



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5192 (as passed by the House)
Sponsor: Representative Chris Afendoulis
House Committee: Regulatory Reform
Senate Committee: Commerce

Date Completed: 3-15-16

CONTENT

The bill would amend Article 7 of the Occupational Code, which governs the practice of public accounting, to do the following:

- Modify the definitions of various terms, including "practice of public accounting" and "attest".**
- Refer to "attest or compilation services", rather than "financial statements" in various provisions.**
- Specify that a firm that is not required to be licensed in Michigan could perform an examination, a review, or an agreed-upon procedures engagement.**

The bill would take effect 90 days after its enactment.

Definitions

Currently, "practice of public accounting" means rendering, or offering to render, an opinion on, or attesting to, or offering to attest to, the reliability of a representation or estimate, including the giving of an opinion in substance that financial information as set forth presents fairly the condition of the entity reviewed or audited, in regard to an entity embracing one or more of the following: a) financial information, b) facts respecting compliance with conditions established by law or contract, including a statute, ordinance, regulation, grant, loan, or appropriation; or c) the scope of the accounting procedures rendered in connection with the presentation of a financial statement.

Under the bill, "practice of public accounting" would mean rendering, or offering to render, an opinion on, or attesting to, or offering to attest to, the reliability of a representation or estimate, including the giving of an opinion in substance that one or more of the following types of information concerning the entity that is the subject of the opinion present fairly the condition of the entity: a) financial or other information about which the opinion is given, b) facts respecting the entity's compliance with conditions established by law or contract, including a statute, ordinance, regulation, grant, loan, or appropriation; or c) the scope of the accounting procedures rendered in connection with the presentation of the entity's financial statement.

In addition to the definition set forth above, practice of accounting includes one or more of specified activities when they are performed or offered to be performed by a person who is holding himself or herself out as a certified public accountant for a client or potential client. The specified activities include the issuance of reports on financial statements. The bill, instead, would refer to the issuance of reports in connection with any attest or compilation services.

Article 7 defines "attest" as providing the following financial statement services: a) any audit or other engagement to be performed in accordance with the statements on auditing standards; b) any review of a financial statement to be performed in accordance with the statements on standards for accounting and review services; c) any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements; and d) any engagement to be performed in accordance with the public company accounting oversight board auditing standards.

Under the bill, "attest" would not include providing a compilation. ("Compilation" means providing a service to be performed in accordance with statements on standards for accounting and review services that are presenting, in the form of financial statements, information that is the representation of management or owners without undertaking to express any assurance on the statements.) The bill also specifies that "attest" would include providing an examination, review, or agreed-upon procedures engagement to be performed in accordance with the statements on standards for attestation engagements, other than an examination of prospective financial information.

(In an attestation engagement, a public accountant is engaged to examine subject matter, or an assertion about the subject matter, that is the responsibility of another party. The subject matter could include, for example, historical financial performance or physical characteristics of property.)

Article 7 defines "report", when used with reference to financial statements, as "an opinion, report, or other form of language that states or implies assurance as to the reliability of any financial statements...". The bill provides, instead, that "report", when used with reference to an attest or compilation service, would mean "an opinion, report, or other form of language that states or implies assurance as to the reliability of attested information or compiled financial statements...".

Firms Not Requiring Licensure, Permitted Activities

A firm must apply for and obtain a license under Article 7 in order to engage in the practice of public accounting in Michigan if the firm establishes or maintains an office in the State, or if an individual who represents the firm performs an audit, an examination of prospective financial information, or an engagement to be performed in accordance with the public company accounting oversight board auditing standards for any client whose home office is in this State. A firm that is not required to obtain a license may perform a review engagement in accordance with the statements on standards for accounting and review services or a compilation for a client whose home office in this State, may use the title "CPA" or "CPA firm", and may practice public accountancy without a license only if certain conditions are met.

Under the bill, a firm not required to be licensed in the State also could perform an examination other than an examination of prospective financial information, a review, or agreed-upon procedures engagement in accordance with the statements on standards for attestation engagements.

MCL 339.720 & 339.728

Legislative Analyst: Jeff Mann

FISCAL IMPACT

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

Fiscal Analyst: Josh Sefton

S1516\S5192sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.