
By: **Chairman, Economic Matters Committee (By Request - Departmental -
Labor, Licensing and Regulation)**

Introduced and read first time: February 11, 2005

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **State Board of Public Accountancy - Mandatory Peer Review**

3 FOR the purpose of requiring licensees and permit holders that perform certain
4 accountancy services to undergo a periodic peer review; establishing standards
5 governing different types of peer reviews; setting certain time periods for the
6 completion of the initial peer review; establishing minimum qualifications for
7 peer reviewers; requiring certain information to be furnished to the State Board
8 of Public Accountancy; giving the State Board of Public Accountancy the
9 authority to require certain actions by licensees and permit holders; providing
10 for a hearing prior to certain actions being taken; defining certain terms; and
11 generally relating to the State Board of Public Accountancy.

12 BY adding to

13 Article - Business Occupations and Professions
14 Section 2-4A-01 through 2-4A-06 to be under the new subtitle "Subtitle 4A.
15 Peer Review"
16 Annotated Code of Maryland
17 (2004 Replacement Volume and 2004 Supplement)

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

20 **Article - Business Occupations and Professions**

21 **SUBTITLE 4A. PEER REVIEW.**

22 2-4A-01.

23 (A) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
24 INDICATED.

25 (B) "ADVERSE REPORT" MEANS A REPORT OF A PEER REVIEWER THAT
26 INDICATES A SEVERE DEFICIENCY IN QUALITY CONTROL OR PROFESSIONAL
27 STANDARDS IN THE INDIVIDUAL OR FIRM BEING REVIEWED.

1 (C) "COMPILATION" MEANS A PRESENTATION OF INFORMATION IN THE FORM
2 OF A FINANCIAL STATEMENT THAT:

3 (1) IS PERFORMED IN ACCORDANCE WITH THE STATEMENTS ON
4 STANDARDS FOR ACCOUNTING AND REVIEW SERVICES OF THE AMERICAN
5 INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; AND

6 (2) IS THE REPRESENTATION OF MANAGEMENT WITHOUT AN
7 UNDERTAKING ON THE PART OF THE PREPARER TO EXPRESS ANY ASSURANCE ON
8 THE STATEMENTS.

9 (D) "ENGAGEMENT REVIEW" MEANS A PEER REVIEW THAT EVALUATES
10 WHETHER THERE IS A REASONABLE BASIS FOR EXPRESSING LIMITED ASSURANCE
11 THAT:

12 (1) FINANCIAL STATEMENTS WITH WHICH THE INDIVIDUAL OR FIRM IS
13 ASSOCIATED CONFORM IN ALL MATERIAL RESPECTS WITH PROFESSIONAL
14 STANDARDS; AND

15 (2) REPORTS AND INTERNAL DOCUMENTATION OF THE WORK
16 PERFORMED BY THE INDIVIDUAL OR FIRM CONFORMS WITH PROFESSIONAL
17 STANDARDS.

18 (E) "MODIFIED REPORT" MEANS A REPORT OF A PEER REVIEWER THAT
19 INDICATES A SIGNIFICANT DEFICIENCY IN QUALITY CONTROL OR PROFESSIONAL
20 STANDARDS IN THE INDIVIDUAL OR FIRM BEING REVIEWED.

21 (F) "PEER REVIEW" MEANS A STUDY, APPRAISAL, OR REVIEW OF ONE OR MORE
22 ASPECTS OF THE PROFESSIONAL WORK OF AN INDIVIDUAL OR FIRM PERFORMED BY
23 A PERSON LICENSED AS A CERTIFIED PUBLIC ACCOUNTANT.

24 (G) "REPORT REVIEW" MEANS A PEER REVIEW THAT EVALUATES WHETHER
25 FINANCIAL STATEMENTS AND RELATED ACCOUNTANT'S REPORTS PREPARED BY THE
26 INDIVIDUAL OR FIRM BEING REVIEWED APPEAR TO CONFORM WITH PROFESSIONAL
27 STANDARDS IN ALL MATERIAL RESPECTS.

28 (H) "REVIEW" MEANS THE ANALYSIS OF A FINANCIAL STATEMENT THAT:

29 (1) IS PERFORMED IN ACCORDANCE WITH THE STATEMENTS ON
30 STANDARDS FOR ACCOUNTING AND REVIEW SERVICES OF THE AMERICAN
31 INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; AND

32 (2) PROVIDES A LICENSEE WITH A REASONABLE BASIS FOR EXPRESSING
33 LIMITED ASSURANCE THAT THERE ARE NO MATERIAL MODIFICATIONS THAT
34 SHOULD BE MADE TO THE STATEMENT IN ORDER FOR IT TO BE IN ACCORDANCE
35 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, OR, IF APPLICABLE, WITH
36 ANY OTHER COMPREHENSIVE BASIS OF ACCOUNTING.

37 (I) "SYSTEM REVIEW" MEANS A PEER REVIEW EVALUATING WHETHER THERE
38 IS REASONABLE ASSURANCE THAT:

1 (1) THE SYSTEM OF QUALITY CONTROL OF THE INDIVIDUAL OR FIRM
2 BEING REVIEWED IS DESIGNED AND OPERATED IN SUCH A MANNER AS TO MEET
3 PROFESSIONAL STANDARDS;

4 (2) FINANCIAL STATEMENTS WITH WHICH THE LICENSEE OR FIRM IS
5 ASSOCIATED CONFORM IN ALL MATERIAL RESPECTS WITH PROFESSIONAL
6 STANDARDS; AND

7 (3) REPORTS AND INTERNAL DOCUMENTATION OF THE WORK
8 PERFORMED BY THE LICENSEE OR FIRM CONFORMS WITH PROFESSIONAL
9 STANDARDS.

10 2-4A-02.

11 (A) (1) A LICENSEE OR PERMIT HOLDER WHO PERFORMS ANY OF THE
12 SERVICES DESCRIBED IN § 2-4A-04 OF THIS SUBTITLE SHALL BE REQUIRED TO
13 UNDERGO, AT LEAST ONCE EVERY 3 YEARS, A PEER REVIEW.

14 (2) THE BOARD MAY MODIFY THE PEER REVIEW REQUIREMENT FOR A
15 LICENSEE OR PERMIT HOLDER UPON A SHOWING OF GOOD CAUSE.

16 (B) A PEER REVIEW SHALL BE PERFORMED AND RECORDED IN ACCORDANCE
17 WITH STANDARDS NO LESS STRINGENT THAN THOSE SET FORTH IN THE STANDARDS
18 FOR PERFORMING AND REPORTING ON PEER REVIEWS OF THE AMERICAN INSTITUTE
19 OF CERTIFIED PUBLIC ACCOUNTANTS.

20 (C) THE BOARD MUST APPROVE A PEER REVIEW PROGRAM OTHER THAN THE
21 PEER REVIEW PROGRAM OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC
22 ACCOUNTANTS PRIOR TO ITS USE TO SATISFY THE REQUIREMENTS OF THIS
23 SECTION.

24 (D) A LICENSEE OR PERMIT HOLDER SHALL AFFIRM UNDER THE PENALTIES
25 OF PERJURY ON A STANDARD FORM PROVIDED BY THE BOARD COMPLIANCE WITH
26 THE PEER REVIEW REQUIREMENT AT THE TIME OF LICENSE OR PERMIT RENEWAL.

27 2-4A-03.

28 (A) A LICENSEE OR PERMIT HOLDER WHO PROVIDES SERVICES REQUIRING
29 PEER REVIEW ON OR AFTER OCTOBER 1, 2005, SHALL COMPLY WITH THE PEER
30 REVIEW REQUIREMENT WITHIN 3 YEARS AFTER INITIATING THOSE SERVICES.

31 (B) A LICENSEE OR PERMIT HOLDER WHO PROVIDES SERVICES REQUIRING A
32 PEER REVIEW AND WHO SUBMITS A RENEWAL APPLICATION AFTER OCTOBER 1, 2008,
33 SHALL AFFIRM UNDER THE PENALTIES OF PERJURY ON A STANDARD FORM
34 PROVIDED BY THE BOARD COMPLETION OF THE LICENSEE OR PERMIT HOLDER'S
35 MOST RECENT PEER REVIEW.

36 (C) IF THE 3-YEAR PERIOD IN SUBSECTION (A) OF THIS SECTION HAS NOT
37 EXPIRED PRIOR TO THE DATE OF THE LICENSE OR PERMIT RENEWAL, AND THE
38 LICENSEE OR PERMIT HOLDER HAS HAD NO PEER REVIEW WITHIN THE LAST 3

1 YEARS, THE LICENSEE OR PERMIT HOLDER MUST NOTIFY THE BOARD IN WRITING
2 WITHIN 30 DAYS OF THE DATE THE PEER REVIEW IS COMPLETED.

3 2-4A-04.

4 (A) A SYSTEM REVIEW IS REQUIRED FOR A LICENSEE OR PERMIT HOLDER
5 THAT PERFORMS ANY OF THE FOLLOWING SERVICES:

6 (1) ENGAGEMENTS GOVERNED BY THE STATEMENTS ON AUDITING
7 STANDARDS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; OR

8 (2) EXAMINATIONS OF PROSPECTIVE FINANCIAL INFORMATION UNDER:

9 (I) THE STATEMENTS ON STANDARDS FOR ATTESTATION
10 ENGAGEMENTS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS;
11 OR

12 (II) THE GOVERNMENT AUDITING STANDARDS ISSUED BY THE U.S.
13 GOVERNMENT ACCOUNTABILITY OFFICE.

14 (B) AN ENGAGEMENT REVIEW IS REQUIRED FOR A LICENSEE OR PERMIT
15 HOLDER NOT REQUIRED TO HAVE A SYSTEM REVIEW THAT PERFORMS ANY OF THE
16 FOLLOWING SERVICES:

17 (1) ENGAGEMENTS IN ACCORDANCE WITH THE STATEMENTS ON
18 STANDARDS FOR ACCOUNTING AND REVIEW SERVICES OF THE AMERICAN
19 INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; OR

20 (2) REVIEW ENGAGEMENTS IN ACCORDANCE WITH THE STATEMENTS
21 ON STANDARDS FOR ATTESTATION ENGAGEMENTS OF THE AMERICAN INSTITUTE OF
22 CERTIFIED PUBLIC ACCOUNTANTS.

23 (C) A REPORT REVIEW IS REQUIRED FOR A LICENSEE OR PERMIT HOLDER
24 THAT IS NOT REQUIRED TO HAVE AN ENGAGEMENT REVIEW AND ISSUES REPORTS
25 ONLY ON COMPILATIONS OMITTING ALL DISCLOSURES.

26 2-4A-05.

27 (A) PRIOR TO CONDUCTING A PEER REVIEW, AN INDIVIDUAL MUST BE
28 APPROVED BY THE BOARD.

29 (B) IN ORDER TO RECEIVE APPROVAL FROM THE BOARD, A PEER REVIEWER
30 SHALL:

31 (1) HAVE AND MAINTAIN AN ACTIVE LICENSE AS A CERTIFIED PUBLIC
32 ACCOUNTANT IN THIS OR ANY OTHER STATE;

33 (2) POSSESS A LEVEL OF KNOWLEDGE OF APPLICABLE PROFESSIONAL
34 STANDARDS ACCEPTABLE TO THE BOARD;

1 (3) POSSESS AT LEAST 5 YEARS RECENT EXPERIENCE IN THE PRACTICE
2 OF PUBLIC ACCOUNTING;

3 (4) HAVE AND MAINTAIN OWNERSHIP OR MANAGEMENT OF A FIRM, OR
4 COMPARABLE RESPONSIBILITY;

5 (5) HAVE RECEIVED AN UNMODIFIED REPORT ON THE MOST RECENT
6 PEER REVIEW OF THE PROSPECTIVE PEER REVIEWER; AND

7 (6) COMPLETE AN APPROPRIATE TRAINING COURSE AS DETERMINED BY
8 THE BOARD.

9 (C) A PEER REVIEWER SHALL HAVE NO CONNECTION TO THE LICENSEE OR
10 PERMIT HOLDER BEING REVIEWED THAT MIGHT IMPAIR THE PEER REVIEWER'S
11 INDEPENDENCE.

12 (D) A PEER REVIEWER SHALL:

13 (1) PREPARE A REPORT OF FINDINGS IN ACCORDANCE WITH THE
14 STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS OF THE
15 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; AND

16 (2) MAINTAIN THE REPORT FOR A PERIOD OF 3 YEARS.

17 (E) A PEER REVIEWER SHALL PROVIDE A COPY OF THE REPORT TO THE
18 BOARD ONLY IF THE LICENSEE OR PERMIT HOLDER BEING REVIEWED HAS:

19 (1) BEEN DIRECTED TO TAKE CORRECTIVE ACTION AND HAS FAILED TO
20 SATISFY THE PEER REVIEWER THAT SUCH ACTION HAS BEEN COMPLETED IN A
21 TIMELY MANNER;

22 (2) RECEIVED A SECOND CONSECUTIVE MODIFIED REPORT; OR

23 (3) RECEIVED AN ADVERSE REPORT.

24 (F) A PEER REVIEWER SHALL COMPLY WITH ALL BOARD REGULATIONS AND
25 DIRECTIVES REGARDING THE PEER REVIEW PROCESS.

26 (G) THE BOARD MAY REVOKE ITS APPROVAL OF A PEER REVIEWER UNDER
27 THIS SECTION IF THE PEER REVIEWER:

28 (1) VIOLATES ANY PROVISION OF THIS TITLE;

29 (2) VIOLATES ANY REGULATION ADOPTED BY THE BOARD; OR

30 (3) IS SANCTIONED BY ANY STATE BOARD OF ACCOUNTANCY OR ANY
31 UNIT OF STATE OR FEDERAL GOVERNMENT.

1 2-4A-06.

2 (A) UPON THE RECEIPT OF A REPORT FROM A PEER REVIEWER, THE BOARD
3 SHALL REVIEW THE REPORT TO DETERMINE WHAT DISCIPLINARY OR CORRECTIVE
4 ACTION IS APPROPRIATE.

5 (B) THE BOARD MAY REQUIRE A LICENSEE OR PERMIT HOLDER TO:

6 (1) UNDERGO PEER REVIEW MORE FREQUENTLY THAN ONCE EVERY 3
7 YEARS; AND

8 (2) COMPLETE ADDITIONAL CONTINUING PROFESSIONAL EDUCATION
9 COURSES.

10 (C) PRIOR TO TAKING ANY FINAL ACTION UNDER SUBSECTION (B) OF THIS
11 SECTION, THE BOARD SHALL GIVE THE LICENSEE OR PERMIT HOLDER AGAINST
12 WHOM THE ACTION IS CONTEMPLATED AN OPPORTUNITY FOR A HEARING BEFORE
13 THE BOARD.

14 (D) IF THE PEER REVIEW REPORT REVEALS EVIDENCE THAT THE LICENSEE
15 OR PERMIT HOLDER HAS ENGAGED IN CONDUCT THAT IS PROHIBITED UNDER § 2-315
16 OR § 2-410 OF THIS TITLE, THE BOARD MAY FILE FORMAL CHARGES AGAINST THE
17 LICENSEE OR PERMIT HOLDER.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 2005.