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CHAPTER 1105 BOARD OF ACCOUNTANCY LICENSURE AND REGULATION OF ACCOUNTANTS

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1105.0100 DEFINITIONS.

[For text of subs 1 to 9, see MR.]

Subp. 9a **Licensee.** In addition to the definition in Minnesota Statutes, section 326A.01, subdivision 9, a "licensee" for purposes of parts 1105 1200, 1105 5600, 1105 5800, and 1105 7800, and Minnesota Statutes, sections 326A 08, 326A 10, and 326A 13, can also be a person issued a certificate as a certified public accountant under the law of any other state who is rendering services in this state according to Minnesota Statutes, section 326A.04 or 326A 14, or an entity issued a permit as a CPA firm under the law of any other state who is rendering services in this state according to Minnesota Statutes, section 326A 05

[For text of subs 10 and 11, see MR.]

Subp 11a. **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 the agreement.

Subp 11b **Professional services.** "Professional services" means services that require knowledge or skills associated with certified public accountants or persons Minnesota Statutes, section 326A.06, paragraph (b), including

- financial statements,
- financial advisory or consulting services,

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- C. preparing tax returns,
- D providing advice in tax matters, or
- E other services performed under a professional engagement

Subp 12 **Quality review.** "Quality review" means a peer review as required by Minnesota Statutes, section 326A.05, subdivision 8. Quality review also means an independent study, appraisal, or review of one or more aspects of the attest or compilation professional services of a licensee that issues attest or compilation reports, or the professional work of a person registered under Minnesota Statutes, section 326A.06, paragraph (b). The reviews must be conducted according to standards approved by the board as specified in this chapter by a person or persons who hold certificates with an active status and who are not affiliated with the licensee or CPA firm being reviewed or by reviewers approved by the board as specified in this chapter.

[For text of subps 13 to 16, see M R]

Subp 17 [Repealed, 33 SR 476]

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.0200 INTERPRETATION OF RULES.

[For text of subpart 1, see M R]

Subp 2 **Other statutory authority.** Nothing contained in this chapter prohibits or limits in any way the exercise by the board of powers granted to it by Minnesota Statutes, sections 214.001 to 214.12 and 326.53, and chapter 326A.

[For text of subps 3 and 4, see M.R]

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.0250 INCORPORATION BY REFERENCE.

A. For purposes of this chapter, the documents dated June 1, 2007, in item B; the documents dated June 1, 2007, in item C; the document as of December 2007 and copyrighted 2008 in item D, the July 2007 revision of the document in item E, the document dated October 2006, in item F; the document dated June 1, 2007, in item G, and the document dated June 30, 2007, in item H, are incorporated by reference to the extent other provisions of this chapter and Minnesota Statutes do not modify or conflict with the provisions of the documents, in which case the provisions of this chapter and Minnesota Statutes shall prevail. They can be found at the State Law Library and are subject to frequent change.

B The following documents are published by and available from the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036

- (1) AICPA Code of Professional Conduct;
- (2) Statements on Quality Control Standards,
- (3) Standards for Performing and Reporting on Peer Reviews, and
- (4) Standards for Continuing Professional Education (CPE) Programs

The Code of Professional Conduct and the other statements and standards identified in this item are published in the document identified in item C, subitem (2)

[For text of item C, see M R]

D The following document is published by and available from the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036 PCAOB Standards and Related Rules

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E. The following document is published by and available from the United States General Accounting Office, Washington, DC 20548: Government Auditing Standards July 2007 revision

F. The following document is published by the National Association of State Boards of Accountancy, Nashville, TN NASBA Model Code of Conduct

G. The following document is published by the Financial Accounting Standards Board, Norwalk, CT Accounting Standards-Current Text, Volumes I and II

H. The following document is published by the Governmental Accounting Standards Board, Norwalk, CT Codification of Governmental Accounting and Financial Reporting Standards

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.0600 FEES.

The following fees apply:

- A. initial issuance of certificate, \$50;
- B. renewal of certificate with an active status, \$45 per year;
- C. initial CPA firm permits, except for sole practitioners, \$100;
- D. renewal of CPA firm permits, except for sole practitioners and those firms specified in item Q, \$35 per year;
- E. initial issuance and renewal of CPA firm permits for sole practitioners, except for those firms specified in item Q, \$35 per year,
- F. annual late processing delinquency fee for permit, certificate, or registration renewal applications not received prior to expiration date, \$50,
- G. copies of records, per page, 25 cents,
- H. registration of noncertificate holders, nonlicensees, and nonregistrants in connection with renewal of firm permits, \$45 per year,
- I. applications for reinstatement, \$20;
- J. initial registration of a registered accounting practitioner, \$50,
- K. initial registered accounting practitioner firm permits, \$100;
- L. renewal of registered accounting practitioner firm permits, except for sole practitioners, \$35 per year,
- M. renewal of registered accounting practitioner firm permits for sole practitioners, \$35 per year,
- N. CPA examination application, \$40;
- O. CPA examination, fee determined by third-party examination administrator,
- P. renewal of certificates with an inactive status, \$10 per year; and
- Q. renewal of CPA firm permits for firms that have one or more offices located in another state, \$68 per year.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.1000 PRORATING FEES.

Certificate, permit, or registration fees pertain to a specified initial or renewal period and must not be prorated.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.1100 CHANGES OF ADDRESS AND OTHER INFORMATION.

Each licensee or registrant shall notify the board in writing within 30 days of any change of address and, in the case of individual licensees or registrants, change of employment. In addition, each licensee and registrant shall notify the board of correct business and home addresses and telephone and facsimile numbers in connection with the renewal of the certificate, permit, or registration

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

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 Director, 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: *33 SR 476*

1105.1650 EARLY APPLICATION AND EXAMINATION PROVISIONS.

A Notwithstanding the requirements in parts 1105 1500, subpart 1, and 1105 1600, subpart 2, and as provided for by Minnesota Statutes, section 326A 03, subdivision 3a, an applicant for the examination may:

(1) make application for the examination within 180 days prior to the anticipated completion of the education requirements contained in part 1105 1500 and Minnesota Statutes, section 326A 03, subdivision 3, and

(2) sit for part or all of the examination within 90 days prior to the anticipated completion of the education requirements contained in part 1105 1500 and Minnesota Statutes, section 326A 03, subdivision 3, provided that:

(a) the applicant has met all the requirements for sitting for the examination contained in part 1105 1600, except for obtaining the final official transcript containing proof the applicant has completed the education requirements contained in part 1105 1500 and Minnesota Statutes, section 326A.03, subdivision 3,

(b) the applicant submits a transcript containing courses completed and a listing of courses which are going to be completed by the applicant to meet the education requirements contained in part 1105 1500 and Minnesota Statutes, section 326A 03, subdivision 3, and

(c) the applicant has paid all required fees for the examination and is otherwise qualified to sit for the examination

B No credit shall be given for any part of the examination taken before completion of the education requirements contained in part 1105 1500 and Minnesota Statutes, section 326A 03, subdivision 3, if the education requirements are not met within 120 days subsequent to first sitting for any part of the examination and a final transcript containing proof that the applicant has completed the education requirements as required by part

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1105.1600, subpart 2, is not received by the board or examination administrator within 150 days of the applicant first sitting for any part of the examination

C Examination related fees required by parts 1105 0600 and 1105 2100 shall not be refunded if the applicant does not submit a final transcript within the 150-day period required in item B

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.1800 EXAMINATION CONTENT.

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

Subp 2 **Ethics.** A written or computer-based examination on professional ethics, as specified by the board, is required before application for 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 application for the certificate

[For text of subp 3, see M R.]

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.2000 RETAKE AND GRANTING OF CREDIT REQUIREMENTS.

Subpart 1. [Repealed, 28 SR 1636]

Subp 2 **Examination requirements.** An applicant may take the required examination sections individually and in any order. Credit for any section passed shall be valid for 18 months from the actual date the applicant took that section, without having to attain a minimum score on any failed section and without regard to whether the applicant has taken other sections, regardless of the date the applicant actually receives notice of the passing grade. In addition

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

Subp. 3 [Repealed, 33 SR 476]

Subp 4 **Other states.** An applicant shall retain credit, if approved by the board according to part 1105 1900, for sections of an examination passed in another state if the credit would have been given, under then applicable requirements, if the applicant had taken the examination in this state

[For text of subp 5, see M.R.]

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.2200 CHEATING.

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

Subp 2 **Actions constituting cheating.** For purposes of this part, the following actions or attempted activities, among others, may be considered cheating

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

D substitution of another person to sit in the test site in the place of a candidate,

E reference to crib sheets, textbooks, or other material, inside or outside of the test site, other than that provided to the candidate by the examination administrator as part of the examination while the candidate is taking the examination, and

F retaking or attempting to retake a section by an individual holding a valid certificate or by an applicant who has unexpired credit for having passed the same section, unless the board has expressly authorized the individual or applicant to retake the section

[For text of subps 3 to 5, see M R.]

Subp 6. **Findings.** In any case in which a candidate is refused credit for a section of the examination taken, or is disqualified from taking other sections, the board shall give the candidate a statement containing its findings, the evidence upon which the findings are based, and a notice of the right of the candidate to a formal hearing by the board, with right of appeal, pursuant to the procedures in Minnesota Statutes, section 326A 08, subdivision 6.

[For text of subp 7, see MR]

Subp 8. **Disclosure of examination questions.** The board may impose disciplinary action, as provided for in Minnesota Statutes, section 326A 08, subdivision 5, against an applicant, licensee, or certificate holder who discloses examination questions to any other entity or person, with or without compensation, or aids or abets another in obtaining examination questions

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

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 parts 1105 0600, items N and O, 1105.1600, subpart 3, 1105 1700, and 1105.2000, subpart 2, to avoid hardship on examination candidates affected. 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 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: *33 SR 476*

1105.2450 GOOD MORAL CHARACTER.

A Applicants have the burden of demonstrating good moral character as defined by Minnesota Statutes, section 326A 03, subdivision 1, in the manner specified by the board in its application forms

B Prima facie evidence of a lack of good moral character includes

(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, or deceit, or any other crime that evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with the public safety,

(2) revocation of any license or other authority to practice by or before any state, federal, foreign, or other licensing or regulatory authority, or

(3) any act which would be grounds for revocation or suspension of a license if committed by a licensee of the board

C. Factors the board shall consider in determining rehabilitation of moral character include the following

(1) completion of criminal probation, restitution, community service, military, or other public service,

(2) the passage of time without the commission of any further crime or act demonstrating a lack of moral character under item B, or

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(3) the expungement of any conviction or reduction of a conviction from a felony to misdemeanor

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.2500 APPLICATIONS FOR CERTIFICATES.

A Applications for initial certificates and for renewal of certificates pursuant to the act must be made on a form provided by the board and, in the case of applications for renewal, must be filed no later than the expiration date set by the act or this chapter. Applications are not considered filed until the applicable fee prescribed in this chapter is received. If an application for renewal is filed late, it must also be accompanied by the delinquency fee prescribed in this chapter. In addition, the reinstatement fee prescribed in this chapter must be paid if the renewal is filed more than two years late. The application for renewal must be submitted on a form provided by the board by December 31 of each year or in accordance with part 1105 2550.

[For text of item 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, or are engaged as independent contractors by a firm granted a permit under Minnesota Statutes, section 326A 05;

[For text of units (b) and (c), see M R.]

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

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

[For text of subitem (6), see M R.]

(7) Nonresident individuals who do not meet the requirements of part 1105 7900, item B, 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, licensees, or nonresident individuals who desire to practice in this state but do not meet the requirements of part 1105 7900, item B, 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, licensees, or nonresident individuals who do not meet the requirements of part 1105.7900, item B, 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.

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

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.2550 RENEWAL OF CERTIFICATES AFTER 2009.

A Beginning with certificate renewal applications for calendar year 2010, the board shall renew each certificate as follows.

- (1) for licensees whose last name begins with the letters
 - (a) A through H, certificates shall be renewed for a three-year period (Cycle A);
 - (b) I through P, certificates shall be renewed for a two-year period (Cycle B); and
 - (c) Q through Z, certificates shall be renewed for a one-year period (Cycle C); and

(2) renewals of those certificates, after the expiration of the renewals periods specified in subitem (1), shall thereafter follow a three-year cycle

B. Initial issuances of certificates after January 1, 2010, shall expire on the December 31 following issuance and shall thereafter be renewed so as to place the certificate in the correct renewal cycle established for the licensee's last name in item A

C Licensees who have obtained a legal name change shall, upon renewal, have their certificates renewed so as to place the certificate in the correct renewal cycle established for the licensee's last name in item A.

D Licensees requesting a change in certificate status during the renewal period shall not be entitled to any refund of fees according to part 1105 1000 and can only request a change in status according to this chapter and on a form provided by the board. However, additional fees covering any remaining portion of the renewal period established as a result of items A and B shall be paid if the change in status is to "active " The additional fee is based on a complete calendar year and is not prorated.

E Licensees electing to change the status of the licensee's active certificate to a status other than active can only do so effective on the January 1 following the licensee's written request for the change and on a form provided by the board The request shall be accompanied with documentation showing that the licensee completed at least 120 hours of continuing professional education required by this chapter during the three-year period ended June 30 preceding the effective date of the status change, with a minimum of 20 hours each year

F Notwithstanding the three-year renewal period established by this part and except as provided for in part 1105.3000, item J, at each June 30, licensees holding a certificate with an "active" status shall comply with the one- and three-year continuing professional education requirements in part 1105.3000

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.2900 EDUCATION REQUIRED FOR INITIAL CERTIFICATION ON OR AFTER JULY 1, 2006.

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

C The 48-semester hour requirement in item B may not include more than six hours for internships or life experience

D. The 150-semester hour requirement in items A and B must cover some or all of the following subjects:

- (1) accounting-related subjects:
 - (a) financial accounting and reporting for business organizations,

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- entities;
- (b) financial accounting and reporting for government and not-for-profit entities;
 - (c) auditing and attestation services;
 - (d) managerial or cost accounting;
 - (e) taxation;
 - (f) fraud examination;
 - (g) internal controls and risk assessment;
 - (h) financial statement analysis;
 - (i) accounting research and analysis;
 - (j) tax research and analysis;
 - (k) accounting information systems; and
 - (l) ethics; and
- (2) business-related subjects:
- (a) business law;
 - (b) economics;
 - (c) management;
 - (d) finance;
 - (e) business communications;
 - (f) statistics;
 - (g) quantitative methods;
 - (h) technical writing;
 - (i) information systems or technology, and
 - (j) ethics.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.3000 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS.

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

A. A licensee holding a certificate with an active status shall complete at least 120 hours of continuing professional education complying with this chapter during the preceding three-year period, with a minimum of 20 hours in each year. No carryforward of CPE hours from a one- or three-year CPE period ended on June 30 to another CPE period is allowed. As further explained in part 1105.3100, a licensee holding a certificate with an active status shall demonstrate participation in a program of learning meeting the applicable standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA, which is incorporated by reference. At least eight hours of the 120 hours shall be in accounting ethics or business ethics. 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.

[For text of items B to F, see M R.]

G. Failure to report CPE, failure to obtain CPE required by this part, reporting of an amount less than that required, or fraudulently reporting CPE is a basis for disciplinary action under Minnesota Statutes, section 326A.08. A licensee not in compliance with this part on June 30 of each year shall be assessed a late processing fee of \$50 for the first month, or partial month, of noncompliance and \$25 per month, or partial month, of noncompliance

thereafter until the date the licensee is in compliance with this part and provides documentation of compliance in writing to the board.

H. A licensee may use CPE hours taken subsequent to the end of a CPE period ended on June 30 to satisfy the requirements of item A related to a period ended on June 30 provided the late processing fee specified in item G is paid. The hours must not be counted in two different reporting periods.

I. A licensee electing to change the status of the licensee's active certificate to a status other than active can only do so effective on the January 1 following a written request for the change and on a form provided by the board. The request shall be accompanied with documentation showing that the licensee completed at least 120 hours of continuing professional education required under this chapter during the three-year period ended June 30 preceding the effective date of the status change, with a minimum of 20 hours each year.

J. 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 and the ethics requirement in item A are 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 and the ethics requirement complying with this chapter must be completed. The 20-hour requirement in item A is not effective for these licensees until the June 30 following the first anniversary of the initial certificate issuance.

K. A licensee shall report compliance with this part as required by parts 1105 2500, item B, 1105 3200, items A and C, or upon request by the board under part 1105 3200, item B.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.3100 CONTINUING PROFESSIONAL EDUCATION PROGRAMS.

Subpart 1 **Regular qualifications.** A program qualifies as acceptable continuing professional education for purposes of this chapter and Minnesota Statutes, section 326A 04, subdivision 4, if it is a program of learning that 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 in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA or such other standards acceptable to the board. Except to the extent permitted in subpart 2, program sponsors qualifying under this chapter must be members of NASBA's CPE registry and, in the case of self-study programs, members of NASBA's Quality Assurance Service program. Seminar or lecture programs sponsored or presented by the entities in items A to D are not subject to the NASBA's CPE Registry requirement:

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

Subp. 2 **Other qualifications.** The board shall accept programs that, in the determination of the board, contribute to the growth of the professional knowledge and competence of the licensee even if the programs do not meet the specific requirements of subpart 1 or part 1105 3000, item A, if the licensee shows that the programs contribute to the licensee's professional knowledge and professional competence and provided at least 72 hours for the three-year period do meet the requirements of subpart 1. All self-study program sponsors must be members of NASBA's Quality Assurance Service Program as required by subpart 1 and the program must comply with part 1105 3000, item A.

Subp. 3 **Nonresident.** A nonresident licensee holding a certificate with an active status issued by this state meets the CPE requirement of this chapter by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal place of business is located.

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Nonresident applicants for renewal of a certificate 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

If a nonresident licensee's principal place of business state has no CPE requirements for renewal of a certificate, the nonresident licensee must comply with all CPE requirements of this state

Subp 4 CPE hour limitations. The following hour limitations apply during the three-year CPE period

A at least 60 hours must be obtained from other than instructor preparation or presentation,

B at least 60 hours must be obtained from other than the writing of articles, books, or CPE courses for publication,

C at least 24 hours must be obtained from other than self-study programs, and

D at least 96 hours must be obtained from programs in subject areas other than personal development as defined in the Statement on Standards for Continuing Professional Education (CPE) Programs.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.3200 CONTINUING PROFESSIONAL EDUCATION RECORDS.

A Persons seeking renewal of certificates with an active status 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 in this chapter and indicate the number of hours claimed for each of the three preceding years ending on June 30. The licensee shall report the hours claimed, separately identifying those programs meeting the registry requirements under part 1105 3100, subpart 1, and those programs not meeting the registry requirement under part 1105.3100, subpart 2. Responsibility for documenting the acceptability of the program and the validity of the credits rests with the licensee who must retain the documentation for five years following completion of each learning activity Further, the documentation of participation in the program of learning must consist of a certificate of attendance that contains the registry number of the program sponsor if the registry participation meets the requirements of this chapter and must consist of the following items for those programs that do not meet the registry requirements of this chapter

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

B The board shall verify on a test basis, through inspection of documentation supplied by the licensee, information regarding hours of CPE attendance in order to determine compliance with the continuing professional education requirements of this chapter In cases where the board determines that the hour information supplied by the licensee is not supported by the documentation supplied by the licensee or the hours do not meet the requirements of this chapter, the board may grant an additional period of time in which the deficiencies can be cured or the board may take disciplinary action Licenses determined not in compliance shall be assessed the late processing fee required in part 1105 3000, item G Fraudulent reporting is a basis for disciplinary action

C Beginning in calendar year 2011, licensees holding an active certificate on June 30 shall report to the board by July 31 of each year the continuing professional education hours earned during the one- and three-year CPE period ended on June 30 The report shall be made as required by the board and no report under this item shall be required of a licensee in the final year of the renewal cycle specified in part 1105 2550

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.3300 EXCEPTION TO CONTINUING PROFESSIONAL EDUCATION REQUIREMENT.

A The board may make an exception to the requirement in part 1105 3000, item A, for a licensee who is retired 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, furnishing one or more kinds of management advisory, financial advisory, or consulting services; the preparation of tax returns, or the furnishing of advice on tax matters Licensees shall request an exception only in connection with the application for certificate renewal or as provided for in part 1105 2550, item E

[For text of item B, see MR]

C A licensee granted an exception by the board must place the word "inactive" adjacent to the licensee's CPA title on any business card, letterhead, or any other document or device, with the exception of the CPA certificate, on which the CPA title appears

[For text of item D, see MR.]

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.3400 INTERSTATE RECIPROCIITY.

Subpart 1 **Principal place of business not in this state.** If the substantial equivalency standard in Minnesota Statutes, section 326A 14, is not applicable, the board shall issue a certificate to the holder of a certificate in good standing issued by another state provided that the applicant

A. has successfully completed the CPA examination, meaning that the applicant passed the examination according to the rules of the other state at the time it granted the applicant's initial certificate,

B has, in addition to meeting the requirements of item A, satisfied the requirements in Minnesota Statutes, section 326A.04, subdivision 3, paragraph (a), clause (2);

C has experience of the type required under this chapter and the act for issuance of the initial certificate,

D has met the CPE requirement pursuant to Minnesota Statutes, section 326A.04, subdivision 3, paragraph (a), clause (3), if applicable, and

E. has completed the examination on professional ethics as required by part 1105 1800, subpart 2

Subp 2 **Principal place of business in this state.** A certificate holder licensed by another state who establishes a principal place of business in this state shall obtain a certificate from this state If the certificate holder's individual qualifications are not substantially equivalent to the act or this chapter, the board shall issue a certificate to the holder of a certificate in good standing issued by another state provided the applicant is of good moral character and has met the qualifications in subpart 1

Subp 3 **Applicant duties.** An applicant granted a certificate under subpart 1 is subject to Minnesota Statutes, section 326A.14, subdivision 1, paragraph (c). Further, the holder of a certificate granted under subpart 1 shall notify the board if the holder establishes a principal place of business in this state

Subp 4 **Certificate based on international reciprocity.** An applicant holding a certificate issued by another state whose certificate in that other state was issued based on a professional accounting credential or professional registration issued by a foreign country must apply for a certificate in this state under part 1105 3500 and Minnesota Statutes, section 326A 03, subdivision 7

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.3500 INTERNATIONAL RECIPROCITY.

Subpart 1 **Foreign countries.** The board may designate a professional accounting credential or professional registration issued in a foreign country as generally equivalent to a CPA license and:

A may rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency,

B may accept a foreign accounting credential in partial satisfaction of its domestic credentialing requirements if

(1) 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

(2) the foreign credential is valid and in good standing at the time of application for a domestic credential, and

C if the foreign jurisdiction that granted the accounting credential to the foreign applicant is a party to a currently valid mutual recognition agreement with NASBA, the credential holder is presumed to be generally equivalent and is subject to other qualifying requirements as provided in the mutual recognition agreement

Subp 2 **Qualifying examinations.** The board shall satisfy its requirements through qualifying examinations that the holder of a foreign credential deemed by the board to be generally equivalent to a CPA certificate possesses adequate knowledge of United States 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 the qualifying examinations. The board shall specify the qualifying examinations and process by resolution

[For text of subp 3, see MR]

Subp 4 **Self-reporting.** The holder of a license or practice privilege issued or granted by the 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 regulatory authority having jurisdiction over the holder's conduct in the practice of accountancy.

Subp 5 **Sanctions against foreign credentials.** 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.

Subp 6 **Conviction.** 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 prima facie basis for board action

[For text of subps 7 and 8, see MR]

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.3600 QUALITY REVIEW FOR LICENSEES WHO DO NOT PRACTICE IN A FIRM.

A licensee who issues compilation reports as defined in the act other than through a CPA firm that holds a permit under Minnesota Statutes, section 326A.05, must undergo a quality review as described in parts 1105.4600 to 1105.5500, unless, as specified in Minnesota Statutes, section 326A.05, subdivision 1, paragraph (b), the firm is not required to have a permit issued in this state

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.3700 EXEMPTION FROM CERTIFICATE RENEWAL REQUIREMENT.

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

C Persons electing to change from exempt status shall report continuing professional education as described in subitems (1) to (3).

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

(3) Hours reported in subitem (1) may be used to satisfy the requirement in part 1105.3000 to the extent the hours fall within the one- or three-year CPE period.

D For purposes of this part, the "practice of public accounting in any manner" means issuing a report as described in Minnesota Statutes, section 326A 01, subdivision 15, whether or not a fee is received. In addition, for purposes of this subpart, "hold out" means any oral or written communication conveying the facts that the person holds a CPA certificate, including, without limitation, the displaying of the CPA certificate in any location where business is conducted and the use of titles or legends on letterheads, business cards, resumes, office doors, or advertisements and listings, including published membership listings of professional organizations

E Certificate holders who have never met the experience or education requirements in Minnesota Statutes, section 326A 03, subdivision 6 or 8, may not elect to be exempt from the renewal requirement

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

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 E, see MR]

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

[For text of subitem (1), see MR]

(2) for those whose initial sitting for any part of the examination required by Minnesota Statutes, section 326A 03, was on or after July 1, 2006, and for all initial applications received after December 31, 2008

(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),

G. complied with the continuing professional education requirement in part 1105 3350, and

H completed the examination on professional ethics as required by part 1105 1800, subpart 2

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.3900 RENEWAL BY CERTIFICATE HOLDERS WHO HAVE NOT MET EXPERIENCE REQUIREMENTS OF MINNESOTA STATUTES, SECTION 326A.03, SUBDIVISION 5.

[For text of item A, see MR.]

B The renewal must be submitted on a form provided by the board by December 31 of each year or according to part 1105 2550

C The board shall notify each certificate holder of the renewal requirement Each certificate holder shall file the form and pay the delinquency fee as required in part 1105.0600 if the renewal form is not received prior to expiration on December 31 or

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postmarked by the United States Postal Service by that date. The certificate holder shall also inform the board of any address change within 30 days of the date of occurrence.

D. The certificates of persons who on January 1, 2003, have not met the experience required by Minnesota Statutes, section 326A.03, subdivision 5, must be revoked following Minnesota Statutes, section 326A.04, subdivision 11, if the experience is not obtained before July 1, 2006, or unless the person

(1) submits to the board within the 90 days prior to July 1, 2006, a statement detailing experience of the type required by part 1105.2600 and Minnesota Statutes, section 326A.03, subdivision 6, paragraph (b), on a form provided by the board and in the amount required by Minnesota Statutes, section 326A.03, subdivision 5;

(2) submits a certificate renewal application with the statement required by subitem (1) requesting an inactive status, and

(3) pays the fee in part 1105.0600

Once the experience is verified by the board and the application is approved, the certificate shall have an inactive status effective as of July 1, 2006. Persons who have had their certificates revoked or who have been notified by the board that the action is pending can file an application for initial certificate provided that the then-current requirements specified in part 1105.3800, item F, subitem (2), have been satisfied. The board shall use the grades achieved on the examination that was the basis for the certificate held on January 1, 2003, for determining completion of the examination required by Minnesota Statutes, section 326A.03, subdivision 4.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.4000 APPLICATION FOR FIRM PERMIT.

A. Applications by firms for initial issuance and for renewal of permits under Minnesota Statutes, section 326A.05, must be made on a form provided by the board and, in the case of applications for renewal, must be filed no later than December 31. Applications are not considered filed until the applicable fee and all required documents prescribed in this chapter are received. If an application for permit renewal is filed late, it must also be accompanied by the delinquency fee prescribed in part 1105.0600. In addition, the reinstatement fee prescribed in this chapter shall be paid if the renewal is filed more than two years late.

B. A sole proprietor shall apply for a firm permit, when a permit is needed.

[For text of item C, see MR.]

D. The board shall not issue a permit to a firm until all partners, members, managers, shareholders, directors, and officers whose principal place of business is in this state and who hold a certificate

(1) for initial issuance of a permit, individually hold nonexpired certificates with an active status issued under Minnesota Statutes, section 326A.04, covering the term of the permit to be issued, or

(2) for renewal of a permit, individually renew their certificates with an active status or hold nonexpired certificates with an active status issued under Minnesota Statutes, section 326A.04, covering the term of the permit to be issued.

[For text of items E to H, see MR.]

I. The application for a firm permit shall contain a representation from the firm that it has complied with part 1105.7850, item F, and that it has verified compliance of its partners, members, managers, shareholders, directors, or officers resident in this state with items D, E, and F.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.4100 NOTIFICATION OF CHANGES BY FIRMS.

A. A firm granted a permit according to Minnesota Statutes, section 326A 05, shall file with the board a written notification of any of the following events concerning the practice of public accountancy within this state within 30 days after its occurrence

- (1) formation of a new firm;
- (2) addition of a partner, member, manager, director, or shareholder who resides or practices in this state,
- (3) retirement, withdrawal, or death of a partner, member, manager, director, or shareholder who resides or practices in this state,
- (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,
- (8) the initial offering of attest or compilation services in this state; and
- (9) the occurrence of any event or events that would cause the firm not to be in conformity with this chapter or the act

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

C. Firms that fall out of compliance with Minnesota Statutes, section 326A.05, subdivision 3, paragraph (b), shall take corrective action within 60 days to bring the firm back into compliance within 60 days of the date the noncompliance begins. Failure to comply with this requirement shall result in the suspension or revocation of the firm permit.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.4150 HEADQUARTERS OF CLIENT.

A. For purposes of part 1105 4200 and Minnesota Statutes, sections 326A 05, subdivision 1, and 326A 14, subdivision 1, a client is considered to have its headquarters in this state if the location specified by the client as the address to which a service is directed is located in this state. In addition, a client is considered to have its headquarters in this state if

- (1) the client has its headquarters, home office, or principal place of business located within this state,
- (2) the client is a subsidiary or affiliate of another entity that does not have its headquarters in this state, but the client subsidiary or client affiliate does have its headquarters in this state and enters into an agreement with a CPA firm to provide attest services,
- (3) the CPA firm's engagement letter or agreement to provide attest services is with a client located within this state, or
- (4) the client is a subsidiary or affiliate of another entity that does not have its headquarters in this state, but the client subsidiary or client affiliate is located within this state and the CPA firm is engaged, either directly or indirectly, to provide attest services and issue a report on the financial statements of the entity located within this state

B. Upon a request from the board, a firm not holding a permit in this state shall provide to the board documentation obtained from its client supporting the determination that the address to which a service is directed is not located in this state and shall provide other requested documentation supporting such determination

C. For purposes of determining whether a firm permit is required for a firm that does not have an office in this state, the board can make a determination, based on the documentation provided by the firm in item B and other information regarding the location

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and ownership structure of the client obtained from other state agencies, that a client has its headquarters in this state.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.4200 APPLICATIONS; INITIAL ISSUANCE; 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 have been granted practice privileges under Minnesota Statutes, section 326A 14, or who hold certificates and reside or practice in this state 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 or a person who has been granted practice privileges under Minnesota Statutes, section 326A 14

B. An entity with an office in this state, including a sole proprietorship, is required to hold a valid permit if it.

(1) provides attest services,

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

C Any entity, including a sole proprietorship, which does not have an office in this state but performs the attest services specified in Minnesota Statutes, section 326A.05, subdivision 1, paragraph (a), clause (4), for a client having its headquarters in this state, is required to hold a valid permit.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.4250 [Repealed, 33 SR 476]

1105.4500 LICENSED PUBLIC ACCOUNTANTS.

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

F Persons granted a certificate under item A shall not change the person's certificate status from "exempt" to "active or inactive."

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.4600 QUALITY REVIEW.

For the purpose of parts 1105.4600 to 1105 5500, the terms in this part have the meanings given

A "Quality review" means an independent study, appraisal, or review of one or more aspects of the attest or compilation professional services of a person or firm as required by Minnesota Statutes, section 326A 05, subdivision 8

B "Report acceptance body" or "adminstrating entity" means the organization that accepts the quality review report from the reviewer, reviews it, and determines what, if any, action the firm shall take in order to bring the firm's practice up to the professional standards.

C. "Reviewer" means the licensee or firm selected to conduct the quality review who is not affiliated with the licensee being reviewed. The Public Company Accounting Oversight Board is also considered a reviewer.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.4700 QUALITY REVIEW STANDARDS.

[For text of item A, see M R]

B Quality reviews conducted according to the standards meet the board's requirements for a quality review. Except as specified in part 1105 4800, inspections conducted under Section 104 of the Sarbanes-Oxley Act of 2002, Public Law 107-204, shall meet the board's requirements for a quality review. Approved report acceptance bodies specified in part 1105 5300, item B, shall file with the board prior to April 1 of each year a statement which details all significant differences between the quality review standards followed by the report acceptance body and the standards specified in item A. A firm shall notify the board and obtain permission prior to having a review conducted through a report acceptance body other than those specified in part 1105 5300.

[For text of item C, see M R]

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.4800 QUALITY REVIEW REQUIREMENTS.

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

C. Firms holding a permit issued by the State Board of Accountancy of another state and that are required to apply for a permit in this state under Minnesota Statutes, section 326A.05, subdivision 1, paragraph (a), clause (4), shall submit with its application the material required by part 1105 5400, item A, covering the quality review of its public and nonpublic company attest and compilation client practice.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.5000 QUALITY REVIEW CYCLE FOR FIRMS.

[For text of subpart 1, see M R]

Subp 2 [Repealed, 33 SR 476]

Subp 3 **Firms that are subject to quality review after December 31, 2002.** Firms that become subject to the quality review program after December 31, 2002, for the first time shall determine their cycles according to part 1105 5100.

[For text of subp 4, see M R]

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.5100 FIRM QUALITY REVIEW REQUIREMENT FOR FIRMS NEWLY SUBJECT TO REQUIREMENT ON OR AFTER JANUARY 1, 2003.

As a condition to renewal of a firm permit, a new firm shall undergo a quality review during the first year after it becomes subject to the requirements for quality review, and shall report the material in part 1105 5400 to the board no later than 15 months after the end of the first year after becoming subject to the requirement.

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After the initial report, the firm shall be required to report every three years

A new firm is one that has not previously been issued a permit in Minnesota or has not had a quality review completed in the three-year period prior to application. It does not include the firms described in items A to D.

[For text of item A, see MR]

B A new partnership, corporation, LLC, or LLP in which the constituent firms were already in a quality review cycle. The quality review of the new firm must be conducted in the latest of the constituent firms' cycles

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

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.5200 QUALIFICATIONS OF REVIEWER.

The reviewer shall have the following minimum qualifications:

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

G have the expertise, experience, and qualifications to conduct a quality review

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.5400 REPORT TO BOARD.

A Within 30 days of receipt of the letter described in subitem (2), but no later than the date in part 1105 5000, each firm shall submit, or have submitted on its behalf, the following material to the board

- (1) a copy of the report issued by the reviewer, including any response from the firm that addresses deficiencies or significant deficiencies contained in the report;
- (2) the final letter of acceptance 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, a written report, including any responses by the firm attached to the report, on all inspections conducted by the Public Company Accounting Oversight Board submitted within 30 days of receipt 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 client practice has been conducted and submitted to the board according to parts 1105 4600 to 1105 5500 or according to standards adopted by the AICPA or the Public Company Accounting Oversight Board within the previous three years. Prior to January 1, 2008, the board may waive the requirement for a report on the firm's public company attest client practice if a report on the review of such practice is not received by the firm from the Public Company Accounting Oversight Board

[For text of item B, see M R]

C. In connection with the submission required by item A, the firm shall specifically notify the board if it has had two or more consecutive quality reviews of its nonpublic company attest or compilation client practice that resulted in the firm receiving a report that was other than pass. A firm's review shall result in one of three findings:

- (1) pass,
- (2) pass with deficiencies, or
- (3) fail

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.5600 GROUNDS FOR ENFORCEMENT ACTION.

Subpart 1 **Grounds for disciplinary 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 specified in Minnesota Statutes, section 326A 08. In addition, the grounds include the following particular grounds for disciplinary action:

A fraud, dishonesty, or deceit in obtaining a certificate, registration, or permit, within the meaning of Minnesota Statutes, section 326A 08, subdivision 5, paragraph (a), clause (5), 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 this chapter;

B dishonesty, fraud, deceit, or gross negligence through knowingly or through gross negligence, by making misleading, deceptive, or untrue representations in the performance of services,

C violations of the act or rules promulgated under the act, within the meaning of Minnesota Statutes, section 326A.08, subdivision 5, paragraph (a), clause (1), including:

(1) using the CPA title or providing attest or compilation services in this state without a certificate with an active status, registration, or permit to practice issued under Minnesota Statutes, sections 326A 04 and 326A 05, 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, deceptive, or misleading statement, in support of an application for a certificate, registration, or permit 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 in Minnesota Statutes, section 326A 04, subdivision 4, and failure to comply with the continuing education requirements of this chapter,

(6) failure to comply with professional standards as to the attest or compilation competency requirement for those who supervise attest or compilation engagements and sign reports on financial statements or other compilation communications with respect to financial statements,

(7) failure to comply with the applicable quality review requirements set out in this chapter and Minnesota Statutes, sections 326A.04 and 326A 05, subdivision 8, or

(8) making any false, deceptive, or misleading statement in support of a request to the board to accept the voluntary surrender of a certificate, registration, or permit,

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

- (1) adjudication as mentally incompetent,
- (2) fiscal dishonesty of any kind;
- (3) presenting as one's own a certificate, registration, or permit issued to another,
- (4) concealment of information regarding violations by other licensees of the act or this chapter when questioned or requested by the board;
- (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; and
- (6) incompetence, including:
 - (a) gross negligence, recklessness, or repeated acts of negligence in the licensee's record of professional practice, or
 - (b) any condition, whether physical or mental, that endangers the public by impairing skill and care in providing professional services.

E 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), clause (6) or (7) or has been convicted of, has pled guilty or nolo contendere to, or has been sentenced as a result of the commission of a felony or crime, an element of which is dishonesty or fraud, 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.

F An initial determination by the board not to institute proceedings under Minnesota Statutes, section 326A.08, does not preclude the board from subsequently doing so if relevant information is obtained which, in the opinion of the board, would have resulted in a different determination if the information was known earlier.

Subp 2 **Failing to file a report.** A finding, adjudication, consent order, or conviction by a federal or state court, agency, or regulatory authority, or the Public Company Accounting Oversight Board that a licensee has willfully failed to file a required report or record specified in subpart 1, item D, subitem (5), is prima facie evidence of a violation of this part.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.5800 REVIEW OF PROFESSIONAL WORK PRODUCT.

The board may solicit and receive publicly available reports of licensees, registrants, and individuals with privileges under Minnesota Statutes, section 326A.14, 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 the licensee, registrant, or individual. It may also review

such reports and otherwise proceed with respect to the results of the review as prescribed in part 1105 4300 to 1105 5400

Statutory Authority: *MS s 326 18*

History: *33 SR 476*

1105.5900 NOTICES OF HEARING OR CONFERENCE.

[For text of item A, see M R]

B. When the notice of conference is served pursuant to Minnesota Statutes, section 326A 08, it must be accompanied by a copy of Minnesota Statutes, section 326A.08

C. The investigation, hearing, or conference may result in the discovery of additional violations. The additional violations do not need to be specifically identified in the notice issued in item A.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.6200 ACTION BY BOARD.

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

C. In considering an application under part 1105.6100, 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 Minnesota Statutes, section 326A 14, or permit was in good standing, the applicant's rehabilitative efforts, restitution to damaged parties in the matter for which the penalty was imposed, the applicant's general reputation for truth and professional probity, and factors described in part 1105 2450

[For text of item D, see M R]

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.6300 MISLEADING CPA FIRM NAMES.

A CPA firm name is misleading within the meaning of Minnesota Statutes, section 326A 10, paragraph (h), if, among other things, the CPA firm name

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

C. includes the name of a person who is not a CPA if the title "CPAs" is included as part of the firm name

The firm name shall not include the name of a person who was a past partner, member, or shareholder of the firm if the person withdraws consent to the use or if the person becomes a partner, member, shareholder, or owner of a firm established under Minnesota Statutes, section 326A 05

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

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

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

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

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

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.6550 DEFINITION OF VALID CERTIFICATE, LICENSE, PERMIT, REGISTRATION, AND OF GOOD STANDING.

A "Valid certificate" or "valid license," as used in Minnesota Statutes, section 326A 10 or 326A 14, is an unexpired certificate that has a certificate status of "active" as defined in part 1105 2500. This definition does not limit the use of the CPA designation by those persons who comply with parts 1105.3300 and 1105 3900.

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

D. "Good standing," as used in parts 1105 3400 and 1105 3500 and Minnesota Statutes, section 326A 14, is the absence of grounds for enforcement or disciplinary action described in part 1105 5600 and Minnesota Statutes, section 326A 08, subdivision 5.

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.6600 REGISTERED ACCOUNTING PRACTITIONER.

The designation of "registered accounting practitioner" shall be issued by the board to persons of good moral character who have made application on a form provided by the board and who

- A have met the education requirement in part 1105.6700,
- B have met the RAP examination requirement in part 1105 6800;
- C have met the experience requirement in part 1105 6900,
- D have submitted documentation, which can be verified by the board, to support items A to C, and
- E have paid the fee in part 1105.0600

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*

1105.7000 RENEWAL OF REGISTRATION.

A The registration of a registered accounting practitioner expires on December 31 each year and must be renewed annually before December 31 on a form provided by the board for that purpose. The fee in part 1105.0600 must be paid. If an application for renewal is filed late, it shall also be accompanied by the delinquency fee in part 1105 0600. In addition, the reinstatement fee in this chapter must be paid if the renewal is filed more than two years late.

B A registrant seeking renewal shall show that the registrant has completed no less than 90 hours of continuing professional education complying with the standards in part 1105 3100 during the three-year period preceding renewal with a minimum of 20 hours in each year. At least four hours of the 90 hours shall be in accounting ethics or business ethics. 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 registrant's initial three-year period starts on January 1 following the date the individual is initially registered by the board.

C Failure to report continuing professional education, failure to obtain CPE required by this part, reporting an amount less than that required, or fraudulently reporting continuing professional education is a basis for disciplinary action under Minnesota Statutes, section 326A.08. A registrant not in compliance with this part on June 30 of each year shall be subject to the requirements of part 1105 3000, item G.

D A registrant shall report compliance with this part as required by item B. The board shall verify on a test basis, through inspection of documentation supplied by the registrant, information regarding hours of CPE attendance in order to determine compliance with the continuing professional education requirements of this chapter.

E The continuing professional education hour limitations in part 1105.3100, subpart 4, do not apply to a registrant.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.7200 NOTIFICATION OF CHANGES BY RAP FIRMS.

A A RAP firm registered under this chapter shall file with the board a written notification of any of the following events concerning its practice within this state within 30 days after its occurrence:

- (1) formation of a new RAP firm;
- (2) addition of a partner, member, manager, director, or shareholder,
- (3) retirement, withdrawal, or death of a partner, member, manager, director, or shareholder;

[For text of subitems (4) to (8), see MR]

B In the event of any changes in legal form of a RAP firm, the new firm shall, within 30 days of the change, file an application for an initial RAP firm permit according to this chapter and pay the fee required by this chapter.

C RAP firms that fall out of compliance with this part shall take corrective action within 60 days to bring the firm back into compliance. Failure to do so shall result in the suspension or revocation of the RAP firm permit.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM NAMES.

[For text of item A, see MR]

B A RAP firm name is misleading if, among other things, the RAP firm name

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

(3) includes the name of a person who is not a RAP if the title "RAP" is included as part of the firm name.

The firm name shall not include the name of a person who was a past partner, member, shareholder, or owner of the firm if the person withdraws consent to the inclusion or if the person becomes a partner, member, shareholder, or owner of a firm established under part 1105.7100.

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

[For text of subitems (1) to (10), see MR]

(11) the name of a firm that is a sole proprietorship fails to contain the surname of the sole proprietor,

[For text of subitems (12) and (13), see MR.]

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

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1105.7500 COMPILATION REPORTS.

[For text of item A, see MR]

B The form of the compilation report that can be issued is in part 1105 6500, items B and C

C. Registrants must comply with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants when performing compilation services except as specified in part 1105 6500, item C The statements are in AICPA Professional Standards, Volume 2, published by the American Institute of Certified Public Accountants, which are incorporated by reference

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.7600 [Repealed, 33 SR 476]

1105.7800 CODE OF PROFESSIONAL CONDUCT.

[For text of item A, see MR]

B Failure to report continuing professional education or falsely reporting continuing professional education required by parts 1105 3000 and 1105.7000 is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A 08

C Failure to report quality reviews required by parts 1105.4000 and 1105.7100 or seeking an exemption when one is not warranted, is an act discreditable to the profession and is a basis for disciplinary action under Minnesota Statutes, section 326A 08.

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 under Minnesota Statutes, section 326A 08

E Persons and firms subject to the Sarbanes-Oxley Act of 2002, Public Law 107-204, shall comply with that act and related published rules. Failure to do so is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A 08

F Persons and firms performing audit or attest services according to 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, which documents are incorporated by reference, shall comply with those standards Failure to do so is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A 08

[For text of item G, see MR.]

H (1) A licensee, registrant, certificate holder, or applicant may not directly or indirectly take any action to fraudulently influence, coerce, manipulate, or mislead any certified public accounting firm, the state auditor, or the legislative auditor engaged in the performance of an audit of financial statements if that person knew or was unreasonable in not knowing that the action could, if successful, result in rendering the financial statements materially misleading Engaging in these acts is an act discreditable to the profession and is a basis for disciplinary action under Minnesota Statutes, section 326A 08

[For text of subitem (2), see MR]

I A licensee shall not render services that do not follow the standards, as applicable under the circumstances and at the time the services are provided, specified in the documents in part 1105 0250 In addition to these applicable standards, and to the extent other provisions of this chapter and Minnesota Statutes do not modify or conflict with them, 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

J (1) A licensee shall not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when the licensee also performs for that client

- (a) an audit or review of a financial statement,
- (b) a compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence, or
- (c) an examination of prospective financial information

This prohibition applies during the period in which the licensee is engaged to perform any of the services listed under this item and the period covered by any historical financial statements involved in these services.

(2) A licensee who is not prohibited by this item from performing services for or receiving a commission and who is paid or expects to be paid a commission shall disclose that fact to any person or entity to whom the licensee recommends or refers a product or service to which the commission relates

(3) Any licensee who accepts a referral fee for recommending or referring any service of a licensee to any person or entity or who pays a referral fee to obtain a client shall disclose any acceptance or payment to the client

K (1) A licensee shall not

(a) perform for a contingent fee any professional services for, or receive any fee from a client for whom the licensee or the licensee's firm performs

- 1. an audit or review of a financial statement,
- ii a compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence, or
- iii an examination of prospective financial information, or

(b) prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client

(2) The prohibition in subitem (1) applies during the period in which the licensee is engaged to perform any of the services listed in this item and the period covered by any historical financial statements involved in any listed services.

(3) A contingent fee is a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. For purposes of this item, fees are not regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. A licensee's fees may vary depending, for example, on the complexity of services rendered.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.7850 RETENTION AND CONTENT OF AUDIT DOCUMENTATION.

A. Firms granted permits under Minnesota Statutes, section 326A.05, shall prepare, according to professional standards contained in AICPA Professional Standards, Volume 1, 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.

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B The professional standards referred to in item A are incorporated by reference

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, which are incorporated by reference in part 1105 0250, items D and E, respectively, is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A 08. The documentation and retention requirements 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 in this part in any other audit engagement performed for a client having its headquarters in this state.

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

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

[For text of items F to H, see M R]

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

1105.7900 SUBSTANTIAL EQUIVALENCY.

A Under Minnesota Statutes, section 326A 04, subdivision 3, paragraph (b), an individual rendering professional services in this state whose principal place of business will be in this state is required to have a certificate issued under Minnesota Statutes, section 326A.04

B Upon meeting the qualifications in Minnesota Statutes, section 326A 14, subdivision 1, paragraph (a) or (b), an individual rendering professional services in this state whose principal place of business is not in this state is granted practice privileges equivalent to the licensees of this state without the need to obtain a license

C For purposes of the act and this chapter, an individual shall, at any time, only designate a single state as the individual's principal place of business Residents of this state who provide professional services in this state at an office location in this state shall be considered to have their principal place of business in this state

D Individuals required by Minnesota Statutes, section 326A 14, subdivision 1, paragraph (b), to obtain a verification that their individual qualifications are substantially equivalent to the licensure requirements of Minnesota Statutes, section 326A 03, subdivisions 3, 4, and 6, shall obtain the verification from the NASBA National Qualification Appraisal Service prior to rendering professional services in this state Documentation supporting this verification must be maintained by the individual for a minimum period of six years and must be submitted to the board upon request

Statutory Authority: *MS s 326A 02*

History: *33 SR 476*