

STATE OF NEW YORK

6026

2017-2018 Regular Sessions

IN SENATE

May 10, 2017

Introduced by Sen. HELMING -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education

AN ACT to amend the education law, in relation to mandatory quality review of certified public accountants

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 7410 of the education law, as added by chapter 651
2 of the laws of 2008, is amended to read as follows:

3 § 7410. Mandatory quality review. 1. The department shall require as a
4 condition to renewal of registrations under section seventy-four hundred
5 eight of this article, that unless otherwise exempted by the department,
6 applicants for firm registrations, [~~with the exception of sole proprie-~~
7 ~~tership firms or firms with two or fewer accounting professionals,~~
8 ~~including certified public accountants or public accountants, or any~~
9 ~~combination thereof,~~] undergo, no more frequently than once every three
10 years, except pursuant to a disciplinary action brought under section
11 seventy-four hundred eight of this article, quality reviews of the
12 firm's attest services conducted in such manner as the commissioner
13 shall specify in regulations, and such review shall include a verifica-
14 tion that individuals in the firm who are responsible for supervising
15 attest services sign or authorize someone to sign the accountant's
16 report on the financial statements on behalf of the firm meet the compe-
17 tency requirements set out in the professional standards for such
18 services, provided that any such regulations:

19 a. shall include reasonable provisions for compliance by an applicant
20 for firm registration showing that it has, within the preceding three
21 years, undergone a quality review in this state or a peer review in
22 another state that is a satisfactory equivalent to quality review
23 required pursuant to this section;

24 b. shall require, with respect to any organization administering qual-
25 ity review programs contemplated by paragraph a of this subdivision,

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

LBD11586-01-7

1 that it be subject to evaluations by the department or its designee, to
2 periodically assess the effectiveness of the quality review program
3 under its charge;

4 c. shall require the quality review to be conducted by reviewers
5 acceptable to the department in accordance with the commissioner's regu-
6 lations, from a roster of qualified reviewers established by the depart-
7 ment; and

8 d. may require with respect to quality reviews contemplated by para-
9 graph a of this subdivision that firms undergoing quality reviews and
10 organizations administering quality review programs timely remit such
11 quality review reports to the state board for public accountancy and
12 such reports shall be maintained by the board in a manner consistent
13 with subdivision [~~three~~] two of this section.

14 2. [~~Except as provided for in subdivision four of this section, noth-~~
15 ~~ing in this section shall be construed to require sole proprietorship~~
16 ~~firms or firms with two or fewer accounting professionals, including~~
17 ~~certified public accountants or public accountants, or any combination~~
18 ~~thereof, to undergo quality review, however, such firms may choose to~~
19 ~~voluntarily undergo quality review in accordance with this section.~~

20 3]. Notwithstanding any provision of law to the contrary, the reports
21 submitted in accordance with subdivision one of this section shall be
22 confidential and shall not constitute a public record and shall not be
23 subject to disclosure under articles six and six-A of the public offi-
24 cers law. However, when any such report is admitted into evidence in a
25 hearing held by the department, it shall then be a public record subject
26 to disclosure under articles six and six-A of the public officers law.

27 [~~4-~~] 3. Notwithstanding any provision of law or regulation to the
28 contrary, a firm that performs attest services for any New York state or
29 municipal department, board, bureau, division, commission, committee,
30 public authority, public corporation, council, office, or other govern-
31 mental entity performing a governmental or proprietary function for New
32 York state or any one or more municipalities thereof, or performs attest
33 services specifically required to be performed pursuant to New York
34 state law, shall be required to undergo an external peer review in
35 conformity with the requirements pursuant to the government auditing
36 standards of the comptroller general of the United States.

37 § 2. This act shall take effect immediately.