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

Introduced and read first time: February 11, 2005

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 23, 2005

CHAPTER _____

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:

1 **Article - Business Occupations and Professions**

2 SUBTITLE 4A. PEER REVIEW.

3 2-4A-01.

4 (A) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
5 INDICATED.6 (B) "ADVERSE REPORT" MEANS A REPORT OF A PEER REVIEWER THAT
7 INDICATES A SEVERE DEFICIENCY IN QUALITY CONTROL OR PROFESSIONAL
8 STANDARDS IN THE INDIVIDUAL OR FIRM BEING REVIEWED.9 (C) "COMPILATION" MEANS A PRESENTATION OF INFORMATION IN THE FORM
10 OF A FINANCIAL STATEMENT THAT:11 (1) IS PERFORMED IN ACCORDANCE WITH THE STATEMENTS ON
12 STANDARDS FOR ACCOUNTING AND REVIEW SERVICES OF THE AMERICAN
13 INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; AND14 (2) IS THE REPRESENTATION OF MANAGEMENT WITHOUT AN
15 UNDERTAKING ON THE PART OF THE PREPARER TO EXPRESS ANY ASSURANCE ON
16 THE STATEMENTS.17 (D) "ENGAGEMENT REVIEW" MEANS A PEER REVIEW THAT EVALUATES
18 WHETHER THERE IS A REASONABLE BASIS FOR EXPRESSING LIMITED ASSURANCE
19 THAT:20 (1) FINANCIAL STATEMENTS WITH WHICH THE INDIVIDUAL OR FIRM IS
21 ASSOCIATED CONFORM IN ALL MATERIAL RESPECTS WITH PROFESSIONAL
22 STANDARDS; AND23 (2) REPORTS AND INTERNAL DOCUMENTATION OF THE WORK
24 PERFORMED BY THE INDIVIDUAL OR FIRM CONFORMS WITH PROFESSIONAL
25 STANDARDS.26 (E) "MODIFIED REPORT" MEANS A REPORT OF A PEER REVIEWER THAT
27 INDICATES A SIGNIFICANT DEFICIENCY IN QUALITY CONTROL OR PROFESSIONAL
28 STANDARDS IN THE INDIVIDUAL OR FIRM BEING REVIEWED.29 (F) "PEER REVIEW" MEANS A STUDY, APPRAISAL, OR REVIEW OF ONE OR MORE
30 ASPECTS OF THE PROFESSIONAL WORK OF AN INDIVIDUAL OR FIRM PERFORMED BY
31 A PERSON LICENSED AS A CERTIFIED PUBLIC ACCOUNTANT.32 (G) "REPORT REVIEW" MEANS A PEER REVIEW THAT EVALUATES WHETHER
33 FINANCIAL STATEMENTS AND RELATED ACCOUNTANT'S REPORTS PREPARED BY THE
34 INDIVIDUAL OR FIRM BEING REVIEWED APPEAR TO CONFORM WITH PROFESSIONAL
35 STANDARDS IN ALL MATERIAL RESPECTS.

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

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

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

9 (1) "SYSTEM REVIEW" MEANS A PEER REVIEW EVALUATING WHETHER THERE
10 IS REASONABLE ASSURANCE THAT:

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

14 (2) FINANCIAL STATEMENTS WITH WHICH THE LICENSEE OR FIRM IS
15 ASSOCIATED CONFORM IN ALL MATERIAL RESPECTS WITH PROFESSIONAL
16 STANDARDS; AND

17 (3) REPORTS AND INTERNAL DOCUMENTATION OF THE WORK
18 PERFORMED BY THE LICENSEE OR FIRM CONFORMS WITH PROFESSIONAL
19 STANDARDS.

20 2-4A-02.

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

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

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

30 (C) THE BOARD MUST APPROVE A PEER REVIEW PROGRAM OTHER THAN THE
31 PEER REVIEW PROGRAM OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC
32 ACCOUNTANTS PRIOR TO ITS USE TO SATISFY THE REQUIREMENTS OF THIS
33 SECTION.

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

1 2-4A-03.

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

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

10 (C) IF THE 3-YEAR PERIOD IN SUBSECTION (A) OF THIS SECTION HAS NOT
11 EXPIRED PRIOR TO THE DATE OF THE LICENSE OR PERMIT RENEWAL, AND THE
12 LICENSEE OR PERMIT HOLDER HAS HAD NO PEER REVIEW WITHIN THE LAST 3
13 YEARS, THE LICENSEE OR PERMIT HOLDER MUST NOTIFY THE BOARD IN WRITING
14 WITHIN 30 DAYS OF THE DATE THE PEER REVIEW IS COMPLETED.

15 2-4A-04.

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

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

20 (2) EXAMINATIONS OF PROSPECTIVE FINANCIAL INFORMATION UNDER:

21 (I) THE STATEMENTS ON STANDARDS FOR ATTESTATION
22 ENGAGEMENTS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS;
23 OR

24 (II) THE GOVERNMENT AUDITING STANDARDS ISSUED BY THE U.S.
25 GOVERNMENT ACCOUNTABILITY OFFICE.

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

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

32 (2) REVIEW ENGAGEMENTS IN ACCORDANCE WITH THE STATEMENTS
33 ON STANDARDS FOR ATTESTATION ENGAGEMENTS OF THE AMERICAN INSTITUTE OF
34 CERTIFIED PUBLIC ACCOUNTANTS.

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

1 2-4A-05.

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

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

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

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

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

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

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

16 (6) COMPLETE AN APPROPRIATE TRAINING COURSE AS DETERMINED BY
17 THE BOARD.

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

21 (D) A PEER REVIEWER SHALL:

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

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

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

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

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

32 (3) RECEIVED AN ADVERSE REPORT.

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

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

3 (1) VIOLATES ANY PROVISION OF THIS TITLE;

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

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

7 2-4A-06.

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

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

12 (1) UNDERGO PEER REVIEW MORE FREQUENTLY THAN ONCE EVERY 3
13 YEARS; AND

14 (2) COMPLETE ADDITIONAL CONTINUING PROFESSIONAL EDUCATION
15 COURSES.

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

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

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