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# HOWARD MARKLEIN

STATE REPRESENTATIVE • 51<sup>ST</sup> ASSEMBLY DISTRICT

**February 6, 2014**

## **Senate Bill 515 Testimony**

Thank you, Chairman Farrow, and to all the committee members on the Senate Committee on Government Operations, Public Works, and Telecommunications for allowing me to testify in favor of Senate Bill 515, which amends rule-making procedures and practice standards for certified public accounts (CPAs).

As part of the “Right the Rules” project, the Assembly Committee on Ways & Means was tasked with updating the outdated rules that regulate the accounting profession in Wisconsin. As chair of that committee, I reached out to CPAs for their input on updating the code. The administrative code for the CPA has not been updated in over a decade.

Under the bill, the Accounting Examining Board (AEB) rules will incorporate all of the national standards established by the American Institute of Certified Public Accountants (AICPA), as well as the auditing standards established by the Public Company Accounting Oversight Board (PCAOB). Since CPAs who practice in Wisconsin must follow the standards of the AICPA and the PCAOB, this bill will update Wisconsin rules as they are adopted on a national level.

This ensures that the rules that govern the accounting profession are the most up-to-date standards. This will also ensure that future updates to the rules will be reflected on the state level.

Under this bill, the LRB must publish the repeal or modification, in the code and the register, and the repeal or modification, subject to certain exceptions, takes effect on the first day of the first month beginning after publication.

You will hear testimony today from the Wisconsin Institute of CPAs or WICPA. The passage of this legislation is important, as we need to ensure the accuracy of the rules that CPAs across the state must follow.

Finally, we are requesting an amendment that clarifies the education requirement for sitting for the CPA exam. This will prevent any confusion when accountancy students register for the CPA exam.

I would be happy to take any questions from committee members at this time.



## **Testimony before the Senate Committee on Government Operations, Public Works, and Telecommunications**

**Dennis Tomorsky, CPA, JD, CGMA**

**February 6, 2014**

Good morning Chairman Farrow and members of the Senate Committee on Government Operations, Public Works, and Telecommunications. Thank you for this opportunity to share testimony relating to Wisconsin Administrative Code provisions regarding the Accounting Examining Board.

My name is Dennis Tomorsky. I am a resident of Elm Grove, Wisconsin and am licensed in Wisconsin as both a CPA and an attorney. I am the President and CEO of the Wisconsin Institute of CPAs, representing the interests of the 11,000 CPAs who are licensed and reside in Wisconsin. Before taking the position of chief staff executive of the WICPA in 2006, I practiced law for 25 years as an employee benefits attorney, including serving as a shareholder of two of Wisconsin's largest Wisconsin law firms. Prior to entering the practice of law in 1981, I practiced as a CPA with two of the Big-4 international CPA firms.

I previously testified before the Assembly Ways and Means Committee on April 4, 2013 to express my support encouraging the legislation that was recently introduced as Senate Bill 515 and Assembly Bill 669. The purpose of my testimony today is to express my support for Senate Bill 515 and Assembly Bill 669, and their updating of various provisions and references in Wisconsin legal authority relating to nationally recognized professional standards that licensed CPAs in all US jurisdictions are required to follow.

**Outdated References to Professional Standards That Have Been Updated by Organizations Widely Recognized by the CPA Profession as Having National Standard Setting Authority**

While Certified Public Accountants are licensed by individual states and territories, the practice of accounting in the United States is subject to many standards of professional practice that are promulgated by non-governmental organizations such as the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB) and others.

The users of financial statements in the United States and globally rely on these widely recognized and uniform standards of professional conduct and reporting for CPAs everywhere who attest to the fair representation of financial information reported by organizations. These professional standards are updated regularly by the professional organizations that have the highest level of expertise and understanding of the standards as well as the practical implications that changes in the economic, financial, and technological environments have on the reporting of financial information.

The regulations of the U.S. states and territories that license CPAs often incorporate provisions of these uniform professional standards by reproducing them verbatim in state rules and regulations, or incorporate them by reference to the sources of authority that continuously update these standards.

There are several provisions of the Wisconsin Administrative Code relating to the Accounting Examining Board that oversees the regulation of Certified Public Accountants licensed in Wisconsin that include language that has been updated many times by professional standard setters since the standards were originally incorporated into the Wisconsin Administrative Code.

Specifically, Administrative Code Section Accy 1.101 relating to standards for auditing, accounting and review services, and attestation engagements, references an internet link and a 2002 AICPA publication that would be appropriate to update to reference the January 31, 2013 edition of the AICPA Professional Standards and the current internet links to this publication.

Similarly, Administrative Code Section Accy 1.205 relating to independence standards references a 2003 AICPA publication that would be appropriate to update to reference the AICPA Professional Standards to exclude language that is no longer relevant or accurate, and to consider eliminating the reference to a specific date of this AICPA publication so that the standards as they are updated from time to time will be accurately referenced in the Administrative Code.

**Outdated References to Peer Review Standards That Have Been Updated by Organizations Widely Recognized by the CPA Profession as Having National Standard Setting Authority**

As with the outdated Administrative Code provisions the Professional Standards described above, the Administrative Code provisions relating to the AICPA Peer Review Standards that are uniformly applied throughout the United States similarly include references that are no longer accurate or relevant, and that are corrected by Senate Bill 515 and Assembly Bill 669.

**Conclusion**

In order for Wisconsin CPAs to comply with nationally recognized uniform professional CPA standards without violating provisions of the Wisconsin Administrative Code, it would appropriate to amend the Administrative Code provisions as provided in Senate Bill 515 and Assembly Bill 669. I would be pleased to answer any questions at any time.

My contact information appears below:

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