

## Chapter 228

(Senate Bill 370)

AN ACT concerning

### **Accountants – Regulation – Preparation of a Compilation of Financial Statements**

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

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

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

#### **Article – Business Occupations and Professions**

2–101.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) a financial statement;
- (ii) a report;
- (iii) a schedule; or
- (iv) an exhibit.

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

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

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

2-102.

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

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

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

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

- (i) development or installation of a bookkeeping system;
- (ii) recordation or presentation of financial information;
- (iii) preparation of:

1. a financial statement;

**2. A COMPILATION OF A FINANCIAL STATEMENT**

**THAT:**

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

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

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

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

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

(iv) any similar activity.

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

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

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

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

2–401.

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

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

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

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

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

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

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

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

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

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

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

2-4A-01.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Approved by the Governor, May 10, 2011.**