

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 977 Public Accountancy
SPONSOR(S): Business & Professions Subcommittee, Stevenson and others
TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 1252

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Business & Professions Subcommittee	9 Y, 0 N, As CS	Wright	Anstead
2) Commerce Committee	20 Y, 0 N	Wright	Hamon

SUMMARY ANALYSIS

In Florida, public accountancy is regulated by the Board of Accountancy (board) under the Department of Business and Professional Regulation. The practice of public accountancy includes offering to the public the performance of services involving audits, reviews, compilations, tax preparation, management advisory or consulting services, or preparation of financial statements. In order to practice public accountancy, a person must be licensed as a certified public accountant (CPA). Certain acts of public accountancy performed by an unlicensed person are a first degree misdemeanor.

An attestation engagement is an arrangement with a client where an independent third party CPA investigates and reports on the client's specific subject matter prepared in accordance with the Statements on Standards for Attestation Engagements. Currently, 45 states other than Florida define attestation engagements in statute and require them to be performed by a licensed CPA.

Every biennium, CPAs must complete 80 hours of CPE, by board rule. At least 25 percent of the total hours required by the board must be in accounting-related and auditing-related subjects, as distinguished from federal and local taxation matters and management services.

A licensed CPA may request that their license be placed on inactive status. In order to reactivate their license, they must complete the minimum continuing professional education (CPE) requirements required by board rule, the required hours for the most recent biennium reporting period, plus one-half of the requirements for biennial renewal. Currently, if a CPA has been inactive for:

- 1 biennium, they must complete 120 hours of CPE to reactivate their license;
- 2 biennium, they must complete 200 hours of CPE to reactivate their license; and
- 3 or more biennium, they must complete 280 hours of CPE to reactivate their license.

The bill:

- limits the amount of CPE that an inactive CPA must complete in order to reactivate their license to a maximum of 120 hours, a reduction from the current maximum of 280 hours;
- includes performing attestation engagements in accordance with the Statements on Standards for Attestation Engagements in the practice of accountancy, which aligns Florida with the national standard;
- makes it a first degree misdemeanor for an unlicensed person to perform attestation engagements; and
- reduces the percentage of CPE hours that must be devoted to accounting-related and auditing-related subjects, to 10 percent of total CPE hours from 25 percent.

The bill does not have a fiscal impact on state or local governments.

The bill has an effective date of July 1, 2019.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

The Florida Board of Accounting (board) in the Department of Business and Professional Regulation is the agency responsible for regulating and licensing more than 35,000 active and inactive certified public accountants (CPA) and more than 5,400 accounting firms in Florida. The Division of Certified Public Accounting provides administrative support to the 9-member board, which consists of 7 CPAs and 2 laypersons.¹

To engage in the practice of public accounting, an individual or firm must be licensed and business entities must meet certain formation requirements.²

The “practice of public accountancy” includes offering to the public the performance of services involving audits, reviews, compilations, tax preparation, management advisory or consulting services, or preparation of financial statements.³

A person may be charged with a first degree misdemeanor if they are not a licensed CPA and they perform:⁴

- 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.

Continuing Education

CPAs are required to complete 80 hours⁵ of continuing professional education (CPE) in public accounting subjects every 2 years to renew their license. The board has the authority to prescribe by rule additional continuing professional education hours, not to exceed 25 percent of the total hours required, for failure to complete the hours required for renewal by the end of the reestablishment period.⁶

At least 25 percent of the total hours required by the board must be in accounting-related and auditing-related subjects, as distinguished from other subjects that include federal and local taxation matters and management services. Five percent of the total hours required by the board must be in ethics applicable to the practice of public accounting.⁷

¹ S. 473.303, F.S.

² S. 473.302, F.S.

³ S. 473.302(8), F.S.

⁴ S. 473.322(1)(c), F.S.

⁵ S. 473.312(1)(a), F.S. allows the board to require between 48 and 80 hours of CPE every 2 years. The board requires 80 hours in r. 61H1-33.003, F.A.C.

⁶ S. 473.312(1)(a), F.S.

⁷ S. 473.312(1)(b),(c), F.S.

Inactive Licenses

A CPA may request that their license be placed on inactive status. A CPA may also be placed on inactive status for failing to meet the CPE requirements for license renewal. The board is authorized to adopt rules establishing the minimum requirements for placing a license on inactive status, renewing an inactive license, and reactivating the inactive license.⁸

A CPA who holds an inactive license may be reactivated upon application to the department. The minimum CPE requirements are prescribed by board rule, and include the required hours for the licensee's most recent biennium reporting period while active, plus one-half of such hours.⁹

Currently, by board rule, if a CPA is has been in inactive status for:¹⁰

- 1 biennium, they must complete 120 hours of CPE to reactivate their license;
- 2 biennium, they must complete 200 hours of CPE to reactivate their license; and
- 3 or more biennium, they must complete 280 hours of CPE to reactivate their license.

Previously, a licensee who was inactive on or before June 30, 2014, could reactivate with a maximum of 120 hours of CPE. Such licensees must have notified the board of an intention to reactivate, and completed 120 hours of CPE, including at least 30 hours in accounting-related and auditing-related subjects, not more than 30 hours in behavioral subjects, and a minimum of 8 hours in ethics, by June 30, 2016.¹¹

Attestation Engagements

An attestation engagement is an arrangement with a client where an independent third party investigates and reports on a specific subject matter created by a client. Examples of attestation engagements include reporting on financial information formulated by a client, and reporting on how well the client's internal controls process functions. An attestation engagement gives users a higher level of confidence regarding the subject of the engagement.¹²

The Auditing Standards Board (ASB) is the senior technical committee designated by the American Institute of Certified Public Accountants (AICPA) to issue auditing, attestation, and quality control standards applicable to the performance and issuance of audit and attestation reports.¹³ The ASB has issued a Statement on Standards for Attestation Engagements to be followed by a CPA performing an attestation engagement.¹⁴ Currently, Florida is one of five states that does not define attestation engagements in statute or specifically require that they be performed by a licensed CPA.¹⁵

Effect of the Bill

The bill revises the definition of "practicing public accountancy" to include offering to perform or performing for the public one or more types of services involving any attestation engagements in accordance with the Statements on Standards for Attestation Engagements, which aligns Florida with the national standard.

⁸ S. 473.313, F.S.

⁹ S. 473.313, F.S. However, if a CPA has submitted proof of completion of their CPE for the previous biennium ending Dec. 31 to the board by March 15, they do not need to complete additional hours to reactivate. R. 61H1-33.006(1), F.A.C.

¹⁰ R. 61H1-33.006, F.A.C.

¹¹ S. 473.312(2), F.S.

¹² See Accounting Tools, *Attestation Engagement*, Nov. 11, 2018, available at:

<https://www.accountingtools.com/articles/2017/5/7/attestation-engagement> (last visited Mar. 13, 2019)

¹³ See Auditing Standards Board, at: <https://www.aicpa.org/research/standards/auditattest/asb.html> (last visited: Mar. 4, 2019).

¹⁴ See Clarified Statements on Standards for Attestation Engagements at:

<https://www.aicpa.org/research/standards/auditattest/ssae.html> (last visited: Mar. 4, 2019).

¹⁵ Florida Institute of Certified Public Accountants, *Public Accountancy, Comprehensive Definition of Attest*, March 2019.

The bill reduces the percentage of total CPE hours, from 25 percent to 10 percent, that must be devoted to accounting-related and auditing-related subjects, as distinguished from federal and local taxation matters and management services.

The bill limits the amount of CPE that an inactive CPA must complete in order to reactivate their license to a maximum of 120 hours, without regard to how long the license is inactive. This is a reduction in the hours currently required for those licensees that have been inactive for more than 2 years, which is reduced from 200 hours for those inactive for 2 biennium, and from 280 hours for those inactive for 3 or more biennium. Such hours must include at least 30 hours in accounting-related and auditing-related subjects, not more than 30 hours in behavioral subjects, and a minimum of 8 hours in ethics.

The bill removes the outdated language outlining requirements to reactivate a license that was inactive on June 30, 2014.

The bill makes it a first degree misdemeanor to offer to perform or perform for the public one or more types of services involving any attestation engagements in accordance with the Statements on Standards for Attestation Engagements by an unlicensed person.

The bill has an effective date of July 1, 2019.

B. SECTION DIRECTORY:

- Section 1 Amends s. 473.302, F.S., revising the definition of “public accountancy.”
- Section 2 Amends s. 473.312, F.S., reducing the percentage of CPE that must be devoted to certain topics.
- Section 3 Amends s. 473.313, F.S., reconfiguring CPE required to reactivate an inactive license.
- Section 4 Amends s. 473.322, F.S., requiring a license to perform a certain action.
- Section 5 Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

- 1. Revenues:
None.
- 2. Expenditures:
None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

- 1. Revenues:
None.
- 2. Expenditures:
None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

CPAs may have more choices in the types of CPE offered. Inactive licensees may be able to renew their license by completing less hours of CPE, which may decrease the cost of reactivation.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The board will need to update rules regarding CPE. There is sufficient rulemaking authority to do so.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 26, 2019, the Business & Professions Subcommittee adopted an amendment and reported the bill favorably as a committee substitute. The amendment limits the number of continuing education hours required to reactivate any inactive CPA license to 120 hours.

This analysis is drafted to the committee substitute as passed by the Business & Professions subcommittee.