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## FISCAL IMPACT REPORT

SPONSOR: Coll DATE TYPED: 3/03/03 HB HJM 86

SHORT TITLE: CPA Conflict of Interest Standards SB \_\_\_\_\_

ANALYST: Patel

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC file

Responses Received From  
Office of the State Auditor

### SUMMARY

#### Synopsis of Bill

The House Joint Memorial (HJM) 86 requested the State Auditor work with the New Mexico Public Accountancy Board (Board), the New Mexico Society of Public Accountants (NMSPA), and the New Mexico Society of Certified Public Accountants (NMSCPA) to study the current ethical and conflict of interest standards for public accountants, and the need, if any, to revise those standards and report findings and recommendations, if any, to the second session of the forty-sixth legislature. HJM 86 requires the performance audit staff of the legislative finance committee (LFC) assist the State Auditor to study the conflict of interest issue.

#### Significant Issues

House Joint Memorial 76, Laws of 2002 requested an aggressive application of public accountancy regulations and standards. The task force comprised of the Board, the State Auditor, NMSCPA, NMSPA, LFC and the department of finance and administration concluded:

- 429 percent improvement in resolving unprocessed complaints.

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- The State Auditor and U.S. Housing and Urban Development referred four CPA's to the Board for enforcement action.
- The State Auditor Rule, Section 2.2.2.8 (I) incorporated the U.S. General Accounting Office (GAO) auditor independence requirements under Government Auditing Standards (Yellow Book).
- The Accountancy Board can continue to improve the timeliness and appropriateness of disciplinary actions.
- The quality of peer review can be improved by integrating new national peer review standards and by involving the State Auditor in the peer review process for governmental audits.

HJM 86 follows up on the work done previously under HJM 76 (Laws of 2002) and according to the State Auditor “out of concern regarding public reliance on expert and professional audit opinions of public accountants related to those governmental audits and audits of private businesses not covered by the Sabranes-Oxley Act of 2002, the State Auditor is agreeable to the idea of facilitating the process as described by the proposed House Joint Memorial 86.”

### **FISCAL IMPLICATIONS**

House Joint Memorial (HJM) 86 does not contain an appropriation.

**MP/yr/njw**