

**TESTIMONY ON HB 2536 - PROPOSED LEGISLATION TO PROTECT THE PUBLIC INTEREST BY AMENDING
THE STATE ACCOUNTANCY STATUTE'S DEFINITION OF ATTEST**

Provided by The Kansas Society of CPAs

Members of the Senate Federal and State Affairs Committee

Via Senator Ostmeyer, Chair

My name is Aron Dunn, CPA from Wichita, Kansas where I am a Vice-President in the Assurance Services department of Allen, Gibbs & Houlik, LC. I am submitting this testimony as the Chair of the KSCPA Advocacy Task Force. Thank you for the opportunity to submit testimony on this bill.

On behalf of the KSCPA and the Advocacy Task Force, we express support for House Bill 2536, which would revise the definition of attest in our state's accountancy statute.

We are also pleased to be joined by other strong proponents of the bill such as the Kansas Board of Accountancy, other accounting organizations, many accounting firms across the state, and others. As you can see, both the Certified Public Accountants or CPA profession in Kansas and our state regulators are unified in calling for this legislation to pass.

We would also like to let you know that both the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) have jointly called for states to pass revised attest language, as provided in the newest edition of the state model act they co-write, the Uniform Accountancy Act.

I ask that you move quickly on this legislation in order to protect the public interest.

Attest services are unique in our state 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.

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 Standards (SSARS);
- Examinations of prospective financial information performed under the AICPA's Statement on Standards on Attestation Engagements (SSAEs);
- 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 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.

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 we ask 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.

Now, let us elaborate more fully on an important point as you look at revising the definition: the KSCPA fully supports competition in the marketplace. We believe it is a key to our free market economy. Non-CPAs should be able to provide their lawful services to the public and we would not seek to stop them. However, they should not be allowed to use CPA professional standards when they perform 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 monitor these engagements, 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 non-restricted 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 services – and utilizing which standards.

We want to thank you again for the opportunity to submit testimony on this bill. And, we want to thank you for your leadership on accounting and public protection issues. Our profession is united in our commitment to protecting the public and to ensuring that attest engagements performed by CPAs in CPA firms are of the utmost quality and value. Please know that the KSCPA is ready to assist you however we can.

Respectfully,

M. Aron Dunn, CPA



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Dear Mary:

I am writing to commend the efforts of the Kansas Society of CPAs on working with your state legislature to expand the definition of “attest” in the Kansas accountancy statute. The American Institute of CPAs (AICPA) strongly supports your collaboration with legislative leaders as they advocate for this much needed legislation.

The proposed change is based on a national model law, the Uniform Accountancy Act (UAA), crafted jointly by the AICPA and the National Association of State Boards of Accountancy (NASBA), which other states and jurisdictions regularly refer to when updating and modernizing their accounting laws. In 2014, the AICPA and NASBA released a more comprehensive definition of attest in the UAA that restricts all services performed under the AICPA’s Statements on Standards for Attestation Engagements (SSAEs) to CPAs. Under the previous definition, only services performed on financial statements were restricted to CPAs.

Today’s marketplace and the needs of clients are changing. Responding to these needs, CPAs have been asked to provide, and are providing, assurance reports on representations other than financial statements. Examples of attestation engagements where a CPA would apply an assurance report might include attest services on security and privacy controls, examining the suitability of internal control design at a casino, examining or reviewing XBRL data, attesting to compliance with laws and regulations, and examining or reviewing sustainability reports or reports on greenhouse gas emissions. Some non-CPAs are also providing these services, in some cases using CPA standards of practice to perform them, thereby giving the impression to the public that they are as qualified as CPAs.

The public protection will be strengthened by expanding your state’s definition of attest so that services performed in accordance with the SSAEs can only be performed by licensed CPAs operating within a licensed CPA firm. If we can assist the Kansas Society of CPAs in any way as you work with your lawmakers, please don’t hesitate to contact me.

Sincerely,

Mat Young
Vice President, State Regulatory and Legislative Affairs
American Institute of CPAs