

NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: Coll DATE TYPED: 02/19/03 HB 495

SHORT TITLE: Public Accountant Activities SB _____

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$40.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Regulation and Licensing Department Public Accountancy Board (PAB)
State Highway and Transportation Department (SHTD)

No Response Received

New Mexico State Auditor's Office

SUMMARY

Synopsis of Bill

House Bill 495 amends the 1999 New Mexico Public Accountancy Act to prohibit licensee's from performing certain attest services if the licensee or the licensee's firm have performed certain services for the same client within the previous three years.

Significant Issues

According to the Public Accountancy Board (PAB), New Mexico has a relatively small number of licensees practicing in the state (approximately 2,000), and most of these are sole practitioners or partners in small firms. If this bill is enacted, licensees residing in rural areas will find that they are no longer able to provide public accounting services in their communities and may either move to the larger metropolitan areas or move out of the state. This would reduce the number of licensees available to provide services to the public.

FISCAL IMPLICATIONS

The PAB stated that administrative costs to implement this bill would be recurring, as additional staff would be required to maintain a client tracking system for CPAs and CPA firms. Their estimated cost for such services in FY04 is \$40.0 for the additional staff salaries, equipment and office space.

The State Highway and Transportation Department (SHTD) believes audit costs, management advisory, financial advisory, tax, and consulting costs may increase for government agencies. Cost savings previously possible due to retaining one firm with in-depth experience with an agency will no longer be possible.

ADMINISTRATIVE IMPLICATIONS

The PAB believes this bill will be burdensome on their staff, since each CPA and each CPA firm will be required to submit documentation of the work performed for each client and the date on which the service was provided. As CPAs change employment, and as clients change CPAs, tracking the individual clients of each CPA in the state will become extremely difficult. In addition, tracking the clients of licensees who reside outside New Mexico in many cases may not be possible. The likelihood of inconsistencies in the database tracking system is high.

OTHER SUBSTANTIVE ISSUES

If this bill is enacted, the Public Accountancy Board (Board) will not be in alignment with other states in terms of independence standards for CPAs. The Board adopted, by reference, the American Institute of Certified Public Accountants (AICPA) Professional Standards: Code of Professional Conduct and Bylaws as part of its governing rules (New Mexico Administrative Code). The AICPA Professional Standards include extensive rules on CPA independence, and these rules are considered the national standard.

If stricter rules are enacted for CPAs in New Mexico, the PAB's customer service in terms of issuing and renewing CPA licenses and firm permits in a timely fashion will be compromised since licensees must provide large volumes of documentation regarding their clients. The ability of New Mexico to interact and sign agreements with boards of accountancy in other states through the National Association of State Boards of Accountancy will also be negatively impacted.

RLG/prr