

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

SECOND REGULAR SESSION-2000

Legislative Document

No. 2444

H.P. 1738

House of Representatives, January 10, 2000

**An Act to Clarify the Law on Ownership of Certified Public Accounting
Firms and to Establish an Approved Practice Monitoring Program.**

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Reference to the Committee on Business and Economic Development suggested and ordered printed.

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative WINSOR of Norway.
Cosponsored by Senator KONTOS of Cumberland and
Representatives: BOLDUC of Auburn, MENDROS of Lewiston, Senators: BENNETT of
Oxford, HARRIMAN of Cumberland, MacKINNON of York.

Be it enacted by the People of the State of Maine as follows:

2
4 **Sec. 1. 32 MRSA §12201, sub-§6-A** is enacted to read:

6 6-A. Peer review. "Peer review" means a study, appraisal
8 or review of one or more aspects of the professional work of a
10 certified public accountancy firm that performs defined service
by a person or persons who are licensed as certified public
accountants and who are not affiliated with the certified public
accountancy firm being reviewed.

12 **Sec. 2. 32 MRSA §12201, sub-§7-A** is enacted to read:

14 7-A. Practice monitoring program. "Practice monitoring
16 program" means a program designed to establish that a certified
public accountancy firm has adopted, maintains and complies with
18 comprehensive quality control policies and procedures that are
appropriate to the nature and complexity of the firm's practice.

20 **Sec. 3. 32 MRSA §12252, sub-§3**, as repealed and replaced by PL
22 1999, c. 200, §1, is amended to read:

24 **3. Firm permits required.** The Notwithstanding Title 13,
section 710 and Title 31, section 611, the following provisions
26 apply to the issuance of individual firm permits.

28 A. An applicant for initial issuance or renewal of a permit
30 to practice under this section shall show that a simple
32 majority of the ownership of the firm, in terms of financial
34 interests and voting rights of all partners, officers,
36 shareholders, members or managers, belongs to holders of
38 certificates who are licensed in a state and that all
40 partners, officers, shareholders, members or managers whose
principal place of business is in this State and who perform
professional services in this State hold valid individual
permits issued by the board. At least a simple majority of
the ownership of a public accounting firm, in terms of
financial interests and voting rights, must belong to
holders of permits issued by the board. Firms may include
nonlicensee owners in accordance with paragraph B.

42 B. A certified public accountancy firm or public
44 accountancy firm may include nonlicensee owners as long as:

46 (1) All nonlicensee owners are individuals who
48 actively participate in the certified public
accountancy firm or public accountancy firm; and

2 (2) The firm complies with such other requirements as
the board may impose by rule.

4 **Sec. 4. 32 MRSA §12252, sub-§8** is enacted to read:

6 **8. Practice monitoring program for certified public**
8 **accountancy firms.** Effective January 1, 2001, the board shall
10 require, as a condition to the granting or renewal of permits to
12 certified public accountancy firms, that each applicant
successfully participate in an approved practice monitoring
program. Participation in such a program is governed by the
following:

14 A. If the firm provides defined service as of the date of
16 the initial granting or first renewal of a certified public
18 accountancy firm's permit following December 15, 2000, the
20 practice monitoring program must include a peer review that
22 must be completed within 18 months after the initial
granting or first renewal of the permit following December
15, 2000. After December 15, 2000, the firm must undergo a
peer review every 3 years for as long as it provides defined
service.

24 B. A certified public accountancy firm that does not
26 perform defined service must be enrolled in an approved
28 practice monitoring program, but is not required to undergo
30 a peer review if the firm annually confirms in writing to
32 the board that it does not perform a defined service. A
certified public accountancy firm that subsequently performs
defined service must undergo a peer review within 18 months
after the fiscal year end of the first defined services
engagement that it accepts. Subsequent peer reviews are
governed by the provisions of paragraph A.

34 The board is authorized to adopt rules to carry out the intent of
36 this subsection. Rules adopted pursuant to this subsection are
38 routine technical rules pursuant to Title 5, chapter 375,
subchapter II-A.

40 **Sec. 5. 32 MRSA §12275, sub-§3**, as amended by PL 1999, c. 200,
42 §2, is further amended to read:

44 **3. Use of title.** A firm may not assume or use the title or
46 designation "certified public accountant," the abbreviation "CPA"
48 or any other title, designation, words, letters, abbreviation,
sign, card or device indicating that the firm is composed of
certified public accountants, unless:

50 A. The firm holds a valid permit issued under section
12252; and

2 B. ~~Fifty-one-percent~~ A simple majority of all partners,
4 officers and, shareholders, members or managers of the firm
 hold certificates.

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SUMMARY

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10 This bill corrects internal inconsistencies within the
12 certified public accountancy firm ownership law enacted in 1999
14 and removes a possible conflict with other laws governing limited
 liability companies, limited liability partnerships and
 professional associations. It also establishes a practice
 monitoring program for certified public accountancy firms, also
 known as "peer review."