

State of Connecticut  
Regulation of  
Department of Consumer Protection  
Concerning  
Certified Public Accountants

Section 1. Section 20-280-15c of the Regulations of Connecticut State Agencies is amended to read as follows:

**Sec. 20-280-15c. Rules of conduct**

(a) **Independence.** A licensee shall not express an opinion on financial statements of an enterprise in such a manner as to imply that he is acting as an independent public accountant with respect thereto unless he is independent with respect to such enterprise. Independence will be considered to be impaired if, for example:

(1) During the period of his professional engagement, or at the time of expressing his opinion, the licensee:

(A) Had or was committed to acquire any direct or material indirect financial interest in the enterprise; or was a trustee of any pension or profit-sharing trust of the enterprise, or was otherwise a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise; [or]

(B) Had any joint closely-held business investment with the enterprise or any officer, director or principal stockholder thereof which was material in relation to the net worth of either the licensee or the enterprise; or

(C) Had any loan to or from the enterprise or any officer, director or principal stockholder thereof other than loans of the following kinds made by a financial institution under normal lending procedures, terms and requirements:

(i) Loans obtained by the licensee which are not material in relation to the net worth of the borrower; [and]

(ii) Home mortgages; [and] or

(iii) Other secured loans, except those secured solely by a guarantee of the licensee[.]; or

(2) During the period covered by the financial statements, during the period of the professional engagement, or at the time of expressing an opinion, the licensee was connected with the enterprise as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee.

(b) **Integrity and objectivity.** [A] In the performance of any professional service, a licensee shall [not in the performance of professional services] maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent [the] facts, [nor] or subordinate his or her judgment to others. In tax practice, however, a licensee may resolve doubt in favor of his client as long as there is reasonable support for his position.

(c) **Incompatible occupations.** A licensee who is engaged in the practice of public accounting shall not concurrently engage in any business or occupation which would create a conflict of interest in rendering professional services.

(d) **[Competence.** A licensee shall not undertake any engagement for the performance of professional services which he cannot reasonably expect to complete with due professional

competence, including compliance, where applicable, with subsections (e) and (f) of this section.]

**Independence.** A licensee shall be independent in the performance of professional services as required by standards promulgated by the AICPA.

(e) [**Auditing standards.** A licensee shall not permit his name to be associated with financial statements in such a manner as to imply that he is acting as an independent public accountant with respect to such financial statements unless he has complied with applicable generally accepted auditing standards. Statements on auditing standards issued by the American Institute of Certified Public Accountants, and other pronouncements having similar generally recognized authority, are considered to be interpretations of generally accepted auditing standards, and departures therefrom must be justified by those who do not follow them.] **General standards.** A licensee shall comply with the following standards and with any interpretations thereof by the AICPA:

(1) **Professional Competence:** Undertake only those professional services that the licensee or the licensee's firm can reasonably expect to be completed with professional competence;

(2) **Due Professional Care:** Exercise due professional care in the performance of professional services;

(3) **Planning and Supervision:** Adequately plan and supervise the performance of professional services; and

(4) **Sufficient Relevant Data:** Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

(f) **Professional conduct and standards.** The AICPA Code of Professional Conduct has been adopted by the Board of Accountancy as the Code of Professional Conduct. The Code of Professional Conduct, and any interpretations and ethical rulings by the AICPA, shall apply to all licensees and certificates holders, including those who are not members of the AICPA. The failure of any person to comply with the Code of Professional Conduct shall be grounds for discipline in accordance with Connecticut General Statutes §20-281a. In the event there is any inconsistency between the Code of Professional Conduct and chapter 389 of the Connecticut General Statutes, the provisions of chapter 389 of the Connecticut General Statutes shall supersede such provisions of the Code of Professional Conduct.

(g) **Auditing standards.** A licensee shall not permit his or her name to be associated with financial statements in such a manner as to imply that such licensee is acting as an independent public accountant with respect to such financial statements unless he or she has complied with applicable generally accepted auditing standards. Statements on auditing standards issued by the American Institute of Certified Public Accountants, and other pronouncements having similar generally recognized authority, are considered to be interpretations of generally accepted auditing standards, and departures therefrom must be justified by those who do not follow them.

[(f)](h) **Accounting principles.** A licensee shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such financial statements contain any departure from such accounting principles which has a material effect on the financial statements taken as a whole, unless the licensee can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. In such a case, the licensee's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement. For purposes of this rule, generally accepted accounting principles are considered to be defined by pronouncements issued by the financial accounting standards board and its predecessor entities and similar pronouncements issued by other entities having similar generally recognized authority.

[(g)](i) **Forecasts.** A licensee shall not in the performance of professional services permit his name to be used in conjunction with any forecast of future transactions in a manner which may reasonably lead to the belief that the licensee vouches for the achievability of the forecast.

**[(h)](j) Confidential client information.** A licensee shall not without the consent of his client disclose any confidential information pertaining to his client obtained in the course of performing professional services.

(1) This subdivision does not (A) relieve a licensee of any obligations under subsections [(e)] (g) and [(f)] (h), or (B) affect in any way a licensee's obligation to comply with a validly issued subpoena or summons enforceable by order of a court, or (C) prohibit disclosures in the course of a peer review of a licensee's professional services, or (D) preclude a licensee from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board.

(2) Members of the board and professional practice reviewers shall not disclose any confidential client information which comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their responsibilities, except that they may furnish such information to an investigative or disciplinary body of the kind referred to above.

**[(i)](k) Records.**

(1) A licensee shall make available to a client, upon request, work papers which contain information not reflected in the client's original books and records, and without which the client's financial information is incomplete. Such information includes, but is not limited to, adjusting, closing, combining or consolidating journal entries and information normally contained in books of original entry and general ledgers or subsidiary ledgers. The licensee may require the payment of fees due with respect to the preparation of such information before such information is provided.

(2) A licensee shall comply with all professional standards for attest documentation applicable to particular engagements, including, but not limited to standards adopted by recognized standards setting bodies such as the PCAOB, the Comptroller General of the United States, and the Auditing Standards Board. If the applicable standards do not otherwise specify, the retention period for attest documentation shall be five years and shall be measured from the report date. If attest documentation is required to be kept for longer than provided in the applicable standards because of a pending board investigation or disciplinary action, attest documentation shall not be destroyed until the licensee has been notified in writing by the board of the closure of a board investigation or disciplinary proceeding.

(3) Once the licensee has complied with the provisions of this subsection, he need not comply with any subsequent requests to again provide that information.

**[(j)](l) Discreditable acts.** A licensee shall not commit any act that reflects adversely on his fitness to engage in the practice of public accountancy, including:

(1) Incompetence, including but not limited to:

(A) Gross negligence, recklessness, or repeated acts of negligence in the licensee's record of professional practice[:]; or

(B) Any condition, whether physical or mental, that endangers the public by impairing skill and care in providing professional services[:];

(2) Presenting a license of another as one's own;

(3) Concealment of information regarding violations by other licensees of Chapter 389 of the Connecticut General Statutes and the regulations promulgated thereunder when questioned or requested by the board; [and]

(4) Willfully failing to file a report or record required by state or federal law; willfully impeding or obstructing the filing of such a report or record, or inducing another person to impede or obstruct such filing by another; and the making or filing of such a report or record which the licensee knows to be false. A finding, adjudication, consent order or conviction by a federal or state court, agency or regulatory authority or the PCAOB that a licensee has willfully failed to file a required report or record shall be prima facie evidence of a violation of this subdivision[:]; or

(5) Willfully impeding or obstructing any lawful request of any state, federal or foreign agency.

[(k)](m) **Acting through others.** A licensee shall not permit others to carry out on his behalf, either with or without compensation, acts which, if carried out by the licensee, would place him in violation of the rules of conduct.

[(l)](n) **Advertising.** A licensee shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading or deceptive. A false, misleading or deceptive statement or claim includes but is not limited to a statement or claim which:

- (1) Contains a misrepresentation of fact; [or]
- (2) Is intended or likely to create false or unjustified expectations of favorable results; [or]
- (3) Implies educational or professional attainments or licensing recognition not supported in fact;

or

(4) Contains other representations or implications that in reasonable probability will cause an ordinarily prudent person to misunderstand or be deceived.

[(m)](o) **Form of practice.** A licensee may practice public accountancy only in proprietorship, a partnership or a professional corporation, organized in accordance with chapter 594a of the Connecticut General Statutes, or other public or private entity, organized or existing under the laws of this state or any other state, or the federal government, including any federal corporation, or foreign entity.

[(n)](p) **Firm names.** A licensee shall not practice public accountancy under a firm name which is misleading. A misleading firm name is one which contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who the owners or members of the firm are, such as a reference to a type of organization or an abbreviation thereof which does not accurately reflect the form under which the firm is organized, for example, implies the existence of a corporation when the firm is not a corporation. The names of one or more past partners, shareholders, or members may be included in the firm name of a partnership, corporation, limited liability company, or its successor. A partner, shareholder, or member surviving the death or withdrawal of all other partners, shareholders, or members may continue to practice under a firm name which includes the names of past partners, shareholders, or members for up to two years after becoming a sole proprietor.

Sec. 2. Section 20-280-15d of the Regulations of Connecticut State Agencies is amended to read as follows:

#### **Sec. 20-280-15d. Notification Requirements**

(a) Reporting violations. A licensee and an individual using practice privileges in this state shall notify the board within thirty days of any of the following:

(1) Any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of nolo contendere, for any felony or any crime, an essential element of which is fraud, dishonesty, deceit, or any other crime which evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with public protection;

(2) Active or stayed revocation or suspension of any occupational license, privilege or other authority to practice any licensed occupation by or before any state, federal, foreign or other licensing or regulatory authority; or

(3) Any act which would be grounds for revocation or suspension of a license if committed by a licensee of the board.

(b) Change of address or other information. Any licensee, individual or firm shall notify the board in writing within thirty days of any change of address, email address, or change of employment or

any other information provided on the last renewal application. A firm shall notify the Board of any of the following events concerning the practice of public accountancy within this state within the thirty-day period:

- (1) Formation of a new firm;
- (2) Addition of a partner, member, manager or shareholder;
- (3) Retirement, withdrawal or death of a partner, member, manager or shareholder;
- (4) Any change in the name of the firm;
- (5) Termination of the firm;
- (6) Change in the management of any branch office in this state;
- (7) Establishment of a new branch office or the closing or change of address of a branch office in this state; [and]
- (8) Issuance of the firm's first issued financial statements and accountant's reports; [or]
- (9) The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Connecticut General Statutes or Regulations of Connecticut State Agencies[.]; or

(10) [In the event of any] Any change in the legal form of a firm[, such new firm shall within thirty days of the change file an application for an initial permit in accordance with the Connecticut General Statutes and Regulations of Connecticut State Agencies].

(c) New legal form of firm. Any firm that changes its legal form shall notify the department of such change within 30 days and in such format as the department requires. If there is any change in any person with an ownership interest or any change in the percentage of ownership among the owners, the firm shall apply for an initial permit in accordance with the Connecticut General Statutes and Regulations of Connecticut State Agencies.

(d) Internet practice. A CPA firm offering or rendering professional services via a website shall provide in the website's homepage, a name, an address, and principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

Sec. 3. Section 20-280-16 of the Regulations of Connecticut State Agencies is amended to read as follows:

#### **Sec. 20-280-16. Complaints, adjudication procedure**

(a) **Purpose[.]:** This section shall govern the procedure of the board in all hearings conducted under the authority of section 20-280b of the Connecticut General Statutes involving a violation or alleged violation of chapter 389 of the Connecticut General Statutes and the regulations promulgated thereunder, by any person, but these rules shall not be construed to be a limitation or repeal of the board's authority as provided by legislative act.

(b) **Complaints.** Information or personal knowledge of any person, including any board member, which if true would indicate a possible violation of chapter 389 of the Connecticut General Statutes or the regulations of the board may be presented to the board in the form of a complaint in accordance with section 20-280c of the Connecticut General Statutes. Upon receipt of such complaint, the board shall review its particulars.

[(d)](c) **Action on complaint.** Upon completion of the review the board shall:

- (1) If the complaint in its opinion has no foundation in law and/or fact, transmit to the person providing the information the determination as to the insufficiency of the complaint or of the evidence, or
- (2) In all other cases cause to have prepared on its own motion, formal charges which shall be



signed, caused to be served and prosecuted in accordance with Sections 4-177, 4-178 and 20-280c of the Connecticut General Statutes by the secretary or by a board member designated by the chairman.

~~[(e)]~~~~(d)~~ **Conduct of hearings.** Hearings shall be conducted by two or more members of the board. The hearing shall be:

(1) ~~[Be presided]~~ Presided over by a presiding officer, who shall be the chairman if present for the hearing; otherwise, the chairman shall designate a board member as presiding officer[.];

(2) ~~[Be officially recorded.]~~ Recorded; and

(3) ~~[Be continued]~~ Continued or adjourned for reasonable cause shown.

~~(e)~~ **Evidence.** Evidentiary questions shall be ruled upon by the presiding officer. After all parties rest their cases, the board shall evaluate all testimony and other evidence and shall issue an appropriate order with findings of fact and conclusions. The commissioner or board member prosecuting the complaint shall not participate in any deliberations[, or voting [and preparation of] on the findings of fact, conclusions [and] or order.

~~[(g)]~~~~(f)~~ **Record.** After adopting findings of fact and conclusions of law, the board shall issue an order dismissing the action, or providing the sanction under section 20-280b of the Connecticut General Statutes it deems warranted. The order shall include as a part thereof the findings of fact and conclusions of law of the board.[:

~~[(1)]~~ [Be explicit and include as a part thereof the findings of fact and conclusions of law of the board.]

~~[(2)]~~ [Be served upon the respondent or his attorney by certified mail with return receipt requested.]

~~[(e)]~~~~(g)~~ **Return of certificate.** Any licensee whose certificate, registration or permit issued by the board is subsequently suspended or revoked shall promptly return such certificate, registration or permit to the board.

~~[(f)]~~ **Motion for reconsideration.** A petition to the board for vacation or reduction of the severity of a sanction imposed shall be submitted in writing within thirty days subsequent to the issuance of an order except that the board is not required to provide a hearing for consideration thereof.]

Sec. 4. Section 20-280-23 of the Regulations of Connecticut State Agencies is amended to read as follows:

#### **Sec. 20-280-23. Examination**

##### **(a) Educational qualifications to sit for the certified public accountant's examination.**

An applicant shall be eligible to apply to sit for the examination for the first time on or after May 26, 2007 if he or she, [is a graduate of an accredited college with a degree of bachelor or with a graduate degree. The college shall be] at the time of the examination, has completed not less than one hundred twenty (120) semester hours of education at a college accredited by the regional accrediting commission subscribing to the national policies and procedures established by the Council for Higher Education Accreditation; or a college of equivalent accreditation as determined by the Connecticut State Board of Accountancy. The candidate shall have received credit for at least 46 semester hours from such an accredited college in the study of accounting and related subjects, including, but not limited to business law, economics, and finance; of which at least twenty-four semester hours shall be in the study of accounting.

##### **(b) Application process.**

(1) Requirements to take the examination. An applicant shall:

(A) Submit to the examination service authorized by the board to administer the examination any application, documentation and proof of identity that the examination service may require, and pay

any fee that the examination service may require;

(B) Submit documentation that, prior to applying for the examination, the applicant has met the educational qualifications set forth in subsection (c) of section 20-281c of the Connecticut General Statutes;

(C) Submit to the board satisfactory evidence of good character, as defined in subsection (b) of section 20-281c of the Connecticut General Statutes.

(2) Notice. The board, or its designee, shall for each applicant and eligible candidate:

(A) Determine the eligibility of each applicant;

(B) Forward notice of the time and place of the examination to each eligible candidate; and

(C) Forward notification of eligibility for the computer-based examination to the National Association of State Boards of Accountancy's National Candidate Database[;].

(3) Failure to appear for the examination. A candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.

(c) **Content.** The examination shall consist of the following sections:

(1) Auditing and Attestation;

(2) Financial Accounting and Reporting;

(3) Regulation; and

(4) Business Environment and Concepts.

(d) **Passing Grade.** A candidate shall attain a scaled score of seventy-five points in each section.

(e) **Granting of Credit.** The exam shall be administered [four times annually during three month examination periods] as scheduled by the board or its designee. A candidate may take the required exam sections individually and in any order. Credit for any section(s) passed shall be valid for eighteen months from the actual date the candidate took that exam section, without having to attain a minimum score on any failed exam section and without regard to whether the candidate has taken other exam sections.

(1) Except as provided in subdivision [(3)] (2) of this subsection, candidates shall pass all four exam sections of the examination within a rolling eighteen-month period, which begins on the date that the first exam section passed in taken. Any exam section passed outside the eighteen-month period shall expire and that exam section must be retaken.

[(2)] [Candidates cannot retake a failed exam section during the same 3-month examination period in which candidates have an opportunity to take the CPA exam.]

[(3)] (2) For reason of health, military service, or other individual hardship, the board may, in its discretion, extend the time limit for passing all remaining subjects beyond that set forth in section (1) of this subdivision.

(f) **Credit for examinations taken out-of-state.**

(1) Any individual who has obtained credit for any section of the uniform certified public accountant examination as graded by the Board of Examiners of the American Institute of Certified Public Accountants from a state other than Connecticut or other examination approved by the board, and who qualifies under subsection (a) of this section to take the examination in Connecticut shall receive credit for such sections subject to the provisions of this section.

(2) A candidate who has received full credits from a state other than Connecticut shall make application on forms prescribed by the board, and such application shall be filed with the board. A candidate's out-of-state credits shall not be accepted unless at the time the candidate received his out-of-state credits the state of issuance had in effect credit procedures and standards substantially equivalent to or stricter than those credit procedures and standards then in effect in state of Connecticut.

[(h)] (g) **Hardship.** For reason of health, military service, or other individual hardship, the board may, in its discretion, extend the term of any credit.

**[(i)](h) Cheating.**

(1) Cheating by a candidate shall be deemed to invalidate any grade earned by that candidate on any section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time ranging from until the next administration of the examination up to a lifetime ban.

(2) Actions including, but not limited to, the following may be considered cheating:

(A) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;

(B) Communication between candidates inside or outside the examination site or copying another candidate's answers while the examination is in progress;

(C) Communication with others inside or outside the examination site while the examination is in process;

(D) Substitution of another person to sit in the examination site in the stead of the candidate;

(E) Possession of or reference to crib sheets, textbooks or other material or electronic media (other than that provided to the candidate as part of the examination) inside or outside the test site while the examination is in progress;

(F) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so; or

(G) Retaking or attempting to retake an examination section by an individual who has unexpired credit for having already passed the same examination section, unless the individual has been directed to retake an examination section pursuant to board order to participate in a "Secret Shopper" program.

(3) In any case where it appears that cheating has occurred or is occurring, the board or its designee may summarily expel the candidate involved from the examination or move the candidate to a position in the examination center away from other examinees.

(4) In any case where the department believes that it has evidence that a candidate has cheated on the examination, it shall conduct an investigation. Such investigation may include hearings conducted in accordance with chapter 54 of the Connecticut General Statutes. Such hearing may result in a remedy including but not limited to:

(A) Full or partial invalidation of credit for any session of the examination completed for that session; and

(B) Permanently or temporarily barring the candidate from taking all or any section of the examination.

(5) Upon final written determination that a candidate has cheated on the examination, the department shall notify the national candidate database, the American Institute of Certified Public Accountants, and the test center where the examination was administered.

(6) The department shall provide information to any state board of accountancy, concerning its finding and actions in such cases when a candidate has applied to take the CPA examination in such other state.



**Statement of Purpose**

This proposed regulation updates the rules of professional conduct for Certified Public Accountants, including the adoption of the AICPA Code of Professional Conduct; requires updating of e-mail and other information with the Board within thirty days; allows for taking the CPA exam before a college degree is earned, but after 120 or more college credits have been obtained; allows for continuous testing on the Uniform CPA Examination to conform with the National Association of State Boards of Accountancy's Model Rules; and allows quicker re-taking of a failed examination section.