

Uniform Accountancy Act Issues

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New definition of “attest”

- Reason for licensure
- Backbone of UAA since late 90’s
- “Attest” replaced definition of “practice”
- Used substantively 21 times in UAA and 23 times in Model Rules
- Definition had changed when SAS 70 was moved to SSAE
- Needed to extend public protection to Agreed Upon Procedures, Reviews and Examinations even when not pertaining to prospective financial information

The New Definition of “Attest”

Section 3. DEFINITIONS

When used in this Act, the following terms have the meanings indicated:

- (b) "Attest" means providing the following ~~financial statement~~ services:
- (1) any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);
 - (2) any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);
 - (3) any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE); and
 - (4) any engagement to be performed in accordance with the standards of the PCAOB; and
 - (5) **any examination, review, or agreed upon procedures engagement to be performed in accordance with the SSAE, other than an examination described in subsection (3).**

The standards specified in this definition shall be adopted by reference by the Board pursuant to rulemaking and shall be those developed for general application by recognized national accountancy organizations, such as the AICPA, and the PCAOB.

Other Revisions Related to “Attest”

- §3(r) “Report” – broadened to refer to “any attest or compilation service” and “attested information or compiled financial statements”
- §7(a)(2) – added the new SSAE services to the services which an out-of-state firm could provide without a firm permit so long as the firm complied with the state’s peer review and ownership requirements
- §7(c)(3) & (4) – broadened mandate that anyone signing any “accountants’ report” (not just “on the financial statements”) must meet competency requirements
- §14(h)(1) – broadened prohibition against non-licensee use of conventional language regarding all affairs (not just financial) and “on any attest service”

Firm Mobility – Why?

- Already a regulatory reality in as many as 17 states
- Internet, interstate and international commerce practices are already running circles around states' efforts to regulate
- Old approaches based upon authorized practice statutes depend upon injunctions that are expensive and criminal sanctions that D.A.s often won't pursue
- Other states wanted to consider moves toward firm mobility and needed a uniform act to follow
- Some states do not want this change at this time

- “Neither NASBA nor AICPA will be pushing for adoption of firm mobility in states that are not ready for it, but will provide legislative support for states that do wish to move forward with firm mobility or the redefinition of ‘attest’.”

Old Approach to Public Protection vs. Out-of-State Firms

- Firm Registration Requirement: Out-of-state firm without an office in a state still had to register in that state if all these factors were present:
 - (a) firm *performs* (rather than merely “offering to perform”)
 - (b) a service in accordance with SAS, SSAE (re prospective financial information only), or PCAOB standards
 - (c) for a client “having its *home office* in this state”
- If a firm failed to register it was engaged in unauthorized practice per §14(d)
- Enforcement against unregistered firm would be via criminal prosecution §16 or civil injunction §15
- “Home office” provisions adopted verbatim from UAA in only 12 jurisdictions

New Approach to Public Protection via “Firm Mobility”

- Gives State Board administrative authority over out-of-state individuals and firms without requiring the risk or expense of civil injunctions or criminal prosecutions;
- State Board can initiate administrative proceeding against any out of state firm for violation of any of the state’s accountancy laws/rules and impose discipline.
- Authority is triggered whenever a firm “offers” an attest service in a state [i.e. don’t need to wait for the illegal service to be “performed”]
- No longer matters where the client’s “home office” is located [Definition of “home office” has been deleted]
- Approach rewards firms that comply with peer review and ownership requirements

Firm Mobility Revisions Highlights

- Deletes §3(h) definition of “home office”
- §7(a)(1)(C) gives Board administrative authority whenever out-of-state firm **offers** attest services in your state
- §7(a)(2) allows out-of-state firms to render compilation and other non-attest services without registering so long as firm consents to the state board’s jurisdiction, renders the services through individuals with practice privileges and agrees to comply with the state’s accountancy statutes and rules
- §7(b)(2)(B) requires that all non-licensee owners [whether of registered firms or out-of-state] have “good moral character”
- §14(p) requires unregistered firms offering or rendering services in a state to comply with all parts of Section 14 otherwise applicable to “licensees.”

Public Protection Snapshot – Firm Mobility

Firm Mo NO	Firm Mo Yes
Board must seek court injunction or refer for criminal prosecution	Board has consented administrative and disciplinary jurisdiction over firm
Law doesn't apply until out-of-state firm performs service and the service is provided to a client whose home office is in that state	State's public protection laws apply from moment out of state firm offers attest services in state (it does not matter where client's "home office" is)
State's accountancy rules do not necessarily apply to the firm until the firm registers	Firm automatically consents to state's accountancy laws whenever using firm mobility
Even Firms that comply with peer review must register	Compliance easier for firms meeting highest regulatory standards (such as all peer review requirements)
Nonlicensee owners not required to have "good moral character"	Nonlicensee owners must have "good moral character"

Public Protection Snapshot – Firm Mobility (Cont’d)

Firm Mo NO	Firm Mo Yes
Unregistered firm not required to comply with all parts of Section 14 (for e.g., §14(n) (commissions & referral fees) and §14(o) (contingent fees) only apply to “licensees”	Firms with mobility must comply with all provisions of Section 14 just like registered firms
Firms only have to register when actually <i>performing</i> certain attest engagements [in accordance with SAS, SSAE (re Prospective Financial Information) or PCAOB standards]	Firms that do not comply with peer review must register to offer or render any attest service (SAS, SSARS, SSAE or PCAOB)
Firms do not have to register to render SSARS or certain SSAE (§3(b)(5) services	Any firm not meeting standards of §7(c) & (h) must register before <i>offering any</i> attest service
State Board can collect fees from out of state firms with no office in state if rendering certain attest services to clients with “home office” in state	State Board can collect fees from all firms with offices in the state as well as all firms that do not meet peer review or ownership requirements
State Board must expend thousands on civil litigation to obtain injunctions against unauthorized firms	State Board saves by using administrative proceedings and can often recover administrative costs through consent orders

Enhancing Public Protection

- 46 states now on the Accountancy Licensing Database
- 43 states now on CPAVerify
- ALD considering a plan to send out an alert when a firm has been disciplined

Pending UAA/Model Rules Issues

- Inactive CPAs (“retired” was removed from Model Rules)
- Return of client records
- Whistleblower provision re confidentiality
- Disposition of deceased solo practitioner’s records
- Independence definition
- Update rules adopting applicable standards