompanied by any statement or implication
15 that the person or firm issuing it has special knowledge or competence in
16 accounting or auditing. Such a statement or implication of special knowledge or
17 competence may arise from use by the issuer of the report of names or titles
18 indicating that the person or firm is an accountant or auditor, or from the language
19 of the report itself. The term “report” includes any form of language which
20 disclaims an opinion when such form of language is conventionally understood to
21 imply any positive assurance as to the reliability of the attested information or

1 compiled financial statements referred to and/or special competence on the part of
2 the person or firm issuing such language; and it includes any other form of language
3 that is conventionally understood to imply such assurance and/or such special
4 knowledge or competence.

5 (t) "Rule" means any rule, regulation, or other written directive of
6 general application duly adopted by the Board.

7 (u) "State" means any state of the United States, the District of
8 Columbia, Puerto Rico, the U.S. Virgin Islands, the Commonwealth of the Northern
9 Mariana Islands, and Guam; except that "this Commonwealth" means the
10 Commonwealth of the Northern Mariana Islands.

11 (v) "Substantial Equivalency" is a determination by the Board of
12 Accountancy or its designee that the education, examination and experience
13 requirements contained in the statutes and administrative rules of another
14 jurisdiction are comparable to, or exceed the education, examination and
15 experience requirements contained in the Uniform Accountancy Act or that an
16 individual CPA's education, examination and experience qualifications are
17 comparable to or exceed the education, examination and experience requirements
18 contained in the Uniform Accountancy Act. In ascertaining substantial equivalency
19 as used in this act the Board shall take into account the qualifications without regard
20 to the sequence in which experience, education, or examination requirements were
21 attained.

1 **Section 4. CNMI Board of Accountancy.**

2 (a) There is hereby created the CNMI Board of Accountancy, which
3 shall have responsibility for the administration and enforcement of this Act. The
4 Board shall consist of no more than five members, appointed by the Governor, all
5 of whom shall be residents of the CNMI. At least a majority plus one of such
6 members shall be holders of currently valid certificates issued under Section 6 of
7 this Act or corresponding provisions of prior law; and any members of the Board
8 not having such qualifications shall have had professional or practical experience
9 in the use of accounting services and financial statements, so as to be qualified to
10 make judgments about the qualifications and conduct of persons and firms subject
11 to regulation under this Act. The term of each member of the Board shall be 4 years,
12 the term of each to be designated by the Governor except that members of the
13 CNMI Board of Accountancy appointed and serving as under prior law at the
14 effective date of this Act shall serve out the terms for which they were appointed,
15 as members of the Board created by this Section. Vacancies occurring during a term
16 shall be filled by appointment by the Governor for the unexpired term. Upon the
17 expiration of the member's term of office, a member shall continue to serve until a
18 successor shall have been appointed and taken office. Any member of the Board
19 whose certificate under Section 6 of this Act is revoked or suspended shall
20 automatically cease to be a member of the Board, and the Governor may, after a
21 hearing, remove any member of the Board for neglect of duty or other just cause.

1 No person who has served two successive complete terms shall be eligible for
2 reappointment, but appointment to fill an unexpired term shall not be considered a
3 complete term for this purpose.

4 (b) The Board shall elect annually from among its members a Chair and
5 such other officers as the Board may determine to be appropriate. The Board shall
6 meet at such times and places as may be fixed by the Board. Meetings of the Board
7 shall be open to the public except insofar as they are concerned with investigations
8 under Section 10 of this Act and except as may be necessary to protect information
9 that is required to be kept confidential by Board rules or by the laws of this
10 Commonwealth. A majority of the Board members then in office shall constitute a
11 quorum at any meeting duly called. The Board shall have a seal which shall be
12 judicially noticed. The Board shall retain or arrange for the retention of all
13 applications and all documents under oath that are filed with the Board and also
14 records of its proceedings, and it shall maintain a registry of the names and
15 addresses of all licensees under this Act. In any proceeding in court, civil or
16 criminal, arising out of or founded upon any provision of this Act, copies of any of
17 said records certified as true copies under the seal of the Board shall be admissible
18 in evidence as tending to prove the contents of said records.

19 (c) Each member of the Board shall be paid an amount established by
20 law for each day or portion thereof spent in the discharge of the member's official

1 duties and shall be reimbursed for the member's actual and necessary expenses
2 incurred in the discharge of the member's official duties.

3 (d) All monies collected by the Board from fees authorized to be
4 charged by this Act shall be received and accounted for by the Board and shall be
5 deposited in the CNMI Treasury to the credit of the Board. Appropriation shall be
6 made for the expenses of administering the provisions of this Act, which may
7 include, but shall not be limited to, the costs of conducting investigations and of
8 taking testimony and procuring the attendance of witnesses before the Board or its
9 committees; all legal proceedings taken under this Act for the enforcement thereof;
10 and educational programs for the benefit of the public and licensees and their
11 employees.

12 (e) The Board shall file an annual report of its activities with the
13 Governor and the Legislature, which report shall include a statement of all receipts
14 and disbursements and a listing of all current licensees under this Act. The Board
15 shall mail a copy of the annual report to any person requesting it and paying a
16 reasonable charge therefor.

17 (f) The Board may employ an executive director and such other
18 personnel as it deems necessary in its administration and enforcement of this Act.
19 It may appoint such committees or persons, to advise or assist it in such
20 administration and enforcement, as it may see fit. It may retain its own private legal

1 counsel to advise and assist it, separately, or in addition to such advice and
2 assistance that may be provided by the CNMI Office of the Attorney General.

3 (g) (1) The Board shall have the power to take all action that is
4 necessary and proper to effectuate the purposes of this Act, including the power to
5 sue and be sued in its official name as an agency of this Commonwealth. The Board
6 shall also have the power to issue subpoenas to compel the attendance of witnesses
7 and the production of documents; to administer oaths; to take testimony, to
8 cooperate with the PCAOB and the appropriate state and federal regulatory
9 authorities having jurisdiction over the professional conduct in question in
10 investigation and enforcement concerning violations of this Act and comparable
11 acts of other states; to cooperate in enforcement with appropriate foreign regulatory
12 authorities in instances which have or may result in criminal conviction, loss of
13 license or suspension, admonishment or censure; and to receive evidence
14 concerning all matters within the scope of this Act. In case of disobedience of a
15 subpoena, the Board may invoke the aid of any court or other appropriate regulatory
16 authority in requiring the attendance and testimony of witnesses and the production
17 of documentary evidence. For purposes of this subsection, "appropriate foreign
18 regulatory authorities" shall be those foreign authorities granting substantially
19 equivalent foreign designations in accordance with Section 6(g) of this Act.

20 (2) The Board, its members, and its agents shall be immune from
21 personal liability for actions taken in good faith in the discharge of the Board's

1 responsibilities, and the State shall hold the Board, its members, and its agents
2 harmless from all costs, damages, and attorneys' fees arising from claims and suits
3 against them with respect to matters to which such immunity applies.

4 (h) The Board may adopt rules governing its administration and
5 enforcement of this Act and the conduct of licensees, including but not limited to--

6 (1) Rules governing the Board's meetings and the conduct of its
7 business;

8 (2) Rules of procedure governing the conduct of investigations
9 and hearings by the Board

10 (3) Rules specifying the educational and experience
11 qualifications required for the issuance of certificates under Section 6 of
12 this Act and the continuing professional education required for renewal
13 of certificates under Section 6;

14 (4) Rules of professional conduct directed to controlling the
15 quality and probity of services by licensees, and dealing among other
16 things with independence, integrity, and objectivity; competence and
17 technical standards; responsibilities to the public; and responsibilities to
18 clients;

19 (5) Rules governing the professional standards applicable to
20 licensees;

1 (6) Rules governing the manner and circumstances of use of the
2 titles “certified public accountant” and “CPA”;

3 (7) Rules regarding peer review that may be required to be
4 performed under provisions of this Act;

5 (8) Rules on substantial equivalence to implement Section 22-3;
6 and

7 (9) Such other rules as the Board may deem necessary or
8 appropriate for implementing the provisions and the purposes of this Act.

9 (i) At least 60 days prior to the proposed effective date of any rule or
10 amendment thereto under subsection (h) of this Section or any other provision of
11 this Act, the Board shall publish notice of such proposed action and of a public
12 hearing to be held no more than 30 days prior to such effective date, in the
13 Commonwealth Register or one (1) equivalent official publication.

14 (j) Records, papers, and other documents containing information
15 collected or compiled by the Board, its members, employees, contractors or agents,
16 including its legal counsel, as a result of a complaint, investigation, inquiry, or
17 interview in connection with an application for examination, certification, or
18 registration, or in connection with a licensee’s professional ethics and conduct, shall
19 not be considered public records within the meaning of this Commonwealth’s
20 public records laws. Additionally, any record, paper, or other document received
21 by the Board as a result of a self-reporting requirement shall not be considered

1 public records within the meaning of this Commonwealth's public records laws.
2 When any such record, paper, or other document is admitted into evidence in a
3 hearing held by the Board, it shall then be a public record within the meaning of
4 this Commonwealth's public records laws. However, upon a showing of good
5 cause, the presiding officer at such a hearing may order that confidential or
6 privileged information be redacted or admitted under seal.

7 (1) Notwithstanding any other provision of this Act, information
8 protected by this confidentiality provision shall not be disclosed to other
9 authorities unless the recipient confirms in writing that it will assure
10 preservation of confidentiality and the licensee has been given reasonable
11 notice that the information will be provided to another entity.

12 (2) Notwithstanding any contrary provision in the State's Public
13 Records law, disclosures to law enforcement and regulatory authorities and,
14 only to the extent deemed necessary to conduct an investigation, to the
15 subject of the investigation, persons whose complaints are being
16 investigated and witnesses questioned in the course of investigation, as
17 provided in Section 10(b), shall not be considered public disclosures and
18 shall not deprive such records of their confidential status.

19 (3) Nothing in this subsection shall be construed as a waiver of
20 any privilege, such as attorney-client privilege, which may also apply to any
21 records covered by this subsection.

1 (4) Nothing in this subsection shall confer confidential status on
2 any record collected under this subsection which was a public record when
3 collected or thereafter becomes a public record through other lawful means.

4 **Section 5. Qualifications for a certificate as a Certified Public**
5 **Accountant.**

6 (a) The certificate of “certified public accountant” shall be granted to
7 persons of good moral character who meet the education, experience and
8 examination requirements of the following subsections of this Section and rules
9 adopted thereunder and who make application therefor pursuant to Section 6 of this
10 Act.

11 (b) Good moral character for purposes of this Section means the
12 propensity to provide professional services in a fair, honest, and open manner. The
13 Board may refuse to grant a certificate on the ground of failure to satisfy this
14 requirement only if there is a substantial connection between the lack of good moral
15 character of the applicant and the professional responsibilities of a licensee and if
16 the finding by the Board of lack of good moral character is supported by clear and
17 convincing evidence. When an applicant is found to be unqualified for a certificate
18 because of a lack of good moral character, the Board shall furnish the applicant a
19 statement containing the findings of the Board, a complete record of the evidence
20 upon which the determination was based, and a notice of the applicant’s right of
21 appeal.

1 (c) The education requirement for a certificate shall be at least 150
2 semester hours of college education including a baccalaureate or higher degree
3 conferred by a college or university acceptable to the Board, the total educational
4 program to include an accounting concentration or equivalent as determined by
5 Board rule to be appropriate; provided however, that applicants for a certificate may
6 sit for the examination described in subsection (d) of this Section if they have at
7 least 120 semester hours of college education including a baccalaureate or higher
8 degree conferred by a college or university acceptable to the board, the total
9 educational program to include an accounting concentration or equivalent as
10 determined by board rule to be appropriate.

11 (d) The examination required to be passed as a condition for the
12 granting of a certificate shall be held regularly throughout the year, and shall test
13 the applicant's knowledge of the subjects of accounting and auditing, and such
14 other related subjects as the Board may specify by rule, including but not limited to
15 business law and taxation. The Board shall prescribe by rule the methods of
16 applying for and conducting the examination, including methods for grading and
17 determining a passing grade required of an applicant for a certificate provided,
18 however, that the Board shall to the extent possible see to it that the examination
19 itself, grading of the examination, and the passing grades, are uniform with those
20 applicable in all other states. The Board may make such use of all or any part of the
21 Uniform Certified Public Accountant Examination and Advisory Grading Service

1 of the American Institute of Certified Public Accountants and may contract with
2 third parties to perform such administrative services with respect to the examination
3 as it deems appropriate to assist it in performing its duties hereunder.

4 (e) The Board may charge, or provide for a third party administering
5 the examination to charge, each applicant a fee, in an amount prescribed by the
6 Board by rule.

7 (f) An applicant for initial issuance of a certificate under this Section
8 shall show that the applicant has had one year of experience. This experience shall
9 include providing any type of service or advice involving the use of accounting,
10 attest, compilation, management advisory, financial advisory, tax or consulting
11 skills all of which was verified by a licensee, meeting requirements prescribed by
12 the Board by rule. This experience would be acceptable if it was gained through
13 employment in government, industry, academia or public practice.

14 **Section 6. Issuance and Renewal of Certificates, and Maintenance of**
15 **Competency.**

16 (a) The Board shall grant or renew certificates to persons who make
17 application and demonstrate (1) that their qualifications, including where applicable
18 the qualifications prescribed by Section 5, are in accordance with the following
19 subsections of this Section or (2) that they are eligible under the substantial
20 equivalency standard set out in Section 22(a)(2) of the Act which requires licensure
21 for those CPAs that establish their principal place of business in another state. The

1 holder of a certificate issued under this Section may only provide attest services, as
2 defined, in a CPA firm that holds a permit issued under Section 7 of this Act.

3 (b) Certificates shall be initially issued, and renewed, for periods of not
4 more than three years but in any event shall expire on the last day of June following
5 issuance or renewal. Applications for such certificates shall be made in such form,
6 and in the case of applications for renewal, between such dates, as the Board shall
7 by rule specify, and the Board shall grant or deny any such application no later than
8 sixty (60) days after the application is filed in proper form. In any case where the
9 applicant seeks the opportunity to show that issuance or renewal of a certificate was
10 mistakenly denied, or where the Board is not able to determine whether it should
11 be granted or denied, the Board may issue to the applicant a provisional certificate,
12 which shall expire ninety days after its issuance or when the Board determines
13 whether or not to issue or renew the certificate for which application was made,
14 whichever shall first occur.

15 (c) (1) With regard to applicants that do not qualify for reciprocity under
16 the substantial equivalency standard set out in Section 22(a)(2) of this Act, the
17 Board shall issue a certificate to a holder of a certificate, license, or permit issued
18 by another state upon a showing that:

19 (A) The applicant passed the uniform CPA examination;

20 (B) The applicant had four years of experience of the type
21 described in Section 5(f) or meets comparable requirements prescribed

1 by the Board by rule, after passing the examination upon which the
2 applicant's certificate was based and within the ten years immediately
3 preceding the application; and

4 (C) If the applicant's certificate, license, or permit was issued
5 more than four years prior to the application for issuance of an initial
6 certificate under this Section, that the applicant has fulfilled the
7 requirements of continuing professional education that would have been
8 applicable under subsection (d) of this Section.

9 (2) As an alternative to the requirements of Section 6(c)(1) of this Act, a
10 certificate holder licensed by another state who establishes their principal place of
11 business in this Commonwealth shall request the issuance of a certificate from the
12 Board prior to establishing such principal place of business. The Board shall issue
13 a certificate to such person who obtains from the NASBA National Qualification
14 Appraisal Service verification that such individual's CPA qualifications are
15 substantially equivalent to the CPA licensure requirements of the AICPA/NASBA
16 Uniform Accountancy Act.

17 (3) An application under this Section may be made through the NASBA
18 Qualification Appraisal Service.

19 (d) For renewal of a certificate under this Section each licensee shall
20 participate in a program of learning designed to maintain professional competency.
21 Such program of learning must comply with rules adopted by the Board. The Board

1 may by rule create an exception to this requirement for certificate holders who do
2 not perform or offer to perform for the public one or more kinds of services
3 involving the use of accounting or auditing skills, including issuance of reports on
4 financial statements or of one or more kinds of management advisory, financial
5 advisory or consulting services, or the preparation of tax returns or the furnishing
6 of advice on tax matters. Licensees granted such an exception by the Board must
7 place the word "inactive" adjacent to their CPA title or PA title on any business
8 card, letterhead or any other document or device, with the exception of their CPA
9 certificate or PA registration, on which their CPA or PA title appears. In addition,
10 inactive CPAs, at least 55 years of age, may, in lieu of "inactive", place the word
11 "retired" adjacent to their CPA title or PA title on any business card, letterhead or
12 any other document or device, with the exception of their CPA certificate or PA
13 registration, on which their CPA or PA title appears. Nothing in this section shall
14 preclude an inactive CPA, at least 55 years of age, from providing the following
15 volunteer, uncompensated services: tax preparation services, participating in a
16 government sponsored business mentoring program, serving on the board of
17 directors for a nonprofit or governmental organization, or serving on a government-
18 appointed advisory body. Licensees may only convert to inactive status if they hold
19 a license in good standing.

1 (e) The Board shall charge a fee for each application for initial issuance
2 or renewal of a certificate under this Section in an amount prescribed by the Board
3 by rule.

4 (f) Applicants for initial issuance or renewal of certificates under this
5 Section shall in their applications list all states in which they have applied for or
6 hold certificates, licenses, or permits and list any past denial, revocation or
7 suspension of a certificate, license or permit, and each holder of or applicant for a
8 certificate under this Section shall notify the Board in writing, within 30 days after
9 its occurrence, of any issuance, denial, revocation, or suspension of a certificate,
10 license or permit by another state.

11 (g) The Board shall issue a certificate to a holder of a substantially
12 equivalent foreign designation, provided that:

13 (1) The Board determines that the foreign designation:

14 (A) was duly issued by a foreign authority that
15 regulates the practice of public accountancy and the foreign
16 designation has not expired or been revoked or suspended;

17 (B) entitles the holder to issue reports upon
18 financial statements; and

19 (C) was issued upon the basis of educational,
20 examination, and experience requirements established by the
21 foreign authority or by law; and

1 (D) In making its determination regarding
2 compliance with this Section 6(g)(1), the Board may rely on
3 the recommendations of the International Qualifications
4 Appraisal Board jointly established by the National
5 Association of State Boards of Accountancy and the American
6 Institute of Certified Public Accountants.

7 (2) The applicant:

8 (A) received the designation, based on
9 educational and examination standards substantially
10 equivalent to those in effect in this Commonwealth, at the time
11 the foreign designation was granted;

12 (B) completed an experience requirement,
13 substantially equivalent to the requirement set out in Section
14 5(f), in the jurisdiction which granted the foreign designation
15 or has completed four years of professional experience in this
16 Commonwealth; or meets equivalent requirements prescribed
17 by the Board by rule, within the ten years immediately
18 preceding the application; and

19 (C) passed a uniform qualifying examination in
20 national standards [and an examination on the laws,

1 regulations and code of ethical conduct in effect in this
2 Commonwealth] acceptable to the Board.

3 (h) An applicant under subsection (g) shall in the application list all
4 jurisdictions, foreign and domestic, in which the applicant has applied for or holds
5 a designation to practice public accountancy, and each holder of a certificate issued
6 under this subsection shall notify the Board in writing, within thirty days after its
7 occurrence, of any issuance, denial, revocation or suspension of a designation or
8 commencement of a disciplinary or enforcement action by any jurisdiction.

9 (i) The Board has the sole authority to interpret the application of the
10 provisions of subsections (g) and (h).

11 (j) The Board shall by rule require as a condition for renewal of a
12 certificate under this Section, by any certificate holder who issues compilation
13 reports for the public other than through a CPA firm, that such individual undergo,
14 no more frequently than once every three years, a peer review conducted in such
15 manner as the Board shall by rule specify, and such review shall include verification
16 that such individual has met the competency requirements set out in professional
17 standards for such services.

18 **Section 7. Firm Permits to Practice, Attest and Compilation**
19 **Competency and Peer Review.**

1 (a) The Board shall grant or renew permits to practice as a CPA firm to
2 applicants that demonstrate their qualifications therefor in accordance with this
3 Section.

4 (1) The following must hold a permit issued under this Section:

5 (A) Any firm with an office in this Commonwealth
6 performing attest services as defined in Section 3(b) of this Act;
7 or,

8 (B) Any firm with an office in this Commonwealth that
9 uses the title "CPA" or "CPA firm;" or,

10 (C) Any firm that does not have an office in this
11 Commonwealth but offers or renders attest services as described
12 in Section 3(b) of this Act in this Commonwealth, unless it meets
13 each of the following requirements:

14 (i) it complies with the qualifications described
15 in Section 7(c);

16 (ii) it complies with the qualifications described
17 in Section 7(h);

18 (iii) it performs such services through an
19 individual with practice privileges under Section 22 of
20 this Act; and

1 (iv) it can lawfully do so in the state where said
2 individuals with practice privileges have their principal
3 place of business.

4 (2) A firm which is not subject to the requirements of Section
5 7(a)(1) may perform services described in Section 3(f) and other nonattest
6 professional services while using the title "CPA" or "CPA firm" in this
7 Commonwealth without a permit issued under this Section only if:

8 (A) it performs such services through an individual with
9 practice privileges under Section 22 of the Act; and

10 (B) it can lawfully do so in the state where said
11 individuals with practice privileges have their principal place of
12 business.

13 (b) Permits shall be initially issued and renewed for periods of not more
14 than three years but in any event expiring on June 30 following issuance or renewal.
15 Applications for permits shall be made in such form, and in the case of applications
16 for renewal, between such dates as the Board may by rule specify, and the Board
17 shall grant or deny any such application no later than 90 days after the application
18 is filed in proper form. In any case where the applicant seeks the opportunity to
19 show that issuance or renewal of a permit was mistakenly denied or where the
20 Board is not able to determine whether it should be granted or denied, the Board
21 may issue to the applicant a provisional permit, which shall expire ninety days after

1 its issuance or when the Board determines whether or not to issue or renew the
2 permit for which application was made, whichever shall first occur.

3 (c) An applicant for initial issuance or renewal of a permit to practice
4 under this Section shall be required to show that:

5 (1) Notwithstanding any other provision of law, a simple
6 majority of the ownership of the firm, in terms of financial interests and
7 voting rights of all partners, officers, shareholders, members or managers,
8 belongs to holders of a certificate who are licensed in some state, and such
9 partners, officers, shareholders, members or managers, whose principal
10 place of business is in this Commonwealth, and who perform professional
11 services in this Commonwealth hold a valid certificate issued under Section
12 6 of this Act. Although firms may include non-licensee owners the firm and
13 its ownership must comply with rules promulgated by the Board. An
14 individual who has practice privileges under Section 22 who performs
15 services for which a firm permit is required under Section 22(a)(4) shall not
16 be required to obtain a certificate from this Commonwealth pursuant to
17 Section 6 of this Act.

18 (2) Any CPA or PA firm as defined in this Act may include non-
19 licensee owners provided that:

20 (A) The firm designates a licensee of this
21 Commonwealth, or in the case of a firm which must have a permit

1 pursuant to Section 22(a)(4) a licensee of another state who meets
2 the requirements set out in Section 22(a)(1) or in Section
3 22(a)(2), who is responsible for the proper registration of the firm
4 and identifies that individual to the Board.

5 (B) All non-licensee owners are of good moral character
6 and active individual participants in the CPA or PA firm or affiliated
7 entities.

8 (C) The firm complies with such other requirements as
9 the Board may impose by rule.

10 (3) Any individual licensee and any individual granted practice
11 privileges under this Act who is responsible for supervising attest or
12 compilation services and signs or authorizes someone to sign the
13 accountant's report on behalf of the firm, shall meet the competency
14 requirements set out in the professional standards for such services.

15 (4) Any individual licensee and any individual granted practice
16 privileges under this Act who signs or authorizes someone to sign the
17 accountants' report on behalf of the firm shall meet the competency
18 requirement of the prior subsection.

19 (d) An applicant for initial issuance or renewal of a permit to practice
20 under this Section shall be required to register each office of the firm within this
21 Commonwealth with the Board and to show that all attest and compilation services

1 as defined herein rendered in this Commonwealth are under the charge of a person
2 holding a valid certificate issued under Section 6 of this Act or the corresponding
3 provision of prior law or the law of some other state.

4 (e) The Board shall charge a fee for each application for initial issuance
5 or renewal of a permit under this Section in an amount prescribed by the Board by
6 rule.

7 (f) Applicants for initial issuance or renewal of permits under this
8 Section shall in their application list all states in which they have applied for or hold
9 permits as CPA firms and list any past denial, revocation or suspension of a permit
10 by any other state, and each holder of or applicant for a permit under this Section
11 shall notify the Board in writing, within 30 days after its occurrence, of any change
12 in the identities of partners, officers, shareholders, members or managers whose
13 principal place of business is in this Commonwealth, any change in the number or
14 location of offices within this Commonwealth, any change in the identity of the
15 persons in charge of such offices, and any issuance, denial, revocation, or
16 suspension of a permit by any other state.

17 (g) Firms which fall out of compliance with the provisions of the section
18 due to changes in firm ownership or personnel, after receiving or renewing a permit,
19 shall take corrective action to bring the firm back into compliance as quickly as
20 possible. The State Board may grant a reasonable period of time for a firm to take
21 such corrective action. Failure to bring the firm back into compliance within a

1 reasonable period as defined by the Board will result in the suspension or revocation
2 of the firm permit.

3 (h) The Board shall by rule require as a condition for renewal of permits
4 under this Section, that applicants undergo, no more frequently than once every
5 three years, peer reviews conducted in such manner as the Board shall specify, and
6 such review shall include a verification that individuals in the firm who are
7 responsible for supervising attest and compilation services and sign or authorize
8 someone to sign the accountant's report on the financial statements on behalf of the
9 firm meet the competency requirements set out in the professional standards for
10 such services, provided that any such rule –

11 (1) shall be promulgated reasonably in advance of the time when
12 it first becomes effective;

13 (2) shall include reasonable provision for compliance by an
14 applicant showing that it has, within the preceding three years, undergone a
15 peer review that is a satisfactory equivalent to peer review generally
16 required pursuant to this subsection (h);

17 (3) shall require, with respect to any organization administering
18 peer review programs contemplated by paragraph (2), that it be subject to
19 evaluations by the Board or its designee, to periodically assess the
20 effectiveness of the peer review program under its charge, and

1 (4) may require that organizations administering peer review
2 programs provide to the Board information as the Board designates by rule;
3 and

4 (5) shall require with respect to peer reviews contemplated by
5 paragraph (2) that licensees timely remit such peer review documents as
6 specified by Board Rule or upon Board request and that such documents be
7 maintained by the Board in a manner consistent with Section 4(j) of this
8 Act.

9 **Section 8. Appointment of Secretary of Commerce as Agent.**

10 Application by a person or a firm not a resident of this Commonwealth for
11 a certificate under Section 6 of this Act or a permit to practice under Section 7 shall
12 constitute appointment of the Secretary of Commerce as the applicant's agent upon
13 whom process may be served in any action or proceeding against the applicant
14 arising out of any transaction or operation connected with or incidental to services
15 performed by the applicant while a licensee within this Commonwealth.

16 **Section 9. Enforcement – Grounds for Discipline.**

17 (a) After notice and hearing pursuant to the Administrative Procedures
18 Act, the Board may revoke any license issued under Sections 6 or 7 of this Act or
19 corresponding provisions of prior law or revoke or limit privileges under Section
20 22 of this Act; suspend any such license or refuse to renew any such license for a
21 period of not more than 2 years; reprimand, censure, or limit the scope of practice

1 of any licensee; impose an administrative fine not exceeding \$1,000, or place any
2 licensee on probation, all with or without terms, conditions, and limitations, for any
3 one or more of the following reasons:

4 (1) Dishonesty, fraud or deceit in obtaining a license;

5 (2) Cancellation, revocation, suspension or refusal to renew a
6 license or privileges under Section 22 for disciplinary reasons in any other
7 state for any cause;

8 (3) Failure, on the part of a licensee under Sections 6 or 7, to
9 maintain compliance with the requirements for issuance or renewal of such
10 certificate, permit or registration or to report changes to the Board under
11 Sections 6(f) or 7(f);

12 (4) Revocation or suspension of the right to practice by any state
13 or federal regulatory authority or by the PCAOB;

14 (5) Dishonesty, fraud, deceit or gross negligence in the
15 performance of services as a licensee or individual granted privileges under
16 Section 22 or in the filing or failure to file one's own income tax returns;

17 (6) Violation of any provision of this Act or rule promulgated
18 by the Board under this Act or violation of professional standards;

19 (7) Violation of any rule of professional conduct promulgated
20 by the Board under Section 4(h)(4) of this Act;

1 (8) Conviction of a felony, or of any other crime an element of
2 which is dishonesty, fraud or deceit, under the laws of the United States, of
3 this Commonwealth, or of any other state if the acts involved would have
4 constituted a crime under the laws of this Commonwealth;

5 (9) Performance of any fraudulent act while holding a license or
6 privilege issued under this Act or prior law;

7 (10) Any conduct reflecting adversely upon the licensee's fitness to
8 perform services while a licensee, or individual granted privileges under
9 Section 22;

10 (11) Making any false or misleading statement or verification, in
11 support of an application for a license filed by another.

12 (b) In lieu of or in addition to any remedy specifically provided in
13 subsection (a) of this Section, the Board may require of a licensee—

14 (1) A peer review conducted in such fashion as the Board may
15 specify; and/or

16 (2) Satisfactory completion of such continuing professional
17 education programs as the Board may specify.

18 (c) In any proceeding in which a remedy provided by subsections (a) or
19 (b) of this Section is imposed, the Board may also require the respondent licensee
20 to pay the costs of the proceeding.

21 **Section 10. Enforcement - Investigations.**

1 (a) The Board may, upon receipt of a complaint or other information
2 suggesting violations of this Act or of the rules of the Board, conduct investigations
3 to determine whether there is probable cause to institute proceedings under Sections
4 11, 14, or 15 of this Act against any person or firm for such violation, but an
5 investigation under this Section shall not be a prerequisite to such proceedings in
6 the event that a determination of probable cause can be made without investigation.
7 In aid of such investigations, the Board or the Chair thereof may issue subpoenas
8 to compel witnesses to testify and/or to produce evidence.

9 (b) The Board may designate a member, or any other person of
10 appropriate competence, to serve as investigating officer to conduct an
11 investigation. Upon completion of an investigation, the investigating officer shall
12 file a report with the Board. The Board shall find probable cause or lack of probable
13 cause upon the basis of the report or shall return the report to the investigating
14 officer for further investigation. Unless there has been a determination of probable
15 cause, the report of the investigating officer, the complaint, if any, the testimony
16 and documents submitted in support of the complaint or gathered in the
17 investigation, and the fact of pendency of the investigation shall be treated as
18 confidential information and shall not be disclosed to any person except law
19 enforcement authorities and, to the extent deemed necessary in order to conduct the
20 investigation, the subject of the investigation, persons whose complaints are being
21 investigated, and witnesses questioned in the course of the investigation. This

1 confidentiality requirement relating to investigations shall apply notwithstanding
2 any provision of the Open Government Act (1 CMC § 9901 et seq.) or other
3 Commonwealth law to the contrary.

4 (c) Upon a finding of probable cause, if the subject of the investigation
5 is a licensee or an individual with privileges under Section 22 of this Act, the Board
6 shall direct that a complaint be issued under Section 11 of this Act, and if the subject
7 of the investigation is not a licensee or an individual with privileges under Section
8 22, the Board shall take appropriate action under Sections 14 or 15 of this Act.
9 Upon a finding of no probable cause, the Board shall close the matter and shall
10 thereafter release information relating thereto only with the consent of the person
11 or firm under investigation.

12 (d) The Board may review the publicly available professional work of
13 licensees or an individual with privileges under Section 22 of this Act on a general
14 and random basis, without any requirement of a formal complaint or suspicion of
15 impropriety. In the event that as a result of such review the Board discovers
16 reasonable grounds for a more specific investigation, the Board may proceed under
17 subsections (a) through (c) of this Section.

18 **Section 11. Enforcement Procedures – Hearings by the Board.**

19 (a) In any case where probable cause with respect to a violation by a
20 licensee or an individual with privileges granted under Section 22 of this Act has
21 been determined by the Board, whether following an investigation under Section

1 10 of this Act, or upon receipt of a written complaint furnishing grounds for a
2 determination of such probable cause, or upon receipt of notice of a decision by the
3 Board of Accountancy of another state furnishing such grounds, the Board shall
4 issue a complaint setting forth appropriate charges and set a date for hearing before
5 the Board on such charges. The Board shall, not less than 30 days prior to the date
6 of the hearing, serve a copy of the complaint and notice of the time and place of the
7 hearing upon the licensee or an individual with privileges granted under Section 22
8 of this Act, together with a copy of the Board's rules governing proceedings under
9 this Section, either by personal delivery or by mailing a copy thereof by registered
10 mail to the licensee at the licensee's address last known to the Board. In the case of
11 an individual exercising privileges under Section 22, service shall be by registered
12 mail to the address last known to the Board, or pursuant to Section 22(a)(3)(c).

13 (b) A licensee or an individual with privileges under Section 22, against
14 whom a complaint has been issued under this Section shall have the right,
15 reasonably in advance of the hearing, to examine and copy the report of
16 investigation, if any, and any documentary or testimonial evidence and summaries
17 of anticipated evidence in the Board's possession relating to the subject matter of
18 the complaint. The Board's rules governing proceedings under this Section shall
19 specify the manner in which such right may be exercised.

20 (c) In a hearing under this Section the respondent licensee or an
21 individual with privileges granted under Section 22 may appear in person (or, in

1 the case of a firm, through a partner, officer, director, shareholder, member or
2 manager) and/or by counsel, examine witnesses and evidence presented in support
3 of the complaint, and present evidence and witnesses on the licensee's or an
4 individual's own behalf. The licensee or an individual granted privileges under
5 Section 22 shall be entitled, on application to the Board, to the issuance of
6 subpoenas to compel the attendance of witnesses and the production of
7 documentary evidence.

8 (d) The evidence supporting the complaint shall be presented by the
9 investigating officer, by a Board member designated for that purpose, or by counsel.
10 A Board member who presents the evidence, or who has conducted the
11 investigation of the matter under Section 10 of this Act, shall not participate in the
12 Board's decision of the matter.

13 (e) In a hearing under this Section the Board shall be advised by
14 counsel, who shall not be the same counsel who presents or assists in presenting
15 the evidence supporting the complaint under subsection (d) of this Section.

16 (f) In a hearing under this Section the Board shall not be bound by
17 technical rules of evidence.

18 (g) In a hearing under this Section an electronic record shall be made
19 and filed with the Board. A transcript need not be prepared unless review is sought
20 under subsection (j) of this Section or the Board determines that there is other good
21 cause for its preparation.

1 (h) In a hearing under this Section a recorded vote of a majority of all
2 members of the Board then in office (excluding members disqualified by reason of
3 subsection (d) of this Section) shall be required to sustain any charge and to impose
4 any penalty with respect thereto.

5 (i) If, after service of a complaint and notice of hearing as provided in
6 subsection (a) of this Section, the respondent licensee fails to appear at the hearing,
7 the Board may proceed to hear evidence against the licensee or an individual
8 granted privileges under Section 22 and may enter such order as it deems warranted
9 by the evidence, which order shall be final unless the licensee or an individual
10 granted privileges under Section 22 petitions for review thereof under subsection
11 (j) of this Section, provided, however, that within thirty days from the date of any
12 such order, upon a showing of good cause for the licensee's or an individual's
13 failure to appear and defend, the Board may set aside the order and schedule a new
14 hearing on the complaint, to be conducted in accordance with applicable
15 subsections of this Section.

16 (j) Any person or firm adversely affected by any order of the Board
17 entered after a hearing under this Section may obtain review thereof by filing a
18 written petition for review with the Superior Court within thirty days after the entry
19 of said order. The procedures for review and the scope of the review shall be as
20 specified in the CNMI Administrative Procedure Act, or other statute providing for
21 judicial review of actions of administrative agencies.

1 (k) In any case where the Board renders an order imposing discipline
2 against a licensee or an individual granted privileges under Section 22 of this Act,
3 the Board shall examine its records to determine whether the individual or firm
4 holds a license or practice privilege in any other state or is subject to the PCAOB's
5 authority; and if so, the Board shall notify the State Boards of Accountancy and any
6 other regulatory authorities, including the PCAOB if applicable, of its decision
7 immediately in the case of a consent order and in all other cases when the time for
8 giving notice of an appeal from the Board's order has expired. Such notice shall
9 indicate whether or not the subject order has been appealed and whether or not the
10 subject order has been stayed. In the alternative, the Board may report such
11 disciplinary actions to a multistate enforcement information network. Subject to
12 Section 4(j) [Board Records Confidential] of this Act, the Board may also furnish
13 investigative information and the hearing record relating to proceedings resulting
14 in disciplinary action in such cases to such other regulatory authorities upon
15 request.

16 **Section 12. Reinstatement.**

17 (a) In any case where the Board has suspended or revoked a certificate
18 or a permit or registration or revoked or limited privileges under Section 22 or
19 refused to renew a certificate, permit, or registration, the Board may, upon
20 application in writing by the person or firm affected and for good cause shown,

1 modify the suspension, or reissue the certificate, permit, or registration or remove
2 the limitation or revocation of privileges under Section 22.

3 (b) The Board shall by rule specify the manner in which such
4 applications shall be made, the times within which they shall be made, and the
5 circumstances in which hearings will be held thereon.

6 (c) Before reissuing, or terminating the revocation, suspension or
7 limitation of a certificate, permit or registration under this Section or of privileges
8 under Section 22, and as a condition thereto, the Board may require the applicant
9 therefor to show successful completion of specified continuing professional
10 education; and the Board may make the reinstatement of a certificate, permit or
11 registration or of privileges under Section 22 conditional and subject to satisfactory
12 completion of a peer review conducted in such fashion as the Board may specify.

13 **Section 13. Unlawful Acts.**

14 (a) Only licensees and individuals who have practice privileges under
15 Section 22 of this Act may issue a report on financial statements of any person,
16 firm, organization, or governmental unit or offer to render or render any attest or
17 compilation service, as defined herein. This restriction does not prohibit any act of
18 a public official or public employee in the performance of that person's duties as
19 such; or prohibit the performance by any non-licensee of other services involving
20 the use of accounting skills, including the preparation of tax returns, management
21 advisory services, and the preparation of financial statements without the issuance

1 of reports thereon. Non- licensees may prepare financial statements and issue non-
2 attest transmittals or information thereon which do not purport to be in compliance
3 with the Statements on Standards for Accounting and Review Services (SSARS).

4 (b) Licensees and individuals who have practice privileges under
5 Section 22 of this Act performing attest services, or compilation services, or
6 preparation services, as defined in this Act, must provide those services in
7 accordance with applicable professional standards.

8 (c) No person not holding a valid certificate or a practice privilege
9 pursuant to Section 22 of this Act shall use or assume the title "Certified Public
10 Accountant," or the abbreviation "CPA" or any other title, designation, words,
11 letters, abbreviation, sign, card, or device tending to indicate that such person is a
12 Certified Public Accountant.

13 (d) No firm shall provide attest services or assume or use the title
14 "Certified Public Accountants," or the abbreviation "CPAs," or any other title,
15 designation, words, letters, abbreviation, sign, card, or device tending to indicate
16 that such firm is a CPA firm unless (1) the firm holds a valid permit issued under
17 Section 7 of this Act, and (2) ownership of the firm is in accord with this Act and
18 rules promulgated by the Board.

19 (e) No firm not holding a valid permit issued under Section 7 of this Act
20 shall provide attest services or assume or use the title "public accountant," the

1 abbreviation "PA," or any other title, designation, words, letters, abbreviation, sign,
2 card, or device tending to indicate that such firm is composed of public accountants.

3 (f) No person or firm not holding a valid certificate, permit or
4 registration issued under Sections 6 or 7 of this Act shall assume or use the title
5 "certified accountant," "chartered accountant," "enrolled accountant," "licensed
6 accountant," "registered accountant," "accredited accountant," or any other title or
7 designation likely to be confused with the titles "Certified Public Accountant" or
8 "public accountant," or use any of the abbreviations "CA," "LA," "RA," "AA," or
9 similar abbreviation likely to be confused with the abbreviations "CPA" or "PA."
10 The title "Enrolled Agent" or "EA" may only be used by individuals so designated
11 by the Internal Revenue Service.

12 (g) (1) Non-licensees may not use language in any statement
13 relating to the financial affairs of a person or entity which is conventionally used
14 by licensees in reports on financial statements or any attest service as defined
15 herein. In this regard, the Board shall issue safe harbor language non-licensees may
16 use in connection with such financial information.

17 (2) No person or firm not holding a valid certificate, permit or
18 registration issued under Sections 6 or 7 of this Act shall assume or use any title or
19 designation that includes the words "accountant," "auditor," or "accounting," in
20 connection with any other language (including the language of a report) that implies
21 that such person or firm holds such a certificate, permit, or registration or has

1 special competence as an accountant or auditor, provided, however, that this
2 subsection does not prohibit any officer, partner, member, manager or employee of
3 any firm or organization from affixing that person's own signature to any statement
4 in reference to the financial affairs of such firm or organization with any wording
5 designating the position, title, or office that the person holds therein nor prohibit
6 any act of a public official or employee in the performance of the person's duties
7 as such.

8 (i) No person holding a certificate or registration or firm holding a
9 permit under this Act shall use a professional or firm name or designation that is
10 misleading about the legal form of the firm, or about the persons who are partners,
11 officers, members, managers or shareholders of the firm, or about any other matter,
12 provided, however, that names of one or more former partners, members, managers
13 or shareholders may be included in the name of a firm or its successor. A common
14 brand name, including common initials, used by a CPA Firm in its name, is not
15 misleading if said firm is a Network Firm as defined in the AICPA Code of
16 Professional Conduct ("Code") in effect July 1, 2011 and, when offering or
17 rendering services that require independence under AICPA standards, said firm
18 complies with the Code's applicable standards on independence.

19 (j) None of the foregoing provisions of this Section shall have any
20 application to a person or firm holding a certification, designation, degree, or
21 license granted in a foreign country entitling the holder thereof to engage in the

1 practice of public accountancy or its equivalent in such country, whose activities in
2 this Commonwealth are limited to the provision of professional services to persons
3 or firms who are residents of, governments of, or business entities of the country in
4 which the person holds such entitlement, who performs no attest or compilation
5 services as defined in this Act and who issues no reports as defined in this Act with
6 respect to information of any other persons, firms, or governmental units in this
7 Commonwealth, and who does not use in this Commonwealth any title or
8 designation other than the one under which the person practices in such country,
9 followed by a translation of such title or designation into the English language, if it
10 is in a different language, and by the name of such country.

11 (k) No holder of a certificate issued under Section 6 of this Act shall
12 perform attest services through any business form that does not hold a valid permit
13 issued under Section 7 of this Act unless exempt pursuant to Section 7(a)(1)(C).

14 (l) No individual licensee shall issue a report in standard form upon a
15 compilation of financial information through any form of business that does not
16 hold a valid permit issued under Section 7 of this Act unless the report discloses
17 the name of the business through which the individual is issuing the report, and the
18 individual:

19 (1) signs the compilation report identifying the individual as a
20 CPA or PA,

1 (2) meets the competency requirement provided in applicable
2 standards, and

3 (3) undergoes no less frequently than once every three years, a
4 peer review conducted in such manner as the Board shall by rule specify,
5 and such review shall include verification that such individual has met the
6 competency requirements set out in professional standards for such services.

7 (m) Nothing herein shall prohibit a practicing attorney or firm of
8 attorneys from preparing or presenting records or documents customarily prepared
9 by an attorney or firm of attorneys in connection with the attorney's professional
10 work in the practice of law.

11 (n) (1) A licensee shall not for a commission recommend or refer to
12 a client any product or service, or for a commission recommend or refer any product
13 or service to be supplied by a client, or receive a commission, when the licensee
14 also performs for that client,

15 (A) an audit or review of a financial statement; or

16 (B) a compilation of a financial statement when the licensee
17 expects, or reasonably might expect, that a third party will use the financial
18 statement and the licensee's compilation report does not disclose a lack of
19 independence; or

20 (C) an examination of prospective financial information. This
21 prohibition applies during the period in which the licensee is engaged to

1 perform any of the services listed above and the period covered by any
2 historical financial statements involved in such listed services.

3 (2) A licensee who is not prohibited by this section from performing
4 services for or receiving a commission and who is paid or expects to be paid a
5 commission shall disclose that fact to any person or entity to whom the licensee
6 recommends or refers a product or service to which the commission relates.

7 (3) Any licensee who accepts a referral fee for recommending or
8 referring any service of a licensee to any person or entity or who pays a referral fee
9 to obtain a client shall disclose such acceptance or payment to the client.

10 (o) (1) A licensee shall not:

11 (A) perform for a contingent fee any professional services for, or
12 receive such a fee from a client for whom the licensee or the licensee's firm
13 performs,

14 (i) an audit or review of a financial statement; or

15 (ii) a compilation of a financial statement when the licensee
16 expects, or reasonably might expect, that a third party will use the financial
17 statement and the licensee's compilation report does not disclose a lack of
18 independence; or

19 (iii) an examination of prospective financial information; or

20 (B) Prepare an original or amended tax return or claim for a tax
21 refund for a contingent fee for any client.

1 (2) The prohibition in (1) above applies during the period in which the
2 licensee is engaged to perform any of the services listed above and the period
3 covered by any historical financial statements involved in any such listed services.

4 (3) Except as stated in the next sentence, a contingent fee is a fee
5 established for the performance of any service pursuant to an arrangement in which
6 no fee will be charged unless a specified finding or result is attained, or in which
7 the amount of the fee is otherwise dependent upon the finding or result of such
8 service. Solely for purposes of this section, fees are not regarded as being
9 contingent if fixed by courts or other public authorities, or, in tax matters, if
10 determined based on the results of judicial proceedings or the findings of
11 governmental agencies. A licensee's fees may vary depending, for example, on the
12 complexity of services rendered.

13 (p) Notwithstanding anything to the contrary in this Section, it shall not
14 be a violation of this Section for a firm which does not hold a valid permit under
15 Section 7 of this Act and which does not have an office in this Commonwealth to
16 use the title "CPA" or "Certified Public Accountants" as part of the firm's name
17 and to provide its professional services in this Commonwealth, and licensees and
18 individuals with practice privileges may provide services on behalf of such firms
19 so long as the firm complies with the requirements of Section 7(a)(1)(C) or Section
20 7(a)(2), whichever is applicable. An individual or firm authorized under this

1 provision to use practice privileges in this Commonwealth shall comply with the
2 requirements otherwise applicable to licensees in Section 13 of this Act.

3 **Section 14. Injunctions Against Unlawful Acts.**

4 Whenever, as a result of an investigation under Section 10 of this Act or
5 otherwise, the Board believes that any person or firm has engaged, or is about to
6 engage, in any acts or practices which constitute or will constitute a violation of
7 Section 13 of this Act, the Board may make application to the appropriate court for
8 an order enjoining such acts or practices, and upon a showing by the Board that
9 such person or firm has engaged, or is about to engage, in any such acts or practices,
10 an injunction, restraining order, or other order as may be appropriate shall be
11 granted by such court.

12 **Section 15. Criminal Penalties.**

13 (a) Whenever, by reason of an investigation under Section 10 of this
14 Act or otherwise, the Board has reason to believe that any person or firm has
15 knowingly engaged in acts or practices that constitute a violation of Section 13 of
16 this Act, the Board may bring its information to the attention of the Attorney
17 General of any State (or other appropriate law enforcement officer) who may, in
18 the officer's discretion, cause appropriate criminal proceedings to be brought
19 thereon.

20 (b) Any person or firm who knowingly violates any provision of Section
21 13 of this Act shall be guilty of a misdemeanor, and upon conviction thereof shall

1 be subject to a fine of not more than \$10,000 or to imprisonment for not more than
2 one year, or to both such fine and imprisonment.

3

4 **Section 16. Single Act Evidence of Practice.**

5 In any action brought under Sections 11, 14, or 15 of this Act, evidence of
6 the commission, of a single act prohibited by this Act shall be sufficient to justify
7 a penalty, injunction, restraining order, or conviction, respectively, without
8 evidence of a general course of conduct.

9 **Section 17. Confidential Communications.**

10 Except by permission of the client for whom a licensee performs services
11 or the heirs, successors, or personal representatives of such client, a licensee under
12 this Act, shall not voluntarily disclose information communicated to the licensee
13 by the client relating to and in connection with services rendered to the client by
14 the licensee. Such information shall be deemed confidential, provided, however,
15 that nothing herein shall be construed as prohibiting the disclosure of information
16 required to be disclosed by the standards of the public accounting profession in
17 reporting on the examination of financial statements or as prohibiting compliance
18 with applicable laws, government regulations or PCAOB requirements, disclosures
19 in court proceedings, in investigations or proceedings under Sections 10 or 11 of
20 this Act, in ethical investigations conducted by private professional organizations,
21 or in the course of peer reviews, or to other persons active in the organization

1 performing services for that client on a need to know basis or to persons in the
2 entity who need this information for the sole purpose of assuring quality control.

3

4 **Section 18. Licensees' Working Papers; Clients' Records.**

5 (a) Subject to the provisions of Section 17, all statements, records,
6 schedules, working papers, and memoranda made by a licensee or a partner,
7 shareholder, officer, director, member, manager or employee of a licensee, incident
8 to, or in the course of, rendering services to a client while a licensee except the
9 reports submitted by the licensee to the client and except for records that are part
10 of the client's records, shall be and remain the property of the licensee in the
11 absence of an express agreement between the licensee and the client to the contrary.
12 No such statement, record, schedule, working papers, or memorandum shall be
13 sold, transferred, or bequeathed, without the consent of the client or the client's
14 personal representative or assignee, to anyone other than one or more surviving
15 partners, stockholders, members or new partners, new stockholders, or new
16 members of the licensee, or any combined or merged firm or successor in interest
17 to the licensee. Nothing in this Section should be construed as prohibiting any
18 temporary transfer of working papers or other material necessary in the course of
19 carrying out peer reviews or as otherwise interfering with the disclosure of
20 information pursuant to Section 17.

1 (b) A licensee shall furnish to a client or former client, upon request and
2 reasonable notice-

3 (1) A copy of the licensee's working papers, to the extent that
4 such working papers include records that would ordinarily constitute part of
5 the client's records and are not otherwise available to the client; and

6 (2) Any accounting or other records belonging to, or obtained
7 from or on behalf of, the client that the licensee removed from the client's
8 premises or received for the client's account; the licensee may make and
9 retain copies of such documents of the client when they form the basis for
10 work done by the licensee.

11 (c) Nothing herein shall require a licensee to keep any working papers
12 beyond the period prescribed in any other applicable statute.

13 **Section 19. Privity of Contract.**

14 (a) This Section applies to all causes of action of the type specified
15 herein filed on or after the effective date.

16 (b) This Section governs any action based on negligence brought
17 against any accountant or firm of accountants practicing in this Commonwealth by
18 any person or entity claiming to have been injured as a result of financial statements
19 or other information examined, compiled, reviewed, certified, audited or otherwise
20 reported or opined on by the defendant accountant or in the course of an
21 engagement to provide other services.

1 (c) No action covered by this Section may be brought unless:

2 (1) The plaintiff (1) is issuer (or successor of the issuer) of the
3 financial statements or other information examined, compiled, reviewed,
4 certified, audited or otherwise reported or opined on by the defendant and
5 (2) engaged the defendant licensee to examine, compile, review, certify,
6 audit or otherwise report or render an opinion on such financial statements
7 or to provide other services; or

8 (2) The defendant licensee or firm: (1) was aware at the time the
9 engagement as undertaken that the financial statements or other information
10 were to be made available for use in connection with a specified transaction
11 by the plaintiff who was specifically identified to the defendant accountant,
12 (2) was aware that the plaintiff intended to rely upon such financial
13 statements or other information in connection with the specified transaction,
14 and (3) had direct contact and communication with the plaintiff and
15 expressed by words or conduct the defendant accountant's understanding of
16 the reliance on such financial statements or other information.

17 **Section 20. Uniform Statute of Limitations.**

18 (a) This Section applies to all causes of action of the type specified
19 herein filed on or after the effective date.

20 (b) This Section governs any action based on negligence or breach of
21 contract brought against any licensee, or any CPA or PA firm practicing in this

1 Commonwealth by any person or entity claiming to have been injured as a result of
2 financial statements or other information examined, compiled, reviewed, certified,
3 audited or otherwise reported or opined on by the defendant licensee as a result of
4 an engagement to provide services.

5 (c) No action covered by this Section may be brought unless the suit is
6 commenced on or before the earlier of:

7 (1) one year from the date the alleged act, omission or neglect is
8 discovered or should have been discovered by the exercise of reasonable
9 diligence;

10 (2) three years after completion of the service for which the suit
11 is brought has been performed; or

12 (3) three years after the date of the initial issuance of the
13 accountant's report on the financial statements or other information.

14 **Section 21. Proportionate Liability.**

15 (a) This Section applies to all causes of action of the type specified
16 herein filed on or after the effective date.

17 (b) This Section governs any claim for money damages brought against
18 any licensee; or any CPA or PA firm registered, licensed, or practicing in this
19 Commonwealth; or any employee or principal of such firm by any person or entity
20 claiming to have been injured by the defendant licensee or other person or entity.

1 (c) No judgment for money damages may be entered against any
2 licensee, firm, employee, or principal described in subsection (b) in an action
3 covered by this Section except in accordance with the provisions of this subsection.

4 (1) If the party seeking a judgment for damages against the
5 licensee proves that the licensee acted with the deliberate intent to deceive,
6 manipulate or defraud for the licensee's own direct pecuniary benefit, the
7 liability of the licensee shall be determined according to the principles that
8 generally apply to such an action.

9 (2) If the licensee is not proven to have acted with the deliberate
10 intent to deceive, manipulate or defraud for the accountant's own direct
11 pecuniary benefit, the amount of the accountant's liability in damages shall
12 be determined as follows:

13 (A) The trier of fact shall determine the percentage of
14 responsibility of the plaintiff, of each of the defendants, and of each
15 of the other persons or entities alleged by the parties to have caused
16 or contributed to the harm alleged by the plaintiff. In determining
17 the percentages of responsibility, the trier of fact shall consider both
18 the nature of the conduct of each person and the nature and extent of
19 the causal relationship between that conduct and the damage claimed
20 by the plaintiff.

1 (B) The trier of fact shall next determine the total amount
2 of damage suffered by the plaintiff caused in whole or in part by the
3 plaintiff, the defendants, and other persons alleged to have caused or
4 contributed to the damage.

5 (C) The trier of fact shall then multiply the percentage of
6 responsibility of the licensee (determined under (A)) by the total
7 amount of damages (determined under (B)) and shall enter a
8 judgment or verdict against the licensee in an amount no greater than
9 the product of those two factors.

10 (D) In no event shall the damages awarded against or
11 paid by a licensee exceed the amount determined under (C). The
12 licensee shall not be jointly liable on any judgment entered against
13 any other party to the action.

14 (E) Except where a contractual relationship permits, no
15 defendant shall have a right to recover from a licensee any portion
16 of the percentage of damages assessed against such other defendant.

17 **Section 22. Substantial Equivalency.**

18 (a) (1) An individual whose principal place of business is not in this
19 Commonwealth and who holds a valid license as a Certified Public Accountant
20 from any state which the NASBA National Qualification Appraisal Service has
21 verified to be in substantial equivalence with the CPA licensure requirements of the

1 AICPA/NASBA Uniform Accountancy Act shall be presumed to have
2 qualifications substantially equivalent to this Commonwealth's requirements and
3 shall have all the privileges of licensees of this Commonwealth without the need to
4 obtain a license under Sections 6 or 7. Notwithstanding any other provision of law,
5 an individual who offers or renders professional services, whether in person, by
6 mail, telephone or electronic means, under this section shall be granted practice
7 privileges in this Commonwealth and no notice or other submission shall be
8 provided by any such individual. Such an individual shall be subject to the
9 requirements in Section 22(a) (3).

10 (2) An individual whose principal place of business is not in this
11 Commonwealth and who holds a valid license as a Certified Public Accountant
12 from any state which the NASBA National Qualification Appraisal Service has not
13 verified to be in substantial equivalence with the CPA licensure requirements of the
14 AICPA/NASBA Uniform Accountancy Act shall be presumed to have
15 qualifications substantially equivalent to this Commonwealth's requirements and
16 shall have all the privileges of licensees of this Commonwealth without the need to
17 obtain a license under Sections 6 or 7 if such individual obtains from the NASBA
18 National Qualification Appraisal Service verification that such individual's CPA
19 qualifications are substantially equivalent to the CPA licensure requirements of the
20 AICPA/NASBA Uniform Accountancy Act. Any individual who passed the
21 Uniform CPA Examination and holds a valid license issued by any other state prior

1 to January 1, 2012 may be exempt from the education requirement in Section 5(c)
2 for purposes of this Section 22 (a)(2). Notwithstanding any other provision of law,
3 an individual who offers or renders professional services, whether in person, by
4 mail, telephone or electronic means, under this section shall be granted practice
5 privileges in this Commonwealth and no notice or other submission shall be
6 provided by any such individual. Such an individual shall be subject to the
7 requirements in Section 22(a) (3).

8 (3) An individual licensee of another state exercising the privilege afforded
9 under this section and the firm which employs that licensee hereby simultaneously
10 consents, as a condition of the grant of this privilege, to the appointment of the State
11 Board which issued their license as their agent upon whom process may be served
12 in any action or proceeding by this Board against the licensee.

13 to the personal and subject matter jurisdiction and disciplinary authority of
14 the Board,

15 (A) to comply with this Act and the Board's rules;

16 (B) that in the event the license from the state of the individual's
17 principal place of business is no longer valid, the individual will cease
18 offering or rendering professional services in this Commonwealth
19 individually and on behalf of a firm; and

20 (4) An individual who has been granted practice privileges under this
21 Section who performs any attest service described in Section 3(b) may only do so

1 through a firm which meets the requirements of Section 7(a)(1)(C) or which has
2 obtained a permit issued under Section 7 of this Act.

3 (b) A licensee of this Commonwealth offering or rendering services or
4 using their CPA title in another state shall be subject to disciplinary action in this
5 Commonwealth for an act committed in another state for which the licensee would
6 be subject to discipline for an act committed in the other state. Notwithstanding
7 Section 10-(a), the Board shall be required to investigate any complaint made by
8 the Board of Accountancy of another state.

9 **Section 23. Repeal of Prior Law.**

10 The CNMI Accountancy Act of 2002 set forth in Commonwealth Public Law
11 13-52 as codified in Title 4 Economic Resources, Division 3 Businesses and
12 Professions, Chapter 4. Certified Public Accountants, Articles 1 to 4 encompassing
13 sections 3401 to 3440, is hereby repealed and re-enacted as set forth herein.
14 Accordingly, Public Law 13-52 and all other acts or parts of acts in conflict
15 herewith are hereby repealed, provided, however, that nothing contained in this Act
16 shall invalidate or affect any action taken or any proceeding instituted under any
17 law in effect prior to the effective date hereof.

18 **Section 24. Severability.** If any provisions of this Act or the application of
19 any such provision to any person or circumstance should be held invalid by a court
20 of competent jurisdiction, the remainder of this Act or the application of its


1 provisions to persons or circumstances other than those to which it is held invalid
2 shall not be affected thereby.

3 **Section 25. Savings Clause.** This Act and any repealer contained herein
4 shall not be construed as affecting any existing right acquired under contract or
5 acquired under statutes repealed or under any rule, regulation, or order adopted
6 under the statutes. Repealers contained in this Act shall not affect any proceeding
7 instituted under or pursuant to prior law. The enactment of the Act shall not have
8 the effect of terminating, or in any way modifying, any liability, civil or criminal,
9 which shall already be in existence on the date this Act becomes effective.

10 **Section 26. Effective Date.** This Act shall take effect upon its approval by
11 the Governor, or its becoming law without such approval.

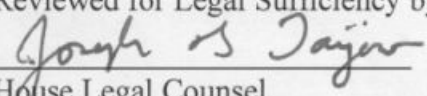
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Rep. Edwin K. Propst

Reviewed for Legal Sufficiency by:



House Legal Counsel