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CHAPTER 1105

BOARD OF ACCOUNTANCY

LICENSURE AND REGULATION OF ACCOUNTANTS

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1105.0700 REFUNDING FEES.

Fees must be refunded if an application is rejected prior to processing. Once an application for examination or reexamination has been processed or approved by the board or third-party administrator on behalf of the board, the fee specified in part 1105.0600, item P, may not be refunded. The fee may be applied to a subsequent examination within six months, after which the fee is forfeited. The fee specified in part 1105.0600, item Q, is refundable based on the refund policy of the third-party administrator.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.0800 [Repealed, 28 SR 1636]

1105.1200 COMMUNICATIONS.

An applicant, licensee, or registrant shall respond to communications from the board, committees of the board, or the attorney general on behalf of the board within 30 days of the mailing of communications, unless an earlier response is requested within the communications. An applicant, licensee, or registrant shall appear before the board, committees of the board, or the attorney general on behalf of the board when requested to do so and provide copies of all pertinent records, including handwriting samples, to assist the board in its deliberations. Communications must be addressed to "Executive Secretary, Board of Accountancy." An applicant, licensee, or registrant shall sign an authorization letter giving the board access to information relating to a board investigation that is held by any federal, state, or other local government agency, or professional organization, the subject matter of which pertains to conduct as described in Minnesota Statutes, section 326A.08, subdivision 5, paragraph (a), clause (10), when requested to do so by the board or by the attorney general on behalf of the board.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.1500 EDUCATION REQUIREMENTS.

[For text of subpart 1, see M.R.]

Subp 2. Education requirements before July 1, 2006. Before July 1, 2006:

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A an applicant shall be a graduate of an accredited high school or possess an equivalent education. At the discretion of the board, an applicant who has not graduated from high school may be required to take the prescribed high school equivalency test given by the University of Minnesota;

B an applicant who holds a degree with an accounting major or concentration in accounting granted by a college or university fully accredited by a recognized accrediting agency listed with the United States Department of Education is considered to meet the educational component of the requirements in Minnesota Statutes, section 326A 03, subdivision 2, and

C. the following credits from a college or university fully accredited by a recognized accrediting agency listed with the United States Department of Education constitute the equivalent of an accounting major:

	Semester Hours	Quarter Hours
(1) Accounting and business law	24	36
(2) Business and economics (may include accounting and business law not listed in subitem (1))	24	36
(3) Nonbusiness	32	48
(4) Other	40	60
Total	120	180

Applicants shall have successfully completed the following types of courses: elementary financial accounting, elementary managerial accounting, intermediate accounting, cost and managerial accounting, and auditing. Credit is not permitted for duplicate courses.

The credits in subitem (1) must include a minimum of 18 semester or 27 quarter credits of accounting.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.1600 APPLICATIONS FOR EXAMINATION.

Subpart 1. **Forms; due date.** Applications to take the certified public accountant (CPA) examination must be made on a form provided by the board and filed with the board or the examination administrator designated by the board. In the case of a nonresident, the application must be supported by a statement that the applicant is currently, or will have been within the 90 days preceding or following the date of the CPA examination applied for, a resident of Minnesota, attending a school in Minnesota in which the applicant is seeking education designed to qualify the applicant to sit for the CPA examination, or working in Minnesota for the purpose of obtaining qualifying experience. The term "examination administrator" as used in this chapter consists of the examination delivery vendor, NASBA, AICPA, the board's administrative services vendor for the examination, or any combination of one or more of these parties.

Subp. 2 **Completion of filing.** An application is not considered filed until the application fee and examination fee required by this chapter and all required supporting documents have been received by the board or examination administrator, including proof of identity as determined by the board, official transcripts, and proof that the applicant has completed the education requirement.

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Subp. 3 **Forfeiture for failure to appear.** An applicant who cancels without rescheduling or fails to appear for the examination shall forfeit all fees charged for both the application and the examination. An applicant who reschedules an examination may be charged a fee as determined by the examination administrator. In addition, all fees charged shall be forfeited in the event the applicant becomes ineligible to sit for the examination.

Subp 4 **Eligibility notification; deadlines.** The board, if necessary, shall forward notification of eligibility to the examination delivery vendor and an approved test site

Subp. 5. [Repealed, 28 SR 1636]

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.1700 TIME AND PLACE OF EXAMINATION.

Eligible candidates shall be notified of the time and place of the examination or shall independently contact the state board or the delivery vendor to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with part 1105.2000, subpart 2.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.1800 EXAMINATION CONTENT.

[For text of subpart 1, see MR]

Subp 2 **Ethics.** A written or computer-based examination on professional ethics, as specified by the board, is required before issuance of a certificate. A grade of at least 75 percent correct is required to pass the ethics examination, and the examination must have been completed within two years preceding initial issuance of the certificate.

[For text of subp 3, see MR]

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636*

1105.2000 RETAKE AND CONDITIONING POLICIES.

Subpart 1. [Repealed, 28 SR 1636]

Subp 2 **Computer-based examination.** An applicant may take the required examination sections individually and in any order. The applicant shall retain conditional credit for any section or sections passed for 18 months, without having to attain a minimum score on any failed section or sections and without regard to whether the applicant has taken other sections. In addition

[For text of items A and B, see MR]

[For text of subps 3 to 5, see MR]

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.2400 EMERGENCY EXAMINATION PROCEDURES.

When circumstances exist making it impossible for the board or examination administrator to conduct the examination at the time, date, or place scheduled or make it impossible for a majority of examination candidates to attend the examination at the time, date, or place scheduled, the board shall waive certain rules to avoid hardship on examination candidates affected. These rules are parts 1105 0600, items A, B, P, and Q, 1105.1600, subpart 3; and 1105 1700. The circumstances include notice to the board of the unavailability of the examination site with insufficient time to give notice to examination candidates, weather emergencies as declared by the governor, the governor's designees, or those state officials empowered to close public highways; civil

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disturbances, natural disasters; and other causes that affect the board's or examination administrator's ability to fairly administer the examination.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.2500 APPLICATIONS FOR CERTIFICATES.

[For text of items A and B, see M.R.]

C (1) Licensees granted an exception under part 1105 3300 shall have a certificate status of "inactive"

[For text of subitems (2) to (4), see M.R.]

(5) Licensees shall renew their certificates with a status of "active" if they:

(a) are employees of a firm granted a permit under Minnesota Statutes, section 326A.05,

(b) issue compilation reports other than through a CPA firm,

(c) use the titles certified public accountant or CPA without "inactive" adjacent to the title, or

(d) are employees in the Office of the Legislative Auditor or State Auditor

Employees specified in unit (a) or (d) who perform no direct or indirect professional service for any client do not need an "active" certificate.

(6) Licensees shall renew their certificates with a status of "active" if they used experience of the type specified in part 1105.2600, item C, or 1105.2700, subpart 3, in obtaining the initial certificate and are still directly or indirectly performing through the supervision of others, work which is similar, in the opinion of the board, to the work claimed as experience.

(7) Nonresident individuals who do not meet the requirements of part 1105 7900 and Minnesota Statutes, section 326A.04, subdivision 7, or 326A.14, and who have never been granted a CPA certificate by any state must not be issued a certificate by this state unless the individual previously met the nonresident requirements of part 1105.1600, subpart 1, and meets all other requirements for initial issuance of a certificate.

D. Applicants or licensees who have successfully passed the Uniform Certified Public Accountant Examination and have met the experience and education requirements of parts 1105 2600 or 1105.2700, and 1105 2900, and Minnesota Statutes, section 326A 04, must either:

(1) make an application and receive an initial certificate; or

(2) make an application and receive an "active" certificate,

if the applicants or licensees are owners or are employed by or become employed by a firm which has been issued a permit under this chapter and Minnesota Statutes, section 326A 05, or are employees in the Office of the Legislative Auditor or State Auditor, and the employment results in the providing of professional services to a client. Applications must be accompanied by the applicable fee prescribed in this chapter and must be filed with the board within 60 days of meeting the criteria specified in this item.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.2600 EXPERIENCE REQUIRED FOR INITIAL CERTIFICATE ON OR AFTER JULY 1, 2006.

The experience required to be demonstrated for issuance of an initial certificate pursuant to Minnesota Statutes, section 326A.03, subdivision 6, must comply with items A to E.

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A. Experience consists of providing any type of services or advice using accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

B. The applicant's experience must be verified to the board by a licensee as defined in the act or from another state. Acceptable experience includes employment in industry, government, academia, or public practice. The board shall consider such factors as the complexity and diversity of the work appropriate for an applicant receiving an initial certificate

[For text of items C and D, see MR]

E. A "licensee," as used in this part and part 1105.2800, is an individual who holds, at the date of verification, a "valid certificate" as defined in part 1105.6550, item A, or an unexpired certificate that has a certificate status of "inactive."

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636*

1105.2700 EXPERIENCE REQUIRED FOR CPA EXAMINATION AND INITIAL CERTIFICATE UNTIL JULY 1, 2006.

[For text of subs 1 to 3, see MR]

Subp. 4. **Qualifying self-employment.** The board shall consider self-employment experience obtained by an applicant to meet the requirements of Minnesota Statutes, section 326A 03, subdivision 8, if an applicant shows to the satisfaction of the board that the applicant's qualifying self-employment is consistent with the intent in subpart 1 and has included experience or education in

[For text of items A to E, see MR]

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.3000 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS FOR RENEWAL OF CERTIFICATE.

The requirements of continuing professional education in items A to K apply to the renewal of certificates pursuant to Minnesota Statutes, section 326A 04, subdivision 4

[For text of items A to D, see MR]

E. A licensee granted an exception from the competency requirement by the board under part 1105.3300 may discontinue use of the word "inactive" in association with the licensee's CPA title upon showing that the licensee has completed at least 120 hours of continuing professional education complying with this chapter during the three-year period preceding the licensee's request to discontinue use of the word "inactive"

[For text of items F to H, see MR]

I. The eight hours of accounting or business ethics specified in item A are first effective for the three-year period ending June 30, 2006.

J. A licensee seeking renewal of a certificate with inactive status shall show the completion of at least 120 hours of continuing professional education complying with this chapter during the three-year period ending June 30 preceding renewal with a minimum of 20 hours in each year, if the licensee had a certificate with an active status at the time of making a timely filed renewal application requesting an inactive status

K. Licensees granted an initial certificate with an active status have no continuing professional education hour requirement for the year ending June 30 during which the initial certificate was granted. The 120-hour requirement in item A is not effective for these licensees until the June 30 following the third anniversary of the initial certificate issuance, at which time at least 120 hours of CPE complying with this chapter must be completed. The 20-hour requirement in item A is not effective for

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these licensees until the June 30 following the first anniversary of the initial certificate issuance

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.3100 PROGRAMS QUALIFYING FOR CONTINUING PROFESSIONAL EDUCATION CREDIT.

[For text of subpart 1, see MR]

Subp 2 **Qualifications by request.** The board shall accept programs meeting the standards in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA or standards deemed by the board to be comparable to them. A licensee must request written approval of the board, on a form provided by the board, prior to the end of a CPE year for any programs that do not meet the specific requirements of part 1105.3000, item A, but the licensee believes contribute to the licensee's professional knowledge and professional competence. A licensee must request written approval of the board, on a form provided by the board, prior to the end of a CPE year for any program for which the sponsor is not a member of NASBA's CPE registry or NASBA's Quality Assurance Service program as required by subpart 1 and the licensee believes contributes to the licensee's professional knowledge and professional competence. If the approval is not requested or not obtained, the program may not be used to satisfy the hour requirements of part 1105 3000, item A.

[For text of subp. 3, see MR]

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636*

1105.3350 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS FOR INITIAL ISSUANCE OF CERTIFICATE.

A. Applicants for initial issuance of a certificate shall submit with the application specified in part 1105 2500, item A, on a form provided by the board, a report of continuing professional education received during the three-year period preceding application. The report must show the completion of at least 120 hours of continuing professional education complying with this chapter.

B. The report required in item A need not be submitted if the application for initial issuance of a certificate is received by the board within three years of the applicant receiving notice that the examination required by Minnesota Statutes, section 326A 03, has been passed.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.3800 INITIAL ISSUANCE OF CERTIFICATE ON OR AFTER JANUARY 1, 2003.

A certificate shall be issued to a person who has

[For text of items A to D, see MR]

E. for initial certificate applications received until July 1, 2006, completed the experience required by part 1105 2700 and Minnesota Statutes, section 326A 03, subdivision 5;

F. for initial certificate applications received on or after July 1, 2006

(1) until January 1, 2009, for those whose initial sitting for the examination required by Minnesota Statutes, section 326A.03, was before July 1, 2006:

(a) completed the experience required by part 1105.2700 and Minnesota Statutes, section 326A.03, subdivision 5, or has two years of experience of the type required by part 1105 2600 and Minnesota Statutes, section 326A 03, subdivision 6, paragraph (b), and

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(b) completed the education required by part 1105.1500, subpart 2, and Minnesota Statutes, section 326A.03, subdivision 2, or

(2) for those whose initial sitting for the examination required by Minnesota Statutes, section 326A.03, was on or after July 1, 2006

(a) completed the experience required by part 1105.2600 and Minnesota Statutes, section 326A.03, subdivision 6, paragraph (b), and

(b) completed the education required by part 1105.2900 and Minnesota Statutes, section 326A.03, subdivision 6, paragraph (a), and

G. complied with the continuing professional education requirement in part 1105.3350

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.4000 APPLICATION FOR FIRM PERMIT.

[For text of items A to G, see MR]

H. An "affiliated entity," for the purpose of item E, subitem (2), and Minnesota Statutes, section 326A.05, subdivision 3, paragraph (c), clause (2), is an entity that is directly, or indirectly through one or more intermediaries, controlled by the firm. "Control" means the power to direct or cause the direction of the management and policies of the entity through ownership, by contract or otherwise, and includes entities that control, are controlled by, or are under common ownership with the firm. "Actively participates" and "full-time basis," for the purpose of item E, subitem (2), means regular, continuous, and substantial involvement by an individual in management and professional activities of the firm or affiliated entities for more than 1,800 hours per year

I. The application for a firm permit shall contain a representation from the firm that it has complied with part 1105.7850, item F

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.4200 APPLICATIONS FOR INITIAL ISSUANCE AND FOR RENEWAL OF PERMITS.

A. The application for initial issuance and for renewal of permits must specify that:

(1) all individual employees of the firm who hold certificates and those persons specified in part 1105.4000, item D, who are responsible for supervising attest or compilation services or who sign or authorize someone to sign an accountant's report on financial statements have met the competency requirements set out in professional standards; and

(2) all attest and compilation services rendered by the firm in this state are under the charge of a person holding an unexpired certificate issued under Minnesota Statutes, section 326A.04, with an active status or the corresponding provision of prior law

B. An entity, including a sole proprietorship, is required to hold a valid permit if it:

(1) provides attest services and issues attest reports,

(2) assumes or uses the title "certified public accountants," the abbreviation "CPAs," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the entity is a CPA firm; or

(3) issues compilation reports, except that if the entity's form of business does not qualify it for a permit, then the CPA holding an active certificate and employed by the entity who performs the compilation services shall comply with

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Minnesota Statutes, section 326A.10, paragraph (k) Registered accounting practitioners shall comply with this chapter including part 1105 7500

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.4250 ATTEST SERVICES.

In addition to the services specified in Minnesota Statutes, section 326A.01, subdivision 2, attest services include an audit or other engagement performed in accordance with auditing or related professional practice standards issued by the Public Company Accounting Oversight Board

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.4300 QUALITY REVIEW AS CONDITION FOR RENEWAL OF PERMIT.

[For text of item A, see M.R.]

B Before December 15, 2004, a quality review oversight committee shall be appointed by the board to monitor the report acceptance bodies designated by the board in part 1105.5300 and report to the board whether their programs meet the requirements in this chapter and the act. The oversight committee must be constituted and act according to subitems (1) to (6).

[For text of subitems (1) and (2), see MR]

(3) It must provide the board with an assessment of the effectiveness of the report acceptance bodies designated in part 1105 5300, item B, and the quality review process. In addition, the committee must provide to the board the names of those licensees and firms that the committee obtained in part 1105.5300, item D.

(4) It must maintain the confidentiality of information obtained during the quality review process except as provided in subitem (3).

(5) It must obtain the information required by part 1105.5300, item D, by December 31 of each year.

(6) It must determine through its oversight of the report acceptance bodies that the verification specified in part 1105 4700, item C, was part of the quality review standards under which the reviews were conducted.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.4700 QUALITY REVIEW STANDARDS.

A For purposes of parts 1105.4600 to 1105.5500, Standards for Performing and Reporting on Peer Reviews (Standards) and Statements on Quality Control Standards (Statements) that are contained in AICPA Professional Standards, Volume 2 (June 1, 2003), are incorporated by reference. This document is published by the American Institute of Certified Public Accountants, Inc. It is subject to frequent change and is available at the state law library.

[For text of item B, see M.R.]

C. A system review level quality review must include verification that the individuals in the firm who are responsible for supervising attest services and who sign or authorize someone to sign the accountant's report on financial statements on behalf of the firm have met the competency requirements set out in professional standards. The competency requirement is contained in the documents incorporated by reference in item A. The verification required by the reviewer in a quality review shall determine whether:

(1) the firm's quality control policies and procedures require such individuals to gain and maintain relevant competencies to conduct attest services, and

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(2) in the reviewer's judgment such policies and procedures are being followed

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.5300 QUALIFICATION OF REPORT ACCEPTANCE BODIES.

[For text of items A to C, see MR]

D The report acceptance bodies specified in item B shall provide to the Quality Review Oversight Committee established in part 1105 4300, item B, or to the board if so requested, by December 31 of each year the names of the licensees and firms that have undergone a quality review during the year ending December 15 and had the letter specified in part 1105 5400, item A, subitem (2), issued by the report acceptance body

E The report acceptance bodies specified in item B shall allow the Quality Review Oversight Committee established in part 1105 4300, item B, access to the quality review process that is subject to oversight consistent with Minnesota Statutes, section 326A 05, subdivision 8, paragraph (e). The Quality Review Oversight Committee shall treat all information to which it has access as confidential and shall not communicate to the board information that would divulge the identity of a licensee, registrant, or firm. Such information shall be used solely for the purpose of evaluating the effectiveness of report acceptance bodies designated by the board in item B

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.5400 REPORT TO BOARD.

A Within 30 days of receipt of the letter described in subitem (2), but no later than the date specified in part 1105 5000, each firm that is scheduled to report that year shall submit the following material to the board

(1) a copy of the report issued by the reviewer, including any letters of comment and responses,

(2) the final letter from the report acceptance body, and

(3) any agreements to correct deficiencies that have been entered into between the firm and the report acceptance body

The board shall review and consider this material in its decision to issue a permit to the firm

Failure to file the required material by the required date is cause for discipline against the firm's permit

In the case where the report acceptance body and the firm have entered into an agreement to correct deficiencies, failure by the firm to abide by that agreement is grounds for discipline against the firm's permit and the certificates of the managers in charge of the firm's offices maintained in this state.

Except as specified in part 1105 4800, item B, a written report, including any responses by the firm attached to the report, on inspections conducted by the Public Company Accounting Oversight Board submitted to the board shall meet the requirements of this part. Nothing in this part requires a firm to submit the Public Company Accounting Oversight Board inspections report to the board, providing a quality review encompassing the firm's public company attest clients has been conducted and submitted to the board in accordance with parts 1105 4600 to 1105 5500 or in accordance with standards adopted by the AICPA or the Public Company Accounting Oversight Board within the previous three years.

[For text of item B, see MR]

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

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1105.5600 GROUNDS FOR ENFORCEMENT ACTION.

The grounds for revocation and suspension of certificates, registrations, and permits, and other disciplinary action against licensees, certificate holders, applicants, and individuals with privileges under Minnesota Statutes, section 326A.14, are set out in Minnesota Statutes, section 326A.08. In addition, the grounds include the following particular grounds for disciplinary action:

[For text of items A to C, see MR]

D. conduct reflecting adversely upon the licensee's fitness to perform services, with the meaning of Minnesota Statutes, section 326A.08, subdivision 5, paragraph (a), clauses (2) and (10), includes:

[For text of subitems (1) to (4), see MR]

(5) willfully failing to file a report or record required by state or federal law, willfully impeding or obstructing the filing of a report or record, or inducing another person to impede or obstruct a filing by another; and the making or filing of a report or record which one knows to be false.

A licensee, applicant, certificate holder, registrant, or person specified in Minnesota Statutes, section 326A.05, subdivision 3, paragraph (c), who is subject to the actions, or has engaged in activities, described in Minnesota Statutes, section 326A.08, subdivision 5, paragraph (a), clauses (4), (6), and (7), shall, within 30 days of being subject to or engaging in such actions or activities, notify the board in writing and provide the details of the activities. The notification may be used as a basis for initiating an investigation against the licensee, applicant, certificate holder, registrant, or person specified in Minnesota Statutes, section 326A.05, subdivision 3, paragraph (c), the results of which could result in disciplinary action specified in Minnesota Statutes, section 326A.08.

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636*

1105.6400 FICTITIOUS FIRM NAMES.

A fictitious CPA firm name, that is, one not consisting of the names or initials of one or more present or former partners, members, or shareholders, may not be used by a CPA firm unless the name has been registered with and approved by the board as not being false or misleading.

A firm name is considered false or misleading if:

- A. it is not the lawful and registered name of the firm,
- B. the name contains or fairly implies a misrepresentation of facts,
- C. the name indicates character or grade of service that is not based upon verifiable facts,

D. the name is likely to mislead or deceive because it omits relevant facts. The following are examples, but are not inclusive:

(1) the name indicates a geographic area of service which is not based on verifiable facts; or

(2) the firm name includes a nonowner firm employee or the name or initials of any other nonowners, except as permitted in Minnesota Statutes, section 326A.10, paragraph (h),

E. the name is intended or likely to create false or unjustified expectations of favorable results,

F. the name implies special expertise;

G. the name implies educational or professional attainment or licensing recognition of the firm or of its owners, partners, or shareholders that are not supported in fact,

H. the name of the firm that is incorporated does not include the words "corporation," "incorporated," "Ltd.," "professional corporation," or "company," or an

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abbreviation thereof as part of the firm name and the name of a firm organized under the limited liability partnership statute does not include the words "limited liability company" or "limited liability partnership," as appropriate, or an abbreviation thereof, as part of the firm name;

I the name includes the designation "and company," "company," "group," "associates," or "and associates," or abbreviations thereof, or similar names implying more than one employed licensee in the firm, unless there are at least two licensees involved full time in the practice;

J the name of a firm that is a partnership or professional corporation fails to contain the personal name or names of one or more individuals presently or previously a partner, officer, or shareholder thereof, except that an acronym may be used for a firm name if the acronym is composed exclusively of the first letters of the surnames of current or past partners or shareholders of the firm,

K. the name of a firm that is a sole proprietorship fails to contain the name of the sole proprietor;

L. the name contains other representations or implications that are likely to cause an ordinarily prudent person to misunderstand or to be deceived, or

M. the name includes the name of an individual whose certificate has been suspended or revoked by the board

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.6800 EXAMINATION REQUIREMENT FOR REGISTERED ACCOUNTING PRACTITIONER.

A Persons applying for initial designation as a registered accounting practitioner shall successfully pass all sections of an RAP examination designed to test knowledge in the subjects of accounting and compilation services, business law, and taxation with a score of at least 75 percent. The board may designate the Accreditation Council for Accountancy and Taxation examination or an examination developed or administered by another vendor whose objective is to test knowledge in the subject matter areas specified in part 1105 6700 as the RAP examination that applicants must use

[For text of items B and C, see MR]

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

1105.7100 RAP FIRM APPLICATION.

[For text of items A to D, see MR]

E RAP firm partners, members, shareholders, directors, or officers resident in this state who do not hold a registration issued under part 1105 6600 shall annually, in connection with initial issuance and renewal of the RAP firm permit, submit with the application a statement signed by the person that:

(1) indicates that person's agreement to comply with rules adopted by the board and to be subject to the board enforcement specified in Minnesota Statutes, section 326A 08;

(2) indicates that the person actively participates in the firm on a full-time basis as those terms are defined in part 1105.4000, item H; and

(3) specifies all professional licenses held by the person that were issued by the state and any disciplinary actions which have been taken against the licensees in the last five years.

[For text of items F to H, see MR]

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

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1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM NAMES.

[For text of items A and B, see MR]

C A fictitious RAP firm name, that is, one not consisting of the names or initials of one or more present or former partners, members, or shareholders, may not be used by a RAP firm unless the name has been registered with and approved by the board as not being false or misleading

A firm name is considered false or misleading if

- (1) it is not the lawful and registered name of the firm;
- (2) the name contains or fairly implies a misrepresentation of facts;
- (3) the name indicates character or grade of service that is not based upon verifiable facts;
- (4) the name is likely to mislead or deceive because it omits relevant facts. The following are examples, but are not inclusive
 - (a) the name indicates a geographic area of service which is not based on verifiable facts; or
 - (b) the firm name includes a nonowner firm employee or the name or initials of any other nonowner; except as permitted in Minnesota Statutes, section 326A 10, paragraph (h);
- (5) the name is intended or likely to create false or unjustified expectations of favorable results;
- (6) the name implies special expertise;
- (7) the name implies educational or professional attainment or licensing recognition of the firm or of its owners, partners, or shareholders that are not supported in fact;
- (8) the name of the firm that is incorporated does not include the words "corporation," "incorporated," "Ltd.," "professional corporation," or "company," or an abbreviation thereof as part of the firm name and the name of a firm organized under the limited liability partnership statute does not include the words "limited liability company" or "limited liability partnership," as appropriate, or an abbreviation thereof, as part of the firm name;
- (9) the name includes the designation "and company," "company," "group," "associates," or "and associates," or abbreviations thereof or similar names implying more than one employed registrant in the firm, unless there are at least two registrants involved full time in the practice;
- (10) the name of a firm that is a partnership or professional corporation fails to contain the personal name or names of one or more individuals presently or previously a partner, officer, or shareholder thereof, except that an acronym may be used for a firm name if the acronym is composed exclusively of the first letters of the surnames of current or past partners or shareholders of the firm;
- (11) the name of a firm that is a sole proprietorship fails to contain the name of the sole proprietor;
- (12) the name contains other representations or implications that are likely to cause an ordinarily prudent person to misunderstand or to be deceived; or
- (13) the name includes the name of an individual whose registration has been suspended or revoked by the board

Statutory Authority: *MS s 326A 02*

History: 28 SR 1636

1105.7600 RAP GRANDPARENTING PROVISIONS.

Notwithstanding the provisions of part 1105 6600, the designation of "registered accounting practitioner" shall be issued by the board after June 30, 2003, and before July 1, 2005, to individuals who have made application in a form provided by the board and who have

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[For text of items A to D, see M.R.]

E. paid the fee specified in part 1105.0600.

For individuals who are partners, members, managers, shareholders, directors, officers, or employees of a firm that has undergone the quality review specified in item C, the documentation submitted for item D must include a statement signed by the individual who is making the application and by the firm that the specific engagements reviewed in connection with the quality review included engagements for which the individual was the in-charge accountant or had supervisory or oversight responsibility.

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636*

1105.7700 RAP CODE OF PROFESSIONAL CONDUCT.

Registrants and RAP firms must comply with the board's code of professional conduct and rules to the extent that the code and rules are applicable to the services provided by the registrants and RAP firms.

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636*

1105.7800 CODE OF PROFESSIONAL CONDUCT.

A The AICPA Code of Professional Conduct published by the American Institute of Certified Public Accountants and revised as of February 2004 is incorporated by reference. The Code of Professional Conduct is subject to frequent change and is available through the state law library

[For text of items B and C, see M.R.]

D. Failure to file an application, registration, renewal, or other document or form required to be filed with the board pursuant to this chapter, the act, or any other statutes or rule is an act discreditable to the profession and is basis for disciplinary action specified in Minnesota Statutes, section 326A.08

[For text of item E, see M.R.]

E. Persons and firms performing audit or attest services in accordance with government auditing standards issued by the Comptroller General of the United States or auditing or related professional practice standards issued by the Public Company Accounting Oversight Board shall comply with those standards. Failure to do so is an act discreditable to the profession and is basis for disciplinary action specified in Minnesota Statutes, section 326A.08:

[For text of items G and H, see M.R.]

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636*

1105.7850 RETENTION AND CONTENT OF AUDIT DOCUMENTATION.

A Firms granted permits under Minnesota Statutes, section 326A.05, shall prepare, in accordance with professional standards contained in AICPA Professional Standards, Volume 1, published by the American Institute of Certified Public Accountants (June 1, 2003), and retain for a period of not less than six years from the report date audit documentation in sufficient detail to support the conclusions reached in any report issued by the firm on the financial statements audited

B. The professional standards referred to in item A are incorporated by reference. The publication is subject to frequent change and is available through the state law library

C. Failure to comply with this part, or with all professional standards applicable to particular engagements, including, but not limited to, standards adopted by the Public Company Accounting Oversight Board or the Comptroller General of the United States, is an act discreditable to the profession and is basis for disciplinary action specified in Minnesota Statutes, section 326A.08. The documentation and

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retention requirements set out in this part do not apply to engagements that are subject to the jurisdiction of the Public Company Accounting Oversight Board or the Comptroller General of the United States. Unless otherwise stated in this part, firms shall comply with the documentation and retention requirements set out in this part in any other audit engagement performed in this state.

D. If audit documentation is required to be kept for longer than six years because of a pending board investigation or disciplinary action, audit documentation must not be destroyed until the licensee has been notified in writing by the board of the closure of a board investigation or disciplinary proceeding.

E. Any documents required to be retained by this part must be retained in accessible form such that a reviewer may read the information contained in the documents.

F. Licensees shall maintain and comply with an audit documentation retention and destruction policy that provides for the preservation of audit documentation for the full time period required by this part and provides for the authorized custody, security, access, retention, and destruction of the documentation. This policy must, at a minimum, include the following:

(1) procedures for the maintenance of back-up copies of electronic audit documentation at secure locations;

(2) procedures for maintaining audit documentation;

(3) procedures for approving any changes to audit documentation, and

(4) procedures for approving the destruction of documentation when no longer required to be maintained by this part.

G. The audit documentation referred to in item A must include

(1) relevant workpapers containing documentation of auditing procedures applied, evidence obtained, and conclusions reached by the firm in the audit, and

(2) other relevant documents that form the basis of the audit which

(a) are created, sent, or received in connection with the audit, and

(b) contain conclusions, opinions, analyses, or financial data related to the audit.

H. The following requirements apply to changes in audit documentation after delivery of the audit report to the client and such changes in documentation include any addition, removal, deletion, substitution, or editing of audit documentation, including, but not limited to, physical or electronic additions to any audit documentation file or preexisting audit documentation, occurring after the date of delivery of the audit report to the client which is supported by the audit documentation

(1) except as provided in subitem (2), in addition to any other documentation required by professional standards, the documentation must provide the identity of the person or persons making the change and identity of any person or persons approving the change, the date of the change, and the reason for the change if the reason is other than the assembling of preexisting documents. The documentation that is changed must contain sufficient detail to enable a reviewer with relevant knowledge and experience, having no previous connection with the audit engagement, to understand the nature, timing, reason for, and extent of the change, and

(2) during a 60-day period after the date of delivery of the audit report to the client, documents may be added to the file for the assemblage and documentation of work previously performed. Nothing in this subitem authorizes the deferral of audit procedures required to be performed prior to the date of issuance of the report.

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*

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LICENSURE AND REGULATION OF ACCOUNTANTS 1105.7900

1105.7900 SUBSTANTIAL EQUIVALENCY.

[For text of items A and B, see MR]

C Individuals seeking practice privileges under Minnesota Statutes, section 326A 14, shall complete an application in the form provided by the board and pay the fee required by part 1105.0600 The practice privilege granted shall expire one year after it is effective or shall immediately expire if the certificate or license under which the privilege was granted is no longer "valid" as defined in part 1105 6550

[For text of items D to I, see MR]

Statutory Authority: *MS s 326A 02*

History: *28 SR 1636*