Legislative History for Connecticut Act

SB 426 PA 212 1992

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Sen: 1754, 3428-3437 (11)

Gen. Law: 296-314, 415-417 (22)

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H-643

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1992

VOL. 35
PART 21
6866-7240
TRAILER SESSION

ACCOUNTANCY ACT. (As amended by Senate Amendment Schedule "A").

SPEAKER BALDUCCI:

For the clarification of the members in the Chamber, I would indicate that the Consent Calendar we have before us on Page 8, Calendar 537, Substitute for Senate Bill 426, File 464, as amended by Senate Amendment Schedule "A".

Calendar 538, Substitute for Senate Bill 502, File 561, as amended by Senate Amendment Schedule "B".

On Page 12 at the bottom, Calendar 364, Substitute for House Bill 5905, File 412.

On Page 15, Calendar 470, Substitute for Senate Bill 477, File 526.

And on Page 9, Calendar 542, Substitute for Senate Bill 71, File 570, as amended by Senate Amendment Schedule "A".

Page 13, and I apologize to the members for jumping around, Page 13, Calendar 384, Substitute for House Bill 5017, File 634. Is there objection by any of the members to those items being placed on the Consent Calendar?

SPEAKER BALDUCCI:

Representative Duffy.

REP. DUFFY: (77th)

Mr. Speaker, I would ask that Calendar 470 be removed.

SPEAKER BALDUCCI: S.B. 477

Calendar 470 has been removed from the Consent Calendar. If there is no other objections, I would ask guests to the well of the House. Members please be seated. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber please. The House of Representatives is voting on today's Consent Calendar. Members to the Chamber please. Members to the Chamber please for today's Consent Calendar.

SPEAKER BALDUCCI:

Have all the members voted and is your vote properly recorded? If all the members have voted, the machine will be locked. The Clerk please take a tally.

The Clerk please announce the tally.

CLERK:

Consent Calendar for May 6, 1992.

Total Number Voting	147
Necessary for Adoption	74
Those Voting Yea	147
Those Voting Nay	0
Those absent and not Voting	4

SB71
SB426
SB502
HB5017
HB5905

SPEAKER BALDUCCI:

The Consent Calendar is adopted.

REP. FRANKEL: (121st)

Mr. Speaker. Mr. Speaker.

SPEAKER BALDUCCI:

Representative Frankel.

REP. FRANKEL: (121st)

Thank you, Mr. Speaker. At this time I'd move for the immediate transmittal to the Senate of all items of business requiring further action by the Upper Chamber.

SPEAKER BALDUCCI:

Is there objection to immediate transmittal? Seeing none, it's so ordered.

The Clerk please call House Bill 5787.

REP. TULISANO: (29th)

Mr. Speaker.

CLERK:

House Bill 5787, AN ACT CONCERNING THE REVISOR'S TECHNICAL CORRECTIONS TO THE GENERAL STATUTES AND TO CERTAIN PUBLIC AND SPECIAL ACTS. (As amended by House Amendment Schedule "A" and "B').

SPEAKER BALDUCCI:

Representative Tulisano of the 29th.

REP. TULISANO: (29th)

I move acceptance --.

S-333

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1992

VOL. 35
PART 5
1458-1844

323 is marked Passed Temporarily. 325, Substitute for Senate Bill No. 426, I refer to the Committee on Judiciary.

THE CHAIR:

Is there any objection to referring Senate Calendar No. 325, Substitute for Senate Bill 426 to the Committee on Judiciary? Is there any objection? Hearing none, so ordered.

SENATOR O'LEARY:

Calendar 354 is marked Passed Temporarily.

Page 34, under Disagreeing Actions, Calendar No. 54 is marked Go. I would like suspension of the rules to take up Calendar No. 55, Senate Bill No. 197, to be marked Go.

THE CHAIR:

Is there any objection in suspending the rules for the purposes of taking up Senate Calendar No. 55, Senate Bill No. 197, for purposes of acting on it today? Is there any objection? Hearing none, the rules are suspended.

SENATOR O'LEARY:

Calendar No. 107 is marked Passed Temporarily.

Page 35, Calendar 158, Substitute for Senate Bill No. 233, I move to the Consent Calendar.

THE CHAIR:

S-338

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1992

VOL. 35
PART 10
3365-3751

The bill passes.

Senator Herbst, would you like to have this --? Senator Herbst.

SENATOR HERBST:

Thank you, Madam President. I make a motion for immediate transmittal to the House.

THE CHAIR:

Thank you very much. You have a motion by Senator Herbst for the immediate transmittal of Senate Calendar No. 261 to the House. Is there any objection? Any objection? Hearing none, it is so ordered.

THE CLERK:

Calendar Page 17, Calendar No. 325, File No. 464, Substitute for Senate Bill No. 426, AN ACT ADOPTING THE UNIFORM STATE ACCOUNTANCY ACT.

Favorable Report of the Committee on Judiciary.

The Clerk is in possession of two amendments.

THE CHAIR:

Thank you very much. The Chair would recognize Senator Allen.

SENATOR ALLEN:

Yes, Madam President. I move acceptance of the Committee Favorable Report and adoption of the bill.

THE CHAIR:

Thank you very much. Mr. Clerk.

TUESDAY
May 5, 1992

SENATOR ALLEN:

Madam President, can I suggest that LCO No. 4297 be called first.

THE CLERK:

LCO4297, which will be designated Senate Amendment Schedule "A". It's offered by Senator Allen of the 10th District.

THE CHAIR:

Thank you very much. Senator Allen.

SENATOR ALLEN:

Yes, Madam President. I'd like to move adoption of the amendment, ask the reading be waived and I be allowed to summarize.

THE CHAIR:

Please proceed, Senator.

SENATOR ALLEN:

The amendment, 4297, is my second or third draft at dealing with the comment which is in File 464. The comment brings up three issues, all of which are well motivated.

The first one deals with the membership of the board. It settles the comment by eliminating the new member of the board so that we no longer have an unbalance between public members in existing statutes.

It deals with the terms by making them coterminous

with the Governor and it corrects a technical problem with certifying out-of-state Certified Public Accountants.

I would suggest that the amendment be adopted.

THE CHAIR:

Thank you very much.

MICROPHONE MAKING NOISE

Gracious

LAUGHTER

THE CHAIR:

Apparently the Clerk is either on your side or against you. I'm not too sure which.

LAUGHTER

Would anybody else besides the Clerk like to remark on Senate Amendment "A", LCO No. 4297? Are there any further remarks? If not, then please let me know your mind. All those in favor of LCO4297, designated Senate Amendment "A" please signify by saying aye.

SENATORS:

Aye.

THE CHAIR:

Opposed.

The ayes have it.

The amendment is adopted.

SENATOR ALLEN:

Madam President, I'd like to withdraw all amendments in my name. I think that includes 4068 and maybe a miscellaneous one or two.

THE CHAIR:

Thank you very much, Senator. Mr. Clerk.

THE CLERK:

There are no further amendments, Madam President.

THE CHAIR:

Thank you very much, Senator Allen. You now have before you the bill as amended.

SENATOR ALLEN:

Yes, thank you, Madam President. The purpose of the bill is revise and to update the act under which public accountancy in the State of Connecticut has been regulated. This act has not been substantially amended since 1955, yet we all know that the state of the industry has changed a great deal. I think I've told this story on the floor once before. I am an accountant and when I first went to school for accounting in my Accounting 101 course, more people showed up with slide rules in 1975 and 1976 than did with these calculators.

As a matter of fact, I remember my first calculator. I bought it in about 1978. It cost me a great deal of money and it does far less in terms of

functions that the calculators that Time Magazine sends you for renewing your subscription does. Indeed, as the price of the microprocessor and computer chip has gone down, they have taken over the practice of accounting and people who have studied this art and were very proficient in it as recently as ten years ago or five years ago find themselves totally out of their element with respect to new computerized accounting.

There have been many other changes in the industry, not the least of which is that it takes you a full book shelf now to keep up with the current laws with regard to acceptable accounting practice. I remember when it could be done in just a little looseleaf notebook, the kind that kids carry around in high school, all the practice quotes.

Now they are quite voluminous and not only that, but the area has been more sensitive to ethics. That is to say that we have all read stories about companies going bankrupt right after they get a clean bill of health from their accountants.

So it's very obvious that the statute has to be updated, and as a part of the updating of that statute, we have to recognize that accountants have to be better trained. They have to have time, not only to take more ethics courses, but also more technical courses and one

of the key provisions of this updating of the accountancy statute would require for the first time a fifth year of practice.

Right now you don't have to have graduate study at all in order to practice accounting, and as technically advanced as this is, this is a move that is long overdue. That move, however, is one of the more controversial aspects of this bill, but it's not the only.

The amendment or the statute deals with defining the public's stake in the regulation of the profession and clarifies the definition of holding oneself out to be in the practice of public account. It establishes new educational requirements, not just the 150 hours, but also new certifications and continuing education requirements which will make this state among the most stringent among the 50 states.

It introduces a registration of certified public accountants who will be allowed to use the title as an honorary title, but will not be -- and will be paying taxes, by the way, and a fee to the state for that privilege, but will not be able to hold themselves out as practicing accountants.

I could go over the many more technical details of this bill, but suffice it to say that it makes the

several dozens of amendments to the current statute that would be necessary to bring the practice of public accountancy into the 20th and prepare us for the 21st Century, and Madam President, I would suggest that it should be adopted.

THE CHAIR:

Thank you very much, Senator Allen. Senator Matthews.

SENATOR MATTHEWS:

Madam President, thank you. I certainly appreciate the impassioned explanation of accountancy by our friend, Senator Allen, and I now feel much more secure and comfortable about the whole profession.

THE CHAIR:

Thank you very much, Senator Matthews. Would anybody else wish to speak on Senate Calendar No. 325? Are there any further remarks? If not, Mr. Clerk, would you make the necessary announcement for a roll call.

THE CLERK:

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber. An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Thank you very much, Mr. Clerk. The issue before the Chamber is Senate Calendar No. 325, Substitute for Senate Bill No. 426, as amended by Senate Amendment "A", LCO No. 4297. The machine is on. You may record your vote.

Senator Maloney. Have all Senators voted that wish to vote? Have all Senators voted that wish to vote? The machine is closed.

The result of the vote:

35 Yea

0 Nay

1 Absent

The bill passes.

Senator Maloney.

SENATOR MALONEY:

This corner of the room is having a great time. I tried to get your attention. I miscast the vote on Senator Morton's machine today.

THE CHAIR:

Well. Senator Robertson.

SENATOR ROBERTSON:

Madam President, I was on the prevailing side. I'd ask that we reconsider this matter.

THE CHAIR:

Thank you very much. Is there any remarks on Senator Robertson's motion to reconsider Senate Calendar No. 325? All those in favor of reconsideration please signify by saying aye.

SENATORS:

Aye.

THE CHAIR:

Opposed.

The ayes have it.

The bill is back in front of you again. Mr. Clerk.

THE CLERK:

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber. An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Thank you very much. Thank you, Senator Robertson. The item before the Chamber is Senate Calendar No. 325, Substitute for Senate Bill No. 426, as amended by LCO No. 4297, Senate Amendment "A". The machine is on. You may record your vote.

Senator Jepsen. Thank you very much. Have all Senators voted that wish to vote in the way they wish

to vote? The machine is closed.

The result of the vote:

35 Yea

0 Nay

1 Absent

The bill passes.

Senator Allen, would you like to have this transmitted --?

SENATOR ALLEN:

Madam President, it has passed and I can now move it. I move, Madam President, to have this immediately transmitted to the House.

THE CHAIR:

Thank you very much, sir. It's only going to get worse. Is there any objection to Senator Allen's motion for the immediate transmittal of Senate Calendar No. 325 to the House? Is there any objection? Hearing none, it is so ordered. Mr. Clerk.

THE CLERK:

Calendar Page 9, Calendar No. 452, File No. 270 and 608, Substitute for House Bill 5506, AN ACT CONCERNING STATE HOUSING PROGRAMS AND FAMILIES WITH CHILDREN WITH LEAD POISONING. (As amended by House Amendment Schedule "A").

Favorable Report of the Committee on Public Health.

JOINT
STANDING
COMMITTEE
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PART 2
258-483

PAGES BOUND
OUT OF ORDER:
PP. 258-373
FOLLOW
PP. 374-483.

1992

This act is not necessary in our view and it is unduly burdensome on the City of Hartford and it also in our view attempts, makes an attempt for the state to regulate the city's affairs in a way that would hurt the City of Hartford in an economic way. Thank you.

REP. FOX: Mr. Peterson, thank you, sir. A question, yes. Lynn?

REP. TABORSAK: One quick question. Are tickets sold for Civic Center events, do they contain the statement about a refund in case of cancellation?

GERARD PETERSON: Absolutely.

REP. TABORSAK: Any little trick?

GERARD PETERSON: Well, we've never had one complaint and we've had 15 million times to do it.

REP. TABORSAK: Thank you.

GERARD PETERSON: So if we haven't learned in 15 million times, I'm surprised.

REP. FOX: Thank you sir. The next block of bills will be SB426 dealing with the Uniform State Accountancy Act, SB430 regarding the Charitable Funds Solicitation Act, HB5745 Pay for Call Services Act and HB5747 octane rating.

The first speaker is Bernard Bloom of the State Board of Accountancy.

BERNARD BLOOM: Senator Allen and Representative Fox, ladies and gentlemen of the General Law Committee my name is Bernard Bloom. I am Chairman of the Connecticut State Board of Accountancy and a licensed practicing certified public accountant.

I come before you today to strongly urge your support for SB426 an amendment to the State Accountancy Act. A bill raised by your Committee at the request of both the State Board of Accountancy and the Connecticut Society of Certified Public Accountants.

Public accountancy has been regulated in Connecticut since 1907 with the Accountancy Act currently in place passed in 1955. The profession and the world not to mention myself, have changed greatly since 1955.

The law that was written in 1955 is simply out of date. The State Board has been working on this act for over one year, recognizing the antiquated language of the old act and the necessity for changes in the last 37 years.

At hearings of our cases we were advised by our attorneys that it was difficult to use the act in its format and also that it contained ambiguities. The Senate Bill takes into account the necessity of having and allowing free flow interstate accounting practice. Businesses today cannot operate without crossing state lines in some form.

The new bill removes the residency and office requirement for an accountant from out of state. Instead he will be licensed under a reciprocal certificate and have to adhere to the same standards as his Connecticut brethren.

This bill before you will bring Connecticut's regulation of the practice of public accountancy into the 1990's and into the next century by replacing the current statute with its outdated language, terms, provisions and structure with a statute that is clear, concise and structurally sound.

Connecticut regulates the practice of public accountancy through a simple licensure system with statutory requirements for entry into the profession. Requirements for maintaining licensure in statutory provisions for individual and firm conduct and practice. The significant changes in this bill include a refinement of Connecticut public accountancy licensure structure that is more clearly defining the authority granted through the CPA certificate, the license and the permit.

The bill also incorporates a significant and necessary change in the education requirement to become a CPA. Following a national trend that has

found that education received by solely a Bachelor's Degree program is no longer sufficient preparation to become and practice as a certified public accountant.

Thus, this bill would require 150 semester hours of education replacing the current requirement of only a Bachelor's Degree. Another area pertains to the commissions and contingency fees. The public generally has great trust in licensed public accountants and by maintaining objectivity and independence in this regard the public is better served.

This bill will continue to protect the public by having accountants in this state possess the highest education status, continuing professional education and quality review. Connecticut must maintain it's position by making it's statutes uniform with many of the states in the country. The need and reasons of 85 years ago, which were the catalyst for government to regulate the practice of public accountancy still exists today.

We still need a profession regulated by the state which provides for independent and reliable opinions on financial statements as well as tax preparation and the other accounting services provided by this profession without which Connecticut's economy could not function. This bill, in my opinion, and the opinion of the Connecticut's Board of Accountancy provides for the continued and effective regulation of the accounting profession in Connecticut.

We at the Board certainly urge your cooperation in helping to make this bill part of our new statute. Thank you.

REP. FOX: Thank you sir. Yes. Question.

REP. TAYLOR: I'm just trying to read through here and I wonder if you could tell me, I understand that for the taking of the exam starting in the year 2000 you would require that the applicants take the exam would have completed 150 semester hours.

BERNARD BLOOM: That's true.

REP. TAYLOR: Is there any point at which someone who is either licensed prior to the year 2000, currently has a license would in order to maintain his license have to acquire 150, the extra 30 hours of education or they will in essence all be grandfathered in?

BERNARD BLOOM: They will be grandfathered. This will just go forward from that point on.

REP. TAYLOR: Thank you.

REP. FOX: One other question. Yes.

SEN. ALLEN: I want to clarify that. First of all I want to say that I'm glad that you came forward, I know there are several people from the Society that are here and will listen to you and I'm glad you came forward on this.

As an accountant who took the test just a few short years ago, I consider myself because of the developments in our field unqualified to hold myself out to be a certified accountant. That's how much our industry has changed and I'm glad the Society itself is recognizing that we have to do this.

But isn't it true, with respect to the last question that Representative Taylor asked you that whereas people who were grandfathered would not be covered by the additional 30 hours, that is to say they would never have to go back and do that, they would be grandfathered from that but they would be subject to some rather stringent continuing education requirements. May be you can quickly outline them.

BERNARD BLOOM: Yes. That is true. Continuing professional education was passed by the legislature a number of years ago and each accountant is required to have 40 hours of continuing education if he is licensed.

REP. FOX: Yes.

REP. TAYLOR: Mr. Chairman if I could kind of ask then are these requirements going to be increased to reflect the increased educational requirements of new applicants?

Are we going to try to add to those continuing education requirements so that eventually people will be put on the same par as the new applicants?

BERNARD BLOOM: They will be for this reason: when we put through the new CPE requirements we were generally liberal in what we accepted. As part of the new regs we will probably get more in the way of hard courses and therefore, they will be kept abreast of the present developments.

REP. FOX: Yes, Lynn.

REP. TABORSAK: If you would just clear up the language, when we talk about continuing education of individuals who have already passed the examination we say 40 hours. When you describe the 150 hour requirement, I believe you said semesters.

BERNARD BLOOM: Yes, 150 hours is representative of the candidates before sitting for the exam. In other words, generally a candidate getting a Bachelor's Degree fulfills 120 hours. This will require an additional 30 hours of further study, not necessarily a degree although some institutions and some individuals may go for the additional degree.

But this will require additional hours in both accounting and liberal arts to make the 150 hours.

REP. TABORSAK: That's not my question.

BERNARD BLOOM: Yes.

REP. TABORSAK: 40 hours to me is a normal work week.

BERNARD BLOOM: Yes.

REP. TABORSAK: And I believe the continuing education requirement that exists now requires CPA's to have a solid weeks worth of continuing education.

BERNARD BLOOM: That is correct.

REP. TABORSAK: What does the initial 150 hours translate into using those terms?

BERNARD BLOOM: Those are classroom semester hours.

REP. TABORSAK: Okay. Thank you.

REP. FOX: Mr. Bloom, thank you. I see we have a series of people from the Society of Certified Public Accountants. I see my friend Howard Lupe. Nice to see you Howard. We are happy to hear from all of them but I would ask that we not have a repetition of each individual's presentation.

The first speaker is John MacLean.

JOHN MACLEAN: Good afternoon.

REP. FOX: Good afternoon.

JOHN MACLEAN: Senator Allen, Representative Fox, ladies and gentlemen of the General Law Committee my name is John MacLean. I am a practicing CPA and President of the Connecticut Society of Certified Public Accountants.

The bill before you, SB426 an amendment to the State Accountancy Act was raised by your Committee at the joint request of the State Board of Accountancy and the Connecticut Society of CPA's. The purpose of the bill is to make uniform the general conditions of the statutes, regulating the accounting profession in Connecticut with similar actions that are taking place and have taken place in the legislature across the country.

The accounting profession is more than 100 years old in this country. It has changed and been changed by events and circumstances, by expectations and national and state legislation. The profession has been granted an increasingly important role in our business and financial world by both the private and the government sector.

People have learned to identify the CPA with the words of integrity, objectivity and independence. When the CPA fails to live up to those standards

and expectations that accompany them the professional using those initials are subject to severe criticism and to punitive measures by the regulators and the courts.

This bill brings the profession into the decade of the 90's, almost 50 years, as it was indicated before since the last major accountancy statute was enacted by this legislature. But more important, it will bring the regulation of the profession beyond this century.

(cass 2) (cassettes 1 and 2 don't connect, small gap)

-- just as being done nationally. Twenty states have enacted this particular feature. Another ten, including ourselves are taking actions this year. It's our revisions will be easier to read and understand. It will be a logical sequence and it will clearly state the reasons that the accounting profession is regulated, a profession devoted to professionalism and quality.

Also important, this bill provides for a CPA not practicing in public accounting, and many of those are now in private industry, to use the initials CPA by registering with the state Board of Accountancy, allowing him or her the recognition of professional status that has been achieved. Copies of an executive summary and the major points on the legislation accompanying this testimony have been left with the committee. We urge your passage of this amendment in the public interest.

REP. FOX: Thank you. Questions? A question. Craig.

REP. TAYLOR: Yes, the last factor that you talked about where you could use the CPA initials, although you're no longer practicing publicly, does that mean that you would no longer be licensed, but you be --.

JOHN MACLEAN: Currently, if you are not licensed in the State of Connecticut you cannot use the initials CPA.

REP. TAYLOR: Right.

JOHN MACLEAN: This would allow those in industry and other than in holding themselves out in the practice of public accounting to use the initials CPA by registering with the state.

REP. TAYLOR: Okay.

REP. FOX: Mr. Maclean, thank you. Any of the other individuals from that group wish to make a presentation to add to that? There were one, two, three, four, five others that had signed up in favor of that bill. Good afternoon.

RALPH TAKALA: Good afternoon. Senator Allen, Representative Fox, ladies and gentlemen of the General Law Committee, my name is Ralph Takala. I am president-elect of the Connecticut Society of Certified Public Accountants.

Connecticut has been a leader in standard setting and oversight of the profession for the benefit of the public. In this increasingly complex world, we should assure that our students have the best education possible to enable them to compete with people from other states, jurisdictions and nations. Connecticut must support higher education or be left behind and in the process leave its young people behind.

The vast body of knowledge dictates this educational standard to protect the public interest, maintain high standards, which will be required by all states and ensure that we remain competitive as we have entered a global economy. A uniform standard of education is just one important aspect of this.

Since eventually the 150 hours will be required by all states or jurisdictions, those whose educational institutions do not meet the standards will force students to go elsewhere. This will have a negative impact on enrollments, revenues and availability of qualified students and adversely impact the business community, government and the public.

The continuing education requirement corresponds to the American Institute of Certified Public Accountants standards for membership, the Connecticut Society of Certified Public Accountants standards for membership and the standards of 53 other jurisdictions.

The license fees, examination fees, firm registration fees, the sales tax on professional services, which is new, suggests that the costs to the state, a one-time cost and a cost to be incurred eight years from now is exceeded substantially by the revenue derived from the profession.

We seriously question the estimate of $1,600,000 of cost to meet the 150 hour standard. However, assuming that it is right and further assuming that there is no revenue to reduce it, neither of which has been demonstrated satisfactorily, the public interest is best served by having properly trained people entering the profession.

Connecticut is following the standards set after years of careful consideration by the American Institute of Certified Public Accountants. Questions about whether our profession is meeting its responsibilities go beyond information included in financial statements. The public's expectations for our profession are high and rightfully so.

To meet these expectations people need a sound educational background and ongoing professional education. The 150 hour requirement is the foundation for this followed by a lifelong commitment to continuing professional education. Thank you.

REP. FOX: Thank you, Mr. Takala. I see there are four other members from that organization and I just can read the penmanship to see who you are, so if you wish to be heard on it, please come forward.

JAMES A. HEINTZ: Senator Allen, Representative Fox, ladies and gentlemen of the General Law Committee, my name is James A. Heintz. I'm the head of the

Accounting Department in the School of Business Administration at the University of Connecticut. My purpose is to address solely the 150 hour education requirement portion of the bill.

I've been an accounting professor at two major universities for 22 years. During this time I've seen a veritable explosion of business and accounting information that students need to absorb during their formal education.

The 109 (inaudible) statements, 67 statements on auditing standards didn't even exist when I started my academic career. The growing prominence of the global marketplace makes understanding of other cultures and foreign languages increasingly important.

Facility with a ten key adding machine has been replaced by a variety of computer software languages and packages. While this information explosion has been occurring, one thing has remained constant. We still have the same four year accounting degree to prepare for entry into the profession.

This is unrealistic. The graduates from our four-year accounting program simply cannot be as prepared as they need to be for today's business world. The 150 hour accounting program is a necessary part of preparation for the accounting profession. If the State of Connecticut decides not to make and to provide 150 hour accounting programs, to me there are two very important questions to consider.

One, who will provide these programs, and two, what will the employers of our graduates do? With respect to the first question, there are currently 20 states that have passed legislation mandating the 150 hour program. Who will provide the program? The universities and colleges in those states. What will the employers do? They'll go elsewhere to fill their needs.

Virtually all major companies have what are called target schools which are known to provide quality graduates from quality programs. If Connecticut school do not have such programs, others will. The

net effect will be further damage to the State of Connecticut. As a concerned educator and citizen of the state, I urge you to pass this bill. Thank you.

REP. FOX: Thank you, sir. Please identify yourself for the record.

GEORGE GENERAS: Mr. Chairman, my name is George Generas and I currently chair the Department of Accounting at the University of Hartford. I was licensed as a CPA in the State of New York approximately 20 years ago. I received my certificate in Connecticut via reciprocity approximately 12 years ago.

My undergraduate accounting education was completed in 1966. The pedagogical constraints on the accounting curriculum today are virtually identical to those in effect when I studied accounting over 25 years ago. The accounting majors studied about seven courses in a major. A considerable emphasis was placed on the liberal arts component of the educational experience and a broad business background was presented.

Even after completing a graduate degree in 1968 I was nervous about entering a profession that was so complex. Today our students are entering a profession in the global business community that makes the arena that I entered look like a child's playground. The profession has experienced three standard setting bodies and has witnessed a virtual explosion in the accounting and auditing standards to guide the profession. The new accountant must have a familiarity with a global business environment that is expanding at an unbelievable rate.

Perhaps most importantly, the new accountant is entering a community where professional and personal ethics are of paramount importance. No longer are these mores being assumed to exist in a student prior to arriving at college. We realize and accept the fact that we are responsible for presenting our students with an educational experience in business ethics.

For all these reasons I fully support the 150 hour educational requirement for entry into the profession of public accountancy. I believe there still is a need for a four year baccalaureate accounting education, but for entry into the profession, that is, the examination, I support the 150 hour program. I believe the regulations that will be required to fulfill the requirements should be set in close coordination between the educators, the profession and the business community. Thank you, Mr. Chairman.

REP. FOX: One question.

SEN. ALLEN: Yes, Mr. Heintz. I completely agree with you and I've already said on the record that just what my experience was and maybe you could share this. When I took my Accounting 101 in 1977 more people showed up to Accounting 101 with slide rules than with electronic calculators and I'm sure you can understand and remember this. I fulfilled my entire accounting requirements, and it was at the University of Connecticut, taking courses that were then called electrical engineering courses, woefully inadequate for what we are dealing with now and you can comment just quickly on one aspect that you've touched in your testimony and that is the increasing complexity and concern for recordkeeping that's been caused by the computer explosion or takeover in our profession or since it's no longer my profession, your profession.

GEORGE GENERAS: Senator Allen, I feel very bad about this. When I started my accounting education, the electronic calculator was not yet in use. They were too expensive for college students to have. The amount of recordkeeping reporting done by the electronic data processing community is phenomenal.

We have to have students who are virtually scientists in addition to being accountings when they're through with their education and we just cannot do this in a four-year undergraduate education as we currently have. We have to be able to expand.

SEN. ALLEN: Sir, my co-chairman just jokingly said that some of the people may have showed up with these. In fact, I think one student did show up with an old abacus.

GEORGE GENERAS: The abacus which drove everybody crazy with the clicking that went on.

REP. FOX: Thank you, sir.

GEORGE GENERAS: Thank you.

HARLAN SHAKUN: Thank you, Mr. Chairman and members of the committee, my name is Harlan Shakun. I'm an assistant professor of accounting at Central Connecticut State University and a practicing CPA. I'm here to speak in support of the Senate Bill concerning the Uniform Accountancy Act. The university is strongly in favor of the 150 hour requirement to sit for the CPA exam.

I'd like to point out a couple of things to your committee. One is this 150 hours applies to those students who are planning to become certified public accountants and are planning to take the CPA exam. It does not apply to those students who are not going into public accounting. They would still have the normal 120 hours, semester hours prior to graduation.

A Central, we have been planning and working towards the implementation of the requirements. An implementation cost was mentioned by an earlier speaker. At Central I'm involved in a committee that are working towards this. We are not looking for any new faculty positions to cover this. We're not looking for any new programs at all. As has been mentioned, not all the courses will be in accounting. In fact, at Central, there will be a significant number of arts and science courses, general business as well as some accounting courses.

Central in the past several years has been significantly increasing the academic standards of the business school. We now have a junior year

admittance program into the business school. What this will be doing in future years is freeing up faculty members to teach these higher level courses as will be required.

The accounting professional, as it is, it's involved, as other speakers have said, in requiring higher standards and expectations of students. At Central we feel that additional courses that students will be taking will enable us to turn out even higher caliber of students than we have right now. So we're urging the support, that your committee support the act.

REP. FOX: Thank you. Is it Josh Kapelner?

JOSH KAPELNER: Kapelner.

REP. FOX: Kapelner.

JOSH KAPELNER: Good afternoon. Mr. Chairman and members of the committee, I may be alone here by myself today, but I'm not alone as those groups opposing SB426. I'm a member of the American Institute of Certified Public Accountants, a member of the Connecticut Society of Certified Public Accountants and I received my public accounting background and training with the international CPA firms of Peat Marwick and with Deloitte & Touche.

I'm representing CARE-CPA today. CARE stands for the Coalition Against Restricting Entry into the CPA profession. CARE has been instrumental in bringing together a coalition of opposing groups. I'd like to share with you some of the groups that are opposing this on a national level.

Starting off with the Pennsylvania Institute of Certified Public Accountants who currently has over 17,000 members, the National Council of Philippine American CPA, the Associate Asian CPA Firms, the Defense Contract Audit Agency.

From academia, we have the American Assembly of Collegiate Schools of Business. That is the major accrediting body of schools of business. We have Small Business of America, the Hispanic Coalition of Higher Education, the A. Phillip Randolph Institute, and of course, CARE.

The 150 hour law's main effect will be to limit the number of new CPAs. This ultimately limits competition and drives accountants' fees even higher due to their diminished supply. CPA, CPA firms are hiring only 11 percent of the recruits currently with Master's Degrees, down from 25 percent in 1976 even though the number of Master Degree graduates have grown almost 250 percent since 1976.

The 15 hour law will not improve the quality of the CPA profession. The model 150 hour law does not require any additional courses in accounting and if additional education is needed, whether it be through an extra year of undergraduate education or through a Master's Degree, one must question why the uniform CPA examination is currently being shortened from 19 1/2 to 16 1/2 hours effective May of 1994.

There is established evidence that Master's Degree employees do not perform any better than accountant/auditors with Bachelor's Degrees. The 150 hour law will add an additional cost to each state's annual education budget. Most of you are familiar with the cost study that was done showing the cost that Connecticut currently estimated to be $1.6 million per year.

The 150 hour law will have a particularly adverse effect on the ability of small colleges and two and four year universities. The 150 hour law will force many excellent, small, private colleges and universities that do no offer graduate degrees or five year programs to consider dropping their accounting programs altogether.

The 150 hour law would especially limit opportunities to minorities and lower and middle income students who cannot afford the extra year of school. The 150 hour law will impose an unfair burden on students who most forego a year's earnings and spend tuition and living expenses for another year in college.

The financial burden placed on students attempting to obtain a Master's Degree cannot be offset by

help from the universities. Most universities today do not have enough resources or graduate assistantships to support students for a fifth year of college.

The 150 hour law would impose burdens on married female students and on single parents. The implementation of the 150 hour law would unfairly affect the majority of accounting students who do not even intend to sit for the CPA exam. This would force students who wish to enter into fields of industrial or non-public accounting to take more classes even though they did not wish to become CPAs. Thus these private accountants who make up a majority of the profession would have to suffer an unnecessary burden because of this law.

In addition, the 150 law will adversely affect large and small public accounting firms. These firms will have to compete for a much smaller supply of accounting graduates will incurring increases in salary levels for all staff members.

The 150 law will prevent the low and middle income proportion of the best and brightest from entering the public accounting profession. We will lose the bright students to other professions and careers. A study of approximately 5,000 CPA candidates concluded that there would be a 40 percent decrease in the number of students who would choose accounting as a profession.

The 150 hour requirement is not an unavoidable trend. It's gone into effect in only four states and I'd like to go on to some of the information about the various states.

Florida has had the law in effect since May of 1984. They are the only state that has had this law and has stuck with it. We have provided you with information regarding the number of candidates, the decrease in the supply of CPA candidates in the State of Florida over those years.

Hawaii passed this in May of 1979. However, they found out it wasn't working. They had to modify it

to a four year track in 1985. So Hawaii had the law and then changed back to four year. Utah passed this in 1981. They modified it for a four-year track in 1985.

Let's go on with what's currently happening. Colorado --.

REP. FOX: If you can wrap it up. We're getting over the three minutes.

JOSH KAPELNER: Okay, I'm trying, but again, you had five speakers on the other side at least. I'd like to --.

REP. FOX: We'll give everybody that wants to speak their three minutes.

JOSH KAPELNER: Fine. North Carolina, 9,800. Again, they rescinded it. New York, 27,000. They've also rejected it. Maryland, 12,750. Minneapolis, 9,500. We go on with Pennsylvania for almost 17,000, all the way up to California where it hasn't gone through, of 59,000 CPAs.

In other words, you won't be alone. Connecticut is not the only state that would have to feel that the 150 hour requirement is not necessary.

REP. FOX: Are you leaving those statistics with us?

JOSH KAPELNER: We will get you copies of this latest information.

REP. FOX: If you would please.

JOSH KAPELNER: As you know, information was left with all committee members and chairs this week, but this will be something that will be added to that. Thank you for your time.

REP. FOX: Thank you. Yes, Lynn.

REP. TABORSAK: I just had one question. When you talk about the effect of the 150 hour -- you're really -- the requirement is already 120. Are you really talking about the effect of the 30 additional hours?

JOSH KAPELNER: We're talking about one additional year in school and therefore most candidates not being able to work and earn a livelihood during that time, but having to spend it on tuition and living costs.

REP. TABORSAK: What I'm asking, in your testimony you refer over and over again to the effect of 150 hours, but I believe after listening to you that you don't have a problem with 120 of those 150 hours.

JOSH KAPELNER: That's correct.

REP. TABORSAK: Thank you.

REP. FOX: Yes, Craig.

REP. TAYLOR: Two questions. First of all, you said that this would discourage those who were seeking to achieve the education of a CPA, but not practice publicly and I thought that one of the previous speakers had indicated that these requirements of 150 would only be applicable to those who wish to sit for the exam.

So if you didn't wish to sit for the exam, I would assume that they could establish that you have achieved the educational level of a CPA. You could register with the department as a CPA, but you couldn't license -- you couldn't get a license unless you completed the additional 30. Would that be something that would be a problem?

JOSH KAPELNER: Again, there's a lot of technicalities there that I think are not quite clear and I can't speak for the state board on how they would do that, but from my understanding, they're not going to even allow you to sit for that CPA exam without those additional 30 hours. They're talking about licensing and using the initials. You must have that exam, from what I understand is the way it's still going to be read and you must hold a certificate.

Without the exam you cannot get a certificate, let alone other requirements that the board has.

REP. TAYLOR: Right, no, I understand that. You said that the extra 30 hours would not really increase the ability of the CPA to practice his art and I'm wondering if you felt that instead of adding an additional 30 hours, that they could just change the required course loads to reflect more current practices and have those course loads included within the 120 hour courses?

JOSH KAPELNER: We would like to see that. We assume that's going on. We would expect that the faculty at the various colleges and universities are trying to give the students the latest information within that 120 periphery.

REP. TAYLOR: Thank you.

REP. FOX: Stan.

REP. KRAWIEC: Yes, at the present time, do you have any idea how many states have the 150 hour --?

JOSH KAPELNER: As I had mentioned, the ones currently -- there are what? Right now I believe there are eight that are introducing it. There are eight in progress right now and the list that actually, where it's been introduced but not effective, other than Florida. We have 19 where it has been -- excuse me, yes, I'm sorry -- it's been passed by 13 by May of 1991 and three additional. So we know of 16 right now, plus Florida.

REP. KRAWIEC: So you're saying we have 17 states --.

JOSH KAPELNER: Correct.

REP. KRAWIEC: That already -- and go for 20.

JOSH KAPELNER: Right, but again, we've had the one, Florida, that has kept it. The other two that did pass it originally and tried to live with it, but couldn't were Hawaii and Utah. They had to go back to the four year, in effect 120 hours.

REP. FOX: Thank you, sir. The only other person on this is Lawrence, is it Gramline, Gremline. Okay, thank you. Thank you, sir. The next batch of bills would be SB269 dealing with credit card

000415

Pauline R. Kezer
SECRETARY OF THE STATE
CONNECTICUT

TO: Members of the General Law Committee

From: Pauline R. Kezer, Secretary of the State Pauline R Kezer

----: Marc , ----

RE: Uniform Accountancy Act

As I am unable to be present to testify in support of Senate Bill 426, An Act Adopting The Uniform Accountancy Act, I am taking the opportunity to write this letter in support of the bill.

Public accountancy has been regulated in Connecticut since 1907. The accountancy act now in place was written in 1955 and the law is simply out-dated. The bill before you, an agreement reached by the State Board of Accountancy and the Connecticut Society of Certified Public Accountants, will bring Connecticut's regulation of the practice of public accountancy into the 1990's and the next century. The current statute, with its outdated language, terms, provisions and structure, will be replaced with language that is clear, concise and structurely sound.

Public accountancy is a profession which provides reliable and independent opinions on financial statements, tax preparation and other accounting services. In my opinion, this bill provides for the continued and effective regulation of the accounting profession in Connecticut.

I thank you for your time and consideration, and strongly urge your support of Senate Bill 426.

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GENERAL LAW COMMITTEE
PUBLIC HEARING
AMENDMENT TO STATE ACCOUNTANCY ACT

DATE: March 12, 1992

Senator Allen and Representative Fox, Ladies and Gentlemen of the General Law committee, my name is John A. MacLean, a CPA and President of the Connecticut Society of Certified Public Accountants. The bill before you, Senate Bill 426, an amendment to the state accountancy act was raised by your committee at the joint request of the State Board of Accountancy and the Connecticut Society of Certified Public Accountants. The purpose of the bill is to make uniform the general conditions of the statutes regulating the accounting profession in Connecticut with similar actions that are taking place, and have taken place, in legislatures throughout this country.

The accounting profession is more than 100 years old in this country. It has changed and been changed by events and circumstances, by expectations and national and state legislation. The profession has been granted an increasingly important role in our business and financial world by both the private and government sector. People have learned to identify the CPA with the words integrity, objectivity and independence. When the CPA fails to live up to those standards, and the expectations that accompany them, the professional using those initials is subject to severe criticism and to punitive measures by the regulators and the courts.

This bill brings the profession into the decade of the 90's, almost 50 years since the last major accountancy statute was enacted by this legislature. But more important it will bring the regulation of the profession beyond the century. It will establish new educational and experience requirements beginning in the year 2000, just as is being done nationally. Twenty states have enacted this particular feature. Another ten, including ourselves, are taking actions this year. Its other revisions will be easier to read and understand, will have a logical sequence and will clearly state the reason that the accountancy profession is a regulated profession devoted to professionalism and quality.

Important also, this bill provides for a CPA, not practicing public accounting, to use the initials by registering with the State Board of Accountancy, thus allowing him or her the recognition of professional status that has been achieved.

Copies of an executive summary of the major points of the legislation accompany this testimony have been left with the committee. The version of the bill before you differs in matters of definition, and in several areas of regulation from what was originally submitted to you. We hope that you will, before giving it a joint favorable report, restore the intent and language that was omitted. Thereupon we urge your passage of this amendment in the public interest.

Attachment: Executive Summary

000417

STATE ACCOUNTANCY ACT AMENDMENT

1992 GENERAL ASSEMBLY

EXECUTIVE SUMMARY

Contact Person: Jack Brooks
(203) 525-1153

PURPOSE: To update and revise the Act under which Public Accountancy has been regulated since 1955. The revisions are based upon the UNIFORM ACCOUNTANCY ACT jointly written by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy.

SPONSORSHIP: The Amendment has the endorsement and support of the Connecticut Society of Certified Public Accountants and the Connecticut State Board of Accountancy, regulator of the profession within the office of the Secretary of the State.

PRINCIPAL PROVISIONS:

1. The amendment defines the Public's stake in regulation of the profession and clarifies the definition of "holding oneself out" in the practice of public accountancy. The current law is difficult to follow and has contradictory language.

2. It establishes a new educational requirement of a minimum of 150 hours of education prior to sitting for the CPA examination. The current rule is 120 hours, the equivalent of a bachelors degree. It does not require that the extra hours be a degree requirement. Many states have already adopted this condition.

3. It introduces a "registration" of CPAs who are not licensed by the state, but who wish to use the Initials "CPA" to identify their achievement. These are people who have passed all the requirements but are not "in the practice of public accountancy" as defined in the present law, or the new amendment. Currently there is no way for the State to track who these people are.

4. It clarifies the current requirement for both continuing education and Quality Control Review of practice units as a condition of renewal of license and permit to practice.

5. It continues the State Board of Accountancy, which is now a 6 member board composed of four professionals and two public members, to make it a 7 member board, composed of five professionals and two public members. It also reintroduces rotation of membership in three year terms to provide for orderly continuity due to the number of Grievance procedures and other legal proceedings it is required to conduct. It maintains membership on the board by a Licensed Public Accountant as well as CPAs.

6. It clarifies and makes easier the practice of public accountancy across state lines, recognizing the increasing national and internationalization of business.

7. It gives greater flexibility to the form of practice of professional organizations should the laws of Connecticut allow them.

8. It introduces Civil penalties so that the State Board of Accountancy will have more teeth to enforce the law.

9. To protect the public against false and misleading practices, it prohibits the acceptance of commissions and contingent fees by accounting firms and those who hold themselves out as CPAs.

10. With the business world, government and private investors putting greater reliance on the Independence and Integrity of certified public accountants, it creates a clearer and more readable accountancy act for them to follow.