

1105.4300 QUALITY REVIEW AS CONDITION FOR RENEWAL OF PERMIT.

A. The board has established in parts 1105.4600 to 1105.5500 procedures to perform the following functions:

- (1) review of financial statements and the reports of licensees on financial statements, to assess compliance with applicable professional standards;
- (2) improvement of reporting practices of licensees through educational and rehabilitative measures;
- (3) referrals to the complaint committee of cases requiring further investigation;
- (4) verification that individuals in the firm responsible for supervising attest or compilation services and signing the accountant's report on financial statements on behalf of the firm meet the competency requirement set out in applicable professional standards;
- (5) verification that a licensee who issues compilation reports for the public other than through a CPA firm, who supervises the services or signs the compilation report on the financial statements, meets the competency requirements set out in applicable professional standards; and
- (6) other functions necessary to carry out the quality review process.

B. 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).

(1) It must be composed of five individuals appointed by the board for three-year staggered terms. No individuals who are members or employees of the board or employees, directors, or officers of a report acceptance body designated in part 1105.5300 may serve on the committee. At least two of the individuals appointed by the board shall be licensees at the time of their appointment. The chair of the committee shall be a licensee and shall be designated as chair by the board.

(2) It must have full access to the quality review process that is subject to oversight.

(3) It must annually provide the board by December 31 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. Further, the committee shall annually provide the board by August 1 with the report it obtained in part 1105.5300, item D, relating to continuing professional education sponsored by the report acceptance bodies and its evaluation of the report.

(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 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422*

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