

Legislative Analysis



CPA PEER REVIEW; EXPERIENCE

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 191

Sponsor: Sen. Randy Richardville

House Committee: Banking and Financial Services

Senate Committee: Banking and Financial Institutions

Complete to 2-16-07

A SUMMARY OF SENATE BILL 191 AS PASSED BY THE SENATE 2-15-07

Public Act 278 of 2005 amended the act that regulates certified public accountants to require any licensed firm and sole practitioner performing attest services (which generally means providing assurance to the public on financial statements) to participate in a peer review program to be established by departmental rules. This requirement was to begin March 1, 2007.

Senate Bill 191 would amend Article 7 (Public Accounting) of the Occupational Code to delay and phase-in the effective date of peer review requirements that apply to licensed firms and sole practitioners. The bill also would delete a requirement that an applicant for a CPA certificate have two years of qualifying experience, while retaining a requirement for one year of qualifying experience under the direction and supervision of a licensed CPA.

Peer Review. Under Article 7, beginning on March 1, 2007, each licensed firm and sole practitioner that performs attest services, including audits, reviews, and compilations that third parties rely on, must participate in a peer review program established by rule of the Department of Labor and Economic Growth (DLEG) and approved by the State Board of Accountancy. An applicant for renewal or relicensure must submit to DLEG proof of peer review obtained within the three years preceding the application. A firm or sole practitioner required to participate in a peer review program must notify DLEG within 30 days after receiving an adverse report or second modified peer review report.

Under the bill, these peer review requirements would become effective beginning on one of the following dates, instead of on March 1, 2007:

- March 1, 2008, for licensed firms and sole practitioners whose attest services include audits.
- March 1, 2009, for licensed firms and sole practitioners whose attest services include compilation with disclosures relied upon by third parties, or review, or both, but not audits.
- March 1, 2010, for licensed firms and sole practitioners whose attest services include compilation without disclosures relied upon by third parties, but not audits or any compilation with disclosures relied upon by third parties, or review, or both compilation with disclosures and review.

Experience Requirement. In addition, Article 7 requires an applicant for a certificate as a CPA to have two years of qualifying experience, as well as one year of qualifying experience under the direction and supervision of a licensed CPA. The bill would delete reference to the two-year requirement.

MCL 339.725 and 339.729

FISCAL IMPACT:

There is no fiscal impact on the State of Michigan or its local units of government.

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Richard Child

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