

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-0256/P1dn

MDK:jld:km

December 6, 2000

Representative Vrakas:

Please review this preliminary draft very carefully to make sure that it achieves your intent. The draft is based on instructions from Michael Vaughan. I have made some comments in notes that are included in the draft. In addition, please note the following:

1. This draft prohibits nonlicensees from providing attest or compilation services by creating a new paragraph under the definition of practice as public accountant at proposed s. 442.02 (1m) (dm). See also the \*\*\*\*NOTE following the amendment of s. 442.02 (1m) (intro.).
2. The instructions prohibit nonlicensees from issuing "a report on financial statements of any person, [etc.]" I did not include this prohibition because it already appears to be included under current law. See s. 442.02 (1m) (d), stats., which defines practice as a public accountant to include certain activities relating to preparing reports for clients.
3. Please review proposed s. 442.025 (6), which allows nonlicensees to perform services involving the use of accounting skills. Isn't this exception rather broad?
4. The instructions provide that nonlicensees may prepare financial statements and issue "nonattest" transmittals that do not purport to be in compliance with the statements on standards for accounting and review services. I didn't include this language since I'm not sure what a "nonattest" transmittal is. Also, is this language necessary? As long as a person is not providing an attest service, as defined in the draft, a license is not required.
5. It appears that you want the examining board to license firms. Therefore, I created a definition for "firm", and, except as noted below, revised ch. 442, stats., so that it refers to firms, instead of corporations or partnerships. I also created a definition for "member of a firm" and revised ch. 442., stats., so that it refers to members of firms, instead of employees, officers, partners, managers, or directors of corporations or partnerships.
6. I did not change the references to corporations in ss. 442.03 (2) and 442.06, stats., because those provisions apply only to corporations that were "grandfathered" under state law in 1935.
7. I did not change the references to corporations, associations, and partnerships in s. 442.10 (1), stats., because I want to distinguish such corporations, associations, and partnerships from licensed firms.

8. The instructions include a requirement that, in order to issue or renew a license, an applicant must show that “partners, officers, shareholders, members or managers, whose principal place of business is in this state, and who perform professional services in this state” must hold a valid certificate issued by this state. I did not include this requirement because I think it is redundant. Under current law, with certain exceptions, a person who practices as a certified public accountant must obtain a certificate from the examining board. Doesn’t this requirement under current law already apply to the “partners, officers, shareholders, members or managers” described in the instructions?

9. Regarding the requirement in the instructions described above, it seems to me that your intent is to create an exception from certification as a CPA for a partner, etc., who works in this state on occasion but whose principal place of business is elsewhere. Doesn’t the exception under current law at s. 442.02 (10), stats., satisfy this intent?

10. The instructions include a requirement that all nonlicensee owners must be “active individual participants in the CPA firm or affiliated entities.” I did not include this requirement because I’m not sure about your intent. What do you mean by “active individual participation”?

11. Regarding peer review, suppose that a firm undergoes a peer review that determines that the firm is professionally incompetent. Under this draft, the firm gets to renew its license, because it underwent review. The results of the review aren’t relevant to the issue of renewal. Is this okay?

12. There is no need to specify that the peer review rules must be promulgated reasonably in advance of effect. Usually, it takes 6 to 12 months, if not longer, for an agency to follow the state’s rule-making procedures.

13. Is proposed s. 180.1903 (1m) okay? Also, the instructions indicate that it may be necessary to amend s. 757.45, stats. (sharing of compensation by attorneys). Unless I am missing something, it doesn’t appear to me that such an amendment is necessary.

14. This draft does not address the issue of “grandfathering” firms that are licensed under current law. Do you want to address this issue?

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