

SENATE WORKFORCE DEVELOPMENT  
THURSDAY, JANUARY 19, 2023

TESTIMONY OF PATRICK KAUTZMAN  
NORTH DAKOTA STATE BOARD OF ACCOUNTANCY  
SENATE BILL NO. 2061

Chairman Wobbema, members of the Committee:

I am Patrick Kautzman, President of the North Dakota State Board of Accountancy, and I appear today on their behalf. The Board is in support of this bill and recommends a **DO PASS** for SB 2061.

The Board is proposing this legislation primarily to 1) address an enhancement to access to testing for the Uniform CPA Examination, 2) formalization of disciplinary procedures, and 3) some language and clean up items.

**Section 1.:**

The definition of “principal place of business” was added to subsection 11 by the Legislature in 2009. The Uniform Accountancy Act (UAA) uses the term “designated.” (See 2009 North Dakota Laws Ch. 357 (H.B. 1147)). The Board has not fully adopted the UAA; however, the Board decided that this proposed change from “designed” to “designated” is necessary for clarity and consistency with the uniform act definitions.

## **Section 2.:**

The Section 2 amendment is a minor but important change required to be consistent with changes in Section 4 and Section 5 Amendments. I will address and refer back to this change later in my testimony regarding those Section 4 and Section 5 changes.

## **Section 3.:**

There are 3 changes under Section 3:

- “Good Moral Character” requirement,
- Education Requirements,
- Formalizing Inactive and Retired status

### **Good Moral Character**

Consistent with past legislation and other professional board statute changes, we are removing the requirement that a licensee be “of good moral character.” The definition of good moral character is somewhat subjective, and again, this change is consistent with other prior legislation and other professional board changes.

### **Education Requirements**

In 1999 the law was changed to required 150 credit hours of college to become certified. This is consistent with changes made by nearly all jurisdictions

throughout the country. The 1999 language under old Subsection 5a and 5b is being stricken as it is no longer necessary.

The new Subsection 5 (old Subsection 6) is being changed to allow CPA examination candidates to take the exam provided the candidate has obtained at least 120 semester hours of college education. Please note that this change in required education is just to qualify to begin taking the CPA examination and is not a change in the 150 hour requirement to fully qualify for the CPA certification. Nearly all jurisdictions have moved to a requirement of 150 hours for licensure; however, many jurisdictions have moved away from the requirement to sit for the exam. There are only currently only 10-15 jurisdictions that require 150 hours to sit for the exam. Nearly 40 jurisdictions have moved to allow students to sit for the exam at 120 credit hours.

This change to 120 credit hours to sit for the exam will:

- Lessen confusion for candidates wanting to sit for the exam
- Keep our state competitive for candidates desiring to sit for the exam
- Allows candidates to graduate from college, sit for the exam, and begin working sooner and possibly lessen the financial burden on a candidate

### **Inactive and Retired Status**

The new Subsection 15 is changed to provide exceptions for inactive and retired members to use their CPA designation in limited capacity. A licensee who has not

met the ongoing continuing education requirements to be fully licensed as a CPA can continue to use the CPA designation by disclosing that they are “inactive” or “retired” by placing that word adjacent to their CPA title. This is already happening in rules and practice through the annual renewal process and disclosure by the licensee that they have not met the continuing education requirements but desire to hold out as inactive or retired. This change is to formalize this into law and have the law be more consistent with Uniform Accountancy Act (UAA).

#### **Section 4 and Section 5.:**

As a reminder, Section 4 and Section 5 relate to that small change in Section 2 of the bill taking out the language in that section “by the board.”

#### **Section 4.:**

This change provides clarity for disciplinary or denial of licensure action that the hearing is to be held pursuant to 28-32 which is through the office of administrative hearings. Currently the law in Section 5 says hearing “before the board.” The board has always had the option to go to office of admin hearing and these changes make that clear under the law.

#### **Section 5.:**

The focus of Section 5 is the complaint process against a licensee.

Subsections 2 and 3 provides for language specifically authorizing the board to investigate complaints against licensees. This language is consistent with the UAA language regarding initiating investigations and appointing individuals to conduct the investigation. The current law references the investigation process, but this additional language clarifies the board's ability to initiate an investigation and designation of the investigator. This is the board's current process for complaints and this language is being added to statute for clarity in disciplinary proceedings to the benefit of the public, licensees, and board members.

The Subsection 4 is in regard to confidentiality of records in the investigation and disciplinary process. The law stipulates that information collected under the complaint and investigation process be treated as confidential until the board has made a determination to pursue disciplinary action. Prior law required the information to be kept confidential indefinitely. The new law allows the information to become public at the time the board pursues disciplinary action. The new law is in the public and licensee's best interest to be made public at that point as well as allow the board to operate efficiently at that juncture of the disciplinary process.

## **Conclusion**

Passage of this bill is important to enhance access for candidates to testing for the CPA examination and keep our state on par with other jurisdictions that allow candidates to sit for the examination with 120 credit hours of education. Additionally, this bill will provide for statutory clarification and document what is

happening in current practice in regard to the Inactive and Retired status for licensees as well as components of the disciplinary process.

Again, the Board supports this bill and recommends a **DO PASS** on Senate Bill 2061.

Thank you for your time. This ends my formal testimony. I would be happy to take any questions.

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