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BILL ANALYSIS

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Senate Bill 191 (as introduced 2-8-07)
Sponsor: Senator Randy Richardville
Committee: Banking and Financial Institutions

Date Completed: 2-13-07

CONTENT

The bill would amend Article 7 (Public Accounting) of the Occupational Code to delay the effective date of peer review requirements that apply to licensed firms and sole practitioners; and to revise the experience required of an applicant for a certified public accountant (CPA) certificate.

Currently, an applicant for a certificate as a CPA must 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 the two-year requirement.

Under Article 7, beginning 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 as follows, 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, but do not exceed, review.
-- March 1, 2010, for licensed firms and sole practitioners whose attest services include, but do not exceed, compilation without disclosures relied upon by third parties.

MCL 339.725 & 339.729

BACKGROUND

The Federal Sarbanes-Oxley Act of 2002 requires each accountancy licensing entity to review state laws and rules regulating public accountants to determine if they properly protect individuals and companies who use the services of public accountants. The Michigan State Board of Accountancy (MSBA) spent 18 months reviewing Articles 1 through 7 of the Occupational Code and the DLEG administrative rules relating to public accountancy.

The MSBA review resulted in recommendations for changes to Michigan law, including the enactment of a peer review requirement for licensure of any firm performing attest services (which generally means providing assurance to the public on financial statements). This requirement was added by Public Act 278 of 2005.

The MSBA also recommended an exception to confidentiality requirements, enabling a CPA to disclose information to law enforcement or government agencies if the person knows of a violation of law; increased enforcement of licensing laws, including enhanced penalties for violations; self-reporting of certain crimes by licensees; and increased licensing fees. Public Acts 277, 278 and 279 of 2005 amended the State License Fee Act, the Occupational Code, and the Code of Criminal Procedure to implement these recommendations.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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