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Uniform Accountancy Act Model Rules

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UNIFORM ACCOUNTANCY ACT RULES (Rules)

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Uniform

Accountancy

Rules

National Association of State Boards of Accountancy

August 2011

Introductory Comments

These Uniform Accountancy Rules (“Rules”) have been prepared by the National Association of State Boards of Accountancy (“NASBA”) as part of its continuing effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions.

These Rules are keyed to the Uniform Accountancy Act (“Uniform Act”) – Sixth Edition in several respects. Like most rules of administrative agencies they are intended in a general sense to implement or to explain specific statutory provisions governing the operations of the agency concerned; thus, in those cases where it appears appropriate for a Rule to contain a reference to a statutory provision, the reference provided in these Rules is to a provision of the Uniform Act. The organizing pattern of the Rules also reflects that of the Uniform Act: the numbered Articles under which the Rules are grouped correspond to section numbers in the Uniform Act.

The Rules are not intended to depend entirely upon the Uniform Act, or to be suitable for adoption only in jurisdictions where the accountancy law corresponds to the Uniform Act. Where the law that is in force varies from the Uniform Act, modifications may be necessary to adapt the Rules to the pertinent statute.

Preamble

These Rules are adopted by the _____ Board of Accountancy, pursuant to its authority under the [Public] Accountancy Act of 20__ . Their purpose is to promote and protect the public interest by implementing the provisions of that Act, which provide for the issuance and renewal of certificates as certified public accountants; the renewal of registrations to public accountants; the issuance and renewal of permits to firms; and the regulation of licensees, all to enhance the reliability of information which is used for guidance in financial transactions or accounting for or assessing the financial status or performance of commercial, noncommercial and governmental enterprises.

**ARTICLE 3
DEFINITIONS**

Rule 3-1 - Terms used in these rules.

For purposes of these Rules the following terms have the meanings indicated:

- (a) “Act” means the [Public] Accountancy Act of _____, _____
[statutory reference].
- (b) “Financial statements” means statements and footnotes related thereto that undertake to present an actual or anticipated financial position as of a point in time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory service reports to support recommendations to a client; nor does it include tax returns and supporting schedules.
- (c) For purposes of the definition of “attest” as provided in Section 3(b)(1) of the Act, the Board adopts and incorporates by reference the AICPA’s Statements on Auditing Standards (SAS) as they existed as of [*insert either the effective date of your state’s legislation adopting the current definition of “attest,” or a date after 1997 and before June 15, 2011*].

Rule 3-2 – Agreed upon procedure.

An “agreed-upon procedures engagement” is one which is to be performed in accordance with applicable attestation standards and is one in which a Licensee is engaged to issue a written finding(s) that (i) is based on specific procedures that the specified parties agree are sufficient for their purposes, (ii) is restricted to the specified parties, and (iii) does not provide an opinion or negative assurance.

Rule 3-3 - Audit.

“Audit” means the procedures performed in accordance with applicable auditing standards for the purpose of expressing or disclaiming an opinion on the fairness with which the historical financial information is presented in conformity with generally accepted accounting principles, another comprehensive basis of accounting, or basis of accounting described in the report.

Rule 3-4 – Professional engagement.

"Professional engagement" means an agreement between a client and a licensee relative to the performance of professional services and the services performed under this agreement.

**ARTICLE 4
STATE BOARD OF ACCOUNTANCY**

Rule 4-1 - Board meetings.

The Board shall meet at least ___ times each year. The chair or a quorum of the Board shall have the authority to call meetings of the Board. The Board shall follow and apply the rules of procedure, _____ [statutory reference], as regards notice and conduct of meetings.

Rule 4-2 - Election and tenure of officers.

The Board shall elect annually from among its members a chair, a vice-chair, and such other officers as the Board may require. The officers shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected. They shall serve a term of one year, but shall be eligible for reelection.

Rule 4-3 - Duties of officers.

The chair or, in the event of the chair's absence or inability to act, the vice-chair shall preside at all meetings of the Board. The Board shall determine other duties of the officers.

Rule 4-4 - Fees.

Fees charged by the Board shall be as follows:

- | | | |
|-----|--|---------|
| (a) | Examination applications | \$_____ |
| (b) | Administration of examination, per section | \$_____ |
| (c) | Initial issuance of certificate | \$_____ |
| (d) | Renewal of certificate or registration | \$_____ |
| (e) | Initial firm permits | \$_____ |
| (f) | Renewal of firm permits, except for sole practitioners | \$_____ |
| (g) | Renewal of firm permits for sole practitioners | \$_____ |
| (h) | Delinquency fee for permit, certificate or registration renewal applications | \$_____ |
| (i) | Copies of records, per page | \$_____ |

- (j) Applications for reinstatement \$ _____
- (k) Annual reports of the Board, per copy \$ _____
- (l) Other fees (The Board may charge other fees as required) \$ _____

Rule 4-5 - Obligation of licensees to notify the Board of changes of address and other information.

Each licensee shall notify the Board in writing within thirty (30) days of any change of address or, in the case of individual licensees, change of employment.

Rule 4-6 - Communications.

A licensee or anyone using practice privileges pursuant to Sections 7 or 23 of the Act shall respond in writing to any registered or certified communication from the Board requesting a response. Unless otherwise specified in the Board's communication, the response must be sent within thirty (30) days of the date of such communication.

**ARTICLE 5
CERTIFIED PUBLIC ACCOUNTANTS**

Rule 5-1 - Education requirements – definitions.

- (a) **“Semester credit hour” (SCH) means the conventional college semester credit hour. “Quarter credit hours” may be converted to semester credit hours by multiplying them by two-thirds; i.e., one quarter credit hour equals two-thirds of a semester credit hour.**
- (b) **“College(s) or university(s)” means board-recognized institution(s) of higher education accredited by generally recognized accrediting organizations.**
- (c) **“Accreditation” reflects the quality control of the education process provided by generally recognized regional and/or national accreditation organizations. These Rules refer to three levels of accreditation. Level 1 represents the most comprehensive review at the accounting program level and Level 3 is the least comprehensive review at the college or university level. Colleges or universities without accreditation, as defined below, would generally lack any level of accreditation including the college or university, the business school or program (“business school”), and/or the accounting department or program (“accounting program”).**
 - (1) **Level 1 accreditation – the accounting program. In a Level 1 accreditation, the college or university, business school, and the accounting program are separately accredited. This level applies to an accounting program that is accredited by an organization recognized by the Council for Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the Association to Advance Collegiate Schools of Business-International (AACSB). Accredited accounting programs have met standards substantially higher and much more specific than those required for Level 2 or Level 3 accreditation.**
 - (2) **Level 2 accreditation – the business school. In a Level 2 accreditation, the college or university and the business school are accredited, but the accounting program is not separately accredited. This level applies to a business school that is accredited by an organization recognized by the Council for Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the AACSB or the Association of Collegiate Business Schools and Programs (ACBSP).**
 - (3) **Level 3 accreditation – the college or university. In a Level 3 accreditation, the college or university is accredited, but neither the business school nor the accounting program meet Level 1 or Level 2 accreditation requirements. This level applies to a degree-granting college or university that is not accredited at Level 1 or Level 2, but is accredited by an organization currently recognized by the Council for Higher Education Accreditation as a regional accrediting**

organization, such as Middle States Association of Colleges and Schools, New England Association of Schools and Colleges Commission on Colleges or Universities of Higher Education, North Central Association of Colleges and Schools-The Higher Learning Commission, Northwest Commission on Colleges and Universities, Southern Association of Colleges and Schools Commission on Colleges, and Western Association of Schools and Colleges Accrediting Commission for Senior Colleges and Universities.

- (4) College or university without accreditation – an educational institution or entity that does not have an accreditation of either the college or university, business school, or accounting program; or a college or university accredited by organizations not recognized by the Board.**
- (d) “Integration of subject matter” means a program of learning where certain subjects, which may be discrete courses in some colleges or universities, are integrated or embedded within related courses. Colleges or universities that use an integrated approach to cover such multiple course subjects should provide evidence of the required coverage pursuant to Rule 5-2(d). Acceptance of integration of any subject matter requires Board approval.**
- (e) “Ethics” means a program of learning that provides students with a framework of ethical reasoning, professional values and attitudes for exercising professional skepticism and other behavior that is in the best interest of the public and profession. At a minimum, an ethics program should provide a foundation for ethical reasoning and the core values of integrity, objectivity and independence.**
- (f) “Internship” means faculty approved and appropriately supervised short-term work experience, usually related to a student’s major field of study, for which the student earns academic credit.**
- (g) “Independent study” means academic work selected or designed by the student with the approval of the appropriate department of a college or university under faculty supervision. This work typically occurs outside of the regular classroom structure.**

Rule 5-2 - Education requirements - determining compliance of the applicant’s education.

- (a) These requirements are intended to provide a foundation in accounting and business course subjects. The program should:**
- (1) Develop the skills required to apply the knowledge attained (including skills in communications, research, judgment and analysis).**
 - (2) Include and emphasize ethical behavior and professional responsibility.**
 - (3) Provide the highest quality instruction in subjects that clearly contribute to the**

knowledge, skills and abilities necessary to meet the public's expectations of a CPA.

(b) For purposes of Section 5(c) of the Uniform Accountancy Act, an applicant will be deemed to have met the education requirement(s) if the Board has determined the applicant has met the requirements of Rule 5-2(c) and Rule 5-2(d), together with appropriate consideration of Rule 5-2(a).

(c) Determining compliance of the applicant's education shall be accomplished through the Board's use of the following procedures:

(1) Reliance on accreditation, as defined in Rule 5-1(c), of the college or university, from which the candidate has obtained the necessary degree and hours as defined in Rule 5-2(d) for purposes of determining the acceptability of the degree and the amount of detailed review required for compliance with the accounting and business content.

State Boards may place significant reliance on the quality, content and delivery method of accounting and business courses included in accounting degrees from Level 1 colleges or universities and as such, transcripts from such colleges or universities would require minimal or no Board review. Colleges or universities with Level 2 accreditation would require little or no Board review of transcripts in terms of the business content, but the accounting content would require more review than Level 1. Transcripts from a Level 3 college or university would require more detailed review by the Board for compliance with the accounting and business content. Degrees from colleges or universities without accreditation or with accreditation by an organization not recognized by the Board would generally not be acceptable.

(2) Reliance on other procedures and information where the degree and/or courses were obtained from a college or university(s) not meeting the accreditation requirements of Rule 5-2(c)(1). Accepting degrees or courses under Rule 5-2(d) should only be based on evidence of acceptable course content, instruction and quality as would be expected by accreditation and as approved by the Board.

(3) Reliance on other procedures and information where the requirements of Rule 5-2(d) are met by integration of subject matter. The requirements set forth in Rule 5-2(e) should be used to determine compliance.

(d) An applicant shall be deemed to have satisfied the education requirements if the following conditions are met:

(1) Earned a graduate degree and/or a baccalaureate degree at a college or university that is accredited, as described in Rule 5-1(c);

(2) Earned a minimum of 24 SCH (or the equivalent) of accounting courses at the

undergraduate or graduate level, excluding principles or introductory accounting courses, covering some or all of the following subject-matter content, which are to be contemporaneously derived from the Uniform CPA Examination Content Specification Outline (CSO):

- (i) Financial accounting and reporting for business organizations**
 - (ii) Financial accounting and reporting for government and not-for-profit entities**
 - (iii) Auditing and attestation services**
 - (iv) Managerial or cost accounting**
 - (v) Taxation**
 - (vi) Fraud examination**
 - (vii) Internal controls and risk assessment**
 - (viii) Financial statement analysis**
 - (ix) Accounting research and analysis**
 - (x) Tax research and analysis**
 - (xi) Accounting information systems**
 - (xii) Ethics (accounting course), as described in Rule 5-2 (d) (6)**
 - (xiii) Other areas included in the CSO or as may be approved by the Board.**
- (3) Earned a minimum of two SCH in research and analysis relevant to the course content described in 5-2(d)(2) through a discrete undergraduate and/or graduate accounting course, or two SCH integrated throughout the undergraduate and/or graduate accounting curriculum. Colleges or universities must provide evidence of coverage under integration as specified in Rule 5-2(e). The SCH earned through a discrete course in research and analysis in accounting may fulfill two of the SCH of the accounting subject matter requirements in Rule 5-2(d)(2).**
- (4) Earned a minimum of 24 SCH (or the equivalent) of business courses, other than accounting, at the undergraduate and/or graduate level, covering some or all of the following subject-matter content:**
- (i) Business law**
 - (ii) Economics**
 - (iii) Management**
 - (iv) Marketing**
 - (v) Finance**
 - (vi) Business communications**
 - (vii) Statistics**
 - (viii) Quantitative methods**
 - (ix) Information systems or technology**
 - (x) Ethics (business course), as described in Rule 5-2 (c) (6)**
 - (xi) Other areas as may be approved by the Board.**
- (5) Earned a minimum of two SCH in communications in an undergraduate and/or a graduate course listed or cross-listed as an accounting or business course or**

two SCH integrated throughout the undergraduate or graduate accounting or business curriculum. Colleges or universities must provide evidence of coverage under integration as specified in 5-2(e). The SCH earned through a discrete course in communications may fulfill two SCH of the subject matter requirements of Rule 5-2(d)(4).

- (6) Earned a minimum of three SCH in an undergraduate and/or a graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e). A discrete three SCH course in ethics may count towards meeting the accounting or business course requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). As an alternative, colleges or universities may choose to integrate the course throughout the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2(e). Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA, such as AACSB or ACBSP, in which evidence is provided to assure the Board that the program of learning defined in Rule 5-1(e) has been adequately covered and at the equivalent of the three SCH minimum. Alternate methods for proof of ethics coverage may be determined and approved by the Board following careful scrutiny.
- (7) A maximum of six SCH for internships and independent study, as defined in Rule 5-1(f) and Rule 5-1(g), may count towards the subject matter requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). However, of the six SCH, a maximum of three SCH may apply to accounting courses under Rule 5-2(d).
- (e) Colleges or universities that use an integrated approach to meet the requirements of Rule 5-2(c)(3, 5 or 6) must provide evidence that the respective subjects adequately cover the desired content, with acceptable instruction and quality to attain the objectives. Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA, such as AACSB or ACBSP. Alternate methods for proof of coverage may be determined and approved by the Board following careful scrutiny.

Rule 5-3 - Applications for examination.

- (a) Applications to take the Certified Public Accountant Examination must be made on a form provided by the Board and filed with the Board by a due date specified by the Board in the application form.
- (b) An application will not be considered filed until the application fee and examination fee required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the Candidate has satisfied the education requirement.

- (c) **A Candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.**
- (d) **The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.**

Rule 5-4 - Time and place of examination.

Eligible Candidates shall be notified of the time and place of the examination, or shall independently contact the Board, the Board's designee or a test center operator to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with Rule 5-7(b) below.

Rule 5-5 - Examination content.

The examination required by Section 5 of the Act shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.

Rule 5-6 – Determining and reporting examination grades.

A Candidate shall be required to pass all Test Sections of the examination provided for in subsection 5(d) of the Act in order to qualify for a certificate. Upon receipt of advisory grades from the examination provider, the Board will review and may adopt the examination grades and will report the official results to the Candidate. The Candidate must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board.

Rule 5-7 – Retake and granting of credit requirements.

- (a) **A Candidate shall be required to pass all sections of the examination provided for in Section 5(d) of the Act in order to qualify for a certificate.**
- (b) **A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for eighteen months from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.**

- (1) **Candidates must pass all four Test Sections of the Uniform CPA Examination**

within a rolling eighteen-month period, which begins on the date that the first Test Section(s) passed is taken.

- (2) Candidates cannot retake a failed Test Section(s) in the same examination window. An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window.**
 - (3) In the event all four Test Sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any Test Section(s) passed outside the eighteen-month period will expire and that Test Section(s) must be retaken.**
- (c) A Candidate shall retain credit for any and all Test Sections of the examination passed as a candidate of another state if such credit would have been given under then applicable requirements in this State.**
 - (d) A Candidate shall be deemed to have passed the Uniform CPA Examination once the Candidate holds at the same time valid credit for passing each of the four Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives notice of the passing grade.**
 - (e) Notwithstanding subsection (d) of this Rule, the Board may in particular cases extend the term of credit validity upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.**

Rule 5-8 – Candidate testing fee.

The Candidate shall, for each Test Section scheduled by the Candidate to the Board or its designee, pay a Candidate Testing Fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable application fees established by the State Board.

Rule 5-9 – Cheating.

- (a) Cheating by a Candidate in applying for, taking or subsequent to the examination will be deemed to invalidate any grade otherwise earned by a Candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.**

- (b) For purposes of this Rule, the following actions or attempted activities, among others, may be considered cheating:
- (1) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
 - (2) Communication between Candidates inside or outside the test site or copying another Candidate's answers while the examination is in progress;
 - (3) Communication with others inside or outside the test site while the examination is in progress;
 - (4) Substitution of another person to sit in the test site in the stead of a Candidate;
 - (5) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the Candidate as part of the examination) inside or outside the test site while the examination is in progress;
 - (6) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so, or otherwise participating in the collection of Test Items for use, redistribution or sale;
 - (7) Retaking or attempting to retake a Test Section by an individual holding a valid Certificate or by a Candidate who has unexpired credit for having already passed the same Test Section, unless the individual has been directed to retake a Test Section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a "secret shopper" program.
- (c) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the Candidate involved from the examination or move the Candidate to a position in the Test Center away from other examinees where the Candidate can be watched more closely.
- (d) In any case where the Board believes that it has evidence that a Candidate has cheated on the examination, including those cases where the Candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing consistent with the requirements of the state's Administrative Procedures Act following the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:
- (1) Whether the Candidate shall be given credit for any portion of the examination completed in that session; and
 - (2) Whether the Candidate shall be barred from taking the examination and if so,

for what period of time.

- (e) In any case where the Board or its representative permits a Candidate to continue taking the examination, it may depending on the circumstances:
 - (1) Admonish the Candidate;
 - (2) Seat the Candidate in a segregated location for the rest of the examination;
 - (3) Keep a record of the Candidate's seat location and identifying information, and the names and identifying information of the Candidates in close proximity of the Candidate; and/or
 - (4) Notify the National Candidate Database and the AICPA and/or the Test Center of the circumstances, so that the Candidate may be more closely monitored in future examination sessions.
- (f) In any case in which a Candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the Candidate may apply for the examination information as to the Board's findings and actions taken.

Rule 5-10 – Security and irregularities.

Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, the release of grades, or the issuance of certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.

Rule 5-11 - Good moral character.

- (a) Applicants have the burden of demonstrating good moral character as defined by Section 5(b) of the Act in the manner specified by the Board in its application forms.
- (b) Prima facie evidence of a lack of good moral character includes, but is not limited to:
 - (1) any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of *nolo contendere*, for any felony or any crime, an essential element of which is fraud, dishonesty, deceit, or any other crime which evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with public protection; or

- (2) active or stayed revocation or suspension of any occupational license, privilege or other authority to practice any licensed occupation by or before any state, federal, foreign or other licensing or regulatory authority, provided the grounds for the revocation or suspension include wrongful conduct such as fraud, dishonesty, or deceit or any other conduct which evidences any unfitness of the applicant to practice public accountancy; or**
- (3) any act which would be grounds for revocation or suspension of a license if committed by a licensee of the Board.**

Comment: Most states use the term “revoke,” “revocation,” “suspend,” or “suspension” to refer to removing a license on disciplinary grounds. However, state boards should be aware that some jurisdictions use the term “revoke” to refer to forfeitures for administrative reasons such as failure to renew a license or to comply with CPE requirements which in and of themselves would not necessarily constitute a lack of good moral character.

- (c) Factors which the Board may consider in determining rehabilitation of moral character include, but are not limited, to the following: Completion of criminal probation, restitution, community service, military or other public service, the passage of time without the commission of any further crime or act demonstrating a lack of moral character under subsection (b), the expungement of any conviction, or reduction of a conviction from a felony to misdemeanor.**

ARTICLE 6
ISSUANCE OF CERTIFICATES AND RENEWAL OF CERTIFICATES
AND REGISTRATIONS, CONTINUING PROFESSIONAL EDUCATION
AND RECIPROCITY

Rule 6-1 - Applications.

- (a) **Applications for initial certificates and for renewal of certificates and registrations pursuant to the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no later than 60 days prior to the expiration date set by these rules. Applications will not be considered filed until the applicable fee prescribed in the Rules is received. If an application for renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in the Rules.**
- (b) **Applications for renewal of certificates or registrations shall be accompanied by evidence satisfactory to the Board that the applicant has complied with the continuing professional education requirements under Section 6(d) of the Act and of these Rules.**

Rule 6-2 - Experience required for initial certificate.

The experience required to be demonstrated for issuance of an initial certificate pursuant to Section 5(f) of the Act shall meet the requirements of this rule.

- (a) **Experience may consist of providing any type of services or advice using accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.**
- (b) **The applicant shall have their experience verified to the Board by a licensee as defined in the Act or from another state. Acceptable experience shall include employment in industry, government, academia or public practice. The Board shall look at such factors as the complexity and diversity of the work.**
- (c) **One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in subsection (a) above.**

Rule 6-3 - Evidence of applicant's experience.

- (a) **Any licensee who has been requested by an applicant to submit to the Board evidence of the applicant's experience and has refused to do so shall, upon request by the Board, explain in writing or in person the basis for such refusal.**
- (b) **The Board may require any licensee who has furnished evidence of an applicant's experience to substantiate the information.**

- (c) **Any applicant may be required to appear before the Board or its representative to supplement or verify evidence of experience.**
- (d) **The Board may inspect documentation relating to an applicant's claimed experience.**

Rule 6-4 - Continuing professional education requirements for renewal of the certificate or registration.

The following requirements of continuing professional education apply to the renewal of certificates and registrations pursuant to Section 6(d) of the Act.

- (a) **An applicant seeking renewal of a certificate or registration shall show that the applicant has completed no less than 120 hours of continuing professional education, including a minimum of four hours in ethics, complying with these Rules during the three-year period preceding renewal. A program in ethics includes topics such as ethical reasoning, state-specific statutes and rules, and standards of professional conduct, including those of other applicable regulatory bodies. A minimum of 20 CPE hours shall be completed each year. An applicant seeking renewal of a certificate or registration shall demonstrate participation in a program of learning meeting the standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA.**
- (b) **An applicant whose certificate or registration has lapsed shall complete no less than 120 hours of CPE complying with these rules during the three-year period preceding the date of reapplication. An applicant whose certificate or registration has lapsed shall be required to identify and complete a program of learning designed to demonstrate the currency of the licensee's competencies directly related to his or her area of service.**
- (c) **A licensee granted an exception from the competency requirement by the Board may discontinue use of the word "inactive" in association with their CPA or PA title upon showing that they have completed no less than 120 hours of continuing professional education complying with these Rules during the three-year period preceding their request to discontinue use of the word "inactive", with a minimum of 20 hours in each year.**

Rule 6-5 - Programs qualifying for continuing professional education credit.

- (a) **Standards -- A program qualifies as acceptable continuing professional education for purposes of Section 6(d) of the Act and these Rules if it is a program of learning which contributes to the growth in the professional knowledge and professional competence of a licensee. The program must meet the minimum standards of quality of development, presentation, measurement, and reporting of credits set forth in the Statement on Standards for Continuing Professional Education Programs jointly approved by NASBA and AICPA or such other standards acceptable to the Board.**

- (b) Subject Areas -- The Board will accept programs meeting the standards set forth in the Statement on Standards for Continuing Professional Education Programs jointly approved by NASBA and AICPA or standards deemed by the Board to be comparable thereto.**
- (c) A non-resident licensee seeking renewal of a certificate in this state shall be determined to have met the CPE requirement (including the requirements of Rule 6-4(a)) of this rule by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal place of business is located.**
 - (1) Non-resident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal place of business is located by signing a statement to that effect on the renewal application of this state.**
 - (2) If a non-resident licensee's principal place of business state has no CPE requirements for renewal of a certificate, the non-resident licensee must comply with all CPE requirements for renewal of a certificate in this state.**

Rule 6-6 - Continuing professional education records.

- (a) Applicants for renewal of certificates or registrations pursuant to the Act shall file with their applications a signed statement indicating they have met the requirements for participation in a program of continuous learning as set forth by the Board or contained in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by the NASBA and the AICPA. Responsibility for documenting the acceptability of the program and the validity of the credits rests with the applicant who should retain such documentation for a period of five years following completion of each learning activity.**
- (b) The Board will verify, on a test basis, information submitted by applicants for renewal of certificates or registrations. In cases where the Board determines that the requirement is not met, the Board may grant an additional period of time in which the deficiencies can be cured. Fraudulent reporting is a basis for disciplinary action.**

Rule 6-7 - Exceptions.

- (a) The Board may make an exception to the requirement set out in Rule 6-4(a) for a licensee who is inactive or who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or other compilation communication, or of one or more kinds of management advisory, financial advisory**

or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.

- (b) The Board may in particular cases make exceptions to the requirements set out in Rule 6-4(a) for reasons of individual hardship including health, military service, foreign residence, or other good cause.
- (c) Licensees granted an exception by the Board must place the word “inactive” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears.
- (d) Licensees granted an exception by the Board must comply with a re-entry competency requirement defined by the Board as set out in Rule 6-4(c) before they may discontinue use of the word “inactive” in association with their CPA or PA title.

Rule 6-8 - Interstate practice.

- (a) These regulations provide two distinct routes for an individual already licensed in another state to be authorized to practice in this state. The applicable route depends upon whether the individual will establish a principal place of business in this state. Individuals establishing a principal place of business in this state may qualify for a reciprocal license as described in Section 6(c)(2) of the Act (substantial equivalence) or as described in Section 6(c)(1) of the Act and Rule 6-8(b) below). Individuals with a principal place of business in another state may offer or render services in this state pursuant to substantial equivalence (see Section 23(a)(1) or (a)(2) of the Act).
- (b) Regarding an individual establishing a principal place of business in this State, if the substantial equivalency standard set out in Section 23 of the Act is not applicable, the Board shall issue a reciprocal certificate to the holder of a certificate issued by another state provided that the applicant meets each of the following requirements:
 - (1) Has successfully completed the CPA examination. Successful completion of the examination means that the applicant passed the examination in accordance with the rules of the other state at the time it granted the applicant’s initial certificate.
 - (2) Has satisfied the 4-in-10 experience requirement set out in Section 6(c)(1)(B) of the Act.
 - (3) Has experience of the type required under the Act and these Rules for issuance of the initial certificate.
 - (4) Has met the CPE requirement pursuant to Section 6(c)(1)(C) of the Act, if applicable.

Rule 6-9 - International reciprocity.

- (a) The Board may designate a professional accounting credential or professional registration issued in a foreign country as substantially equivalent to a CPA license.**
 - (1) The Board may rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency and may presume that an applicant with a foreign accounting credential that is covered by a currently valid Mutual Recognition Agreement (MRA) is substantially equivalent (subject to other qualifying requirements as provided in the MRA).**
 - (2) The Board may accept a foreign accounting credential in partial satisfaction of its domestic credentialing requirements if:**
 - (i) the holder of the foreign accounting credential met the issuing body's education requirement and passed the issuing body's examination used to qualify its own domestic candidates; and**
 - (ii) the foreign credential is valid and in good standing at the time of application for a domestic credential.**
- (b) The Board may satisfy itself through qualifying examination(s) that the holder of a foreign credential deemed by the Board to be substantially equivalent to a CPA certificate possesses adequate knowledge of U.S. practice standards [and the Board's regulations]. The Board may rely on the National Association of State Boards of Accountancy, the American Institute of Certified Public Accountants, or other professional bodies to develop, administer, and grade such qualifying examination(s). The Board will specify the qualifying examination(s) and process by resolution.**
- (c) An applicant for renewal of a CPA certificate originally issued in reliance on a foreign accounting credential shall:**
 - (1) Make application for renewal at the time and in the manner prescribed by the Board for all other certificate renewals;**
 - (2) Pay such fees as are prescribed for all other certificate renewals;**
 - (3) If the applicant has a foreign credential in effect at the time of the application for renewal of the CPA certification, present documentation from the foreign accounting credential issuing body that the applicant's foreign credential has not been suspended or revoked and the applicant is not the subject of a current investigation. If the applicant for renewal no longer has a foreign credential, the applicant must present proof from the foreign credentialing body that the applicant for renewal was not the subject of any disciplinary proceedings or investigations at the time that the foreign credential lapsed; and**

- (4) **Either show completion of continuing professional education substantially equivalent to that required under Rule 6-4 within the three year period preceding renewal application, or petition the Board for complete or partial waiver of the CPE requirement based on the ratio of foreign practice to practice in this State.**
- (d) **The holder of a license or practice privilege issued or granted by this Board in reliance on a foreign accounting credential or license shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing or licensing body against the CPA's foreign credential or license, or any discipline ordered by any other regulatory authority having jurisdiction over the holder's conduct in the practice of accountancy.**
- (e) **Suspension or revocation of, or refusal to renew, the CPA's foreign accounting credential by the foreign credentialing body may be evidence of conduct reflecting adversely upon the CPA's fitness to retain the certificate and may be a prima facie basis for Board action, subject to the following.**
- (f) **The Board may presume procedural due process and fairness if the foreign jurisdiction is a party to a current MRA that NASBA, the AICPA and this State have adopted.**
- (g) **Conviction of a felony or any crime involving dishonesty or fraud under the laws of a foreign country is evidence of conduct reflecting adversely on the CPA's fitness to retain the certificate and is a basis for Board action.**
- (h) **The Board shall notify the appropriate foreign credentialing authorities of any sanctions imposed against a CPA.**
- (i) **The Board may participate in joint investigations with foreign credentialing bodies and may rely on evidence supplied by such bodies in disciplinary hearings.**

Rule 6-10 - Peer review for certificate holders who do not practice in a licensed firm.

A certificate holder who issues compilation reports as defined in this Act other than through a CPA firm that holds a permit under Section 7 of this Act must undergo a peer review as required under Rules 7-3 and 7-4.

**ARTICLE 7
PERMITS TO PRACTICE -- FIRMS**

Rule 7-1 - Applications.

- (a) Applications by firms for initial issuance and for renewal of permits pursuant to Section 7 of the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than [____] months and no later than [____] months prior to the expiration date. Applications will not be considered filed until the applicable fee and all required documents prescribed in these Rules are received. If an application for permit renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in these Rules.
- (b) A sole proprietor may apply simultaneously for a certificate or a renewal of a registration or a certificate and a firm permit.
- (c) Applications shall include the firm name, addresses and telephone numbers of the main office and of any branch offices of the firm in this State, the name of the person in charge of each such branch office, and the names of the partners, shareholders, members, managers, directors and officers whose principal place of business is in this State.

Rule 7-2 - Notification of changes by firms.

- (a) A firm registered pursuant to Section 7 of the Act shall file with the Board a written notification of any of the following events concerning the practice of public accountancy within this State within thirty (30) days after its occurrence:
 - (1) Formation of a new firm;
 - (2) Addition of a partner, member, manager or shareholder;
 - (3) Retirement, withdrawal or death of a partner, member, manager or shareholder;
 - (4) Any change in the name of the firm;
 - (5) Termination of the firm;
 - (6) Change in the management of any branch office in this State;
 - (7) Establishment of a new branch office or the closing or change of address of a branch office in this State; and
 - (8) Issuance of the firm's first issued financial statements and accountant's reports

for each level of service described in Rule 7-3; or

- (9) **The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.**
- (b) **In the event of any change in legal form of a firm, such new firm shall within thirty (30) days of the change file an application for an initial permit in accordance with these Rules and pay the fee required by these Rules.**

Rule 7-3 - Successful completion of an approved Compliance Assurance Program as a condition for renewal of permit.

- (a) **In furtherance of its duty to protect the public regarding attest services, the Board requires all CPA firms offering or rendering such services to be enrolled in, and undergo, a transparent compliance assurance program approved by the Board and to comply with the applicable compliance assurance standards of that program. As used herein, the term “Compliance Assurance Program” includes, but is not limited to, “peer review” programs or other comparable programs which have been approved by the Board in accordance with the requirements set forth below.**
- (b) **The Compliance Assurance functions may be performed by a committee established by the Board, qualified contractors approved by the Board or substantially equivalent programs [such as the peer review program administered by the AICPA] acceptable to the Board. The Board may establish procedures to perform the following functions:**
 - (1) **Review of financial statements and the reports of licensees thereon, to assess their compliance with applicable professional standards;**
 - (2) **Improvement of reporting practices of licensees through education and remediation;**
 - (3) **Referrals to the Board of cases requiring further investigation by the Board or its designees;**
 - (4) **Verification that individuals in the firm responsible for supervising compilation or attest services, and signing the accountants’ report on financial statements on behalf of the firm, meet the competency requirements set out in applicable professional standards;**
 - (5) **Verification that a certificate holder who issues compilation reports for the public other than through a CPA firm, who supervises such services and/or signs the compilation report on such financial statements, meets the competency requirements set out in applicable professional standards; and**
 - (6) **Such other functions as the Board may assign to its designees.**

- (c) **On and after _____, each applicant for renewal of a certificate under Section 6 of the Act in the case of a certificate holder who issues compilation reports to the public other than through a CPA firm, and each applicant for renewal of a firm permit to practice under Section 7 of the Act, shall furnish in connection with their application, with respect to each office maintained by the applicant in this State, one copy of each of the following kinds of reports, together with their accompanying financial statements, issued by the certificate holder or office during the twelve month period next preceding the date of application, if any report of such kind was issued during such period:**
- (1) A compilation report;**
 - (2) A review report;**
 - (3) An audit report;**
 - (4) A report of the examination of prospective financial information.**
- (d) **The Board may also solicit for review reports of licensees and related financial statements from clients, public agencies, banks, and other users of financial statements.**
- (e) **Any documents submitted in accordance with subsection (b) may have the name of the client, the client's address and other identifying facts omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. The identities of the sources of financial statements and reports received by the Board from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the Board pursuant to subsection (b), and comments of reviewers and of the Board on such reports or workpapers relating thereto, also shall be preserved in confidence except that they may be communicated by the Board to the licensees who issued the reports.**
- (f) **The review of financial statements and reports of the licensees thereon shall be directed toward the following:**
- (1) Presentation of financial statements in conformity with generally accepted accounting principles;**
 - (2) Compliance by licensees with generally accepted auditing standards;**
 - (3) Compliance by licensees with other professional standards; and**
 - (4) Compliance by licensees with the Rules of the Board and other regulations relating to the performance of compilation and attest services as herein defined.**

- (g) The reviews of the financial statements and the reports of the licensees shall be conducted as follows:**

 - (1) Compilation level services will be subject to a desk review;**
 - (2) Review level services will be subject to a field review in the offices of the licensee;**
 - (3) Audit level services and reports of examination of prospective financial information will be subject to a field review in the offices of the licensee;**
 - (4) Additional reports and financial statements may be selected during the performance of a desk review or an on-premise field review based upon the size and complexity of the reviewed firm as judged by the Board or its designee to adequately assess the quality of the reviewed firm's professional attest practice.**

- (h) A firm's review shall result in one of three findings:**

 - (1) Pass;**
 - (2) Pass with deficiencies; or**
 - (3) Fail.**

- (i) In any instance where the Board finds a deficiency in the professional work of a licensee, it shall advise the licensee in writing of the deficiency. The Board may request the licensee to meet with it to discuss deficiencies. If the Board determines that a report is substandard or seriously questionable, the Board may direct that a review of the workpapers be conducted by an independent reviewer other than the person who performed the review of the report. The findings of any such review of the workpapers shall be transmitted by the reviewer to the Board.**

- (j) In gathering information about the professional work of licensees, the Board may make use of investigators, either paid or unpaid, who are not members of the Board.**

- (k) The results of the reviews will be transmitted to the Board's office within 45 days after completion of any review report.**

Rule 7-4 - Equivalent reviews as a condition for renewal of a permit.

- (a) The requirements of Rule 7-3 shall not apply with respect to any firm or certificate holder which within the three years immediately preceding the application had been subjected to a comprehensive and appropriately administered compliance assurance program as determined and approved by the Board.**

- (b) An oversight committee shall be appointed by the Board to monitor the compliance assurance programs and report to the Board that the programs meet the requirements set out in the Act and these Rules. The oversight committee shall:**

- (1) only include individuals who are not members of the Board;**
 - (2) have full access to the peer review process which is subject to oversight and may be required to sign a confidentiality agreement to have this access;**
 - (3) provide the Board with the names of those certificate holders and firms which have undergone and have had accepted an equivalent review as well as whether such certificate holders and firms are meeting the terms, conditions, and remedial actions, if any, required by the reviewing organization;**
 - (4) establish, as directed by the Board, procedures designed to ensure confidentiality of documents furnished or generated in the course of the review;**
 - (5) coordinate oversight functions conducted within the state with national oversight objectives and procedures adopted by the NASBA Compliance Assurance Review Board (CARB).**
- (c) The Board shall establish procedures and take all action necessary to ensure that the above materials remain privileged as to any third parties, except those materials subject to public disclosure as provided herein.**

Rule 7-5 – Submission of compliance assurance reports to the Board.

- (a) Firms qualifying for exemption from compliance assurance review as provided by the provisions of Rule 7-4 shall notify and affirmatively request the administering entity performing the qualifying satisfactorily equivalent compliance assurance reviews [such as those conducted by AICPA peer review programs and the entities administering those reviews] to provide Board access to the reports within 45 days after the administering entity's acceptance of any review report.**
- (b) Regarding any report required to be submitted to the Board pursuant to this rule, the reviewed firm must retain, for a period of seven (7) years from the date of the report acceptance, all of the following: compliance assurance report [or "peer review report"], letter of comments, letter of response, acceptance letter signed by the reviewed firm agreeing to take corrective actions, and letter of completion indicating that the firm's compliance assurance review is complete. Upon request of the Board, the reviewed firm or individual shall timely submit such documentation to the Board;**
- (c) The objective of this reporting rule is primarily to reinforce the Board's efforts to ensure that only appropriately qualified CPA firms are engaged in the offering and rendering of services subject to compliance assurance. Based upon its review of the reports submitted pursuant to this rule, the Board may consider, pursuant to hearing or by consent, additional corrective actions such as probation, practice limits, additional continuing education, pre-issuance reviews, more frequent peer reviews, and other measures, including, in severe cases, discipline against the reviewed firm**

and any individual licensees employed or contracted by the reviewed firm.

- (d) For good cause shown the Board may grant or renew applications for a reasonable period of time pending completion.

Rule 7-6 - Internet practice.

A CPA firm offering or rendering professional services via a Web site shall provide in the Web site's homepage, a name, an address, and principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

Rule 7-7 - Attest documentation and retention.

- (a) Licensees shall comply with all professional standards for attest documentation applicable to particular engagements, including, but not limited to standards adopted by recognized standards setting bodies such as the Public Company Accounting Oversight Board (PCAOB), the Comptroller General of the United States, and the Auditing Standards Board.
- (b) If the applicable standards do not otherwise specify, the retention period for attest documentation shall be five (5) years and shall be measured from the report date.
- (c) If attest documentation is required to be kept for longer than provided in the applicable standards or Rule 7-7(b) because of a pending Board investigation or disciplinary action, attest documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.

Rule 7-8 - Unregistered firm compliance with applicable compliance assurance requirements.

Any firm not required to register in this state, but which provides attest services as permitted under Sections 7 and 23 of the Act, shall maintain records as prescribed by Rule 7-5(b) regarding its participation in a comparable Compliance Assurance Program for any period in which the firm provided attest services in this state and shall provide copies of such records upon this Board's written request; provided, however, the Board shall not make such a request except upon good cause.

Comment: For purposes of this Rule, "good cause" is reasonable cause and not authorization for a notice requirement. Good cause for requesting Compliance Assurance Programs records should be based upon a third party complaint or other evidence of inadequate professional services of the type that would be subject to peer review.

**ARTICLE 10
ENFORCEMENT ACTIONS AGAINST LICENSEES**

Rule 10-1 - Grounds for enforcement actions against licensees.

The grounds for revocation and suspension of certificates, registrations and permits, and other disciplinary action against licensees and individuals with privileges under Section 23, are set out in Section 10 of the Act in both specific and general terms. The general terms of that provision of the Act include the following particular grounds for such disciplinary action:

- (a) Any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of *nolo contendere*, for any felony or any crime, an essential element of which is fraud, dishonesty, or deceit, or any other crime which evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with public protection.
- (b) Active or stayed revocation or suspension of any occupational license or other privilege to practice any licensed occupation by or before any state, federal, foreign or other licensing or regulatory authority, provided the grounds for the revocation or suspension include wrongful conduct such as fraud, dishonesty, or deceit or any other conduct which evidences any unfitness of the applicant to practice public accountancy.

Comment: As explained in the Comment to Rule 5-11, most states use the term “revoke,” “revocation,” “suspend,” or “suspension” to refer to removing a license on disciplinary grounds. However, state boards should be aware that some jurisdictions use the term “revoke” or “suspend” to refer to forfeitures for administrative reasons such as failure to renew a license or to comply with CPE requirements which in and of themselves would not necessarily constitute “wrongful conduct.”

- (c) Dishonesty, fraud, or deceit in obtaining a certificate, registration or permit, within the meaning of Section 10(a)(1) of the Act, including the submission to the Board of any knowingly false or forged evidence in, or in support of, an application for a certificate, registration or permit, and cheating on an examination as defined in these Rules.
- (d) Dishonesty, fraud, deceit or gross negligence, within the meaning of Section 10(a)(5) of the Act, including knowingly, or through gross negligence, making misleading, deceptive or untrue representations in the performance of services.
- (e) Violations of the Act or of Rules promulgated under the Act, within the meaning of Section 10(a)(6) of the Act, including--

- (1) Using the CPA title or providing attest or compilation services in this State without a certificate, registration or permit to practice issued under Sections 6 and 7 or without properly qualifying to practice across state lines under the substantial equivalency provision of the Act;**
 - (2) Using or attempting to use a certificate, registration or permit which has been suspended or revoked;**
 - (3) Making any false, misleading, or deceptive statement, in support of an application for a license filed by another;**
 - (4) Failure of a licensee to provide any explanation requested by the Board regarding evidence submitted by the licensee in support of an application filed by another, or regarding a failure or refusal to submit such evidence; and failure by a licensee to furnish for inspection upon request by the Board or its representative documentation relating to any evidence submitted by the licensee in support of such an application;**
 - (5) Failure to satisfy the continuing professional education requirements set out in Section 6(d) of the Act and/or failure to comply with the continuing education requirements of these Rules;**
 - (6) Failure to comply with professional standards as to the attest and/or compilation competency requirements for those who supervise attest and/or compilation engagements and sign reports on financial statements or other compilation communications with respect to financial statements; or**
 - (7) Failure to comply with the applicable peer review requirements set out in Section 6(j) and Section 7(h) of the Act and these Rules.**
- (f) Conduct reflecting adversely upon the licensee's fitness to perform services, within the meaning of Section 10(a)(10) of the Act, including:**
- (1) Adjudication as mentally incompetent;**
 - (2) Incompetence, including but not limited to:**
 - (i) Gross negligence, recklessness, or repeated acts of negligence in the licensee's record of professional practice; or**
 - (ii) Any condition, whether physical or mental, that endangers the public by impairing skill and care in providing professional services.**
 - (3) Presenting as one's own a license issued to another;**
 - (4) Concealment of information regarding violations by other licensees of the Act or the Rules thereunder when questioned or requested by the Board; and**

- (5) **Willfully failing to file a report or record required by state or federal law; willfully impeding or obstructing the filing of such a report or record, or inducing another person to impede or obstruct such filing by another; and the making or filing of such a report or record which one knows to be false. A finding, adjudication, consent order or conviction by a federal or state court, agency or regulatory authority or the PCAOB that a licensee has willfully failed to file a required report or record shall be prima facie evidence of a violation of this rule.**

Rule 10-2 - Return of certificate, registration or permit to practice.

Any licensee whose certificate, registration or permit issued by the Board is subsequently suspended or revoked shall promptly return such certificate, registration or permit to the Board.

Rule 10-3 - Applicable standards.

A licensee shall follow the standards, as applicable under the circumstances and at the time of the services, set forth in this section in providing professional services. In addition to the applicable standards set forth below, a licensee shall follow standards issued by other professional or governmental bodies including international standards setting bodies with which a licensee is required by law, regulation or the terms of engagement to comply. A licensee shall comply with all applicable standards, including but not limited to the following:

- (a) **A licensee shall not render services subject to the authority of the SEC or PCAOB unless the licensee has complied with the applicable standards and rules adopted and approved by the PCAOB and SEC.**
- (b) **A licensee shall not render auditing services unless the licensee has complied with the applicable generally accepted auditing standards.**
- (c) **A licensee shall not render accounting and review services unless the licensee has complied with the standards for accounting and review services issued by the AICPA, including subsequent amendments and editions.**
- (d) **A licensee shall not permit the licensee's name to be associated with governmental financial statements for a client unless the licensee has complied with the standards for governmental accounting issued by the GASB, including subsequent amendments and editions.**
- (e) **A licensee shall not render attestation services unless the licensee has complied with the Statements on Standards for Attestation Engagements issued by the AICPA, including subsequent amendments and editions.**

- (f) A licensee shall not render management consulting services unless the licensee has complied with the standards for management consulting services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions.
- (g) A licensee shall not render services in the area of taxation unless the licensee has complied with the standards for tax services issued by the AICPA, including subsequent amendments and editions.
- (h) A licensee shall not permit the licensee's name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the licensee vouches for the achievability of the forecast, and shall not render services associated with prospective financial statements unless the licensee has complied with the standards for accountants' services on prospective financial information issued by the AICPA, including subsequent amendments and editions.
- (i) A licensee shall not express an opinion on financial statements unless the licensee complies with the Statements of Financial Accounting Standards, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB, including subsequent amendments and editions.

Rule 10-4 – Model Code of Conduct.

A licensee shall comply with the principles contained in the following Model Code of Conduct. All changes in the NASBA Model Code of Conduct shall automatically be made a part of these rules unless specifically rejected by the Board.

NASBA Model Code of Conduct

PREAMBLE

The public places trust and confidence in the profession and the services it provides; consequently, licensees have a duty to conduct themselves in a manner that will be beneficial to the public and which fosters such trust and confidence. This Model Code of Conduct identifies seven fundamental principles of conduct, six of which are intended to govern licensees' professional performance whether they are in public practice, industry, not-for-profit organizations, government, education or other professional endeavors. The seventh principle, independence, applies only to those professional services where it is required by professional standards. This Model Code of Conduct defines the conduct that the public has a right to expect of the licensee, as well as all persons or entities the licensee has the authority or capacity to control.

With the exception of independence, these principles are universal and apply to all services and activities performed by the licensee in all aspects of his or her professional conduct. Independence, however, is a unique principle that applies only to those professional services where it is required in accordance with professional standards. This Model Code of Conduct is not intended to replace professional standards applicable to specific engagements. In applying any of the principles of this Model Code of Conduct to deliberations in disciplinary or other proceedings, the Board may consider as persuasive, but not necessarily conclusive, and/or adopt by reference applicable interpretations and rulings of the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants, as well as similarly applicable interpretations and rulings issued by other authorities such as the Securities and Exchange Commission, the Government Accountability Office and the Public Company Accounting Oversight Board.

Users of the licensee's services draw confidence from the knowledge that the profession is bound to a framework which requires continued dedication to professional excellence and commitment to ethical behavior that will not be subordinated to personal gain.

I. PRINCIPLE: PUBLIC INTEREST

The grant of a license indicates that an individual has met the criteria established by state boards of accountancy to perform services in a manner that protects the public interest. The licensee must, therefore, have a keen consciousness of the public interest. The public consists of clients, credit grantors, governments, employers, investors, the business and financial community, and others who use the services of licensees. Services provided by licensees support and facilitate many societal needs, including the orderly functioning of commerce and the capital markets.

Because the licensee is seen as a representative of the profession by the public who retains or employs him or her or uses his or her services, the licensee should avoid conduct that might conflict with the public interest or erode public respect for, and confidence in, the profession.

II. PRINCIPLE: INTEGRITY

Integrity is a character trait demonstrated by acting honestly, candidly, and not knowingly misrepresenting facts, accommodating deceit, or subordinating ethical principles. Acting with integrity is essential to maintaining credibility and public trust. It incorporates both the spirit and substance in the application of the ethical and technical standards that govern the profession, or in the absence thereof, what is just and right.

A licensee should act with integrity in the performance of all professional activities in whatever capacity performed.

III. PRINCIPLE: OBJECTIVITY

Objectivity is a distinguishing feature of the accounting profession and is critical to maintaining the public's trust and confidence. It is a state of mind that imposes the

obligation to be impartial and free of bias that may result from conflicts of interest or subordination of judgment. Objectivity requires a licensee to exercise an appropriate level of professional skepticism in carrying out all professional activities.

Although a licensee may serve multiple interests in many different capacities, objectivity must be maintained. This requires a careful assessment of the effects on objectivity of all professional relationships and activities.

A licensee should maintain objectivity in the performance of all professional activities in whatever capacity performed.

IV. PRINCIPLE: DUE CARE

Due care imposes the obligation to perform professional activities with concern for the best interest of those for whom the activities are performed and consistent with the profession's responsibility to the public. It is essential to preserving the public's trust and confidence. Due care requires the licensee to discharge professional responsibilities with reasonable care and diligence and to adequately plan and supervise all professional activities for which he or she is responsible.

A licensee should act with due care in the performance of all professional activities in whatever capacity performed.

V. PRINCIPLE: COMPETENCE

Competence is derived from a combination of education and experience. It begins with a mastery of the common body of knowledge, skills, and abilities, and requires a commitment to lifelong learning and professional improvement. A licensee should possess a level of competence, sound professional judgment, and proficiency to ensure that the quality of his or her activities meets the high level of professionalism required by these Principles. A licensee is responsible for assessing his or her own competence, which includes evaluating whether education, experience, and judgment are adequate for the responsibility assumed.

A licensee should be competent in the performance of all professional activities, in whatever capacity performed, and comply with applicable professional standards.

VI. PRINCIPLE: CONFIDENTIALITY

A licensee has an obligation to maintain and respect the confidentiality of information obtained in the performance of all professional activities. Maintaining such confidentiality is vital to the proper performance of the licensee's professional activities.

A licensee shall not use or disclose, or permit others within the licensee's control to use or disclose, any confidential client or employer information without the consent of the client or employer. This obligation continues after the termination of the relationship between the licensee and the client or employer and extends to information obtained by the licensee in

professional relationships with prospective clients and employers.

This principle shall not be construed to prohibit a licensee from disclosing information as required to meet professional, regulatory or other legal obligations.

VII. PRINCIPLE: INDEPENDENCE

Independence, where required by professional standards, is essential to establishing and maintaining the public's faith and confidence in, and reliance on, the information reported on by the licensee.

A licensee in the practice of public accounting should be independent in fact and appearance when engaged to provide services where independence is required by professional standards. Independence in fact is the state of mind that permits a licensee to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing the licensee to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, to reasonably conclude that the integrity, objectivity or professional skepticism of a licensee had been compromised.

**ARTICLE 11
ENFORCEMENT PROCEDURES -- INVESTIGATIONS**

Rule 11-1 - Review of professional work product.

The Board may solicit and receive publicly available reports of licensees and individuals with privileges under Section 23 of this Act and related financial statements from clients, public agencies, banks, and other users of financial statements on a general and random basis without regard to whether an application for renewal of the particular licensee is then pending or whether there is any formal complaint or suspicion of impropriety on the part of any particular licensee or an individual with privileges under Section 23 of this Act; and it may review such reports and otherwise proceed with respect to the results of any such review in the fashion prescribed in Rule 7-3. For purposes of this Rule, such reports may include publicly available inspection reports prepared by the PCAOB.

Rule 11-2 – Reporting convictions, judgments, and administrative proceedings.

- (a) Subject to Section 4(j) of the Act, Licensees shall notify the Board, on a form and in the manner prescribed by the Board, within thirty (30) days of:
- (1) Receipt of a peer review report pursuant to Rule 7-3(h)(3), or a PCAOB firm inspection report containing criticisms of or identifying potential defects in the quality control systems.
 - (2) Receipt of a second consecutive peer review report that is deficient pursuant to Rules 7-3(h)(2); or
 - (3) Imposition upon the licensee of discipline, including, but not limited to, censure, reprimand, sanction, probation, civil penalty, fine, consent decree or order, suspension, revocation, or modification of a license, certificate, permit or practice rights by:
 - (i) the Securities and Exchange Commission (SEC), PCAOB, Internal Revenue Service (IRS) (actions by the Director of Practice); or
 - (ii) another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or
 - (iii) any other federal or state agency regarding the licensee's conduct while rendering professional services; or
 - (iv) any foreign authority or credentialing body that regulates the practice of accountancy.

- (4) Occurrence of any matter reportable that must be reported by the licensee to the PCAOB pursuant to Sarbanes-Oxley Section 102(b)(2)(f) and PCAOB Rules and forms adopted pursuant thereto;
 - (5) Notice of disciplinary charges filed by the SEC, PCAOB, IRS, or another state board of accountancy, or a federal or state taxing, insurance or securities regulatory authority, or foreign authority or credentialing body that regulates the practice of accountancy;
 - (6) Any judgment, award or settlement of a civil action or arbitration proceeding of \$150,000 or more in which the licensee was a party if the matter included allegations of gross negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of accounting; provided, however, licensed firms shall only notify the Board regarding civil judgments, settlements or arbitration awards directly involving the firm's practice of public accounting in this state; or
 - (7) Criminal charges, deferred prosecution or conviction or plea of no contest to which the licensee is a defendant if the crime is:

 - (i) any felony under the laws of the United States or of any state of the United States or any foreign jurisdiction; or
 - (ii) a misdemeanor if an essential element of the offense is dishonesty, deceit, or fraud.
- (b) The licensee designated by each CPA firm pursuant to Section 7(c)(2)(A) of the Act (as responsible for the proper registration of the firm) shall report any matter reportable under this rule to which a non-licensee owner with a principal place of business in this state is a party.
- (c) Reports of pending matters or reports of private litigation resolved by settlement or arbitration shall be deemed confidential records not subject to public disclosure (to the extent permitted by this State's law on Public Records) unless and until the pending matters are concluded or the Board commences a contested case proceeding based upon the subject matter of such reports.
- (d) During the pendency of a reported matter, the reporting licensee may submit a written explanatory statement to be included in the licensee's record. If reported charges or allegations are subsequently concluded in the licensee's favor or otherwise closed without disciplinary action by this Board, upon the reporting licensee's request, documents received pursuant to said report shall be expunged from the Board's records.

Comment: States should consider reducing or dropping a reporting requirement for pending

matters or reports of private litigation/arbitration if complying with the request requires the disclosure of otherwise confidential information, and their state laws require such reports to be treated as public records since the potential for abuse might outweigh the regulatory interest in such information. Boards adopting this rule should also consider expunging any self-reported records of charges or allegations that are dropped or otherwise resolved in favor of the reporting licensee and which are maintained by the Board as public records. In the alternative, States should defer implementation of self-reporting of such matters until the State has adopted Section 4(j) of the UAA Statute. See also the reporting requirements set out in Rule 5.

Rule 11-3 – Participation in multistate enforcement compacts.

Notwithstanding any other provision of law or regulation to the contrary, the Board may participate in any enforcement agreement or compact with other state boards of accountancy to facilitate public protection through the enforcement of this act and cooperate with others in the enforcement of accountancy statutes and rules of this and other states.

**ARTICLE 13
REINSTATEMENT**

Rule 13-1 - Applications for relief from disciplinary penalties.

- (a) A person whose certificate or registration has been revoked or suspended or an individual whose privileges under Section 23 have been revoked or limited, or a firm whose permit to practice has been revoked or suspended or a person or firm that has been put on probation pursuant to Section 10 of the Act may apply to the Board for modification of the suspension, revocation or probation after completion of all requirements contained in the Board's original order.
- (b) The application shall be in writing; shall set out and, as appropriate, substantiate the reasons constituting good cause for the relief sought, and shall be accompanied by at least two supporting recommendations, under oath, from licensees who have personal knowledge of the activities of the applicant since the suspension or revocation was imposed.

Rule 13-2 - Action by the Board.

- (a) An application pursuant to Rule 13-1 will ordinarily be processed by the Board upon the basis of the materials submitted in support thereof, supplemented by such additional inquiries as the Board may require. At the Board's discretion a hearing may be held on an application, following procedures the Board may find suitable for the particular case.
- (b) The Board may impose appropriate terms and conditions for reinstatement of a certificate, registration, permit or privileges under Section 23 or modification of a suspension, revocation or probation.
- (c) In considering an application under Rule 13-1, the Board may consider all activities of the applicant since the disciplinary penalty from which relief is sought was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the certificate, registration, privileges under Section 23 or permit was in good standing, the applicant's rehabilitative efforts, restitution to damaged parties in the matter for which the penalty was imposed, and the applicant's general reputation for truth and professional probity.
- (d) No application for reinstatement will be considered while the applicant is under sentence for any criminal offense, including any period during which the applicant is on court-imposed probation or parole.

**ARTICLE 14
UNLAWFUL ACTS**

Rule 14-1 - CPA firm names.

A CPA Firm name may not be used unless such name has been registered with and approved by the Board.

- (a) A misleading CPA Firm name is one which:**
- (1) Contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who are the owners or members of the firm, such as a reference to a type of organization or an abbreviation thereof which does not accurately reflect the form under which the firm is organized, for example:**
 - (A) Implies the existence of a corporation when the firm is not a corporation such as through the use of the words “corporation”, “incorporated”, “Ltd.”, “professional corporation”, or an abbreviation thereof as part of the firm name if the firm is not incorporated or is not a professional corporation;**
 - (B) Implies the existence of a partnership when there is not a partnership such as by use of the term “partnership” or “limited liability partnership” or the abbreviation “LLP” if the firm is not such an entity;**
 - (C) Includes the name of an individual who is not a CPA if the title “CPAs” is included in the firm name;**
 - (D) Includes information about or indicates an association with persons who are not members of the firm, except as permitted pursuant to Section 14(i) of the Act; or**
 - (E) Includes the terms "& Company", "& Associate", or "Group", but the firm does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff employee.**
 - (2) Contains any representation that would be likely to cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities, through the use of a false or unjustified statement of fact as to any material matter;**
 - (3) Claims or implies the ability to influence a regulatory body or official;**

- (4) Includes the name of an owner whose license has been revoked for disciplinary reasons by the Board, whereby the licensee has been prohibited from practicing public accountancy or prohibited from using the title CPA or holding himself out as a Certified Public Accountant.**
- (b) The following types of CPA Firm names are not in and of themselves misleading and are permissible so long as they do not violate the provisions of Rule 14-1(a):**
 - (1) A firm name that includes the names of one or more former or present owners;**
 - (2) A firm name that excludes the names of one or more former or present owners;**
 - (3) A firm name that uses the "CPA" title as part of the firm name when all named individuals are owners of the firm who hold such title or are former owners who held such title at the time they ceased to be owners of the firm;**
 - (4) A firm name that includes the name of a non-CPA owner if the "CPA" title is not a part of the firm name;**
- (c) A Network firm as defined in the AICPA Code of Professional Conduct ("Code") in effect July 1, 2011 may use a common brand name, or share common initials, as part of the firm name;**
- (d) A Network firm as defined in the AICPA Code of Professional Conduct ("Code") in effect July 1, 2011 may use the Network name as the firm's name, provided it also shares one or more of the following characteristics with other firms in the network:**
 - (1) Common control, as defined by generally accepted accounting principles in the United States, among the firms through ownership, management, or other means;**
 - (2) Profits or costs, excluding costs of operating the association, costs of developing audit methodologies, manuals and training courses, and other costs that are immaterial to the firm;**
 - (3) Common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are held accountable for performance pursuant to that strategy;**
 - (4) Significant part of professional resources;**
 - (5) Common quality control policies and procedures that participating firms are required to implement and that are monitored by the association.**

COMMENT: With regard to practice in this State under Section 7(a)(1)(C), 7(a)(2) or 7(a)(3) of the Act, in determining whether a CPA Firm name is misleading, the Board recognizes that it is the policy of this State to promote interstate mobility for CPAs and CPA firms which employ them, and thus also to consider the basis for approval of the same CPA Firm name by another state's board of accountancy.

Rule 14-2 - Safe harbor language.

Non-licensees may use the following disclaimer language in connection with financial statements to not be in violation of the Act:

“I (we) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners).

I (we) have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.”

**ARTICLE 23
SUBSTANTIAL EQUIVALENCY**

Rule 23-1- Substantial equivalency and internet practice.

An individual entering into an engagement to provide professional services via a Web site pursuant to Section 23 shall disclose, via any such Web site, the state of the individual's principal place of business, license number and an address as a means for regulators and the public to contact the individual regarding complaints, questions or regulatory compliance.

Rule 23-2 - Practice in other states through substantial equivalency.

As a pre-condition for the use of practice privileges in another jurisdiction, any licensee of this Board offering or rendering services in or to another jurisdiction pursuant to practice privileges based upon their license from this Board is deemed to have consented to the administrative jurisdiction of the other state board of accountancy, and is deemed to have consented to the requirements of the Act. The failure by a licensee of this Board to cooperate in another state's board of accountancy's investigation shall be grounds for discipline by this Board.

Rule 23-3 – Reporting moral character violations.

- (a) Any individual using practice privileges in this state, shall notify this Board within thirty (30) days of any occurrence described in Rules 10-1 (a) or 10-1 (b).**
- (b) Any licensee of this state using practice privileges in another state shall notify this Board and the state board of any other state in which said licensee uses practice privileges within thirty (30) days of any occurrence described in Rules 10-1 (a) or 10-1 (b).**

Rule 23-4 – Continuing professional education requirements for practice privileges.

Any individual using practice privileges in this state who complies with the CPE requirements applicable in the state where their principal place of business is located, shall be deemed to have complied with the CPE requirements of this state.

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