

CHAPTER 1105

BOARD OF ACCOUNTANCY

LICENSURE AND REGULATION OF ACCOUNTANTS

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1105.0100 DEFINITIONS.

Subpart 1. **Scope.** For purposes of this chapter, the terms in this part and in Minnesota Statutes, section 326A.01, have the meanings given.

Subp. 2. **Act.** "Act" means Minnesota Statutes, chapter 326A.

Subp. 3. **AICPA.** "AICPA" means the American Institute of Certified Public Accountants.

Subp. 4. **Applicant.** “Applicant” means a person applying to take the Uniform Certified Public Accountant Examination. An “applicant” is also referred to as a “candidate.” The term “applicant” also includes persons who have passed the examination but have not yet received their CPA certificates.

Subp. 5. **Certificate holder.** “Certificate holder” means a person who has passed the Uniform Certified Public Accountant Examination, received a CPA certificate, but was not licensed prior to January 1, 2003.

Subp. 6. **Contested case.** “Contested case” means a proceeding before the board in which the legal rights, duties, or privileges of specific parties are required by law or constitutional right to be determined after a board hearing.

Subp. 7. **Director.** “Director” means a director of a firm issued a permit under part 1105.7100 or Minnesota Statutes, section 326A.05.

Subp. 8. **Examination.** “Examination” means an examination conducted under parts 1105.1600 to 1105.2400 or Minnesota Statutes, section 326A.03.

Subp. 9. **Financial statements.** “Financial statements” means statements and footnotes related to them that undertake to present an actual or anticipated financial position as of a point in time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or another comprehensive basis of accounting. “Financial statements” does not include incidental financial data included in management advisory service reports to support recommendation to a client, nor does it include tax returns and supporting schedules.

Subp. 10. **NASBA.** “NASBA” means the National Association of State Boards of Accountancy.

Subp. 11. **Officer.** “Officer” means an officer of a firm issued a permit under part 1105.7100 or Minnesota Statutes, section 326A.05.

Subp. 12. **Quality review.** “Quality review” means a peer review as required by Minnesota Statutes, section 326A.05, subdivision 8. Quality review also means a study, appraisal, or review of one or more aspects of the professional work of a licensee or CPA firm that issues attest or compilation reports, or the professional work of a person registered under Minnesota Statutes, section 326A.06, paragraph (b), 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.

Subp. 13. **RAP or registered accounting practitioner.** “RAP” or “registered accounting practitioner” means a person registered by the board as a registered accounting practitioner under Minnesota Statutes, section 326A.06, paragraph (b), and part 1105.6600.

Subp. 14. **RAP firm.** “RAP firm” means a sole proprietorship, corporation, partnership, or any other form of organization issued a RAP firm permit under this chapter.

Subp. 15. **Registrant.** “Registrant” means a person who is a registered accounting practitioner.

Subp. 16. **Registration.** “Registration” means the voluntary registration of accounting practitioners under parts 1105.6600 to 1105.7700 and Minnesota Statutes, section 326A.06, paragraph (b).

Subp. 17. **Report.** “Report,” as defined in Minnesota Statutes, section 326A.01, subdivision 15, and as used in this chapter and Minnesota Statutes, section 326A.10, paragraph (a), includes forms of language contained in a report that refers to financial statements, when the forms of language express or deny any assurance as to the reliability of the financial statements to which it refers. Among the possible sources of such forms of language are pronouncements by authoritative bodies describing the work that should be performed and/or the responsibilities that should be assumed for specified kinds of professional engagements, and in addition, prescribing the form of report, which should be issued upon completion of such engagements. A form of report prescribed by such a pronouncement will ordinarily constitute a form of language, which is conventionally understood as implying assurance and expertise. For this reason, as provided in Minnesota Statutes, section 326A.10, report includes the issuance of reports using the forms of language set out in the AICPA’s Statement

on Standards for Accounting and Review Services No. 1 (SSARS 1), for reports with respect to “reviews” of financial statements and compilations of financial statements, as well as the forms of language for “special reports” set out in the AICPA’s Statement on Auditing Standards No. 62 and forms of language for reports set out in the AICPA’s Statements on Standards for Attestation Engagements or successor pronouncements. These AICPA statements are contained in AICPA Professional Standards and are incorporated by reference.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

1105.0200 INTERPRETATION OF RULES.

Subpart 1. **Canons of construction.** Except as otherwise specifically provided, this chapter shall be interpreted in accordance with Minnesota Statutes, chapter 645.

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, 319A.01 to 319A.22, and 326.53, and chapter 326A.

Subp. 3. **Oral opinions.** Oral requests to board or staff members for oral opinions and interpretations of this chapter and Minnesota Statutes, chapter 326A, are discouraged. Whenever given, oral opinions are nonbinding and applicants, certificate holders, licensees, registrants, or other persons who act in reliance upon them do so at their own risk.

Subp. 4. **Exceptions.** In the application of this chapter, the board may make exceptions for reasons of individual hardship including health, military service, foreign residency, or other good cause. The applicant, licensee, firm, or registered accounting practitioner has the burden of proving such hardship.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.0250 INCORPORATION BY REFERENCE.

A. For purposes of this chapter, the documents dated June 1, 2005, in item B; the documents dated June 1, 2005, in item C; the document copyrighted 2005 in item D; and the 2003 revision, as further amended through May 2005, of the document in item E 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) Statements for Performing and Reporting on Peer Reviews; and
- (4) Statement on Standards for Continuing Professional Education (CPE)

Programs.

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

C. 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 Professional Standards, Volume 1; and
- (2) AICPA Professional Standards, Volume 2.

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, copyright 2005.

E. The following document is published by and available from the United States General Accounting Office, Washington, DC 20548: Government Auditing Standards: 2003 revision.

Statutory Authority: *MS s 326A.02*

History: *30 SR 422*

1105.0300 BOARD OF ACCOUNTANCY MEETINGS.

The board shall meet at least eight times each year. The chair or a quorum of the board has the authority to call meetings of the board. The board shall follow and apply the rules of procedure contained in Minnesota Statutes, chapters 13, 14, and 326A, as regards to notice and conduct of meetings and shall operate under Robert's Rules of Order, newly revised, when not in conflict with state laws governing licensing boards.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

1105.0400 ELECTION AND TENURE OF OFFICERS.

The board shall elect annually from among its members a chair, a vice-chair, and other officers the board may require. The officers shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

1105.0500 DUTIES OF OFFICERS.

A. The chair or, in the event of the chair's absence or inability to act, the vice-chair shall preside at and prepare an agenda for all meetings of the board. The chair shall make committee appointments and shall supervise the activities of the executive secretary in accordance with board directives and policy. The board shall determine other duties of the officers.

B. The chair or vice-chair of the board may be removed as an officer of the board by the affirmative vote of five board members at any regular board meeting or at any special board meeting called for that purpose. Not less than 15 days written notice must be given to each board member of the intent to call for a vote to remove the chair or vice-chair from their office.

C. Except as may be specifically authorized by the board, by Minnesota Statutes, chapter 326A, or by this chapter, actions of any committee appointed by the chair may be rejected by the board.

Statutory Authority: *MS s 326.18; 326A.02*

History: *27 SR 1425; 30 SR 422*

1105.0600 FEES.

The following fees apply:

- A. initial issuance of certificate, \$50;
- B. renewal of certificate with an active status, \$45;
- C. initial CPA firm permits, except for sole practitioners, \$100;
- D. renewal of CPA firm permits, except for sole practitioners, \$35;
- E. initial issuance and renewal of CPA firm permits for sole practitioners, \$35;
- F. annual delinquency fee for permit, certificate, or registration renewal applications, \$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;
- I. applications for reinstatement, \$20;
- J. initial registration of a registered accounting practitioner, \$50;

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- K. initial registered accounting practitioner firm permits, \$100;
- L. renewal of registered accounting practitioner firm permits, except for sole practitioners, \$35;
- M. renewal of registered accounting practitioner firm permits for sole practitioners, \$35;
- N. computer-based CPA examination application, \$40;
- O. computer-based CPA examination, fee determined by third-party examination administrator;
- P. Minnesota Statutes, section 326A.14, practice privilege application, \$45; and
- Q. renewal of certificates with an inactive status, \$10.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

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 N, 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 O, is refundable based on the refund policy of the third-party administrator.

Statutory Authority: *MS s 326.18; 326A.02*

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

1105.0800 [Repealed, 28 SR 1636]

1105.0900 VERIFICATION AND TRANSFER OF GRADE FEES.

Requests for verification of data on examinees, certificate holders, registrants, or licensees, and requests for transfer of grades, must be made in writing and accompanied by a \$20 administrative processing fee and a self-addressed stamped envelope.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.1000 PRORATING FEES.

Certificate, permit, or registration fees pertain to a calendar year and must not be prorated.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.1100 OBLIGATION OF LICENSEES AND REGISTRANTS TO NOTIFY THE BOARD OF 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 annually notify the board of correct business and home addresses and telephone and facsimile numbers.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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 326.18; 326A.02*

History: 27 SR 1425; 28 SR 1636

1105.1300 APPEARANCE BEFORE BOARD.

At the request of the board, a committee of the board, or the attorney general on behalf of the board or a committee of the board, a holder of a certificate or registration issued by the board and an applicant for examination, certificate, or registration shall appear before the board, committees of the board, or the attorney general; respond to any questions of the board, committees of the board, or the attorney general; and produce any evidence requested by the board, committees of the board, or the attorney general to assist the board in determining the person's qualifications or compliance with Minnesota statutes or rules.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.1400 SEMESTER HOUR; ACCREDITED COLLEGES, UNIVERSITIES, SCHOOLS, AND PROGRAMS; CREDIT FOR COURSES.

Subpart 1. **Definition; semester hour.** As used in this chapter, a "semester hour" means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds.

Subp. 2. **Definition; accreditation.** As used in this chapter, "accreditation" refers to the process of quality control of the education process. There are three different levels of accreditation referred to in this chapter and the degree to which the board relies on accreditation differs according to the level at which the degree-granting institution is accredited. The three levels of accreditation are described in items A to C.

A. Level one accreditation, the educational institution, is granted to a four-year, degree-granting college or university that is accredited by one or more recognized regional or national accrediting agencies or successor agencies listed with the United States Department of Education.

B. Level two accreditation, the business school, is granted to a business school or college of business that has been accredited by a national accreditation agency listed with the United States Department of Education, such as the American Assembly of Collegiate Schools of Business (AACSB), following a specific and comprehensive review of its faculty, resources, and curricula. In evaluating a candidate's credentials, the board shall rely on this accreditation as evidence that the institution's business school has met minimum overall standards of quality for such schools.

C. Level three accreditation, the accounting program or department, is granted to an accounting program or department that has been accredited by a national accreditation agency listed with the United States Department of Education, such as the AACSB. Accounting programs or departments accredited in this manner have met standards substantially higher and much more specific than those required for level one or level two accreditation. For level three accreditation, the accounting program or department must meet a stringent set of standards that address faculty credentials, student quality, physical facilities, and curricula. Graduates who submit transcripts from accredited accounting programs shall be deemed to have met the board's specific accounting and business course requirements.

Subp. 3. **Institution accredited when degree is granted.** A candidate is considered as graduating from an accredited educational institution if, at the time the educational institu-

tion grants the applicant's degree, it is accredited at the appropriate level as outlined in this chapter.

Subp. 4. Institution accredited when applicant files with board. If an educational institution was not accredited at the time an applicant's degree was received, but is so accredited at the time the application is filed with the board, the institution is considered to be accredited for the purpose of subpart 3, if it:

A. certifies that the applicant's total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and

B. furnishes the board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify the applicant as an accounting major are substantially equivalent to postaccrediting courses.

Subp. 5. Degree includes courses taken at nonaccredited institution. If an applicant's degree was received at an accredited educational institution pursuant to subpart 3 or 4, but the educational program that was used to qualify the applicant as an accounting major included courses taken at nonaccredited institutions, either before or after graduation, the courses are considered to have been taken at the accredited institution from which the applicant's degree was received, if the accredited institution either:

A. has accepted the courses by including them in its official transcript; or

B. has certified to the board that it will accept the courses for credit toward graduation.

Subp. 6. College or university not accredited. A graduate of a four-year, degree-granting college or university not accredited at the time the applicant's degree was received or at the time the application was filed is considered to be a graduate of an accredited educational institution if:

A. a credentials evaluation service approved by the board certifies that the applicant's degree is equivalent to a degree from an accredited educational institution defined in subpart 2, item A; or

B. (1) an accredited educational institution as defined by subpart 2, item A, accepts the applicant's nonaccredited baccalaureate degree for admission to a graduate business degree program;

(2) the applicant satisfactorily completes at least 15 semester hours, or the equivalent, in postbaccalaureate education at the accredited educational institution, of which at least nine semester hours, or the equivalent, is in accounting; and

(3) the accredited educational institution certifies that the applicant is in good standing for the continuation in the graduate program, or has maintained a grade point average in these courses that is necessary for graduation.

Subp. 7. Advanced subjects. The advanced subjects completed to qualify under subpart 6, item B, subitem (2), shall not be used to satisfy the requirements of subpart 8.

Subp. 8. Accounting and business concentration. The accounting and business concentration or equivalent described in Minnesota Statutes, section 326A.03, subdivision 3, must consist of the semester hours specified in part 1105.1500, subpart 1. No more than six hours may be recognized for internships or life experience.

Statutory Authority: *MS s 326.18; 326A.02*

History: *27 SR 1425; 30 SR 422*

1105.1500 EDUCATION REQUIREMENTS.

Subpart 1. Education requirements on or after July 1, 2006. On or after July 1, 2006, for purposes of Minnesota Statutes, section 326A.03, subdivision 3, an applicant is considered to have met the education requirement if the applicant has met any one of the following conditions:

A. earned a graduate degree with a concentration in accounting from an accounting program or department that is accredited (level three accreditation) by an accrediting agency listed with the United States Department of Education;

B. earned a graduate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency recognized by the board and completed at least 24 semester hours in accounting at the undergraduate level or 15 semester hours at the graduate level, or an equivalent combination thereof, including coverage of, but not necessarily separate courses in, the subject of financial accounting, auditing, taxation, and management accounting;

C. earned a baccalaureate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency listed with the United States Department of Education and completed at least 24 semester hours in accounting at the undergraduate or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting; and completed at least an additional 24 semester hours in business-related or accounting courses at the undergraduate or graduate level; or

D. earned a baccalaureate or higher degree from an accredited educational institution (level one accreditation) that included or is supplemented by at least 24 semester hours of accounting at the upper division or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, and management accounting that is earned at an accredited educational institution. Upper division is normally defined as junior or senior level. In accounting, this would be all courses taken beyond the elementary level. Graduate level is defined as courses that apply towards an advanced degree offered by an accredited educational institution offering bachelor's and graduate degrees in business or accounting.

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

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 326.18; 326A.02*

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

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.

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 326.18; 326A.02*

History: 27 SR 1425; 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 326.18; 326A.02*

History: 27 SR 1425; 28 SR 1636

1105.1800 EXAMINATION CONTENT.

Subpart 1. Scope. The examination required by Minnesota Statutes, section 326A.03, must test the knowledge and skills required for performance as an entry-level certified public accountant. The examination must include the subject areas of accounting and auditing and related knowledge and skills.

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.

Subp. 3. Oral examination. An oral examination and attendance at a lecture or discussion session may be required covering questions on professional qualifications, experience, general knowledge relating to accountancy, fitness as an accountant, and professional ethics.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 28 SR 1636

1105.1900 DETERMINING AND REPORTING EXAMINATION GRADES.

An applicant is required to pass all sections of the examination provided for in Minnesota Statutes, section 326A.03, subdivision 4, in order to qualify for a certificate. The board or examination administrator shall report to the applicant the results, as determined by the examination administrator, of each examination section. The board shall review and approve examination grades as determined by the examination administrator and make a final determination as to the official results of all sections of the examination upon application for a certificate by the applicant. The applicant must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure.

Statutory Authority: *MS s 326.18; 326A.02*

History: *27 SR 1425; 30 SR 422*

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:

A. an applicant must pass all four sections of the Uniform Certified Public Accountant Examination within a rolling 18-month period, that begins on the date that the first section or sections passed are taken; and

B. an applicant may not retake a failed section or sections of the examination in the same examination window. The examination window shall be determined by the board.

In the event all four sections of the Uniform Certified Public Accountant Examination are not passed within the rolling 18-month period, credit for any section passed outside the 18-month period expires and that section must be retaken.

Subp. 3. **Transition.**

A. Applicants having earned conditional credits on the paper-and-pencil examination, as of the launch date of the computer-based Uniform Certified Public Accountant Examination, shall be given conditional credits for the corresponding sections of the computer-based examination as follows:

Paper-and-Pencil Examination	Computer-Based Examination
Auditing	Auditing and Attestation
Financial Accounting and Reporting (FARE)	Financial Accounting and Reporting (FARE)
Accounting and Reporting (ARE)	Regulation
Business Law and Professional Responsibilities (LPR)	Business Environment and Concepts

B. Candidates who have attained conditional status as of the launch date of the computer-based Uniform Certified Public Accountant Examination shall be allowed 18 months to complete any remaining sections of the examination.

C. If a previously conditioned candidate does not pass all remaining sections during the 18-month period specified in item B, conditioned credits earned under the paper-and-pencil examination expire and the candidate loses credit for the sections earned under the paper-and-pencil examination. Any section passed during the transition period is subject to the conditioning provisions of the computer-based examination.

Subp. 4. **Other states.** An applicant shall be given credit 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.

Subp. 5. **Waiver.** The board may, in particular cases, waive or defer any of the requirements of subparts 1 to 4 regarding the circumstances in which the various sections of the examination must be passed upon a showing that, by reason of circumstances beyond the applicant's control, the applicant was unable to meet the requirement.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 28 SR 1636

1105.2100 EXAMINATION CHARGES.

The board shall charge, or provide for a third party to charge, each applicant a fee for each section of the examination or reexamination taken by the applicant as specified in part 1105.0600.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.2200 CHEATING.

Subpart 1. **Generally.** Cheating by an applicant in applying for, taking, or subsequent to the examination invalidates any grade otherwise earned by a candidate on any section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time as determined by the board.

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

A. falsifying or misrepresenting educational credentials or other information required by the board to sit for the examination;

B. communication between candidates inside or outside the test site about the examination or copying another candidate's answers;

C. communication with others inside or outside the test site about the examination while the candidate is taking the examination;

D. substitution of another person to sit in the test site in the place of a candidate; and

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

Subp. 3. **Remedial action during examination.** In any case in which it appears that cheating has occurred or is occurring, the board or its representatives shall either summarily expel the candidate involved from the examination or move the candidate to a position in the test site away from other examinees where the candidate can be watched more closely.

Subp. 4. **Investigation.** In any case in which the board believes that it has evidence that a candidate has cheated on the examination, including those cases where the candidate has been expelled from the examination, the board shall conduct an investigation expeditiously following the examination session for the purpose of determining whether there was cheating, and if so what remedy should be applied. The board shall decide whether the candidate shall be:

A. given credit for any portion of the examination completed in the session; and

B. barred from taking the examination and, if so, for what period of time.

Subp. 5. **Penalties.** In any case in which the board or its representative permits a candidate to continue taking the examination, it shall, depending on the circumstances, take one or more of the following actions:

A. admonish the candidate;

B. seat the candidate in a segregated location for the rest of the examination;

C. keep a record of the candidate's seat location and identifying information, and the names and identifying information of the candidates in close proximity of the candidate; and

D. notify the examination administrator of the circumstances, furnishing the candidate's identifying information, so that the candidate is more closely monitored in future examination sessions.

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.

Subp. 7. **Other states.** In any case in which the candidate is refused credit for any section of the examination taken, disqualified from taking any section of the examination, or barred from taking the examination in the future, the board shall provide to the board of accountancy of any other state to which the candidate may apply for the examination information as to the board's findings and actions taken.

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.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

1105.2300 SECURITY AND IRREGULARITIES.

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

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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 N and O; 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 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 326.18; 326A.02*

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

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.

B. Applications for renewal of certificates must be accompanied by evidence satisfactory to the board that the applicant has complied with the continuing professional education requirements under this chapter and Minnesota Statutes, section 326A.04, subdivision 4.

C. (1) Licensees granted an exception under part 1105.3300 shall have a certificate status of "inactive."

(2) Licensees who elect to be exempt from certificate renewal under part 1105.3700 shall have a certificate status of "exempt."

(3) Certificate holders who meet the criteria of part 1105.3900 shall have a certificate status of "certificate holder."

(4) Licensees who have complied with part 1105.3000, items A to C, and do not meet the criteria of subitems (1) to (3), shall have a certificate status of "active." Initial issuances of certificates shall also have an "active" status.

(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.

E. The 60-day period in item D starts on the date the applicant or licensee has:

(1) received notification from the board or examination administrator that all sections of the Uniform Certified Public Accountant Examination have been successfully passed;

(2) met the education and experience requirements for the issuance of a certificate; and

(3) become an owner or employee of a firm issued a permit or an employee in the Office of Legislative Auditor or State Auditor.

Statutory Authority: *MS s 326.18; 326A.02*

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

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.

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.

C. Experience as an auditor in the Office of the Legislative Auditor or State Auditor, as verified by a licensee, is acceptable experience.

D. One year of experience consists of full- or part-time employment that extends over a period of no less than one year and no more than three years and includes no fewer than 2,000 hours of performance of services described in item A, and may be obtained at any time prior to or after July 1, 2006.

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 326.18; 326A.02*

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

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

Subpart 1. Intent. It is the intent of this requirement that applicants have had practical public accounting experience of reasonable variety and importance, requiring independent thought and judgment on important accounting, auditing, and income tax matters, consistent with the competence generally expected of a certified public accountant.

Subp. 2. Measurement. Experience recognized by the board is measured on the basis of calendar months and days worked by the applicant as an employee on the staff of a certified public accountant in public practice or in qualifying governmental experience or self-employment. Part-time work in public accounting is equivalent in proportion to full-time work, with a maximum of eight hours per day or 40 hours per week. The experience must be verified by the employer. Self-employment experience must be verified by five clients.

Subp. 3. Audit experience. Persons claiming audit experience for work with governmental entities shall, for individuals other than auditors in the Office of the Legislative Auditor or State Auditor claiming experience under Minnesota Statutes, section 326A.03, subdivision 8, clause (2):

A. have their audit work directly relied upon by third parties outside of their agency or department and, in the case of federal government employees, have experience at the Federal GS 11 range or higher; or

B. have experience similar to that of the auditors in the Office of the Legislative Auditor and the Office of the State Auditor.

The burden rests with the applicant to demonstrate to the board that other governmental experience should be recognized as qualifying. A written statement must be filed with the board, giving a complete description of the purposes, work standards, and procedures of any position believed to be qualifying. This statement shall be approved by a responsible administrative officer of the applicable governmental unit as determined by the board.

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:

A. applying a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in the accounting records;

B. preparation of audit working papers covering the audit of the accounts usually found in accounting records;

C. planning programs of audit work including the selection of procedures to be followed;

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D. preparation of written explanations and comments on the findings of an audit and on the content of accounting records; and

E. preparation and analysis of financial statements together with explanations and notes.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 28 SR 1636

1105.2800 EVIDENCE OF APPLICANT'S EXPERIENCE.

A. A licensee who has been requested by an applicant to submit to the board evidence of the applicant's experience and has refused to do so shall, upon request by the board, explain in writing or in person the basis for the refusal.

B. The board may require a licensee who has furnished evidence of an applicant's experience to substantiate the information.

C. An applicant may be required to appear before the board or its representative to supplement or verify evidence of experience.

D. The board may inspect documentation relating to an applicant's claimed experience.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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

A. Applicants who meet the requirements of part 1105.1500, subpart 1, item A, B, or C, are presumed to have completed the education requirements of Minnesota Statutes, section 326A.03, subdivision 6, if 150 semester hours or 225 quarter hours have been completed.

B. Applicants who meet the requirements of part 1105.1500, subpart 1, item D, and have in total at least 150 semester hours from an accredited educational institution are presumed to have completed the educational requirements of Minnesota Statutes, section 326A.03, subdivision 6, if the 150 hours completed include at least the following:

Subject Matter	Semester Hours
Upper division or graduate-level courses in financial accounting, auditing, taxation, and management accounting	24
Undergraduate or graduate-level courses in business-related subjects or accounting (not including elementary-level accounting courses or courses used to satisfy the previous 24-hour requirement in this item)	24

C. No more than six hours may be recognized for internships or life experience.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

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.

A. A licensee seeking renewal of a certificate with an active status shall show the completion of at least 120 hours of continuing professional education complying with this chapter during the three-year period preceding renewal, 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 seeking renewal of a certificate 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 or business ethics.

B. A licensee who does not currently hold an active certificate but previously held such a certificate and who elects or is required to have an active certificate shall complete at least 120 hours of CPE complying with this chapter during the three-year period preceding application for an active certificate. Such licensee shall identify and complete a program of learning designed to demonstrate the currency of the licensee's competencies directly related to the licensee's area of service. A licensee who elected to be exempt from certificate renewal pursuant to part 1105.3700 shall comply with the continuing professional education requirements in part 1105.3700, item C, before applying to obtain an active certificate.

C. For purposes of this part, the year ends on June 30.

D. Certificates may not be renewed until CPE requirements of this part are met or an exception is granted.

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."

F. Licensees who have elected to be exempt from certificate renewal pursuant to part 1105.3700 need not comply with this part.

G. Failure to report CPE, reporting of an amount less than that required, or fraudulently reporting CPE is a basis for disciplinary action as specified in Minnesota Statutes, section 326A.08. A licensee not in compliance with this part on June 30 of each year shall be assessed a 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 can demonstrate to the satisfaction of the board that the licensee was in compliance with this part.

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 fee specified in item G is paid. Such hours must not be counted in two different reporting periods.

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

Statutory Authority: *MS s 326.18; 326A.02*

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

1105.3100 PROGRAMS QUALIFYING FOR CONTINUING PROFESSIONAL EDUCATION CREDIT.

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, beginning July 1, 2004, 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. Exceptions to this registry requirement are seminar or lecture programs sponsored or presented by:

A. the Office of the Legislative Auditor or State Auditor provided a quality review similar in scope to a system review level quality review conducted on a CPA firm has been completed in the last three years and an unmodified report on such review filed with the board;

B. CPA firms who have had a system review level quality review completed in the last three years and an unmodified report on such review has been filed with the board;

C. colleges and universities whose academic programs qualify an applicant to sit for the CPA examination; and

D. CPE programs sponsored by professional organizations recognized by the board as report acceptance bodies pursuant to part 1105.5300.

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 such programs contribute to the licensee's professional knowledge and professional competence and provided the aggregate hours of the programs do not exceed 40 percent of the hours required for the three-year period. 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 seeking renewal of a certificate with an active status in 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 office is located.

Nonresident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal office is located by signing a statement to that effect on the renewal application of this state.

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

Subp. 4. CPE hour limitations. On and after June 30, 2007, the following hour limitations apply during the three-year period preceding renewal:

A. no more than 50 percent of the hours required can be obtained from instructor preparation or presentation;

B. no more than 50 percent of the hours required can be obtained from the writing of articles, books, or CPE courses for publication;

C. no more than 80 percent of the hours required can be obtained from self-study programs; and

D. no more than 24 hours can be obtained from programs in the subject area of personal development as defined in the Statement on Standards for Continuing Professional Education (CPE) Programs.

Statutory Authority: *MS s 326.18; 326A.02*

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

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 such 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 such registry participation meets the requirements of this chapter and must consist of the following for those programs that do not meet the registry requirements of this chapter:

- (1) a certificate of attendance from the program sponsor containing the name and contact information of the sponsor, the title and description of the content of the program, the date of the program, the location of the program, and the number of CPE hours for which the licensee attended;
- (2) a copy of the detailed timed agenda for the program;
- (3) a biography of the program developer and program presenter; and
- (4) a statement by the licensee describing how the program contributes to the licensee's professional knowledge and competence.

B. The board shall verify on a test basis, through inspection of documentation supplied by the licensee, information regarding hours of CPE attendance submitted by licensees in connection with the renewal of their certificates. 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 such 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. Fraudulent reporting is a basis for disciplinary action.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

1105.3300 EXCEPTION TO CONTINUING PROFESSIONAL EDUCATION REQUIREMENT.

A. The board may make an exception to the requirement set out 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 for the following year.

B. The board may in particular cases make exceptions to the requirements in parts 1105.3000, item A, and 1105.3100, subpart 1, for reasons of individual hardship including health, military service, foreign residence, or other good cause.

C. A licensee granted such 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.

D. A licensee granted an exception by the board must comply with a reentry competency requirement defined by the board in part 1105.3000, item E, before the licensee may discontinue use of the word "inactive" in association with the CPA title.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

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 re-

port 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

1105.3400 INTERSTATE RECIPROCITY.

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 issued by another state provided that the applicant:

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

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; and

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

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.3500 INTERNATIONAL RECIPROCITY.

Subpart 1. **Foreign countries.** The board shall designate a professional accounting credential issued in a foreign country as substantially equivalent to a CPA certificate and:

A. may rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency; and

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.

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 substantially 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 such qualifying examinations. The board shall specify the qualifying examinations and process by resolution.

Subp. 3. **Requirements for renewal.** An applicant for renewal of a CPA certificate originally issued in reliance on a foreign accounting credential shall:

A. make application for renewal at the time and in the manner prescribed by the board for all other certificate renewals;

B. pay the fees as prescribed for all other certificate renewals;

C. if the applicant has a foreign credential in effect at the time of the application for renewal of the CPA certification, present documentation from the foreign accounting credential issuing body that the applicant's foreign credential has not been suspended or revoked and the applicant is not the subject of a current investigation. If the applicant for re-

newal no longer has a foreign credential, the applicant must present proof from the foreign credentialing body that the applicant for renewal was not the subject of any disciplinary proceedings or investigations at the time that the foreign credential lapsed; and

D. either show completion of continuing professional education substantially equivalent to that required under part 1105.3000 within the three-year period preceding renewal application, or petition the board for complete or partial waiver of the CPE requirement based on the ratio of foreign practice to practice in this state.

Subp. 4. **Self-reporting.** The holder of a CPA certificate issued in reliance on a foreign accounting credential shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing body against the CPA's foreign credentialing.

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 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 basis for board action.

Subp. 7. **Notification.** The board shall notify the appropriate foreign credentialing authorities of any sanctions imposed against a CPA.

Subp. 8. **Joint investigations.** The board may participate in joint investigations with foreign credentialing bodies and may rely on evidence supplied by those bodies in disciplinary hearings.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.3700 EXEMPTION FROM CERTIFICATE RENEWAL REQUIREMENT.

A. A licensee who does not engage in the practice of public accounting in any manner or who does not hold out as a CPA in any manner is not required to renew the certificate. The election of exempt status by a person takes effect on January 1 following notification to the board. The notification must be made on a form provided by the board and continues in effect until a future renewal application is received by the board and a certificate renewal granted.

B. Persons granted exempt status shall inform the board of any address change within 30 days of the date of occurrence.

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

(1) Before the certificate is renewed by the board, the person shall submit evidence of completion of 50 hours of continuing professional education per year of exemption, up to a maximum of 120 hours, to be taken within 12 months prior to renewal application in subjects specifically approved in advance by the board and meeting the requirements in part 1105.3100. Persons electing to return to active status from exempt status shall have the 50-hour requirement prorated for periods less than a full year.

(2) If at the time of application for exempt status the licensee had not yet reported continuing professional education equivalent to at least 40 hours per year for each of the last three years, the licensee shall be required to report continuing professional education for those years in addition to the hours required in subitem (1).

(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 annual reporting period.

D. For purposes of this part, the “practice of public accounting in any manner” means issuing a report as described in part 1105.0100, subpart 17, 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 specified in Minnesota Statutes, section 326A.03, subdivision 6 or 8, may not elect to be exempt from the renewal requirement.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

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

A certificate shall be issued to a person who has:

A. completed the examination specified in Minnesota Statutes, section 326A.03, subdivision 4, with a passing grade;

B. paid the required fee specified in part 1105.0600;

C. not engaged in conduct for which the board is authorized to act pursuant to Minnesota Statutes, section 326A.08;

D. complied with all applicable statutes and rules;

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 any part of 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

(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 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); and

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

Statutory Authority: *MS s 326.18; 326A.02*

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

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

A. Certificate holders who have not met the experience requirements of Minnesota Statutes, section 326A.03, subdivision 5, shall file an annual statement with the board con-

taining the person's name, address, and telephone and facsimile numbers; employer name, address, and telephone number; and certification that the person has not or will not until the amount and type of experience required by Minnesota Statutes, section 326A.03, subdivision 5, has been fulfilled and verified by the board, hold out as a CPA in any manner unless the certificate holder places the words "inactive certificate holder" adjacent to the CPA title. For this purpose, "hold out" is defined in part 1105.3700, item D.

B. The renewal must be submitted on a form provided by the board by December 31 of each year.

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 registration form is not received by December 31 or 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 the procedures of Minnesota Statutes, chapter 14, 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 specified 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 such 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 326.18*

History: 27 SR 1425

1105.4000 APPLICATION FOR FIRM PERMIT.

A. Applications by firms for initial issuance and for renewal of permits pursuant to 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 simultaneously for a certificate or a renewal of a certificate and a firm permit, if such a permit is needed.

C. Applications must include the firm name, addresses, and telephone numbers of the main office and of any branch offices of the firm in this state, the name of the person in charge of each branch office, and the names of the partners, shareholders, members, managers, directors, and officers who are residing in and practicing in this state.

D. The board shall not issue a permit to a firm until all partners, members, managers, shareholders, directors, and officers resident in this state and holding a certificate:

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

(2) for renewal of a permit, individually renew their certificates with an active status for the coming year.

E. A firm's partners, members, shareholders, directors, or officers resident in this state who do not hold, and are not eligible to hold, a certificate shall annually, in connection with initial issuance or renewal of the 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 be subject to the board enforcement specified in Minnesota Statutes, section 326A.08;

(2) indicates that the person actively participates in the firm or affiliated entities on a full-time basis; and

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

F. Persons specified in item E shall annually register with the board before December 31 on a form provided by the board and pay the fee specified in part 1105.0600. The form must provide a space to indicate the percentage of voting and financial interest held by the individual in the firm.

G. The board shall not renew a permit of a firm that has not undergone a quality review within the previous three years and complied with the board's rules with respect to the reviews.

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 326.18; 326A.02*

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

1105.4100 NOTIFICATION OF CHANGES BY FIRMS.

A. A firm granted a permit pursuant 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, or shareholder who resides or practices in this state;
- (3) retirement, withdrawal, or death of a partner, member, manager, 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; and
- (8) the occurrence of any event or events that would cause the firm not to be in conformity with this chapter or the act.

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

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

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 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.

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 Minnesota Statutes, section 326A.10, paragraph (k). Registered accounting practitioners shall comply with this chapter including part 1105.7500.

Statutory Authority: *MS s 326.18; 326A.02*

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

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.

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 licen-

sees 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

1105.4400 INTERNET PRACTICE.

A CPA firm offering or rendering professional services via a Web site shall provide in the Web site's home page a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.4500 LICENSED PUBLIC ACCOUNTANTS.

A. In accordance with Minnesota Statutes, section 326A.06, paragraph (a), all persons holding an active licensed public accountant (LPA) license on December 31, 2002, shall, upon application, be issued a CPA certificate provided that all requirements for renewal of a CPA certificate have been met.

B. Display of the LPA certificate and use of the LPA designation in any manner by persons granted a CPA certificate is prohibited.

C. In accordance with Minnesota Statutes, section 326A.10, paragraph (e), use of the LPA title and abbreviation is restricted. The designation, title, and abbreviation must not be used after December 31, 2002.

D. The certificate issued in accordance with item A must contain the following wording:

“Pursuant to Minnesota Statutes, section 326A.06, paragraph (a), be it known that (name of individual) having met the requirements of the aforementioned statute is hereby granted this certificate as a Certified Public Accountant with all the privileges and duties granted and required under Minnesota Statutes.”

E. In connection with any application for practice privileges in another state under that state's substantial equivalency provisions, persons granted a certificate under Minnesota Statutes, section 326A.06, paragraph (a), shall inform the other state that a CPA examination was not passed.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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 a study, appraisal, or review of one or more aspects of the professional work of a person or firm as required by Minnesota Statutes, section 326A.05, subdivision 8, by a reviewer who meets the requirements of part 1105.5200.

B. "Report acceptance body" 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.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

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, are incorporated by reference.

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 by a report acceptance body other than those specified in part 1105.5300.

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

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

Statutory Authority: *MS s 326.18; 326A.02*

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

1105.4800 QUALITY REVIEW REQUIREMENTS.

A. As a condition to renewal of its permit pursuant to Minnesota Statutes, section 326A.05, subdivision 8, every firm shall undergo a quality review in accordance with parts 1105.4600 to 1105.5500 once every three years.

B. To the extent that inspections conducted under Section 104 of the Sarbanes-Oxley Act of 2002, Public Law 107-204, cover only an inspection of a firm's public company attest client practice, an additional quality review of the firm's nonpublic company attest and compilation client practice is required.

Statutory Authority: *MS s 326.18; 326A.02*

History: *27 SR 1425; 30 SR 422*

1105.4900 EXEMPTION FROM QUALITY REVIEW REQUIREMENT.

A firm is exempt from the quality review requirement specified in part 1105.4000 if it annually represents to the board that it has not issued attest or compilation reports, that it does not intend to engage in such practices during the following year, and that it shall immediately notify the board in writing if it engages in such practices.

The representation must be made in writing, under oath, and upon forms provided by the board. The representation must be made annually at the time the firm applies for renewal of its permit.

If a firm under exemption notifies the board that it has issued attest or compilation reports, it must undergo a quality review during the first full year after its initial acceptance of an engagement, or sooner at the request of the firm.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.5000 QUALITY REVIEW CYCLE FOR FIRMS.

Subpart 1. **General.** Firms that are participating in the quality review program on December 31, 2002, under the board's then-existing rules shall continue in their existing three-year cycles as follows:

A. firms in Cycle A whose year under review ends in 2005 shall submit their reports to the board no later than 15 months after the end of their year;

B. firms in Cycle B whose year under review ends in 2003 shall submit their reports to the board no later than 15 months after the end of their year; and

C. firms in Cycle C whose year under review ends in 2004 shall submit their reports to the board no later than 15 months after the end of their year.

Subp. 2. **Transition period.** Firms governed by subpart 1 shall submit their reports as follows:

A. firms in Cycle C whose year under review ended in 2001 shall submit their reports to the board no later than June 30, 2003;

B. firms in Cycle A whose year under review ended in 2002 shall submit their reports to the board no later than June 30, 2004; and

C. firms in Cycle B whose year under review ends in 2003 shall submit their reports to the board no later than 15 months after the end of their year.

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 in accordance with part 1105.5100.

Subp. 4. **Three-year cycle.** Firms shall report every three years on the anniversary of the reporting dates specified in subpart 1.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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 full year after it becomes subject to the requirements for quality review, and shall report the material specified in part 1105.5400 to the board no later than 15 months after the end of the first full year after becoming subject to the requirement.

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.

A. A firm that had been previously issued a permit in this state and changes its name or the legal form of its practice, but retains the same practice.

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

C. A partnership, corporation, LLC, or LLP that is dissolved with each individual firm taking clients from the partnership or corporation. The quality review for each of these individual firms remains in the same year to which the original partnership, corporation, LLC, or LLP was assigned.

D. A partnership, corporation, LLC, or LLP that is dissolved with one partner or shareholder taking all of the existing clients. The quality review for the firm taking over the

existing business remains in the year to which the partnership, corporation, LLC, or LLP was originally assigned.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.5200 QUALIFICATIONS OF REVIEWER.

The reviewer shall have the following minimum qualifications:

A. hold a certificate with an active status or permit as a CPA or a firm, from any state; and have undergone at least one quality review;

B. have knowledge and experience with the type of reports and financial statements to be reviewed, including experience in supervision of the preparation of the reports and statements;

C. be independent of the firm under review;

D. have no conflict of interest;

E. be familiar with all services in the area of auditing and accounting provided by the firm subject to review;

F. be familiar with the procedure for conducting a quality review according to professional standards for reviews; and

G. have attended a quality review seminar, the contents of which prepare the reviewer to conduct a quality review.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.5300 QUALIFICATIONS OF REPORT ACCEPTANCE BODIES.

A. The AICPA and the Public Company Accounting Oversight Board are approved report acceptance bodies.

B. The Minnesota Association of Public Accountants, the Minnesota Society of Certified Public Accountants, other state accountancy boards, and any other organization able to demonstrate that it will fulfill its responsibilities in accordance with recognized review standards may apply to the board to be considered a report acceptance body. The board shall approve applications to be considered a report acceptance body if the applicant demonstrates that it has or will fulfill its responsibilities in accordance with recognized standards specified in part 1105.4700. Approval must be withdrawn if a report acceptance body fails to fulfill its responsibilities.

C. The report acceptance bodies specified in item B shall not make membership a condition of acting as a report acceptance body for any firm.

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, who have undergone a quality review as required by part 1105.3600, 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. In addition, the report acceptance bodies specified in item B shall provide to the committee by June 30 of each year a written report of the procedures it uses to ensure that the continuing professional education it sponsors meets the applicable standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs.

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 326.18; 326A.02*

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

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 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 client practice 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. 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.

B. In addition to any agreement made between the report acceptance body and the firm, the board may:

- (1) require that a partner, member, manager, shareholder, or employee of the firm complete continuing education in the areas of deficiency in addition to the continuing professional education hours required in part 1105.3000;
- (2) require that the firm maintain a minimum library of source materials designed to provide the firm with the resources necessary to cure the deficiencies noted; and
- (3) impose any other discipline authorized by Minnesota Statutes, section 326A.08.

Statutory Authority: *MS s 326.18; 326A.02*

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

1105.5500 PRIVATE DATA.

The board and the quality review oversight committee shall treat all material of the firm obtained through the quality review process as private data as defined by Minnesota Statutes, section 13.02, subdivision 12, or nonpublic data as defined by Minnesota Statutes, section 13.02, subdivision 9, as applicable. The reports received by the board pursuant to part 1105.5400, item A, may be made public by the board.

If a firm becomes the subject of a disciplinary proceeding pursuant to Minnesota Statutes, section 326A.08, the board may make the information public according to Minnesota Statutes, chapter 13.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

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 individu-

als 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:

A. fraud 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, 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 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; or

(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; and

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; and

(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), 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.

Statutory Authority: *MS s 326.18; 326A.02*

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

1105.5700 RETURN OF CERTIFICATE, REGISTRATION, OR PERMIT TO PRACTICE.

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

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

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.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

1105.5900 NOTICES OF HEARING OR CONFERENCE.

A. A notice of hearing issued by the board or a notice of conference by the board's complaint committee pursuant to Minnesota Statutes, section 326A.08, must include:

(1) a statement of matters asserted or charged; and

(2) references to any particular sections of the act or of the rules which are asserted to have been involved in unlawful conduct.

B. When the complaint and notice of hearing or conference are served pursuant to Minnesota Statutes, section 326A.08, they must be accompanied by:

(1) a copy of the board's rules under this part; and

(2) a copy of Minnesota Statutes, section 326A.08.

C. The investigation and 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 326.18*

History: *27 SR 1425*

1105.6000 SERVICE.

When required by this chapter, service shall be first class United States mail, postage prepaid, and addressed to the person at the last known address, unless some other manner of service is required by this chapter, the act, or law.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

1105.6100 APPLICATIONS FOR RELIEF FROM DISCIPLINARY PENALTIES.

A. A person whose certificate or registration has been revoked or suspended, an individual whose privileges under Minnesota Statutes, section 326A.14, have been revoked

or limited, a firm whose permit to practice has been revoked or suspended, or a person or firm that has been subject to disciplinary action pursuant to Minnesota Statutes, section 326A.08, may apply to the board for modification of the suspension, revocation, or discipline after completion of all requirements contained in the board's original order.

B. The application must be in writing; must set out and, as appropriate, substantiate the reasons constituting good cause for the relief sought; and must be accompanied by at least two supporting recommendations, under oath, from licensees who have personal knowledge of the activities of the applicant since the suspension or revocation was imposed.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.6200 ACTION BY BOARD.

A. An application pursuant to part 1105.6100 must ordinarily be processed by the board upon the basis of the materials submitted in support of it, supplemented by any additional inquiries required by the board or its complaint committee. At the board's discretion, a hearing may be held by the board or its complaint committee on an application following procedures the board may find suitable for the particular case.

B. The board may impose appropriate terms and conditions for reinstatement of a certificate, registration, permit, or privileges under Minnesota Statutes, section 326A.14, or modification of a suspension, revocation, or discipline.

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, and the applicant's general reputation for truth and professional probity.

D. No application for reinstatement may be considered while the applicant is under sentence for any criminal offense, including any period during which the applicant is on court-imposed probation or parole.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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:

- A. implies the existence of a legal entity when the firm does not exist in that form;
- B. includes the name of a person who is neither a present nor a past partner, member, or shareholder of the firm; or
- C. includes the name of a person who is not a CPA if the title "CPAs" is included in 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 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

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 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 326.18; 326A.02*

History: 27 SR 1425; 28 SR 1636

1105.6500 SAFE HARBOR LANGUAGE.

A. Nonlicensees not registered under Minnesota Statutes, section 326A.06, paragraph (b), and part 1105.6600 must use the following disclaimer language in connection with financial statements so as not to violate the act:

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

I (we) have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them. I am (we are) not licensed by or registered with the Minnesota State Board of Accountancy."

B. Nonlicensees registered under Minnesota Statutes, section 326A.06, paragraph (b), and part 1105.6600 must use the following disclaimer language in connection with financial statements so as to not violate the act:

"I (we) have compiled the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended in accordance with Statements on Standards for Accounting and Review Services. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners).

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

C. Report language used by a nonlicensee must not contain a reference to the "American Institute of Certified Public Accountants" or "AICPA."

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.6550 DEFINITION OF VALID CERTIFICATE, PERMIT, AND REGISTRATION.

A. "Valid certificate," as used in Minnesota Statutes, section 326A.10, 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.

B. "Valid permit," as used in Minnesota Statutes, section 326A.10, is an unexpired permit issued to a firm.

C. "Valid registration," as used in Minnesota Statutes, section 326A.10, is an unexpired registration issued to a registrant under part 1105.6600.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.6600 REGISTERED ACCOUNTING PRACTITIONER.

The designation of "registered accounting practitioner" shall be issued by the board after June 30, 2003, to persons who have made application on a form provided by the board and who:

- A. have met the education requirement specified in part 1105.6700;
- B. have met the RAP examination requirement specified in part 1105.6800;
- C. have met the experience requirement specified 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 specified in part 1105.0600.

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

1105.6700 EDUCATION REQUIREMENT FOR REGISTERED ACCOUNTING PRACTITIONER.

A. Persons applying for initial designation as a registered accounting practitioner shall have a minimum of an associate degree in accounting from an accredited college or university or have, in the opinion of the board, at least an equivalent education.

B. An equivalent education shall consist of at least 60 semester hours from an accredited college or university in the subject matter areas described below:

Accounting	18
Business-related (may include accounting not included above)	18
General education and other	24
Total	60

Statutory Authority: *MS s 326.18*

History: 27 SR 1425

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.

B. Applicants must comply with the RAP examination application process specified by the RAP examination vendor designated by the board and pay any fees required to take the RAP examination.

C. An original copy of the RAP examination results is to be filed with the application required by part 1105.6600.

Statutory Authority: *MS s 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636*

1105.6900 EXPERIENCE REQUIREMENT FOR REGISTERED ACCOUNTING PRACTITIONER.

A. A person applying for initial designation as a registered accounting practitioner shall demonstrate to the board that the person has had one year of acceptable experience. Acceptable experience may consist of providing any type of service or advice using accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

B. Applicants shall have their experience verified to the board by a licensee or registered accounting practitioner. Acceptable experience includes employment in industry, government, academia, or public practice. The board shall look at such factors as the complexity and diversity of the work.

C. One year of experience consists of full- or part-time employment that extends over a period of no less than one year and no more than three years and includes no fewer than 2,000 hours of performance of services described in item A.

D. A licensee or registered accounting practitioner who has been requested by an individual to submit to the board evidence of the individual's experience and has refused to do so shall, upon request by the board, explain in writing or in person the basis for the refusal.

E. The board may require a licensee or registered accounting practitioner who has furnished evidence of an applicant's experience to substantiate the information.

F. The board may inspect documentation relating to an applicant's claimed experience.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

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 such purpose. The fee specified in part 1105.0600 must be paid. If an application for renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in part 1105.0600. In addition, the reinstatement fee prescribed 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 specified 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 or business ethics. 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, reporting an amount less than that required, or fraudulently reporting continuing professional education is a basis for disciplinary action as specified in Minnesota Statutes, section 326A.08.

Statutory Authority: *MS s 326.18; 326A.02*

History: 27 SR 1425; 30 SR 422

1105.7100 RAP FIRM APPLICATION.

A. Applications by RAP firms for initial issuance and for renewal of RAP firm permit must be made on a form provided by the board and, in the case of applications for renewal, shall 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 simultaneously for renewal of an individual registration and a RAP firm permit, if a permit is needed.

C. Applications must include the RAP firm name; addresses and telephone numbers of the main office and of any branch offices of the RAP firm in this state; the name of the person in charge of each such branch office; and the names of the partners, shareholders, members, managers, directors, and officers practicing in this state.

D. The board shall not issue a permit to a RAP firm until all partners, members, managers, shareholders, directors, and officers resident in this state and holding a registration as a RAP have a minimum of two years of qualifying experience of the type specified in part 1105.6900 and:

(1) for initial issuance of a RAP firm permit, individually hold a nonexpired registration issued under part 1105.6600; and

(2) for renewal of a RAP permit, individually renewed their registration for the coming year.

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.

F. No licensee may be a partner, member, manager, shareholder, director, or officer of a RAP firm. Persons specified in item E shall annually register with the board before December 31 on a form provided by the board and pay the fee specified in part 1105.0600. The form must provide a space to indicate the percentage of voting and financial interest held by the individual in the firm. The aggregate amount of percentages must not exceed 50 percent for all persons who do not hold a registration issued under part 1105.6600.

G. The board shall not renew a permit of a RAP firm that has not undergone a quality review specified in part 1105.7400 within the previous three years and complied with the board's rules with respect to such reviews.

H. A licensee may be an employee of a RAP firm, provided:

(1) the licensee maintains an unexpired certificate with a status of active;

(2) the licensee does not participate in any engagement that results in the issuance of a compilation report unless the licensee complies with Minnesota Statutes, section 326A.10, paragraph (k); and

(3) the RAP firm quality review required by part 1105.7400 includes verification of the requirement contained in subitem (2).

Statutory Authority: *MS s 326.18; 326A.02*

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

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, or shareholder;
- (3) retirement, withdrawal, or death of a partner, member, manager, or shareholder;
- (4) any change in the name of the RAP firm;
- (5) termination of the RAP firm;
- (6) change in the management of any branch office in this state;
- (7) establishment of a new branch office or the closing or change of address of a branch office in this state; and

(8) the occurrence of any event or events that would cause the RAP firm not to be in conformity with the provisions of this chapter.

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 in accordance with this chapter and pay the fee required by this chapter.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

1105.7300 APPLICATION FOR INITIAL ISSUANCE AND FOR RENEWAL OF RAP FIRM PERMIT.

The application for initial issuance and for renewal of a RAP firm permit must specify that all compilation services rendered in this state are under the charge of a person holding a valid registration issued under part 1105.6600.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

1105.7400 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 registrants on financial statements, to assess their 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; and
- (4) other functions necessary to carry out the quality review process.

B. RAP firms are subject to the quality review requirements imposed on CPA firms.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM NAMES.

A. No person holding a designation as a registered accounting practitioner or a RAP firm may use a professional or firm name or designation that is misleading about the

legal form of the firm, about the persons who are partners, officers, members, managers, or shareholders of the firm, or about any other matter.

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

(1) implies the existence of a legal entity when the firm does not exist in that form;

(2) includes the name of a person who is neither a present nor a past partner, member, or shareholder of the firm; or

(3) includes the name of a person who is not a RAP if the title "RAP" is included in 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:

(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 326.18; 326A.02*

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

1105.7500 COMPILATION REPORTS.

A. No holder of a registration issued under this chapter may issue a compilation report through any business form that does not hold a valid RAP firm permit issued under this chapter.

B. The form of the compilation report that can be issued is specified 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. Such statements are contained in AICPA Professional Standards, Volume 2, published by the American Institute of Certified Public Accountants (June 1, 2002), which is incorporated by reference. This publication is subject to frequent change and is available through the State Law Library.

Statutory Authority: *MS s 326.18*

History: *27 SR 1425*

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:

- A. a minimum of three years of experience of the type specified in part 1105.6900;
- B. completed a minimum of 90 hours of continuing professional education complying with the standards specified in part 1105.3100 during the three-year period preceding application;
- C. undergone a quality review accepted by a report acceptance body during the three-year period preceding application;
- D. submitted documentation that can be verified by the board to support items A to C; and
- 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 326.18; 326A.02*

History: *27 SR 1425; 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 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636*

1105.7800 CODE OF PROFESSIONAL CONDUCT.

A. The AICPA Code of Professional Conduct is incorporated by reference.

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 specified in 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 specified in 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 specified in Minnesota Statutes, section 326A.08.

E. Persons and firms subject to the provisions of 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 specified in Minnesota Statutes, section 326A.08.

F. 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, 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 specified in Minnesota Statutes, section 326A.08.

G. A firm granted a permit under Minnesota Statutes, section 326A.05, is not considered independent with respect to an audit of financial statements for a client if any person specified in part 1105.4000, items D and E, within one year preceding the commencement of audit procedures, participated in any capacity in the current or prior audit and subsequently became the chief executive officer, controller, chief financial officer, chief accounting officer, or any person servicing an equivalent position for the client.

H. (1) No licensee, registrant, certificate holder, or applicant may 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 such acts is an act discreditable to the profession and is a basis for disciplinary action specified in Minnesota Statutes, section 326A.08.

(2) For purposes of this item, actions that “could, if successful, result in rendering the financial statements materially misleading” include, but are not limited to, the following actions taken at any time to fraudulently influence, coerce, manipulate, or mislead an auditor:

(a) to issue a report on a client’s financial statements that is not warranted in the circumstances, due to material violations of generally accepted accounting principles, generally accepted auditing standards, or other standards;

(b) not to perform an audit, review, or other procedures required by generally accepted auditing standards or other professional standards; or

(c) not to withdraw an issued report.

Statutory Authority: *MS s 326.18; 326A.02*

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

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, 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.

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 specified in Minnesota Statutes, section 326A.08. The documentation and 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 326.18; 326A.02*

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

1105.7900 SUBSTANTIAL EQUIVALENCY.

A. In accordance with 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. In accordance with Minnesota Statutes, section 326A.14, subdivision 1, an individual rendering professional services in this state whose principal place of business is not in this state is required to notify the board as specified in this part.

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.

D. The application must be received by the board within 15 days after the individual knowingly becomes subject to the laws of this state by:

(1) accepting an engagement or assignment to render professional services in this state; or

(2) rendering professional services in this state.

E. Practice privileges of individuals who have a certificate or license, for which the holder of the certificate has met the CPE requirement of this chapter, are effective as follows:

(1) if the certificate or license is issued by a state which is in substantial equivalence with the act, the practice privilege is effective upon application and payment of the fee; and

(2) if the certificate or license is issued by a state which is determined by the board not to be in substantial equivalence with the act, the practice privilege is effective after the board verifies that the individual's qualifications are substantially equivalent to the act.

F. Notice must be filed with the board within 30 days after an individual changes the individual's principal place of business or within 30 days after the license has been denied, revoked, or suspended in any jurisdiction.

G. Nonresident individuals are not considered to have entered this state for purposes of Minnesota Statutes, section 326A.14, and notice is not required under Minnesota Statutes, section 326A.14, if the individual's contact with this state is limited to any of the following activities:

(1) teaching either a college or continuing professional education course;

(2) delivering a lecture;

(3) moderating a panel discussion; or

(4) rendering professional services to the individual's employer or firm or to persons employed by the individual's employer or firm, including affiliated, parent, or subsidiary entities, provided the services are not rendered for the employer's or firm's clients.

H. An individual entering into an engagement to provide professional services via a Web site pursuant to Minnesota Statutes, section 326A.14, shall disclose, via the Web site, the individual's principal state of licensure, license number, and address.

I. Notwithstanding the requirements of item D, an individual whose principal place of business is not in this state and who has a valid certificate or license as a certified public accountant from any state and who enters this state to render professional services for a period of time not to exceed 20 hours in a one-year period need not notify the board.

Statutory Authority: *MS s 326.18; 326A.02*

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