M·S·C·P·A

Massachusetts Society of CPAs®

Senate bill 2941 - *An Act to modernize public accountancy*
Sponsor: Senator Anne Gobi

Summary:
This proposal provides critical technical updates to the Commonwealth's statutes governing the practice of public accountancy to further align to the Uniform Accountancy Act (UAA), a national model licensing law developed by the American Institute of Certified Public Accountancy (AICPA) and the National Association of State Boards of Accountancy (NASBA).

Key Provisions:

1. **Revised definition of attest**: While Certified Public Accountants (CPAs) perform a broad range of services for the public that other individuals also can perform, attest services (audits, compilations, reviews) are a set of protected services that can only be performed by a CPA operating within a CPA firm through a set of professional standards.

   CPAs are being asked to provide assurance services on a whole host of new types of subject matters. The marketplace has been changing rapidly and our original laws did not contemplate this. Since the market for attest services has grown beyond traditional accounting services to engagements related to sustainability, greenhouse gases, cloud computing and many other issues, other individuals who are not regulated or held to the same professional standard have begun offering these services and using the CPA profession's standards, which can be misleading and potential harmful to the public.

   While we believe non-CPAs should be allowed to provide these services to the public, we believe that those individuals should not be allowed to do so under the CPA professional standards. Currently, 47 states have already adopted this definition to close loopholes that allow unregulated non-CPAs to perform certain attest services using the accounting profession's standards. This updated definition has already been adopted by the Massachusetts Board of Public Accountancy through changes to the public accountancy regulations.

2. **Language to allow Firm Mobility**: CPA firm mobility allows CPA firms to provide all services (including attest services) across state lines without having to register in each state in which they offer those services. This is an extension of the popular individual mobility initiative, enacted by the Massachusetts Legislature in 2010, which allows individual CPAs to provide services in 52 states and jurisdictions without having to obtain a reciprocal license. CPA firms would still be required to meet the peer review requirements and non-CPA ownership requirements of the state in which they were offering services, maintain key public protection provisions. To date, 26 states have updated their laws to allow firms mobility privileges, including New Hampshire and Rhode Island.

3. **Adoption of the AICPA's current professional code of conduct**: The AICPA's Code of Professional Conduct is a set of principles, rules and interpretations that guides CPAs in the performance of their professional responsibilities. It has been used by CPAs across the country for decades and has become a key to maintaining uniformity in the states and jurisdictions that allow CPAs to serve their clients across state lines. Currently, the Massachusetts statute conforms to an outdated version of the code. The provisions in these bills update that reference to maintain consistency with the Uniform Accountancy Act and the Massachusetts Board of Public Accountancy's rules and regulations.

4. **Non-CPA Leadership**: This proposal would eliminate the statutory requirement that the managing partner of a public accounting firm hold a valid CPA license in the state in which the firm is located.

   This proposal promotes a realistic standard for today's practice environment by allowing individuals who are not licensed but have an expertise in technology, industry and general business processes to manage day-to-day business operations. It is also important to note that this concept is permitted under the UAA and has already been adopted by several states.

   We have seen the positive impact of providing non-CPAs a seat at the ownership table. Since 2001, Massachusetts firms have had the authority to add partners, stakeholders and other members with ownership up to 49%. As public accounting firms grow more sophisticated as the profession becomes more complex, it is important to attract and retain qualified non-CPAs by offering additional leadership positions.