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SENATE BILL 692

43RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1997

INTRODUCED BY

TIMOTHY Z. JENNINGS

AN ACT

RELATING TO PUBLIC ACCOUNTANCY; AMENDING SECTIONS OF THE PUBLIC
ACCOUNTANCY ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 61-28A-3 NMSA 1978 (being Laws 1992,
Chapter 10, Section 3) is amended to read:

"61-28A-3. DEFINITIONS. --As used in the Public Accountancy
Act:

A. "board" means the New Mexico state board of
public accountancy;

B. "certified public accountant" means an individual
who has successfully met the certification requirements for
certified public accountant set forth in the Public Accountancy
Act and who has been granted a certificate by the board;

C. "continuing professional education" means courses

1 in accounting, auditing, tax or other functions of public
2 accountancy identified and approved by the board and provided to
3 individuals seeking to maintain a valid permit to practice;

4 D. "firm" means a sole proprietorship, a
5 professional corporation [or], a partnership, a limited
6 liability company or other form of business entity permitted by
7 state law;

8 E. "fund" means the public accountancy fund;

9 F. "person" means an individual or firm;

10 G. "practice" means the performance of public
11 accountancy or the offering to perform public accountancy for a
12 client or potential client by a person holding himself out to
13 the public as a permit holder or registered firm;

14 H. "practitioner" means a registered firm or an
15 individual engaged in the practice of public accountancy holding
16 a valid certificate and permit;

17 I. "public accountancy" means the performance of one
18 or more kinds of services involving accounting or auditing
19 skills, including the issuance of reports on financial
20 statements, the performance of one or more kinds of management,
21 financial advisory or consulting services, the preparation of
22 tax returns or the furnishing of advice on tax matters;

23 J. "quality review" or "peer review" means a study,
24 appraisal or review of one or more aspects of the accounting and
25 auditing work of a practitioner by a practitioner who is not

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1 affiliated with the person or firm being reviewed;

2 K. "reciprocal jurisdiction" means a state or
3 foreign country identified by the board by rule as having
4 standards for authorizing a person to practice public
5 accountancy equivalent to those prescribed in New Mexico law and
6 by board rule;

7 L. "registered firm" means a firm that has been
8 granted a registration by the board pursuant to the Public
9 Accountancy Act;

10 M "registered public accountant" means an
11 individual who, prior to December 31, 1990, successfully met the
12 certification requirements for registered public accountant set
13 forth in the Public Accountancy Act or in prior law and who has
14 been granted a certificate by the board;

15 N. "report" means an opinion or other writing that:

16 (1) states or implies assurance as to the
17 reliability of any financial statements;

18 (2) includes or is accompanied by any statement
19 or implication that the person issuing it has special knowledge
20 or competency in accounting or auditing indicated by the use of
21 names, titles or abbreviations likely to be understood to
22 identify the author of the report as a practitioner; and

23 (3) includes the following types of reports as
24 they are defined by board rule:

25 (a) a compilation report;

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1 (b) a review report; or

2 (c) an audit report;

3 0. "rule" means any written directive of general
4 application duly adopted by the board; and

5 P. "state" means any state or insular possession of
6 the United States, including the District of Columbia, Puerto
7 Rico, the United States Virgin Islands and Guam."

8 Section 2. Section 61-28A-15 NMSA 1978 (being Laws 1992,
9 Chapter 10, Section 15, as amended) is amended to read:

10 "61-28A-15. REGISTRATION-- FIRMS. --

11 A. All firms that are engaged in the practice of
12 public accountancy in New Mexico shall register annually with
13 the board.

14 B. Registration of firms shall require that:

15 (1) a sole practitioner shall be a holder of a
16 current permit;

17 (2) any partnership desiring registration as a
18 firm shall be composed solely of partners who hold current
19 permits;

20 (3) any corporation shall be organized under
21 the Professional Corporation Act or similar provisions of the
22 laws of another state, and all shareholders shall hold current
23 permits;

24 (4) any limited liability company shall be
25 organized under the Limited Liability Company Act or similar

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1 provisions of the laws of another state and all members shall
2 hold current permits;

3 [~~(4)~~] (5) if any partner, shareholder or member
4 is a partnership, corporation, limited liability company or
5 other form of business entity permitted by state law, that
6 partnership, corporation, limited liability company or other
7 form of business entity permitted by state law shall be a
8 registered firm; [~~and~~

9 ~~(5)~~] (6) any partnership, corporation, limited
10 liability company or other form of business entity permitted by
11 state law seeking registration as a firm to allow it to engage
12 in the practice of public accountancy in New Mexico shall
13 provide documentation to the board that all partners,
14 shareholders or members practicing in New Mexico hold current
15 permits and that all partners, shareholders or members in the
16 firm not practicing in New Mexico are duly authorized to
17 practice public accountancy in a reciprocal jurisdiction; and

18 (7) prior to December 31, 1998, the board shall
19 establish by rule a peer review program under which a registered
20 firm shall undergo a peer review at least once every three
21 years. The rule shall require firms that contract to perform
22 audits of state agencies, as defined in the Audit Act, to comply
23 with federal or state peer review standards applicable to those
24 audits. The rule shall require a firm registering pursuant to
25 the provisions of this section to provide documentation to the

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1 board that it meets the requirements of the peer review program.
2 The rule shall establish standards for granting continuing
3 professional education credits to practitioners during the years
4 in which their firms undergo peer reviews.

5 C. Application for registration [~~under~~] pursuant to
6 provisions of this section shall be made upon affidavit of
7 individuals and in a form specified by the board.

8 D. Registration shall be denied to any firm that has
9 failed to comply with any provision of the Public Accountancy
10 Act.

11 E. Failure of a firm practicing public accountancy
12 in this state to file an annual application for registration
13 renewal is cause for suspension or revocation of the right of
14 the firm to practice in New Mexico.

15 F. The board may collect a registration fee
16 prescribed by board rule not to exceed fifty dollars (\$50.00)
17 from firms required to register [~~under~~] pursuant to provisions
18 of this section.

19 G. Any registered firm whose registration has been
20 [~~cancelled~~] canceled for failure to pay the annual renewal fee
21 may secure reinstatement of its registration at any time within
22 three months following June 30 of the year of the delinquent
23 payment upon payment of the annual renewal fee and of a
24 delinquency fee prescribed by board rule not to exceed fifty
25 dollars (\$50.00). After the three-month period, no registration

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1 shall be reinstated except upon application [~~and examination~~]
2 satisfactory to the board. "

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1 FORTY-THIRD LEGISLATURE

2 FIRST SESSION, 1997

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6 March 10, 1997

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8 Mr. President:

9
10 Your PUBLIC AFFAIRS COMMITTEE, to whom has been
11 referred

12
13 SENATE BILL 692

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15 has had it under consideration and reports same with
16 recommendation that it DO PASS.

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19 Respectfully submitted,

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23 _____
24 Shannon Robinson, Chairman
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[bracketed material] = delete

Adopted _____ Not Adopted _____
(Chief Clerk) (Chief Clerk)

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Date _____

The roll call vote was 5 For 0 Against

Yes: 5

No: 0

Excused: Adair, Boitano, Vernon, Smith

Absent: None

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