

# SENATE BILL 370

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CF HB 328

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By: **Senator Conway**

Introduced and read first time: February 3, 2011

Assigned to: Education, Health, and Environmental Affairs

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## A BILL ENTITLED

1 AN ACT concerning

2 **Accountants – Regulation – Preparation of a Compilation of Financial**  
3 **Statements**

4 FOR the purpose of altering certain definitions related to the practice of certified  
5 public accountancy; including the preparation of certain compilations of  
6 financial statements in the list of services that are not prohibited, under certain  
7 circumstances, under certain provisions of law that regulate certified public  
8 accountants; altering a certain requirement that certain firms hold certain  
9 permits under certain circumstances; requiring the State Board of Public  
10 Accountancy to adopt certain regulations; making certain technical changes;  
11 defining a certain term; and generally relating to the regulation of accountants.

12 BY repealing and reenacting, with amendments,  
13 Article – Business Occupations and Professions  
14 Section 2–101, 2–102, 2–401, and 2–4A–01  
15 Annotated Code of Maryland  
16 (2010 Replacement Volume)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article – Business Occupations and Professions**

20 2–101.

- 21 (a) In this title the following words have the meanings indicated.
- 22 (b) “AICPA” means the American Institute of Certified Public Accountants.
- 23 (c) “Attest” means to provide the following financial statement services:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (1) an audit or other engagement performed in accordance with the  
2 Statements on Auditing Standards issued by AICPA;

3 (2) a review of a financial statement performed in accordance with the  
4 Statements on Standards for Accounting and Review Services issued by AICPA;

5 **(3) A COMPILATION OF A FINANCIAL STATEMENT IN ACCORDANCE**  
6 **WITH THE STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW**  
7 **SERVICES ISSUED BY AICPA;**

8 ~~[(3)]~~ (4) an examination of prospective financial information  
9 performed in accordance with the Statements on Standards for Attestation  
10 Engagements issued by ~~[the]~~ AICPA; and

11 ~~[(4)]~~ (5) any engagement performed in accordance with the Auditing  
12 Standards of the Public Company Accounting Oversight Board.

13 (d) “Board” means the State Board of Public Accountancy.

14 **(E) “COMPILATION” MEANS A PRESENTATION OF INFORMATION IN THE**  
15 **FORM OF A FINANCIAL STATEMENT THAT IS PERFORMED IN ACCORDANCE WITH**  
16 **THE STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES**  
17 **ISSUED BY AICPA.**

18 ~~[(e)]~~ (F) “Home office” is the location specified by a client of a certified  
19 public accountant as the address to which a service described in § 2–401(a) of this title  
20 is directed.

21 ~~[(f)]~~ (G) “License” means, unless the context requires otherwise, a license  
22 issued by the Board to practice certified public accountancy.

23 ~~[(g)]~~ (H) “License fee” means the fee paid in connection with the issuance or  
24 renewal of a license.

25 ~~[(h)]~~ (I) “Licensed certified public accountant” means, unless the context  
26 requires otherwise, an individual licensed by the Board to practice certified public  
27 accountancy.

28 ~~[(i)]~~ (J) “Permit” means, unless the context requires otherwise, a permit  
29 issued by the Board to allow a partnership or corporation to operate a business  
30 through which an individual may practice certified public accountancy.

31 ~~[(j)]~~ (K) “Permit fee” means the fee paid in connection with the issuance or  
32 renewal of a permit.

1           **[(k)] (L)**     “Practice certified public accountancy” means to perform any of the  
2 following accountancy services:

3                   (1)     conducting an audit, **REVIEW, OR COMPILATION** of financial  
4 statements; or

5                   (2)     providing a written certificate or opinion **OFFERING POSITIVE OR**  
6 **NEGATIVE ASSURANCE OR FULL OR LIMITED ASSURANCE** on the correctness of the  
7 information or on the fairness of the presentation of the information in:

8                           (i)     a financial statement;

9                           (ii)    a report;

10                          (iii)   a schedule; or

11                          (iv)   an exhibit.

12           **[(l)] (M)**     “Practice privilege” means the right granted to an individual who  
13 is licensed by another state to practice certified public accountancy in this State  
14 without a license issued by this State.

15           **[(m)] (N)**     “Principal place of business” means the office location designated  
16 by the licensee for purposes of substantial equivalency and reciprocity.

17           **[(n)] (O)**     “NASBA” means the National Association of Boards of  
18 Accountancy.

19     2–102.

20           (a)     If the person does not engage in any activity expressly included in the  
21 definition of practice certified public accountancy, this title does not prohibit:

22                   (1)     an individual from serving as an employee of or assistant to a  
23 licensee or permit holder;

24                   (2)     a public official or public employee from performing the duties of  
25 the position of that individual; or

26                   (3)     a person from providing or offering to the public bookkeeping and  
27 accounting services, including:

28                           (i)     development or installation of a bookkeeping system;

29                           (ii)    recording or presentation of financial information;

30                           (iii)   preparation of:

- 1                                   1.     a financial statement;
- 2                                   **2.     A COMPILATION OF A FINANCIAL STATEMENT**

3 **THAT:**

4                                   **A.     DOES NOT REFERENCE THE STATEMENTS ON**  
 5 **STANDARDS FOR ACCOUNTING AND REVIEW SERVICES ISSUED BY AICPA; AND**

6                                   **B.     EXPRESSLY STATES THAT THE PERSON HAS NOT**  
 7 **UNDERGONE AND IS NOT REQUIRED TO UNDERGO PEER REVIEW;**

8                                   [2.] **3.           a report;**

9                                   [3.] **4.           a schedule; or**

10                                  [4.] **5.           an exhibit; or**

11                                  (iv)   any similar activity.

12                   (b)   This title does not prohibit a licensee or permit holder from:

13                                  (1)   employing a certified public accountant licensed by another state  
 14 or a foreign country; or

15                                  (2)   listing that individual as a certified public accountant, if the  
 16 individual qualifies for a practice privilege under § 2–321 of this title.

17                   **(C)   THE BOARD SHALL ADOPT REGULATIONS THAT SPECIFY THE**  
 18 **LANGUAGE OF THE DISCLOSURE STATEMENT RELATING TO EXEMPTION FROM**  
 19 **PEER REVIEW THAT IS REQUIRED TO BE INCLUDED IN A COMPILATION OF A**  
 20 **FINANCIAL STATEMENT PREPARED UNDER SUBSECTION (A)(3)(III)2 OF THIS**  
 21 **SECTION.**

22 2–401.

23                   (a)   [To operate a business through which certified public accountancy is  
 24 practiced, a] **A firm shall hold a permit issued by the Board if the firm:**

25                                  (1)   has an office in this State that performs attest services as defined  
 26 in § 2–101(c) of this title;

27                                  (2)   has an office in this State that uses the title “CPA” or “CPA firm”;  
 28 or

1           (3) performs attest services described in § 2-101(c)(1), [(3), or] (4), OR  
2 **(5)** of this title for a client with a home office in this State.

3           (b) A firm that does not have an office in this State may perform attest  
4 services as defined in § 2-101(c)(2) [or § 2-4A-01(b)] AND **(3)** of this title for a client  
5 with a home office in this State without a permit if the firm:

6           (1) meets the application and peer review requirements under §§  
7 2-402, 2-402.1, 2-403, and 2-4A-02 of this title; and

8           (2) performs services through an individual with a practice privilege  
9 under § 2-321 of this title.

10          (c) The Board shall grant or renew a permit to practice as a CPA firm to a  
11 partnership, limited liability company, or corporation that demonstrates its  
12 qualifications in accordance with this section.

13          (d) If a firm does not meet the requirements of this section, the firm may  
14 perform other professional services while using the title “CPA” or “CPA firm” in this  
15 State without a permit, if the firm:

16           (1) performs those services through an individual with a practice  
17 privilege provided under § 2-321 of this title; and

18           (2) performs those services in the state where the individual with a  
19 practice privilege retains a principal place of business.

20 2-4A-01.

21          (a) In this subtitle the following words have the meanings indicated.

22          (b) [“Compilation” means a presentation of information in the form of a  
23 financial statement that:

24           (1) is performed in accordance with the statements on standards for  
25 accounting and review services of the American Institute of Certified Public  
26 Accountants; and

27           (2) is the representation of management without an undertaking on  
28 the part of the preparer to express any assurance on the statements.

29          (c) [“Engagement review” means a peer review that evaluates whether there  
30 is a reasonable basis for expressing limited assurance that:

31           (1) financial statements with which the individual or firm is  
32 associated conform in all material respects with professional standards; and

1 (2) reports and internal documentation of the work performed by the  
2 individual or firm conforms with professional standards.

3 [(d)] (C) “Fail” means, in connection with a report of a peer reviewer, one or  
4 more significant deficiencies in performing or reporting in conformity with professional  
5 standards in the individual or the firm being reviewed.

6 [(e)] (D) “Peer review” means a study, appraisal, or review of one or more  
7 aspects of the professional work of an individual or firm performed by a person  
8 licensed as a certified public accountant.

9 [(f)] (E) “Report indicating pass with deficiencies” means a report of a peer  
10 reviewer that indicates one or more deficiencies in performing or reporting in  
11 conformity with professional standards in the individual or firm being reviewed.

12 [(g)] (F) “Review” means the analysis of a financial statement that:

13 (1) is performed in accordance with the [statements on standards for  
14 accounting and review services] **STATEMENTS ON STANDARDS FOR ACCOUNTING  
15 AND REVIEW SERVICES** of the American Institute of Certified Public Accountants;  
16 and

17 (2) provides a licensee with a reasonable basis for expressing limited  
18 assurance that there are no material modifications that should be made to the  
19 statement in order for it to be in accordance with generally accepted accounting  
20 principles, or, if applicable, with any other comprehensive basis of accounting.

21 [(h)] (G) “System review” means a peer review evaluating whether there is  
22 reasonable assurance that:

23 (1) the system of quality control of the individual or firm being  
24 reviewed is designed and operated in such a manner as to meet professional  
25 standards;

26 (2) financial statements with which the licensee or firm is associated  
27 conform in all material respects with professional standards; and

28 (3) reports and internal documentation of the work performed by the  
29 licensee or firm conforms with professional standards.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
31 October 1, 2011.