

OVERVIEW OF KEY ASPECTS OF THE ACCOUTANCY REFORM LEGISLATION

The following description of key provisions of PA 277, PA 278 and PA 279 explain the significance of the changes to accountancy laws, particularly their ramifications for the public and the profession.

Key provisions	What it does...	The change it reflects ...	Ramifications	Effective Date
Whistleblower protection	Allows (does not require) CPAs to report federal, state or local law violations to proper authorities.	This information was previously protected under "client confidentiality."	<ul style="list-style-type: none"> Provides an additional vehicle for financial crime prevention by allowing CPAs to provide otherwise confidential client information to authorities if they believe a crime has been committed. 	December 19, 2005
Mandatory peer review	Requires CPA firms and sole practitioners who provide attest services (audits, reviews and compilations provided to third parties) to participate in a Peer Review program in order to renew their licenses.	While peer review has been required for AICPA membership, practitioners/firms did not previously need a peer review for licensure or MACPA membership. Of the 55 licensing jurisdictions, 42 have or will have some sort of peer review requirements in place.	<ul style="list-style-type: none"> Enhances the quality of accounting, auditing and attest services provided by CPA firms and sole practitioners Generates new \$100 fee to state for administrative costs Adds expense of peer review to those firms who currently do not participate (300-400 firms in Michigan) 	March 1, 2007
Vigorous enforcement of unlicensed activity	Raises offense for "copycat CPAs" (someone who says they are a licensed CPA, but actually is not) to a felony.	Penalties for violations increased from a one-year/\$5000 misdemeanor to a five-year/\$25,000 felony. The MSBA can also assess a \$10,000 administrative fine.	<ul style="list-style-type: none"> Protects the public from fakes Makes it tougher on offenders with beefed up fines and prison terms Makes it more "worthwhile" for enforcement action by authorities 	December 19, 2005
Make-up of State Board membership	Requires one member of the MSBA to be an accounting educator.	While an educator often held a seat on the board, it was not mandated by law.	<ul style="list-style-type: none"> Benefits MSBA's decision-making related to curriculum and certification requirements, the exam, etc. by adding the perspective of a current educator 	December 19, 2005
Fee increase	Increases fees for individual and firm licensing and registration, temporary practice permits; adds fee for tracking peer review compliance.	Fees haven't been increased in nearly 30 years. License fees will be \$100 for individuals and firms; they were \$40 and \$30, respectively. Other fees will increase also.	<ul style="list-style-type: none"> Funds from increased fees are earmarked to help offset costs for enforcement of unlicensed activity and other added administrative expenses. 	October 1, 2006
Self-reporting of criminal convictions & disciplinary action	Mandates CPAs to self-report criminal convictions and disciplinary action and raise the civil fine limit to \$25,000 <i>per violation</i> .	Licensees were not previously required to disclose violations of law of which "dishonesty, fraud or negligence" is an element.	<ul style="list-style-type: none"> Kicks "bad apples" out of the basket Reinforces integrity of profession 	December 19, 2005
Update standards	Amends rules so they are updated annually to reference national standards of AICPA, PCAOB, GAO, DOL, etc. and specifies that violations of these standards is a violation of the <i>Occupational Code</i> .	Currently, the Administrative Rules are not specific and contain no provision for automatic updating when professional standards change.	<ul style="list-style-type: none"> Allows state regulations to reflect current standards Gives MSBA authority to sanction CPAs who don't follow appropriate standards 	December 19, 2005

