

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Regulated Industries

BILL: SB 636

INTRODUCER: Senator Latvala

SUBJECT: Public Accountancy

DATE: March 29, 2015

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Oxamendi</u>	<u>Imhof</u>	<u>RI</u>	<u>Pre-meeting</u>
2.	_____	_____	<u>FP</u>	_____

I. Summary:

SB 636 limits the licensure requirement for certified public accountant (CPA) firms that use the title “CPA,” “CPA firm,” or any other title, designation, words, letters, abbreviations, or device tending to indicate that the firm performs audits, reviews, and compilations services that involve the rendering of an attestation or opinion. The Board of Accountancy in the Department of Business and Professional Regulation applies current law to require a CPA firm license for all firms who practice public accountancy without distinguishing between the firms that perform the three types of accountancy services, i.e., firms that perform audits, reviews, and compilations that involve the rendering of an opinion or attestation, firms that perform tax preparation, management advisory, or consulting services, and firms that perform one or more services involving the preparation of financial statements that do not involve the rendering of an attestation or opinion.

The bill also provides that the term “quality review” includes the term “peer review” as defined in s. 473.3125, F.S.

II. Present Situation:

The Board of Accountancy (board) within the Department of Business and Professional Regulation (department) is the agency charged with regulating the practice of public accountancy.¹ The Division of Certified Public Accounting performs all services for the board concerning the enforcement of ch. 473, F.S., including, but not limited to, recordkeeping services, examination services, legal services, and investigative services, and those services in ch. 455, F.S., necessary to perform the board’s duties under the chapter. The office of the division is located in Gainesville.²

¹ Section 473.303, F.S.

² See s. 20.165(2)(c)2., F.S.

Section 473.302(4), F.S., defines a “certified public accountant” (CPA) to mean a person who holds a license to practice public accounting in this state under the authority of ch. 473, F.S.

Section 473.302(8), F.S., defines the “practice of,” “practicing public accountancy,” or “public accounting” to mean:

(a) Offering to perform or performing for the public one or more types of services involving the expression of an opinion on financial statements, the attestation as an expert in accountancy to the reliability or fairness of presentation of financial information, the utilization of any form of opinion or financial statements that provide a level of assurance, the utilization of any form of disclaimer of opinion which conveys an assurance of reliability as to matters not specifically disclaimed, or the expression of an opinion on the reliability of an assertion by one party for the use by a third party;

(b) Offering to perform or performing for the public one or more types of services involving the use of accounting skills, or one or more types of tax, management advisory, or consulting services, by any person who is a certified public accountant who holds an active license, including the performance of such services by a certified public accountant in the employ of a person or firm; or

(c) Offering to perform or performing for the public one or more types of service involving the preparation of financial statements not included within paragraph (a), by a certified public accountant who holds an active license, a firm of certified public accountants, or a firm in which a certified public accountant has an ownership interest, including the performance of such services in the employ of another person. The board shall adopt rules establishing standards of practice for such reports and financial statements; provided, however, that nothing in this paragraph shall be construed to permit the board to adopt rules that have the result of prohibiting licensees employed by unlicensed firms from preparing financial statements as authorized by this paragraph.

However, these terms [of practice] shall not include services provided by the American Institute of Certified Public Accountants or the Florida Institute of Certified Public Accountants, or any full service association of certified public accounting firms whose plans of administration have been approved by the board, to their members or services performed by these entities in reviewing the services provided to the public by members of these entities.

Firm License Requirement

Section 473.302(5), F.S., defines the term “firm” to mean “any entity that is engaged in the practice of public accounting.”

Section 473.302(7), F.S., defines the terms “licensed audit firm” or “public accounting firm” to mean a firm licensed under s. 473.3101, F.S.

Section 473.3101(1)(a), F.S., requires that each sole proprietor, partnership, corporation, limited liability company, or any other firm to be licensed if it seeks to engage in the practice of public accounting, as defined in s. 473.302(8)(a), F.S. An application for a firm license must be made upon the affidavit of a sole proprietor, general partner, shareholder, or member who is a certified public accountant.

Section 473.3101(1)(a), F.S., further requires that firms must hold a license if the firm:

- Uses the title “CPA,” “CPA firm,” or any other title, designation, words, letters, abbreviations, or device tending to indicate that the firm practices public accounting; or
- Does not have an office in this state but performs the services described in s. 473.3141(4), F.S.,³ for a client having its home office in this state, as defined by rule of the board.

According to the department, the board requires a license for all firms who practice public accountancy as defined in s. 473.302(8), F.S., without distinguishing between the firms that perform the services defined by s. 473.302(8)(a), F.S., which includes audits, reviews, and compilations the involve the rendering of an opinion or attestation; firms that perform the services defined by s. 473.302(8)(b), F.S., which includes tax preparation, management advisory, or consulting services; and firms that perform the services defined by s. 473.302(8)(c), F.S., which includes one or more services involving the preparation of financial statements not included within 473.302(8)(a), F.S.⁴

The initial fee for a firm license fee for partnerships, corporations, and limited liability companies is \$145.00. The initial licensure fee for sole proprietor firms is \$45.00. Firms must also pay a special fee of \$5 per license to fund efforts to combat unlicensed activity.⁵ The same fees apply for each biennial renewal.⁶

Peer and Quality Review

A quality review is defined by s. 473.316, F.S., as a:

[S]tudy, appraisal, or review of one or more aspects of the professional work of an accountant in the practice of public accountancy which is conducted by a professional organization for the purpose of evaluating quality assurance required by professional standards, including a quality assurance or peer review.

Section 473.3125, F.S., defines a “peer review” as the study, appraisal, or review by one or more independent certified public accountants of one or more aspects of the professional work of a licensee. Effective January 1, 2015, all licensed accountancy firms must be enrolled in a peer review program.⁷

³ Section 473.3141, F.S., provides the practice requirements for CPA’s from out-of-state.

⁴ 2015 Legislative Analysis for SB 636, Department of Business and Professional Regulation, February 9, 2015.

⁵ Section 473.305, F.S., and rule 61H1-31.010, F.A.C.

⁶ Section 473.305, F.S., and rule 61H1-31.009, F.A.C.

⁷ Section 473.3125(4), F.S.

III. Effect of Proposed Changes:**Firm License Requirement**

The bill amends s. 473.302(7), F.S., to define a licensed audit or public accounting firm as a firm licensed under s. 473.3101, F.S., that performs audits, reviews, and compilations involving the rendering of an opinion or attestation under s. 473.302(8)(a), F.S.

The bill amends s. 473.3101(a)1., F.S., to limit the requirements for a firm license only to firms that use the title “CPA,” “CPA firm,” or any other title, designation, words, letters, abbreviations, or device tending to indicate that the firm performs audits, reviews, and compilations services that involve the rendering of an attestation or opinion under s. 473.302(8)(a), F.S.

Quality and Peer Review¹

The bill amends s.473.316(1)(d), F.S. to provide that the term “quality review” includes a peer review as defined in s. 473.3125, F.S.

Effective Date

The bill provides an effective date of July 1, 2015.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Accounting firms that do not perform audits, reviews, and compilations services that involve the rendering of an attestation or opinion under s. 473.302(8)(a), F.S., would not incur the costs of a firm license.

C. Government Sector Impact:

The effect of the bill on the collection of fees for accounting firm licenses is indeterminate because, according to the department, it does not track which firms practicing public accounting as defined by s. 473.302(8)(a), F.S., versus those firms that practice public accounting as defined in s. 473.302(8)(b) and (c), F.S.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 473.302, 473.3101, and 473.316.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.