**Protecting the Public Interest:   
Updating Our State Accountancy Act’s Definition of Attest**

Attest services are unique in our state’s accountancy statute. While CPAs perform a broad range of services for the public that other individuals also can perform, attest services are a set of protected services that can ***only*** be performed by a CPA operating within a CPA firm.

When the definition of attest was first put into our accountancy statute, lawmakers realized that, just as only doctors should practice medicine, and only lawyers should practice law, certain professional services should only be provided by CPAs.

The public relies on these protections. And, they need to know that when they engage a professional for these attest services that the professional has the right degree of expertise, education, and regulatory oversight – a combination only available from a CPA, operating within a CPA firm.

First and foremost, it is important to note that the bar to become a CPA is very high. All CPAs must pass what are commonly known as the 3 Es – Education, Experience, and Exam. CPAs must have a baccalaureate degree with 150 hours of education, they must have at least one year of relevant professional experience, and they must pass the rigorous CPA Examination. Upon completion of these three requirements, only then, can CPAs obtain a license to practice in our state.

In addition to the 3 Es, CPAs are also subject to on-going continuing education requirements; they are subject to a peer review program where other CPAs examine their work on a regular basis; and, they must comply with a professional Code of Conduct.

Equally important, CPAs operating in our state are subject to oversight and potential sanction by our state Board of Accountancy. This key protection ensures that the profession is appropriately regulated by the state and the public can further expect a guarantee of quality and assurance about the work performed by CPAs operating in the state.

Furthermore, there are unique and important benefits to having certain services provided within a CPA firm. CPA firms, like individual CPAs, are subject to oversight by our state Board of Accountancy. The CPA firms, themselves, also participate in peer review programs, performed by other CPA firms. And, by the very nature of their structures, they have controls over quality, protections, and processes to ensure quality control and reliability. CPA firms registered in our state also must be at least 50% [67%, 100% depending on your state] owned by CPAs, ensuring that the licensed and regulated CPA partners are highly vested in the success and reputation of the firm’s work. All of these benefits, together, provide robust protections to the public when attest services are performed within a CPA firm.

The scope of protected attest services is actually relatively limited, because the bar for meriting inclusion is – rightfully so – high.

Attest services, as defined now, encompass:

* **Audits** of financial statements and other engagements performed under the American Institute of CPAs, or AICPA’s, Statement on Auditing Standards (SAS);
* **Reviews** of financial statements performed under the AICPA’s Statement on Standards for Accounting and Review Services (SSARS);
* **Examinations of prospective financial information** performed under the AICPA’s Statement on Standards on Attestation Engagements (SSAEs);
* [INSERT **compilations** if covered in your state’s statute]
* And, **engagements performed pursuant to the Public Company Accounting Oversight Board (PCAOB)**, the federal regulator of auditors of publicly traded companies.

Because the public and other third parties are relying on the attested information in these four (FIVE if including compilations) categories, it is particularly important that end users of the information know that the engagement was performed by a highly competent, well educated, and appropriately regulated CPA, and the work is being done with all the benefits that come from having it performed in a CPA firm.

Our legislature has previously decided that not just anyone should be able to hang out a shingle and start offering to perform these services. It is not in the public interest. We, as a society, do not allow just anyone in our state to perform complex surgery for a patient or to draft complex legal contracts for a company. Indeed, implicit in attest reports is an expectation that the work was performed by a CPA. Clients know this and understand the value proposition associated with it.

As you may have noted, with the exception of those engagements performed pursuant to the PCAOB, all of the other engagements protected under our state’s attest definition are engagements performed under standards developed by the AICPA. The AICPA is the profession’s largest professional organization, with over 396,000 members globally. The AICPA’s professional attest standards are developed by experts through rigorous review and discussion and they are meant to be performed only by those who have the appropriate technical expertise and experience to perform them. It is also important that the public can rest assured that, in those cases where an attest engagement may be performed poorly, our state Board of Accountancy can and will step in to protect the public who relied on that work.

As mentioned above, the bar for inclusion under our state’s definition of attest services is quite high. So, what has changed recently that requires that the legislature go back and revisit the definition? Broadly speaking, there have been two major changes that have necessitated a review of the scope of the definition.

1. **SAS 70, Reports on Service Organization Controls (aka SOC Reports), was reissued as SSAE 16 by the AICPA’s Auditing Standards Board (ASB).** On June 15, 2011, the ASB reissued this particular standard and determined that it more accurately fits within the Statement on Standards for Attestation Engagements, or SSAEs, rather than the Statement on Auditing Standards. This technical change had an unintended impact on our state law. While all SAS engagements are covered under our state’s definition of attest, only examinations of prospective financial information under the SSAEs are covered. Now that SOC engagements are performed under the SSAEs, they have fallen out of our definition of attest. [You may want to note here if your Board took any stop-gap measures over the past few years to address this.] Therefore, unless the definition is changed, anyone can do this work and that was not what our lawmakers intended.

We must fix this situation so that it doesn’t happen again. Should the AICPA potentially come to the conclusion that other engagements are more appropriately performed under the SSAEs, we would be back in the same situation where an attest engagement would no longer be limited in who can perform it and the public would be at risk. In order to ensure that the public is protected, the state statute should be amended so that all engagements performed pursuant to the SSAEs are covered – not just examinations of prospective financial information. This would safeguard against this type of issue occurring again.

1. **The scope of attest services has been changing over the past decade.** The second and equally pressing reason why the [STATE CPA SOCIETY] is [TEAMING UP WITH THE STATE BOARD OF ACCOUNTANCY to] ask/asking our lawmakers to amend the definition of attest is because 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.

Increasingly, clients are asking for attest services to be performed on not just financial statements, but also on a whole host of new types of engagements related to security and privacy controls, sustainability, greenhouse gases, eXtensible Business Reporting Language (XBRL), and many other subject matters.

While CPAs are able and willing to perform these services, others in the marketplace without the same credentials, experience, and regulation are also offering these services and they are using the CPA profession’s standards as written under the SSAEs. This is harmful to the public and the [STATE CPA SOCIETY] asks that you put a stop to it. Not just anyone should be able to associate themselves with the rigorous qualifications and protections that the CPA profession provides. Lawmakers have already been very clear about the need to protect the public when it comes to attest services and we ask you to fix this loophole.

Some unregulated individuals issuing attest reports under CPA profession standards may argue that a revised definition limits competition. However, this is simply not true. Competition is key to our state’s free market economy and the [STATE CPA SOCIETY] supports fair competition where the public interest is protected. Non-CPAs should be able to provide lawful services to the public and the [STATE CPA SOCIETY] would not seek to stop them. However, those individuals should not be allowed to use CPA professional standards when they perform these engagements. The public rightly assumes that the SSAEs, written by and for CPAs, are gold star standards and not just anyone is qualified nor should be allowed to use them. They also assume that our state Board of Accountancy will protect the public in the performance of engagements performed under these standards, but this is not the case if others in the market are using CPA profession standards.

If others in the marketplace want to provide similar services, they need to develop their own standards or find generalized standards not unique to the CPA profession. Clients can then decide whom they trust to perform these attest services, utilizing which standards.

Our state legislature needs to act quickly to amend our state law. There are serious public protection issues at stake and lawmakers need to ensure that the public is not misled. By making this common sense and simple change, our state can ensure that we have a comprehensive definition of attest that appropriately reflects the marketplace and the needs of clients.

Updated: May 2014