



House of Representatives

General Assembly

File No. 592

January Session, 2015

Substitute House Bill No. 6997

House of Representatives, April 13, 2015

The Committee on Government Administration and Elections reported through REP. JUTILA of the 37th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT IMPLEMENTING THE STATE BOARD OF ACCOUNTANCY'S RECOMMENDATION TO REDEFINE "ATTEST" AND "REPORT".

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 20-279b of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2015*):

3 As used in this section and sections 20-280 to 20-281n, inclusive, as
4 amended by this act:

5 (1) "Board" means the State Board of Accountancy established by
6 section 20-280;

7 (2) "Certificate" means a "certified public accountant" certificate
8 issued either prior to October 1, 1992, or pursuant to section 20-281c or
9 a "certified public accountant" certificate issued after examination
10 pursuant to the laws of any other state;

11 (3) "Firm" means any person, proprietorship, partnership,

12 corporation, limited liability company or association and any other
13 legal entity which practices public accountancy;

14 (4) "License" means a public accountancy license issued pursuant to
15 section 20-281b or 20-281d;

16 (5) "Licensee" means the holder of a certificate issued pursuant to
17 section 20-281c, the holder of a license issued pursuant to section 20-
18 281b or 20-281d or a holder of a permit to practice public accountancy
19 issued pursuant to sections 20-281b and 20-281e, as amended by this
20 act;

21 (6) "Permit" means a permit to practice public accountancy issued to
22 a firm pursuant to section 20-281e, as amended by this act;

23 (7) "Practicing public accountancy" means performing for the public
24 or offering to perform for the public for a fee by a person or firm
25 holding himself or itself out to the public as a licensee one or more
26 kinds of services involving the use of accounting or auditing skills,
27 including, but not limited to, the issuance of reports [on financial
28 statements,] or of one or more kinds of management advisory,
29 financial advisory or consulting services, or the preparation of tax
30 returns or the furnishing of advice on tax matters;

31 (8) "Quality review" means any study, appraisal or review of one or
32 more aspects of the professional work of a person or firm which
33 practices public accountancy by a person or persons who holds or hold
34 licenses under section 20-281b or 20-281d or their equivalent under the
35 laws of any other state and who are not affiliated with the person or
36 firm being reviewed;

37 (9) "Registration" means the process by which the holder of a
38 certificate may register his certificate annually and pay a fee of twenty
39 dollars in lieu of an annual renewal of a license and be entitled to use
40 the abbreviation "CPA" and the title "certified public accountant"
41 under conditions and in the manner prescribed by the board by
42 regulation;

43 (10) "Profession" means the profession of public accountancy;

44 (11) "Report" means, in reference to any attest or compilation
45 service, any opinion, writing [which refers to a financial statement
46 and] or other form of language that (A) expresses or implies assurance
47 as to the reliability of [said financial statement and includes, but is not
48 limited to, any writing disclaiming an opinion, when such writing
49 contains language conventionally understood in the profession to
50 express or imply assurance as to the reliability of such financial
51 statement] the attested information or compiled financial statements,
52 and (B) contains or is accompanied by a statement that expresses or
53 implies that the person or firm issuing such opinion, writing or other
54 language has special knowledge or competence in accounting or
55 auditing, which expression or implication arises from, among other
56 things, the use of [written] names or titles by the issuer indicating that
57 the person or firm is an accountant or auditor or from the language of
58 the report itself. "Report" includes any form of language that disclaims
59 an opinion when such form of language [which] is conventionally
60 understood [in the profession to express or] to imply any positive
61 assurance as to the reliability of [financial statements] the attested
62 information or compiled financial statements referred to or special
63 competence on the part of the person or firm issuing such language,
64 including any other form of language that is conventionally
65 understood to imply such assurance or special knowledge or
66 competence;

67 (12) "AICPA" means the American Institute of Certified Public
68 Accountants;

69 (13) "Attest" means the provision of any of the following financial
70 statement services:

71 (A) Any audit or other engagement to be performed in accordance
72 with the Statements on Auditing Standards (SAS);

73 (B) Any review of a financial statement to be performed in
74 accordance with the Statements on Standards for Accounting and

75 Review Services (SSARS);

76 (C) Any examination of prospective financial information to be
77 performed in accordance with the Statements on Standards for
78 Attestation Engagements (SSAE); [and]

79 (D) Any engagement to be performed in accordance with the
80 Auditing Standards of the PCAOB; and

81 (E) Any examination, review or agreed upon procedures
82 engagement to be performed in accordance with the Statements on
83 Standards for Attestation Engagements (SSAE), other than an
84 examination as described in subparagraph (C) of this subdivision;

85 (14) "Compilation" means the provision of a service to be performed
86 in accordance with Statements on Standards for Accounting and
87 Review Services (SSARS) that is presented in the form of financial
88 statements that is the representation of management without
89 undertaking to express any assurance on the statements;

90 (15) "Home office" means the location specified by the client as the
91 address to which a service described in section 20-281n, as amended by
92 this act, is directed;

93 (16) "NASBA" means the National Association of State Boards of
94 Accountancy;

95 (17) "PCAOB" means the Public Company Accounting Oversight
96 Board;

97 (18) "Practice privilege" means the privilege for a person or firm to
98 practice public accountancy described in, and subject to the conditions
99 contained in, sections 20-281e, as amended by this act, and 20-281n, as
100 amended by this act;

101 (19) "Principal place of business" means the office location
102 designated by an individual or firm for purposes of sections 20-281e,
103 as amended by this act, and 20-281n, as amended by this act;

104 (20) "Substantial equivalency" is a determination by the board of
105 accountancy or its designee that the education, examination and
106 experience requirements contained in the statutes and administrative
107 rules of another jurisdiction are comparable to, or exceed, the
108 education, examination and experience requirements contained in the
109 Uniform Accountancy Act or that an individual certified public
110 accountant's education, examination and experience qualifications are
111 comparable to, or exceed, the education, examination and experience
112 requirements contained in the Uniform Accountancy Act.

113 Sec. 2. Subsection (c) of section 20-281 of the general statutes is
114 repealed and the following is substituted in lieu thereof (*Effective*
115 *October 1, 2015*):

116 (c) A permit holder may be granted a waiver from the quality
117 review requirements under subsection (b) of this section: (1) If it
118 annually represents to the board that: (A) It does not engage in
119 financial reporting or attest areas of practice, including audits,
120 compilations and reviews, (B) it does not intend to engage in such a
121 practice during the following year, and (C) it will immediately notify
122 the board if it engages in such practice; (2) for reasons of health; (3)
123 due to military service; (4) in instances of individual hardship; or (5)
124 for other good cause as the board may determine. Any such requests
125 for waivers and any such representations shall be made in writing,
126 under oath, and upon forms provided by the board. Such requests and
127 representations shall be made at the time the firm applies for renewal
128 of its firm permit. Any firm which has been granted a waiver pursuant
129 to subdivision (1) of this subsection shall immediately notify the board
130 if it engages in the financial reporting [area] or attest areas of practice
131 and shall undergo a quality review during the first calendar year after
132 its initial acceptance of such an engagement.

133 Sec. 3. Subsection (g) of section 20-281e of the general statutes is
134 repealed and the following is substituted in lieu thereof (*Effective*
135 *October 1, 2015*):

136 (g) The following firms shall be required to hold a permit issued

137 pursuant to this section:

138 (1) Any firm with an office in this state performing attest services;

139 (2) Any firm with an office in this state that uses the title "Certified
140 Public Accountant", "CPA", "CPA firm" or other similar title; or

141 (3) Any firm that does not have an office in this state but performs
142 attest services described in subparagraph (A), (C), [or] (D) or (E) of
143 subdivision (13) of section 20-279b, as amended by this act, for a client
144 having its home office in this state.

145 Sec. 4. Subsections (a) and (b) of section 20-281g of the general
146 statutes are repealed and the following is substituted in lieu thereof
147 (*Effective October 1, 2015*):

148 (a) A person or a firm which does not hold a valid license and
149 permit issued under section 20-281b or 20-281d and section 20-281e, as
150 amended by this act, shall not issue a report on financial statements of
151 any other person, firm, organization or governmental unit or offer or
152 render any attest or compilation service. This prohibition does not
153 apply to an officer, partner or employee of any firm or organization
154 affixing his signature to any statement or report in reference to the
155 financial affairs of such firm or organization with any wording
156 designating the position, title or office that he holds therein; nor
157 prohibit any act of a public official or employee in the performance of
158 his duties as such; nor prohibit the performance by any persons of
159 other services involving the use of accounting skills, including the
160 preparation of tax returns, management advisory services and the
161 preparation of financial statements without the issuance of reports
162 thereon.

163 (b) The prohibition contained in subsection (a) of this section is
164 applicable to the issuance, by a person or a firm not holding a valid
165 license and permit, of a report using any language conventionally used
166 in the profession by licensees [regarding a review of] in reports on
167 financial statements or any attest service.

168 Sec. 5. Subsection (d) of section 20-281n of the general statutes is
 169 repealed and the following is substituted in lieu thereof (*Effective*
 170 *October 1, 2015*):

171 (d) Any individual who qualifies for practice privileges under this
 172 section who, for any entity with its home office in this state, performs
 173 any of the following services: (1) Any financial statement audit or other
 174 engagement to be performed in accordance with Statements on
 175 Auditing Standards; (2) any review of a financial statement to be
 176 performed in accordance with the Statements on Standards for
 177 Accounting and Review Services; (3) any examination of prospective
 178 financial information, review or agreed upon procedures engagement
 179 to be performed in accordance with Statements on Standards for
 180 Attestation Engagements; or [(3)] (4) any engagement to be performed
 181 in accordance with PCAOB Auditing Standards, may only provide
 182 such services through a firm that has obtained a permit issued under
 183 section 20-281e, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015</i>	20-279b
Sec. 2	<i>October 1, 2015</i>	20-281(c)
Sec. 3	<i>October 1, 2015</i>	20-281e(g)
Sec. 4	<i>October 1, 2015</i>	20-281g(a) and (b)
Sec. 5	<i>October 1, 2015</i>	20-281n(d)

GAE Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill, which modifies certain definitions and licensing requirements for entities regulated by the State Board of Accountancy, has no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 6997*****AN ACT IMPLEMENTING THE STATE BOARD OF ACCOUNTANCY'S RECOMMENDATION TO REDEFINE "ATTEST" AND "REPORT".*****SUMMARY:**

This bill adopts certain provisions of the Uniform Accountancy Act (UAA) in order to update state law to reflect current practice in the accounting profession (see BACKGROUND).

The bill expands the definition of "attest" to include any examination, review, or engagement performed in accordance with the Statements on Standards for Attestation Engagements (SSAEs). Presumably, this change broadens the range of activities that must be performed by certified public accountants (CPAs) to include reviews of subject matter other than financial statements performed according to professional accounting standards (i.e., SSAEs). However, the bill retains existing language limiting the definition of attest to "financial statement services," (see lines 69 and 70). Therefore, the extent to which the bill requires that attest services on subjects other than financial statements be performed by CPAs is unclear.

The bill also:

1. modifies the definition of "report" to specify the contents of the documents that may be issued only by CPAs or CPA firms;
2. prohibits non-CPAs and non-CPA firms from (a) offering or rendering any attest or compilation service and (b) issuing reports on attest services using language conventionally used by CPAs;
3. expands the services that out-of-state CPA firms may provide to

Connecticut clients only if they hold a “permit to practice public accountancy” (permit) issued by the Connecticut Board of Accountancy (BOA);

4. expands the services that out-of-state CPAs may provide to Connecticut clients only if they do so through a CPA firm with a permit; and
5. specifies that CPA firms providing any attest services are subject to BOA-established review requirements in order to renew their permit.

EFFECTIVE DATE: October 1, 2015

ATTEST DEFINITION

Under current law, the definition of attest is limited to financial statement services, including audits, performed according to applicable professional accounting standards. The bill expands the definition of “attest” to include any examination, review, or engagement performed in accordance with the SSAEs. Current law only includes reviews of prospective financial information in accordance with the SSAEs in the definition of attest. The SSAEs are used by certified public accountants (CPAs) when they review subject matter other than historical financial statements.

REPORT DEFINITION

By modifying the definition of report, the bill (1) expands the subject matter of the documents that may be issued only by CPAs or CPA firms and (2) specifies the type of language that may be used only in documents issued by CPAs or CPA firms.

Under current accountancy law, “report” refers to writing in reference to financial statements that (1) expresses or implies assurance on the reliability of the statements, including disclaimers conventionally understood to imply such assurance and (2) indicates that the person or firm issuing the report has special competence in accounting or auditing, including using language conventionally

understood to indicate such assurance as to the reliability of financial statements.

The bill expands the definition of “report” to include any opinion or other form of writing in reference to any attest or compilation service, rather than just financial statements, that indicates a positive assurance regarding the reliability of the attested or compiled information. It also specifies that (1) an indication that the report issuer has special competence in accounting or auditing can come from using titles (e.g., CPA) or any other language that implies such competence (e.g., referencing professional accounting standards), and (2) “report” includes using disclaimers of opinion conventionally understood to imply the special competence of the report’s issuer.

PROVISION OF ATTEST AND COMPILATION SERVICES

Prohibition on Performing Services

By law, a person or firm that is not a CPA or CPA firm is prohibited from issuing financial statement reports completed in accordance with the applicable professional accounting standards. The bill expands this prohibition to include (1) offering or rendering any attest or compilation service, including those performed using the SSAEs on subjects other than financial statements, and (2) issuing a report on such services using any language conventionally used by CPAs.

The bill retains existing exceptions to this prohibition that allow non-CPAs to perform tasks involving accounting or auditing skills without issuing reports (e.g., issuing a document completed in accordance with professional accounting standards). Although the bill expands the definition of attest services to include reviews of subjects other than financial statements, it does not prohibit a non-CPA from performing similar services. A non-CPA or non-CPA firm may review documents other than financial statements (e.g., an engineering consulting firm could review a company’s greenhouse gas emissions), but that person or firm is prohibited from stating or implying that the service or report was performed by a CPA or conducted in accordance with professional accounting standards, like the SSAEs.

Out-of-State CPAs and CPA Firms

Existing law requires out-of-state CPA firms to hold a permit in order to provide certain attest services for clients with a home office in Connecticut. Specifically, such firms need a permit to perform (1) certain audits according to professional accounting standards and (2) examinations of prospective financial information according to the SSAEs. The bill expands such services to include any review or other engagement conducted according to the SSAEs.

Under current law, out-of-state CPAs with Connecticut practice privileges may perform certain attest services for clients with a home office in Connecticut only if they do so through a CPA firm with a permit. This bill expands such services to include (1) reviews or other procedures performed in accordance with the SSAEs and (2) reviews of financial statements performed according to specified professional accounting standards.

BACKGROUND***Uniform Accountancy Act***

In 1984, the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy published the first joint model bill, later renamed the UAA. Ultimately, a substantial majority of the state accountancy laws followed, in their principal provisions, the example provided by earlier model accountancy bills and the UAA. While the UAA is a comprehensive piece of legislation, it contains separable provisions that may, with appropriate amendments, be added to existing state laws instead of replacing them entirely.

In its latest revision (Seventh Edition, July, 2014), the UAA seeks to revise the definition of attest to include any examination, review, or agreed upon procedure engagement performed using the SSAEs. Previously, the UAA only included examinations of prospective financial information performed in accordance with the SSAEs in the definition of attest. Consequently, non-CPAs were not prohibited from performing many attest activities according to professional accounting

standards.

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable Substitute

Yea 15 Nay 0 (03/25/2015)