

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE.

The meeting was called to order by Chairperson Senator Nancey Harrington at 10:30 a.m. on March 14, 2001 in Room 245-N of the Capitol.

All members were present.

Committee staff present: Russell Mills, Legislative Research Department
Theresa Kiernan, Office of the Revisor
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:

T.C. Anderson, Executive Director, Kansas Society of Certified Public Accountants

Others attending: See Attached List

Chairman Harrington opened the hearing on:

HB 2343—Concerning accountant peer review and permits

T.C. Anderson, Executive Director, Kansas Society of Certified Public Accountants, presented testimony in favor of the bill. (Attachment 1). He asked the committee to consider two amendments to the bill.

Senator Barnett stated that on page five, line 37, he was concerned with the fact that the bill does not allow change for 12 years. He stated that a lot of things change in that amount of time and that he thought that perhaps it should be shorter.

Mr. Anderson stated that it was that position of the Kansas Society of Certified Public Accountants that this bill was the product of seven months of difficult negotiation, and that in the past, there had been no criteria for reports.

In response to a question from Senator Barnett, Mr. Anderson stated that this would increase his ability to provide oversight. Mr. Anderson stated that the permit renewal was bi-annual and only one report would be submitted per firm. Mr. Anderson stated that the bill would allow for agency regulation.

Mary Feighny, Chief Counsel to the Board of Accountants, stated that discipline is all subject to due process.

Senator O'Connor stated that it seemed like this was the product of a long negotiation process, and she was wondering who had done that negotiating and for how long. Mr. Anderson stated that the Board of Accountancy and the KS Society of Certified Public Accountants had negotiated this for about seven months.

Chairman Harrington stated that, in reference to the fact that the Board could assess a non-compliance fee of \$2000, she would like to have an example of non-compliance for which the firm would be assessed that fine. Mr. Anderson stated that he believed that the fine did not apply to peer review but to the ten items on page five. He stated that the bill did not have any major changes, but was simply cleaner.

In response to a question from Russell Mills, Mr. Anderson stated that the House committee amendments had been the result of last minute negotiations between the House and the Society. He stated that the amendment that he had to offer was technical.

Senator Brungardt stated that he was concerned that a firm would be punished for the actions of one individual, and Mr. Anderson stated that the Society felt that it was unreasonable to award punishment in that

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fashion, so the peer review checks the system but not the numbers of a financial statement, thereby addressing the process.

In response to a question from Senator Gooch, Mr. Anderson stated that if an individual was sanctioned by the Board, it would just be the services for which they were sanctioned which they could not practice. He stated that if they were re-trained in an area and then re-certified before the Board, they could practice again, but that the decision would be left up to the Board. Ms. Feighny stated this action would only be taken if the person had failed very badly, and the Board would sanction them to protect the public.

Senator Gooch stated that he was concerned that someone would not be able to get back into the work that they were doing before their sanctioning.

Chairman Harrington stated that the committee needed a clarification on page 5, line 35. Mr. Anderson stated that under the definition of attest services, there were individual standards for auditing, accounting and review services, and other specific categories. Ms. Feighny stated that on page 6, line 26 of the bill, the standards were listed. Theresa Kiernan recommended a reference to that in the bill.

In response to a question from Senator O'Connor, Mr. Anderson stated that the statute had been in place since Spring of 1993, and that there had been a major update on it last year, but this amendment arose out of the Society's desire to see written peer reports and determine standards for what type of reports were unacceptable.

Senator Vratil stated that he did not think that the Chair wanted to work the bill yet, but that the committee might want to go ahead and make the technical amendments so that it did not forget, and Chairman Harrington agreed.

Senator Vratil made a motion to make the technical amendments to **HB 2343**. Senator Brungardt seconded that motion. The motion passed.

Chairman Harrington stated that a member of the committee would like to make an amendment tomorrow, so the committee would work the bill then, in addition to the House Concurrent Resolution concerning veterans, and the liquor control bill.

The meeting adjourned at 11:07 a.m. The next meeting is scheduled for 10:30 a.m. on March 15, 2001.