

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 10, 2000 in Room 123-S of the Capitol.

All members were present except: Senator Feleciano

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Ann Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

T. C. Anderson, Executive Director, Kansas Society of Certified Public Accountants
James L. Gordon, Public Accountants Association of Kansas, Inc.
A. J. Kotich, Legal Counsel, Department of Human Resources
Don Jenkins, Department of Human Resources

Others attending: See attached list

HB 2938 - Relaxation of restrictions on interstate practice of public accountancy

T. C. Anderson, Executive Director, Kansas Society of Certified Public Accountants, testified in support of **HB 2938**, stating the legislation does not relax the restrictions on the interstate practice of public accountancy, but does eliminate paper work presently required of practitioners coming into Kansas and of Kansas practitioners seeking entry into other states. (Attachment 1)

Mr. Anderson briefed the Committee on the provisions contained in **HB 2938**:

Section 1. On page 1, defines terms.

Section 2. On page 3, beginning at line 37, enacts a program of substantial equivalency that simplifies the movement across state lines of persons holding licenses to practice certified accountancy in Kansas. The National Qualification Appraisal Service has determined that Kansas, and 38 other states, meet the education, examination and experience requirements of the Uniform Accountancy Act. Individuals seeking to practice in Kansas would have to complete a notification form, pay a fee and comply with the Board of Accountancy rules and regulations.

Section 3. On page 5, at line 5, cleans up KSA 1-201 by removing references to a member of the Board of Accountancy being a licensed municipal public accountant.

Section 4. On page 5, at line 40, details the duties of the Board of Accountancy and lists the rules and regulations the Board may adopt, amend or revoke in enforcing the act.

Section 5. On page 7, at line 4, a technical cleanup of titles.

Section 6. On page 7, at line 17, authorizes the Board to collect fees for notification or renewal of notification from licensed accountants seeking substantial equivalency in Kansas, and for the annual registration of Kansas CPA firms. The fee could not exceed \$150, and \$50 for Kansas CPA firms.

Section 7. On page 8, at line 33, adds a qualification of "good moral character" to the qualifications for a Kansas certificate. A definition of "good moral character" is "a lack of a history of dishonest or felonious acts". A candidate denied a certificate on the grounds of failure to satisfy this requirement is accorded a due process hearing pursuant to the Kansas Administrative Procedures Act.

Section 8. On page 9, at line 3, removes the reference to the educational requirement for admission to the CPA examination in effect prior to June 30, 1997, and sets out new education requirements.

Section 9. On page 9, at line 39, amends the experience requirements necessary for an applicant to obtain a Kansas permit to practice accountancy. The one-year's experience would be verified rather than

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supervised by a permit holding CPA, and would be acceptable if it was gained through employment in government, industry, academia or public practice. The standards would be adopted by the Board through rules and regulations.

Section 10. On page 11, at line 13, reduces the requirement from five years to four years for public accountancy experience necessary for a license holder in another state to obtain a reciprocal Kansas certificate if that person does not meet the current experience requirements. This section also clarifies that this experience can be obtained within the state.

Section 11. On page 12, at line 17, permits non-licensees to become owners in CPA firms registered with the Board under the condition that all non-licensee owners are active participants in activities of the firm, of good moral character, and comply with the Boards rules and regulations.

Section 12. On page 14, at line 27, clarifies that a person may renew a lapsed permit of less than one year by completing a renewal application and submitting a fee. If the permit has lapsed more than one year, then a person can apply for reinstatement by providing evidence of 40 hours of continuing education and the fee.

Section 13. On page 16, at line 6, increases the administrative fine authority of the Board from \$1000 to \$2000 and amplifies the causes for which a fine may be assessed against a certificate or permit holder.

Section 14. On page 17, at line 29, clarifies that a person must hold a valid Kansas permit and a firm must hold a valid registration to practice certified public accountancy in Kansas. Only permit holding certified public accountants could issue a report on financial statements that reference the American Institute of Certified Accountants. The use of the term “public accountant” without the word “certified” is not implying one is a “certified public accountant”. The act also makes it clear the practice of public accountancy by persons not required to have a permit, including public accountants, is not prohibited. The maximum fine that can be assessed for a violation of these provisions is increased from \$500 to \$1,000.

Section 15. On page 18, at line 36, updates the language that uses a display or utterance in any public communication of a persons name in conjunction with the words “certified public accountant” as the prima facie evidence in any action for injunction.

Section 16. Repeals temporary practice by out of state licensees which would be replaced by a program of substantial equivalency.

Mr. Anderson stated **HB 2938** enhances the Board’s authority to regulate the practice of public accountancy, allows firms to provide more diverse services to clients through non-licensee ownership, allows Kansas companies to receive immediate assistance from out of state CPAs through substantial equivalency, assures public accountants the right to practice in Kansas, clarifies the need for a person to hold a Kansas permit for the privilege of practicing certified public accountancy, expands the list of causes for disciplinary action against licensees, allows CPAs to enhance practice opportunities, and to more easily move across state lines to practice.

The Committee discussed whether a “due process clause” should be applicable to non-licensed owners.

Mr. Anderson explained that the terms “license” and “permit” were interchangeable. The term “certified” refers to those accountants who are licensed and have the additional years experience.

James L. Gordon, Legislative Committee Chairman, Public Accountants Association of Kansas, Inc., testified in support of **HB 2938**, stating the legislation is a compromise between certified and non-certified accountants. The legislation strengthens the ability of the Board to regulate the profession, to ensure affordable competition, to provide for modern ownership structure, to provide for movement between states through nationwide “substantial equivalency” language, to continue an emphasis on quality assurance through peer review, and to protect unlicensed public accountants. (Attachment 2)

The hearing was concluded.

Hb 2769 - Variances for nonconforming boilers and pressure vessels

A. J. Kotich, Legal Counsel, Kansas Department of Human Resources (KDHR), testified **HB 2769** was introduced at the request of KDHR to increase allowable fees for inspections and certificates, to allow replacement of lost inspection certificates, and to allow variances for non-conforming boilers and pressure vessels under specific circumstances. (Attachment 3)

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Mr. Kotich stated the fee ceilings have not been changed since 1982 and an increase is needed to ensure that the inspections remain a fee-funded activity. **HB 2769** raises the maximum daily fee for inspections of boilers and pressure vessels from \$250 to \$500, and the maximum fee for an inspection certificate is raised from \$25 to \$35. (Attachment 4)

Don Jenkins, Boiler Inspection Department, stated there are 4 boiler inspectors who last year inspected 3,386 boilers and collected \$263,969. 20% of the amount collected was deposited to the general fund.

The hearing was concluded.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for March 14, 2000.