

1 SB146  
2 155607-2  
3 By Senator Holley  
4 RFD: Governmental Affairs  
5 First Read: 14-JAN-14

1 SB146

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4 ENROLLED, An Act,

5 To amend Sections 34-1-2, 34-1-16, and 34-1-17, Code  
6 of Alabama 1975, to further define the term attest to include  
7 any engagement to be performed in accordance with the  
8 Statements on Standards for Attestation Engagements (SSAE)  
9 rather than just examination of prospective financial  
10 information; to define the term report; and to require  
11 nonresident certified public accountants with practicing  
12 privileges to provide services in accordance with professional  
13 standards.

14 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

15 Section 1. Sections 34-1-2, 34-1-16, and 34-1-17,  
16 Code of Alabama 1975, are amended to read as follows:

17 "§34-1-2.

18 "For purposes of this chapter, the following words  
19 and phrases shall have the meanings respectively ascribed in  
20 this section:

21 "(1) AICPA. The American Institute of Certified  
22 Public Accountants.

23 "(2) ATTEST. Providing the following ~~financial~~  
24 ~~statement~~ services:

1           "a. Any audit or other engagement to be performed in  
2 accordance with the Statements on Auditing Standards (SAS).

3           "b. Any review of a financial statement to be  
4 performed in accordance with the Statements on Standards for  
5 Accounting and Review Services (SSARS).

6           "c. Any ~~examination of prospective financial~~  
7 ~~information~~ engagement to be performed in accordance with the  
8 Statements on Standards for Attestation Engagements (SSAE).

9           "d. Any engagement to be performed in accordance  
10 with the auditing standards of the Public Company Accounting  
11 Oversight Board (PCAOB).

12           "e. The statements on standards specified in this  
13 definition shall be adopted by reference by the board pursuant  
14 to rule making and shall be those developed for general  
15 application by recognized national accountancy organizations  
16 such as the AICPA and PCAOB.

17           "(3) BOARD. The Alabama State Board of Public  
18 Accountancy created by Section 34-1-3, except the special  
19 meaning applicable only to Section 34-1-4.

20           "(4) COMPILATION. Providing a service to be  
21 performed in accordance with Statements on Standards for  
22 Accounting and Review Services (SSARS) that is presenting in  
23 the form of financial statements, information that is the  
24 representation of management (owners) without undertaking to  
25 express any assurance on the statements.

1           "(5) FIRM. A sole proprietorship, partnership,  
2 professional corporation, professional association, limited  
3 liability company, limited liability partnership, or any other  
4 form of business entity now or hereafter recognized by Alabama  
5 law.

6           "(6) LICENSE. A certificate issued pursuant to  
7 Section 34-1-4, a permit issued pursuant to Section 34-1-11,  
8 registration pursuant to Section 34-1-8; or, in each case, a  
9 certificate or permit issued pursuant to corresponding  
10 provisions of prior law, or the practice privilege provided  
11 pursuant to Section 34-1-7.

12           "(7) LICENSEE. The holder of a license.

13           "(8) OWNER. Any person who holds an ownership  
14 interest in a firm.

15           "(9) PEER REVIEW. The study, appraisal, or review of  
16 one or more aspects of the professional work of a licensee or  
17 firm that performs attest or compilation services, by a person  
18 or persons who hold licenses and who are not affiliated with  
19 the licensee or firm being reviewed.

20           "(10)a. REPORT. When used in reference to any attest  
21 or compilation service, an opinion, report, or other form of  
22 language that states or implies assurance as to the  
23 reliability of the attested information or compiled financial  
24 statements and that also includes or is accompanied by any  
25 statement or implication that the person or firm issuing it

1 has special knowledge or competence in accounting or auditing.  
2 Such a statement or implication of special knowledge or  
3 competence may arise from use by the insurer or the report of  
4 names or titles indicating that the person or firm is an  
5 accountant or auditor or from the language of the report  
6 itself.

7 "b. The term report includes any form of language  
8 that disclaims an opinion when such form of language is  
9 conventionally understood to imply any positive assurance as  
10 to the reliability of the attested information or compiled  
11 financial statements referred to or special competence on the  
12 part of the person or firm issuing such language. The term  
13 report includes any other form of language that is  
14 conventionally understood to imply such assurance or such  
15 special knowledge or competence.

16 "~~(10)~~(11) STATE. Any state, territory, or insular  
17 possession of the United States or the District of Columbia.

18 "§34-1-16.

19 "No person shall assume or use the title or  
20 designation "certified public accountant," the abbreviation  
21 "CPA" or any other title, designation, words, letters,  
22 abbreviation, sign, card, or device tending to indicate that  
23 the person is a certified public accountant, unless the person  
24 has received a certificate as a certified public accountant  
25 under Section 34-1-4 and if in public practice, holds a permit

1 issued under Section 34-1-11, which is not revoked or  
2 suspended, hereinafter referred to as a live permit, and all  
3 of the offices of the person in this state for the practice of  
4 public accounting are maintained and registered as required  
5 under Section 34-1-10, or the person is practicing pursuant to  
6 Section 34-1-7; provided, however:

7           "(1) A foreign accountant who has registered under  
8 Section 34-1-5 and who holds a live permit issued under  
9 Section 34-1-11 may use the title under which he or she is  
10 generally known in his or her country, followed by the name of  
11 the country from which the certificate, license, or degree was  
12 received.

13           "(2) No firm with an office in this state shall  
14 provide attest services or assume or use the title or  
15 designation "certified public accountants" or the abbreviation  
16 "CPAs" or any other title, designation, words, letters, signs,  
17 abbreviation, card, or device tending to indicate that the  
18 firm is composed of certified public accountants, unless the  
19 firm is registered as a firm of certified public accountants  
20 under Section 34-1-6, holds a live permit issued under Section  
21 34-1-11, and all of the offices of the firm in this state for  
22 the practice of public accounting are maintained and  
23 registered as required under Section 34-1-10, and ownership of  
24 the firm is in accord with this chapter and rules promulgated  
25 by the board.

1           "(3) No person shall assume or use the title or  
2 designation "public accountant," the abbreviation thereof, or  
3 any other title, designation, words, letters, abbreviation,  
4 sign, card, or device tending to indicate that the person is a  
5 public accountant, unless the person is registered as a public  
6 accountant under Section 34-1-8, holds a live permit issued  
7 under Section 34-1-11, and all of the offices of the person in  
8 this state for the practice of public accounting are  
9 maintained and registered as required under Section 34-1-10 or  
10 unless the person has received a certificate as a certified  
11 public accountant under Section 34-1-4, holds a live permit  
12 issued under Section 34-1-11, and all of the offices of the  
13 person in this state for the practice of public accounting are  
14 maintained and registered as required under Section 34-1-10.

15           "(4) No firm shall provide attest services or assume  
16 or use the title or designation "public accountant" or any  
17 other title, designation, words, letters, abbreviation, sign,  
18 card, or device tending to indicate that the firm is composed  
19 of public accountants, unless the firm is registered as a firm  
20 of public accountants under Section 34-1-9, or as a firm of  
21 certified public accountants under Section 34-1-5, holds a  
22 live permit issued under Section 34-1-11, and all of the  
23 offices of the firm in this state for the practice of public  
24 accounting are maintained and registered as required under  
25 Section 34-1-10.

1           "(5) No person or firm shall assume or use the title  
2 or designation "accredited accountant," "certified  
3 accountant," "chartered accountant," "enrolled accountant,"  
4 "licensed accountant," "registered accountant," or any other  
5 title or designation likely to be confused with "certified  
6 public accountant" or "public accountant," or any of the  
7 abbreviations "AA," "CA," "LA," "RA," or similar abbreviations  
8 likely to be confused with "CPA" or "PA." The title "enrolled  
9 agent" or "EA" may be used by only individuals so designated  
10 by the Internal Revenue Service. Notwithstanding the  
11 foregoing, any person who holds a live permit issued under  
12 Section 34-1-11, and all of whose offices in this state for  
13 the practice of public accounting are maintained and  
14 registered as required under Section 34-1-10, or who is  
15 practicing pursuant to Section 34-1-7, may hold himself or  
16 herself out to the public as an "accountant" or "auditor." A  
17 foreign accountant registered under Section 34-1-5 who holds a  
18 live permit issued under Section 34-1-11 and all of whose  
19 offices in this state for the practice of public accounting  
20 are maintained and registered as required under Section  
21 34-1-10 may use the title under which he or she is generally  
22 known in his or her country, followed by the name of the  
23 country from which he or she received the certificate,  
24 license, or degree.



1           "(6) No person shall sign or affix his or her name  
2 or any trade or assumed name used in the person's profession  
3 or business, with any wording indicating that he or she has  
4 expert knowledge in accounting or auditing, to any opinion,  
5 report, or certificate attesting in any way to the reliability  
6 of any representation or estimate in regard to any person or  
7 organization embracing financial or attested information or  
8 facts respecting compliance with conditions established by law  
9 or contract, including but not limited to statutes,  
10 ordinances, regulations, grants, loans, and appropriations,  
11 unless he or she holds a live permit issued under Section  
12 34-1-11, and all of the offices in this state for the practice  
13 of public accounting are maintained and registered under  
14 Section 34-1-10, or unless the person is practicing pursuant  
15 to Section 34-1-7. Notwithstanding the foregoing, this  
16 subdivision shall not prohibit any officer, employee, partner,  
17 or principal of any organization from affixing his or her  
18 signature to any statement or report in reference to the  
19 financial affairs of the organization with any wording  
20 designating the position, title, or office which he or she  
21 holds in the organization, nor shall this subdivision prohibit  
22 any act of a public official or public employee in the  
23 performance of their duties.

24           "(7) No person shall sign or affix the name of the  
25 firm, with any wording indicating that it is a firm composed

1 of accountants or auditors or persons having expert knowledge  
2 in accounting or auditing, to any opinion, report, or  
3 certificate attesting in any way to the reliability of any  
4 representation or estimate in regard to any person or  
5 organization embracing financial or attested information or  
6 facts respecting compliance with conditions established by law  
7 or contract, including but not limited to statutes,  
8 ordinances, regulations, grants, loans, and appropriations,  
9 unless the firm holds a live permit issued under Section  
10 34-1-11, and all of its offices in this state for the practice  
11 of public accounting are maintained and registered as required  
12 under Section 34-1-10, or the person is practicing pursuant to  
13 Section 34-1-7.

14 "(8) No person shall assume or use the title or  
15 designation "certified public accountant" or "public  
16 accountant" in conjunction with names indicating or implying  
17 that there is a firm, in conjunction with the designation "and  
18 company" and "and co." or a similar designation if there is in  
19 fact no bona fide firm registered under Section 34-1-6 or  
20 Section 34-1-9, unless the person is practicing pursuant to  
21 Section 34-1-7. No person holding a certificate or  
22 registration or firm holding a permit under this chapter or  
23 person practicing pursuant to Section 34-1-7 shall use a  
24 professional or firm name or designation that is misleading  
25 about the legal form of the firm, or about the persons who are

1 partners, officers, members, managers, or shareholders of the  
2 firm, or about any other matter. This section shall not  
3 prevent a firm or its successors from continuing to practice  
4 under a firm name which consists of or includes the name or  
5 names of one or more former owners.

6 "(9) Only licensees holding a valid permit to  
7 practice or practicing pursuant to Section 34-1-7 may issue a  
8 report on financial statements of any other person, firm,  
9 organization, or governmental unit or otherwise offer to  
10 render any attest service, as defined herein. This restriction  
11 does not prohibit any act of a public official or public  
12 employee in the performance of that person's duties as such;  
13 or prohibit the performance by any person of other services  
14 involving the use of accounting skills, including the  
15 preparation of tax returns, management advisory services, and  
16 the preparation of financial statements without the issuance  
17 of reports thereon. This restriction also does not apply to  
18 nonlicensees, who may prepare financial statements and issue  
19 reports thereon which do not purport to be in compliance with  
20 the Statements on Standards for Accounting and Review Services  
21 (SSARS).

22 "(10) Licensees and individuals who have practice  
23 privileges under Section 34-1-7 performing attest or  
24 compilation services must provide those services in accordance  
25 with professional standards.

1           "(11) Nonlicensees may not use language in any  
2 statement relating to the ~~financial~~ affairs of a person or  
3 entity which is conventionally used by licensees in reports on  
4 financial statements or on any attest service as defined in  
5 Section 34-1-2. In this regard, the board shall issue, by  
6 rule, safe harbor language nonlicensees may use in connection  
7 with such financial information. Notwithstanding the  
8 foregoing, nonlicensees may use the following disclaimer  
9 language in connection with financial statements to not be in  
10 violation of this chapter:

11           "I (We) have prepared the accompanying (financial  
12 statements) of (name of entity) as of (time period) for the  
13 (period) then ended. This presentation is limited to preparing  
14 in the form of financial statements information that is the  
15 representation of management (owners).

16           "I (We) have not audited or reviewed the  
17 accompanying financial statements and accordingly do not  
18 express an opinion or any other form of assurance on them."

19           "(12) No holder of a certificate issued under  
20 Section 34-1-4 or a registration issued under Section 34-1-8,  
21 except a person practicing pursuant to Section 34-1-7, shall  
22 perform attest services in any firm that does not hold a valid  
23 permit to practice issued under Section 34-1-11.

24           "(13) No individual licensee shall issue a report in  
25 standard form upon a compilation of financial information

1 through any form of business that does not hold a valid permit  
2 issued under Section 34-1-11 unless the report discloses the  
3 name of the business through which the individual is issuing  
4 the report, and the individual:

5 "a. Signs the compilation report identifying the  
6 individual as a certified public accountant or public  
7 accountant.

8 "b. Undergoes no less frequently than once every  
9 three years, a peer review conducted in such manner as the  
10 board shall by rule specify.

11 "(14) Nothing herein shall prohibit a practicing  
12 attorney or firm of attorneys from preparing or presenting  
13 records or documents customarily prepared by an attorney or  
14 firm of attorneys in connection with the attorney's  
15 professional work in the practice of law.

16 "§34-1-17.

17 "(a) Nothing contained in this chapter shall  
18 prohibit any person not a certified public accountant or  
19 public accountant from serving as an employee of, or an  
20 assistant to, a certified public accountant, a public  
21 accountant, or a firm composed of certified public accountants  
22 or public accountants holding a permit to practice issued  
23 under Section 34-1-11; or a foreign accountant registered  
24 under Section 34-1-5, or a person practicing pursuant to  
25 Section 34-1-7; provided, that the employee or assistant shall

1 not issue any accounting or financial statements or reports  
2 over his or her name.

3 "(b) Nothing contained in this chapter shall  
4 prohibit a certified public accountant of another state, or an  
5 accountant who holds a certificate, license, or degree in a  
6 foreign country, constituting a recognized qualification for  
7 the practice of public accounting in the country, from  
8 practicing in this state in conformity with Section 34-1-7 and  
9 the regulations and rules of professional conduct promulgated  
10 by the board."

11 Section 2. The provisions of this act are severable.  
12 If any part of this act is declared invalid or  
13 unconstitutional, that declaration shall not affect the part  
14 which remains.

15 Section 3. This act shall become effective on  
16 October 1, 2014, following its passage and approval by the  
17 Governor, or its otherwise becoming law.

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President and Presiding Officer of the Senate

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Speaker of the House of Representatives

SB146  
Senate 28-JAN-14  
I hereby certify that the within Act originated in and passed  
the Senate.

Patrick Harris  
Secretary

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House of Representatives  
Passed: 11-MAR-14

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By: Senator Holley