

## CHAPTER 1100

### BOARD OF ACCOUNTANCY

### LICENSING AND PRACTICE

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#### ADMINISTRATION

##### 1100.0100 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of this chapter, the terms in this part have the meanings given them.

Subp. 1a. **AICPA or institute.** "AICPA" or "institute" means the American Institute of Certified Public Accountants.

Subp. 1b. **Applicant.** "Applicant" means a person applying to take the uniform Certified Public Accountant examination.

Subp. 1c. **Board.** "Board" means the Minnesota Board of Accountancy.

Subp. 2. **CPA.** "CPA" means a person licensed as a certified public accountant.

Subp. 2a. **CPA partnership.** "CPA partnership" means a partnership where all the partners are CPAs.

Subp. 2b. **CPA professional corporation.** "CPA professional corporation" means a professional corporation where all the shareholders are CPAs.

Subp. 2c. **CPA PLC.** "CPA PLC" means a professional limited liability company where all the members are CPAs.

Subp. 2d. **CPA PLLP.** "CPA PLLP" means a professional limited liability partnership where all the members are CPAs.

Subp. 3. **Certificate.** "Certificate" means a CPA or LPA certificate issued by the board.

Subp. 3a. **Certificate holder.** "Certificate holder" means a person who has passed the uniform Certified Public Accountant examination and the Minnesota ethics examination and is not licensed.

Subp. 3b. **Client.** "Client" means the person or entity retaining a certified public accountant, a licensed public accountant, or the accountant's firm, engaged in the practice of public accounting, for the performance of professional accounting services.

Subp. 4. **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. 4a. **Enterprise.** "Enterprise" means any person or entity, whether organized for profit or not, for which a CPA or LPA provides services.

Subp. 4b. **Entity.** "Entity" means a partnership, corporation, limited liability company, limited liability partnership, joint stock company, unincorporated association or society, municipal corporation, or any government or governmental subdivision, unit, or agency, other than a court of law.

Subp. 4c. **Financial statements.** "Financial statements" means statements and related footnotes that purport to show financial position which relates to a point in time or results of operations or cash flows which relate to a period of time, and statements which use a cash or other incomplete basis of accounting. Balance sheets, statements of income, statements of retained earnings, statements of cash flow, and statements of changes in owners' equity are financial statements.

Incidental financial data included in management advisory services reports to support recommendations to a client, and tax returns and supporting schedules do not, for this purpose, constitute financial statements, and the statement, affidavit, or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer of such opinion.

Subp. 4d. **Firm.** "Firm" means a CPA or LPA partnership, CPA or LPA professional corporation, CPA or LPA professional limited liability company, CPA or LPA professional limited liability partnership, or cooperative auditing organization as specified in Minnesota Statutes, section 326.20, subdivision 2, engaged in the practice of public accounting, including individual partners, shareholders, or members.

Subp. 5. [Repealed, 19 SR 1732]

Subp. 6. **LPA.** "LPA" means a person licensed as a licensed public accountant.

Subp. 6a. **LPA corporation.** "LPA corporation" means a professional corporation where at least one shareholder is an LPA and the rest are either LPAs or CPAs.

Subp. 6b. **LPA partnership.** "LPA partnership" means a partnership where at least one partner is an LPA and the rest are either LPAs or CPAs.

Subp. 6c. **LPA PLC.** "LPA PLC" means a professional limited liability corporation where at least one member is an LPA and the rest are either LPAs or CPAs.

Subp. 6d. **LPA PLLP.** "LPA PLLP" means a professional limited liability partnership where at least one partner is an LPA and the rest are either LPAs or CPAs.

Subp. 7. **License.** "License" means a CPA or LPA license issued by the board.

Subp. 7a. **Licensee.** "Licensee" means a CPA or LPA holding an active or inactive license issued under Minnesota Statutes, section 326.20, subdivision 1.

Subp. 8. **Party.** "Party" means any person or entity whose legal rights, duties, or privileges may be determined in a contested case. The term "party" shall include the board except when the board participates in the contested case in a quasi-judicial capacity only.

Subp. 9. **Person.** "Person" means an individual person.

Subp. 9a. **PLC.** "PLC" means a professional limited liability company.

Subp. 9b. **PLLP.** "PLLP" means a professional limited liability partnership.

Subp. 10. **Practice of public accounting.** "Practice of public accounting" means:

A. the expression of any form of assurance on financial statements or similar financial information; expressing opinions on financial statements or similar financial information for credit purposes, for use in courts, and for other purposes involving third parties; or services involving the use of auditing skills by a person or firm; or

B. the performance or the offering to perform for a fee for a client or potential client, of one or more kinds of services involving the use of accounting skills, including the issuance of reports on or preparation of financial statements or similar financial information, or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters by a person or entity holding itself out to the public as a licensee or firm.

Subp. 11. **Professional accounting services.** "Professional accounting services" means one or more types of services performed in the practice of public accounting.

Subp. 12. **Sole proprietorship.** "Sole proprietorship" means an unincorporated form of practice that is not a partnership.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 2360; 19 SR 1732*

### 1100.0200 INTERPRETATION OF RULES.

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

Subp. 2. **Interpretation powers of board.** Nothing contained in this chapter shall be deemed to prohibit or limit in any way the exercise by the board of powers granted to it by Minnesota Statutes, sections 319A.01 to 319A.22; 326.17 to 326.229; 326.53; and 214.001 to 214.12.

Subp. 2a. **Oral requests for opinions and interpretations.** Oral requests to board or staff members for oral opinions and interpretations of parts 1100.0100 to 1100.8000 and Minnesota Statutes, sections 326.165 to 326.229, are discouraged. Whenever given, oral opinions are nonbinding and applicants, certificate holders, licensees, or other persons who act in reliance upon them do so at their own risk.

Subp. 3. **References to foreign accountancy boards.** References to the accountancy board of another state shall include appropriate boards of the territories of the United States and the District of Columbia.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; L 1992 c 542 s 4; 18 SR 2360*

### 1100.0300 ADOPTION OF RULES.

All rules of the board shall be adopted in the manner prescribed by Minnesota Statutes, chapter 14 and the rule hearing procedures of the Office of Administrative Hearings.

**Statutory Authority:** *MS s 326.18*

### 1100.0400 CONTESTED CASES.

All contested cases before the board shall be conducted in accordance with Minnesota Statutes, chapter 14 and the contested case procedures of the Office of Administrative Hearings.

**Statutory Authority:** *MS s 326.18*

### 1100.0500 SERVICE.

When required by parts 1100.0100 to 1100.7800, service shall be by 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 law.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 1471*

**1100.0600 COMMUNICATIONS.**

A. An applicant, certificate holder, or licensee 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, certificate holder, or licensee 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 should be addressed to "Executive Secretary, Board of Accountancy."

B. Certificate holders and licensees shall annually notify the board of their correct business and home addresses and telephone and fax numbers.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 2360; 19 SR 1732*

**1100.0650 AGREEMENT TO OBSERVE CODE.**

The act of filing an application for examination, certification, or licensure constitutes an agreement upon the part of the applicant to observe the Code of Professional Conduct, parts 1100.4000 to 1100.6100. Also, in the practice of public accounting and in rendering professional accounting services, a CPA, LPA, and firm shall adhere to the code.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 2360; 19 SR 1732*

**EXAMINATION****1100.0700 APPLICATION FOR CERTIFICATION.**

Subpart 1. **Compliance.** The requirements of subparts 2 and 3 are to be observed in submitting applications to the board for examination and reexamination for the certificate as certified public accountant and reciprocal certificate as certified public accountant.

Subp. 2. **Form and need.** Applications shall be submitted on a form provided by the board and in the case of a nonresident, supported by a statement that the applicant is currently, has been within the preceding 90 days, or will be within the next 90 days: a resident of Minnesota, attending a school in Minnesota, or working in Minnesota.

Subp. 3. **Fee.** The applications must be accompanied by the appropriate fee as provided in part 1100.3600 in the form of money order or check payable to "Minnesota Board of Accountancy."

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

**1100.0800 APPLICATION DEADLINE AND DOCUMENTATION.**

Subpart 1. **Application deadline.** Deadlines for application for CPA examination or reexamination are March 1 for the May examination and September 1 for the November examination. For purposes of this subpart, applications for the examination are not filed timely unless they are received at the board office by 4:30 p.m. on the date specified. If the deadline falls on a Saturday, Sunday, or holiday, the application shall be received in the board office by 4:30 p.m. on the first working day thereafter.

Subp. 2. **Supporting documentation.** If the board has not received all the necessary supporting documentation by 4:30 p.m. on April 1 for the May examination or by 4:30 p.m. on October 1 for the November examination, the file is incomplete and shall be deferred for consideration for a later examination.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274*

**1100.0900 EXPIRATION OF APPLICATION.**

An application for CPA examination or reexamination expires five years from the date of the board's approval to sit for the initial examination. Once an application has expired, the

board shall require a new application, new supporting documentation, and examination in all sections if the file has not been reactivated during the five-year period.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471*

### 1100.1000 EDUCATION REQUIREMENTS FOR CPA EXAMINATION APPLICANTS.

**Subpart 1. High school graduation or equivalent.** An applicant must be a graduate of an accredited high school or possess an equivalent education. At the discretion of the board, an applicant not graduated from high school may be required to take the prescribed high school equivalency test given by the University of Minnesota.

**Subp. 1a. Accounting major.** An applicant with an accounting major or concentration in accounting granted by a college or university fully accredited by the North Central Association of Schools and Colleges or its equivalent regional accrediting association is considered to meet the educational requirements in Minnesota Statutes, section 326.19, subdivision 1, clause (c)(ii).

**Subp. 2. Accounting major equivalency.** The following credits from a college or university fully accredited by the North Central Association of Schools and Colleges or its equivalent regional accrediting association constitute the equivalent of an accounting major:

	Semester Hours	Quarter Hours
A. Accounting and Business Law	24	36
B. Business and Economics (may include accounting and business law not listed in item A)	24	36
C. Nonbusiness	32	48
D. 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 item A shall include a minimum of 27 quarter or 18 semester credits of accounting.

**Subp. 3.** [Repealed, 17 SR 2274]

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 19 SR 1732*

### 1100.1100 QUALIFYING EXPERIENCE FOR CPA EXAMINATION AND GRANTING OF LICENSE FOR CPA.

**Subpart 1. Intent.** It is the intent of this requirement that applicants shall 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. Measuring experience.** Experience recognized by the board shall be measured on the basis of calendar months and days worked by the applicant as an employee on the staff of an actively licensed certified public accountant, actively licensed licensed public accountant in public practice, or in qualifying governmental experience or self-employment. Part-time work in public accounting shall be recognized in proportion to full-time work, with a maximum of eight hours per day or 40 hours a week. The experience shall be verified by the employer. Self-employment experience shall be verified by five clients.

**Subp. 3.** [Repealed, 17 SR 2274]

**Subp. 4. Qualifying governmental experience.** Qualifying governmental accounting experience may have been gained through employment in one or more of the following capacities:

A. as an examiner or supervising examiner in the office of legislative auditor or state auditor of Minnesota, or in a substantially identical office of another governmental body, engaged in examining the books, records, accounts, and affairs of state or local governments or their instrumentalities;

B. as a field examiner or supervising examiner of federal or state tax agencies engaged in examining the books, records, accounts, and documents of taxpayers for the purpose of verifying financial data contained in income tax returns;

C. as an auditor or examiner with any other agency of government if the experience is at least as comprehensive and diversified as that described in items A and B as determined by the board.

The burden rests with the applicant to demonstrate to the board that other governmental experience should be recognized as qualifying. A written statement shall 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 provided by a responsible administrative officer of the applicable governmental unit as determined by the board.

**Subp. 5. Continuing professional education compliance for certain certificate holders.** A certificate holder who applies for a license more than two years and 90 days from the date of grade release for the uniform CPA examination passed shall comply with continuing professional education requirements as specified in part 1100.6700, subpart 3a.

**Subp. 6. Qualifying self-employment.** In accordance with Minnesota Statutes, section 326.19, subdivision 4, clause (3), the board shall grant a license to an applicant who shows to the satisfaction of the board that the applicant has:

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

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

C. experience or education in planning programs of audit work including the selection of procedures to be followed;

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

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

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

### 1100.1200 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 license issued by the board and an applicant for examination, certificate, or license 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 and rules.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 19 SR 1732*

### 1100.1300 EXAMINATIONS AND CERTIFICATION FOR CPA APPLICANTS.

**Subpart 1. Standardized tests.** The examination shall consist of written tests provided on a uniform national basis by the American Institute of Certified Public Accountants or other body providing the examination.

**Subp. 2. Professional ethics.** A written examination on professional ethics is required before issuance of a certificate. A grade of at least 75 percent correct is required to pass this examination.

**Subp. 3. Additional oral session.** In addition, an oral examination and attendance at a lecture or discussion session may be required covering questions on professional qualifica-

tions, experience, general knowledge relating to accountancy, fitness as an accountant, and professional ethics.

**Subp. 4. Dates.** The dates of examination are those selected for the uniform national examination by the American Institute of Certified Public Accountants or other body providing the examination and deemed appropriate by the board and shall correspond with the dates of the examination in the other states.

**Subp. 5. Notice.** Ample notice will be given to each applicant of the time and place selected for holding the examination.

**Subp. 6. Attendance.** An applicant shall be present and prepared to engage in the work promptly at the hours appointed. An applicant who is unable to be present shall notify the board as soon as reasonably possible, but no later than 4:30 p.m. on the day before the first day of the complete examination. Failure to do so shall be considered just cause for exclusion and forfeiture of the examination fee. An applicant who is unable to be present at the examination for which an application was approved by the board shall reapply for a later examination consistent with the examination application deadlines in part 1100.0800 and furnish current information on forms provided by the board. First time applicants shall take all sections of the examination. An applicant shall apply for and be present at the next examination given or the applicant's fee shall be forfeited.

**Subp. 7. Examination in other states.** An applicant required to be temporarily out of the state on the date of the examination may request the board to arrange to have the applicant's examination monitored by the accountancy board or the licensing agency or entity of another state.

**Subp. 8. Cheating.** Cheating on the examination is conduct unbecoming to a professional person and upon discovery will incur severe penalties. Instances of cheating during the course of the examination may include, but shall not be limited to:

- A. communications between candidates inside or outside of the examination room;
- B. copying another's answers;
- C. communication with others outside of the examination room;
- D. substitution by a candidate of another person to sit in the examination room and write one or more of the examination papers for the candidate; or
- E. use of crib sheets, notes, or other unauthorized materials.

Penalties imposed for cheating may include the following: grade of zero on the examination, immediate expulsion from the examination room, and temporary or permanent suspension of the candidate's right to take the examination again.

**Subp. 9. Passing grade.** To pass an examination an applicant must receive a grade of at least 75 percent correct in each of the sections covered by the examination.

**Subp. 10. Issuance of certificate.** Where an applicant has passed the examination, a certificate indicating passage of the examination shall be issued:

- A. without an additional fee;
- B. if the applicant complies with all applicable statutes and rules;
- C. upon passage of the ethics examination issued by the board; and
- D. if the applicant has not engaged in conduct for which the board is authorized to act pursuant to Minnesota Statutes, section 326.229.

The certificate shall indicate that it is not a license to practice.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 1471; 19 SR 1732*

### 1100.1400 CPA REEXAMINATIONS.

**Subpart 1. Applicants who fail three or more sections.** An applicant who fails three or more sections and receives no grade less than 50 shall be allowed to sit for reexamination at the next examination given and shall be required to retake all sections of the examination. An applicant who fails three or more sections and receives a grade of less than 50 in any section shall not be allowed to sit for reexamination at the next examination but may sit for subsequent examinations.

Subp. 2. **Applicants who pass two sections.** An applicant who has passed two of the sections given in the written examination and received no grade less than 50 in the sections failed shall be reexamined only in the sections failed.

An applicant who passed two of the sections given in the examination and received one or more grades less than 50 has failed the examination and shall retake all sections of the examination.

Subp. 3. **Applicants who pass three sections.** An applicant who has passed three of the sections in one examination shall be reexamined only in the section failed.

Subp. 4. **Application for reexamination.** An applicant for reexamination shall apply for and be reexamined in all failed sections at each examination for which the applicant applies.

Subp. 5. **Conditioning.** An applicant for reexamination under subparts 2 and 3 shall be reexamined in all sections unless the applicant passes the remaining sections within the next five examinations given by the board.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 1471*

### 1100.1500 EXAMINATION RECIPROCITY AND PROCTORING.

Subpart 1. [Repealed, 19 SR 1732]

Subp. 2. **Application.** An applicant who has passed two or more sections of the uniform examination under the jurisdiction of the accountancy board of another state may request that the board recognize and adopt said passing grades. The request shall be granted if the board determines the applicant satisfied all of the qualifications which would have been required had application been made to the Minnesota board on the date of original application to the other accountancy board.

Subp. 3. **Proctoring out-of-state candidates.** Application requests for proctoring out-of-state applicants shall be submitted to the board by April 1 for the May examination and October 1 for the November examination. A proctoring fee shall accompany the request as required in part 1100.3600.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 1471; 19 SR 1732*

1100.1600 [Repealed, 19 SR 1732]

### 1100.1700 HOLDERS OF FOREIGN CERTIFICATES AND DEGREES.

Subpart 1. **Waiver of examination.** An individual who holds a certificate or degree of CPA, chartered accountant, or the equivalent issued in a foreign country or by a recognized authority in that country shall not be eligible to have the examination waived unless the individual meets all the requirements in Minnesota Statutes, section 326.19, subdivision 3, and part 1100.1500, subpart 1, for a CPA of another state, and, in addition, demonstrates to the satisfaction of the board a fluency in the English language and a familiarity with accounting, auditing, and business practice in the United States which will enable the individual to perform with the competence and insight of a person permitted to be styled as a CPA.

Subp. 2. **Experience obtained in a foreign country.** Experience obtained in a foreign country shall be accepted for licensure if obtained from a United States-based accounting firm or from an associate firm of a United States-based accounting firm.

Subp. 3. **Education obtained in a foreign country.** Education obtained in a foreign country shall be evaluated by an evaluation service approved by the board, at the expense of the applicant.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274*

1100.1800 [Repealed, 17 SR 2274]



## LICENSING

**1100.1900 LICENSURE REQUIREMENT FOR CPAS AND LPAS.**

Subpart 1. **Individual licenses.** The following people, who engage in or intend to be engaged in the practice of public accounting within the state of Minnesota during all or part of a calendar year, shall apply for and obtain an individual license each year:

A. each individual holder of an unrevoked Minnesota certificate who has met the experience requirement; and

B. each licensed certified public accountant or licensed public accountant.

In addition, licensees who intend to place their licenses in an inactive status for the calendar year must apply for and obtain individual inactive licenses for that year.

Subp. 2. **Timing of application.** The application for the initial annual license and the appropriate fee shall be submitted to the board within 90 days after engaging in public practice in any year, or meeting the experience requirement, whichever comes first.

Subp. 3. **Penalties.** Failure to apply for licensure within the 90 days specified in subpart 2 constitutes practicing without a license.

Subp. 4. **Notification.** The board shall notify each current active or inactive licensee of the licensing requirements for the succeeding year as required in subpart 5. Each licensee shall apply for a license, pay the appropriate fee as required in part 1100.3600, and inform the board of any address changes within 60 days of the date of occurrence.

Subp. 5. **Applications; fees.** A license application shall be submitted on a form provided by the board and shall be accompanied by the appropriate fee in the form of a money order or check payable to "Minnesota Board of Accountancy."

Subp. 6. **Granting of license.** A license shall be granted to any individual who:

A. meets the requirements of this chapter and Minnesota Statutes, section 326.19, subdivision 2, for licensure as a certified public accountant or Minnesota Statutes, section 326.191, for licensure as a licensed public accountant;

B. applies for licensure on forms provided by the board;

C. pays the appropriate fee;

D. is not subject to proceedings brought by the board pursuant to Minnesota Statutes, section 214.11;

E. has reported the necessary amount of continuing professional education courses as required by part 1100.6500; and

F. for a licensee practicing as a sole proprietor, is in compliance with all practice monitoring rules in parts 1100.9100 to 1100.9800.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

**1100.1902** [Repealed, 19 SR 1732]

**1100.1905** [Repealed, 19 SR 1732]

**1100.2000** [Repealed, 19 SR 1732]

**1100.2100** [Repealed, 19 SR 1732]

**1100.2110 TYPES OF LICENSES; EXEMPTIONS.**

Subpart 1. **Active license.** Certified public accountants or licensed public accountants who perform professional accounting services for a fee within the state shall maintain active licenses.

Subp. 2. **Inactive license.** Persons who have held active licenses in the past, are not currently performing professional accounting services for a fee within the state, and are exempt from the continuing professional education requirements of parts 1100.6400 to 1100.8000 pursuant to part 1100.6700, subpart 1, shall maintain inactive licenses.

Subp. 3. **Exemption for age and disability.** Licensees who are at least 60 years of age and no longer performing professional accounting services for a fee within the state, or who

are permanently disabled, as defined by the United States Social Security Administration in Code of Federal Regulations, title 20, part 416.905, and no longer performing professional accounting services for a fee within this state, may request an exemption from paying the annual licensing fees and being licensed. Upon the showing of proper documentation, the board shall grant the request.

**Subp. 4. Temporary license.** CPAs who are licensed in other states, who are in good standing in these other states, and who come into Minnesota for engagements that will last more than 30 days in any 12-month period, shall apply for and be granted a temporary license. The temporary license expires at the end of 12 calendar months from the date it was granted.

**Subp. 5. Exemption for incidental practice.** CPAs who are licensed in other states, who are in good standing in those states, who come into Minnesota to perform professional accounting services, and who are in Minnesota for less than 30 days in any 12-month period need not apply for or maintain a temporary license.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471; 19 SR 1732*

### 1100.2115 LICENSING BY RECIPROCITY AND TRANSFER OF GRADES.

**Subpart 1. Qualification.** In order to be licensed by reciprocity or transfer of grades, an applicant must:

- A. be currently licensed or qualified to be licensed in another jurisdiction;
- B. have taken and passed the uniform CPA examination; and
- C. have met all of the Minnesota requirements for licensure.

**Subp. 2. Reciprocity.** A reciprocal CPA certificate or license shall not be granted unless the jurisdiction in which the applicant was originally licensed or certified grants similar privileges to holders of Minnesota certificates and the applicant conforms to all requirements which would be imposed by the jurisdiction in which the applicant was originally licensed or certified upon the holder of a Minnesota CPA certificate seeking reciprocal recognition in that jurisdiction.

**Subp. 3. Need.** Application for a reciprocal CPA certificate or license must be supported by a passing score in Minnesota ethics examination and:

- A. a fee as specified in part 1100.3600, subpart 1;
- B. employment verifications;
- C. personal reference forms;
- D. a final official college or university transcript if the applicant has less than five years of public accounting experience;
- E. passing grades on an examination described in Minnesota Statutes, section 326.19, subdivision 3, clause (c); and
- F. a list of all the jurisdictions where the applicant has had a license or certificate and the status of that license or certificate in each of those jurisdictions.

**Subp. 4. Board confirmation.** Before granting a reciprocal certificate or license, the board shall contact the other jurisdictions where the applicant was licensed or certified and check to ensure that the applicant is of good character as required by Minnesota Statutes, section 326.19. In order to qualify for a reciprocal certificate or license, the applicant must have been in good standing in the jurisdiction in which the applicant was first licensed or certified.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 1732*

### 1100.2120 VALIDITY OF LICENSES.

A. A license is valid until it is suspended or revoked or until it expires, whichever occurs first. All licenses are annual licenses for the year beginning on January 1 or on the date of original licensure, whichever is later, and ending on December 31 of the same calendar year.

B. Once licensed, a licensee shall maintain an active or inactive license by annually paying the appropriate fee, unless the licensee:

(1) wishes to leave the practice of public accounting entirely, by surrendering both the license and certificate and not holding out as a CPA or LPA; or

(2) has applied for and been granted an exemption under part 1100.2110, subpart 3.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

### 1100.2130 LICENSE APPLICATIONS FOR PERSONS WHO HAVE BEEN PREVIOUSLY LICENSED.

**Subpart 1. Applications by licensees with active licenses for active licenses.** A licensee with an active license shall apply for an active license for the next year by submitting by December 31 an application, an annual license fee, and any required evidence of compliance with continuing professional education requirements.

**Subp. 2. Applications by licensees with inactive licenses for active licenses.** A licensee with an inactive license who wishes to apply for an active license for the next year shall submit by December 31 an application and an annual license fee. The licensee shall comply with the continuing professional education requirements in part 1100.6700, subpart 4.

**Subp. 3. Applications by licensees for inactive licenses.** A licensee with either an active or inactive license may apply for an inactive license for the next year by submitting by December 31 an application and an annual license fee.

**Subp. 4. Applications by people whose previous licenses have expired or been revoked.** A person whose previous license expired in a year prior to the current year and was not renewed or was revoked may apply for an active license for the next year by submitting by December 31 an application, an annual license fee, and applicable reinstatement fees as required in part 1100.3600, subpart 2b. The applicant shall comply with the continuing professional education requirements in part 1100.6700, subpart 4, and all conditions contained in any order for revocation of a license issued by the board and any other condition determined by the board to be necessary to protect the public. Granting of a license to a person whose license has been revoked shall be at the discretion of the board.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471*

### 1100.2150 TIMELINESS OF INDIVIDUAL LICENSE RENEWAL.

**Subpart 1. Renewal application filing deadline.** License renewal applications are not filed timely unless received by the board office by 4:30 p.m. on December 31. If December 31 falls on a Saturday, Sunday, or holiday, the renewal application must be received in the board office by 4:30 p.m. on the first working day thereafter.

**Subp. 1a. Late processing fee.** A licensee who applies for an active or inactive license, after the license has expired but before January 31 of the renewal year, shall pay a late processing fee in addition to an annual license fee as required in part 1100.3600, subpart 2a. For the purposes of this subpart, license renewals are not filed timely unless received by the board office by 4:30 p.m. on January 31. If January 31 falls on a Saturday, Sunday, or holiday, the renewal application must be received in the board office by 4:30 p.m. on the first working day thereafter.

**Subp. 2. Reinstatement fee.** An individual who applies for an active or inactive license, after the license has expired and after January 31 of the renewal year, shall pay a reinstatement fee per year of nonrenewal in addition to the annual license fees as required in part 1100.3600, subpart 2a. For the purposes of this subpart, license renewal applications are not filed timely unless received by the board office by 4:30 p.m. on January 31. If January 31 falls on a Saturday, Sunday, or holiday, the renewal application must be received in the board office by 4:30 p.m. on the first working day thereafter.

**Subp. 3. Action by board.** The payment of a late processing fee or reinstatement fee as required by subparts 1a and 2 shall not prevent the board from taking action against a licensee for having engaged in the practice of public accounting without being licensed by the board.

**Statutory Authority:** *MS s 16A.128; 214.06; 326.17; 326.18; 326.22*

**History:** *11 SR 1005; 17 SR 2274; 19 SR 1732*

# MINNESOTA RULES 1995

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LICENSING AND PRACTICE 1100.2500

## 1100.2200 FAILURE TO PROPERLY RENEW AN INDIVIDUAL LICENSE.

Failure by a licensed CPA or LPA to comply with items A to D, shall be deemed an act discreditable and may be cause for suspension or revocation of the certificate. The licensee must:

A. apply for an annual license;

B. pay the appropriate fee;

C. comply with the continuing professional education requirements in part 1100.6500; and

D. for a licensee practicing as a sole proprietor, comply with all practice monitoring rules in parts 1100.9100 to 1100.9800.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 19 SR 1732*

**1100.2300** [Repealed, 19 SR 1732]

## 1100.2400 LICENSE DISPLAY.

The annual license granted by the board to a licensee shall be prominently displayed in the principal office of the licensee.

**Statutory Authority:** *MS s 326.18*

## 1100.2500 INITIAL LICENSING OF FIRMS.

Subpart 1. **Generally.** In order to engage in the practice of public accounting, a firm shall be a CPA or LPA partnership, CPA or LPA corporation, CPA or LPA PLC, CPA or LPA PLLP, or any other entity organized in accordance with Minnesota laws governing the practice of public accounting and the organization and operation of partnerships, professional corporations, PLCs, and PLLPs.

A corporation or other entity that is not a firm as described in this subpart and in part 1100.0100, subpart 4d, and whose employees are engaged in activities described in part 1100.0100, subpart 10, item B, is not required to obtain a license.

Licensees who are employees, shareholders, partners, or members of a corporation or other entity that is not a firm as described in this subpart and in part 1100.0100, subpart 4d, shall not engage in activities described in part 1100.0100, subpart 10, item A, in connection with their employment or ownership of the entity.

Subp. 2. **Partnerships.** A partnership, including a domestic PLLP, consisting of one or more partners practicing public accounting in Minnesota, all of whom hold unrevoked Minnesota certificates and licenses, that engages in or intends to be engaged in the practice of public accounting within Minnesota during all or part of a calendar year shall apply for and obtain from the board an annual license for that year before engaging in public practice.

Subp. 3. **Domestic corporations.** A corporation, including a domestic PLC, applying for initial licensure shall incorporate under the Minnesota Professional Corporations Act, Minnesota Statutes, chapter 319A.

Subp. 4. **Foreign corporations.** To qualify under this part, a corporation incorporated in another state shall be incorporated as a corporation under the laws of that state.

A foreign corporation, incorporated as a business corporation under laws other than Minnesota laws, shall amend its articles, bylaws, and buy and sell agreements in accordance with the Minnesota Professional Corporations Act, Minnesota Statutes, chapter 319A.

Subp. 5. **Initial firm license.** The application for an initial firm license shall be filed with the board accompanied by a fee as provided in part 1100.3600, subpart 1, and shall include the following:

A. the name and address of each shareholder, officer, and director or governor, manager, and member;

B. a statement under oath as to whether all shareholders, directors, officers, employees, and agents or governors, managers, and members rendering professional service in this state on behalf of the corporation are licensed by this state or otherwise authorized to render such professional service;

- C. proposed bylaws, partnership agreement, or operating agreement;
- D. proposed agreement for buy and sell arrangements among the shareholders, members, or partners, unless the corporation has only one shareholder; and
- E. a certified copy of the articles of incorporation or articles of organization filed with the Minnesota Secretary of State's office.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

**1100.2600** [Repealed, 19 SR 1732]

**1100.2700** [Repealed, 19 SR 1732]

**1100.2750** [Repealed, 19 SR 1732]

**1100.2800** [Repealed, 19 SR 1732]

**1100.2900 LIMITATIONS ON CORPORATE NAME.**

A corporation shall not include the words "certified public accountant," "licensed public accountant," or the initials CPA or LPA in its corporate name.

**Statutory Authority:** *MS s 326.18*

**1100.3000** [Repealed, 19 SR 1732]

**1100.3100** [Repealed, 19 SR 1732]

**1100.3200 NOTICE OF FIRM'S LICENSE REQUIREMENTS; RESPONSIBILITY FOR APPLICATION AND FEE.**

The board shall notify each currently licensed firm of the licensing requirements for the succeeding year. In the absence of such notification, it is the responsibility of each firm in public practice to apply for a license and pay the appropriate fee as provided in part 1100.3600, subpart 2. The firm is responsible for determining that each of its CPA or LPA shareholders and employees practicing public accounting in Minnesota is also currently licensed as an individual with the board.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471; 19 SR 1732*

**1100.3250 TIMELINESS OF FIRM LICENSE RENEWAL.**

Subpart 1. **Renewal application filing deadline.** Firm renewal applications are not filed timely unless received by the board office by 4:30 p.m. on December 31. If December 31 falls on a Saturday, Sunday, or holiday, the renewal application must be received in the board office by 4:30 p.m. on the first working day thereafter.

Subp. 1a. **Late processing fee.** A firm that applies for a license after the license has expired but before January 31 of the renewal year, shall pay a late processing fee in addition to an annual license fee as required in part 1100.3600, subpart 2a. For the purposes of this subpart, license renewal applications are not filed timely unless received by the board office by 4:30 p.m. on January 31. If January 31 falls on a Saturday, Sunday, or holiday, the renewal application must be received in the board office by 4:30 p.m. on the first working day thereafter.

Subp. 2. **Reinstatement fee.** A firm that applies for a license after the license has expired and after January 31 of the renewal year, shall pay a reinstatement fee per year of nonrenewal in addition to the annual license fees as required in part 1100.3600, subpart 2a. For the purposes of this subpart, license renewal applications are not filed timely unless received by the board office by 4:30 p.m. on January 31. If January 31 falls on a Saturday, Sunday, or holiday, the renewal application must be received in the board office by 4:30 p.m. on the first working day thereafter.

Subp. 3. **Action by board.** The payment of a late processing fee or reinstatement fee as required by subparts 1a and 2 shall not prevent the board from taking action against a licensee for having engaged in the practice of public accounting without being licensed by the board pursuant to Minnesota Statutes, section 326.224.

**Statutory Authority:** *MS s 16A.128; 214.06; 326.17; 326.18; 326.22*

**History:** *11 SR 1005; 17 SR 2274; 19 SR 1732*

**1100.3300 FAILURE TO PROPERLY RENEW FIRM'S LICENSE.**

Failure by a firm to comply with items A to D shall be deemed an act discreditable and may be cause for disciplinary action pursuant to Minnesota Statutes, section 326.229, against the firm and the certificates and licenses of its officers, directors, members, and owners licensed to practice in this state. The firm must:

- A. apply for license renewal;
- B. file an annual report;
- C. pay the annual license fee; and
- D. comply with all practice monitoring rules in parts 1100.9100 to 1100.9800.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

**1100.3400 ADMITTING ADDITIONAL SHAREHOLDER.**

Before admittance of a second or additional shareholder to a corporation, the proposed written agreement binding shareholders to purchase any share offered for sale by a qualified shareholder shall be submitted to the board as required by part 1100.2500, item E.

Upon the death of a partner or shareholder, the deceased's estate shall sell the deceased's interest in the CPA or LPA partnership, corporation, PLC, or PLLP to a qualified buyer as provided for in Minnesota Statutes, section 319A.12, subdivision 2.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

**1100.3500 [Repealed, 19 SR 1732]****1100.3550 NAMES.**

**Subpart 1. Use of CPA and LPA designation by certificate holders not holding active licenses.** An individual may use the designation "certified public accountant" or "licensed public accountant" as a credential only on business cards and resumes and may display a CPA or LPA certificate if the individual:

- A. holds a CPA or LPA certificate without holding an active CPA or LPA license, or holds an inactive CPA or LPA license;
- B. is not employed or otherwise retained by or associated with a CPA or LPA sole proprietor, partnership, or corporation; PLC; or PLLP engaged in the practice of public accounting as defined in part 1100.0100 or Minnesota Statutes, section 326.165;
- C. registers annually with the board by December 31; and
- D. files an affidavit annually with the individual's registration attesting to the fact that the individual has not been, is not now, and shall not practice public accounting without obtaining an active CPA or LPA license.

**Subp. 2. Misleading use by persons prohibited.** In addition to the other requirements of this part, a person shall not use the CPA or LPA designation in a context that may lead a reasonable person to believe that the person holds an active license as a CPA or LPA when that is not the case.

**Subp. 3. Firm names.** A licensee shall not practice under a firm name which includes any name other than that of the licensee or licensees that own the firm; indicates specialization; or is misleading as to the type of organization, the ownership of the organization, or the ability, resources, or size of the organization. The name of a sole proprietorship shall be the first name, middle initial, and last name of the individual who owns the sole proprietorship.

**Subp. 4. Names of past or deceased partners or shareholders.** Names of one or more past partners or shareholders may be included in the firm name of a successor partnership or corporation. Where a partner or shareholder survives the death or withdrawal of all other partners or shareholders, the remaining partner or shareholder may continue to practice under the partnership or corporation name for up to two years after becoming a sole practitioner or a professional corporation with one shareholder. No name shall be used when the withdrawn partner or shareholder continues to practice public accounting or does not consent to the use of the name.

Subp. 5. **Other designations.** For purposes of Minnesota Statutes, section 326.211, subdivision 9, the term "other similar designations" includes the designation "and associates" and any abbreviation.

Subp. 6. **Limitations on firm name.** A firm shall not include the words "certified public accountant," "licensed public accountant," or the initials "CPA" or "LPA" in its firm name.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 1732*

### 1100.3600 FEES.

Subpart 1. **Initial application fees.** Applications shall be accompanied by fees payable to the "Minnesota Board of Accountancy" as follows:

- A. application for certified public accountant examination by first-time applicants, \$150;
- B. application for certified public accountant reexamination in failed sections, \$40 per section but not in excess of \$150;
- C. application for initial license for certified public accountant, \$50;
- D. application for reciprocal license for certified public accountant, \$150;
- E. application for reciprocal license for licensed public accountant, \$150;
- F. nonrefundable fee to proctor out-of-state examination candidates applying to sit in Minnesota, \$50;
- G. application for initial corporation license, \$100;
- H. application for initial PLC or PLLP license, \$100;
- I. application for temporary license, \$50; and
- J. application for initial partnership license, \$35.

Subp. 2. **Annual license renewal fees.** Annual license renewal fees shall be as follows:

- A. active individuals, \$45;
- B. inactive individuals, \$10;
- C. partnerships, \$35;
- D. corporations, \$35;
- E. PLCs and PLLPs, \$35; and
- F. temporary individuals, \$50.

Subp. 2a. **Annual license late processing fees.** Annual license late processing fees shall be as follows:

- A. active individuals, \$20;
- B. inactive individuals, \$10; and
- C. partnerships, corporations, PLCs, and PLLPs, \$25.

Subp. 2b. **Annual license reinstatement fees.** Annual license reinstatement fees shall be as follows: \$50 per year of nonrenewal; and \$20 for application for reinstatement after one year of nonrenewal.

Subp. 2c. **Continuing professional education late filing fee.** A licensee who fails to file a continuing professional education report on June 30 of each year or who fails to report the necessary number of hours of course work by June 30 shall be assessed a late filing fee of \$50, and an additional \$25 per month until the report is properly filed.

Subp. 3. **Refunding fees.** Fees shall be refunded if an application is rejected. Once an application for examination or reexamination has been approved by the board, the fee shall not be refunded. The fee may be applied to the next examination given, after which the fee shall be forfeited.

Subp. 3a. **Examination cancellation fees.** Applicants canceling sitting for an examination 14 to 30 days before the examination shall forfeit \$25 of their fee. Applicants canceling sitting for an examination less than 14 days before the examination shall forfeit \$50 of their fee.

Subp. 3b. **Verifications and transfer of grades.** Requests for verification of data on examinees, certificate holders, 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.

Subp. 4. **Prorating fees.** License fees pertain to a calendar year and shall not be prorated.

**Statutory Authority:** *MS s 16A.128; 214.06; 326.17; 326.18; 326.22*

**History:** *9 SR 693; 10 SR 1122; 11 SR 1005; 12 SR 412; 17 SR 2274; 17 SR 2507; 18 SR 1471; 19 SR 1732*

### **1100.3700 REVOCATION AND SUSPENSION OF CERTIFICATES AND LICENSES.**

Subpart 1. **Conduct.** All revocation and suspension proceedings shall be conducted in accordance with Minnesota Statutes, chapter 14 and the contested case procedures of the Office of Administrative Hearings.

Subp. 2. **Grounds.** Failure to comply with any provision of this chapter and Minnesota Statutes, sections 326.165 to 326.229, shall be deemed unprofessional conduct and shall constitute grounds for revocation or suspension of a certificate or license.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274*

**1100.3800** [Repealed, 18 SR 2360]

**1100.3900** [Repealed, 18 SR 2360]

## **CODE OF PROFESSIONAL CONDUCT**

### **1100.4000 AUTHORITY FOR RULES.**

Parts 1100.4000 to 1100.6200 are adopted under the authority granted by Minnesota Statutes, section 326.18, which delegates to the board the power and duty to make rules of professional conduct.

**Statutory Authority:** *MS s 326.18*

**History:** *18 SR 2360; 19 SR 1732*

### **1100.4100 RATIONALE FOR RULES.**

The reliance of the public and the business community on sound financial reporting and advice on business affairs imposes on the accounting profession an obligation to maintain high standards of technical competence, morality, and integrity. To this end, a certified public accountant or licensed public accountant shall at all times maintain independence of thought and action, hold the affairs of clients in strict confidence, strive continuously to improve professional skills, observe generally accepted auditing standards, promote sound and informative financial reporting, uphold the dignity and honor of the accounting profession, and maintain high standards of personal conduct.

Acceptance of licensure as a CPA or LPA implies that the licensee has assumed an obligation to be diligent in the performance of professional service, and fair and honest in relations with clients, fellow practitioners, and the public, and has a proper appreciation of duties to the community and state.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 19 SR 1732*

### **1100.4200 SCOPE OF CODE OF PROFESSIONAL CONDUCT.**

Subpart 1. **Limitations.** Parts 1100.4000 to 1100.6100 apply to all services performed in the practice of public accounting including tax and management advisory services except:

A. where the wording of the rule indicates otherwise; and

B. that a licensee who is practicing outside the United States shall not be subject to discipline for departing from parts 1100.4000 to 1100.6100 so long as the licensee's conduct is in accord with the rules of the organized accounting profession in the country in which the licensee is practicing. However, where a licensee's name is associated with financial state-



ments in such a manner as to imply that he or she is acting as an independent public accountant and under circumstances that would entitle the reader to assume that United States practices were followed the licensee shall comply with the requirements of parts 1100.4800 and 1100.4900.

A licensee with an active license shall observe all the rules of professional conduct. An individual with an inactive license, a certificate holder, or a retiree not engaged in the practice of public accounting shall observe only parts 1100.0600, 1100.4300, 1100.4500, and 1100.4900 since all other rules of professional conduct relate only to the practice of public accounting.

Subp. 2. [Repealed, 19 SR 1732]

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 2360; 19 SR 1732*

### 1100.4300 ACTS DISCREDITABLE.

Subpart 1. **Generally.** A licensee shall not commit an act discreditable to the profession. Parts 1100.4000 to 1100.6100 do not comprise all acts that may be considered incompatible with the obligations and responsibilities imposed by professional status or discreditable or harmful even though not specifically mentioned or described in this part. Any licensee may be censured, suspended, or expelled for cause by the board, after due opportunity of a hearing upon charges, whether or not the alleged misconduct is specifically enumerated or described in this part.

Subp. 2. **Discrimination in employment practices:** Discrimination in employment that violates Minnesota Statutes, section 363.03, is presumed to constitute an act discreditable to the profession.

Subp. 2a. **Failure to follow standards, procedures, or other governmental requirements in governmental audits.** Engagements for audits of government grants, government units, or other recipients of government money typically require that such audits be in compliance with government audit standards, guides, procedures, statutes, rules, and regulations, in addition to generally accepted auditing standards. If a licensee has accepted such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules, and regulations, in addition to generally accepted auditing standards, the licensee shall follow such requirements unless the licensee discloses in the licensee's report the fact that such requirements were not followed and the reasons why.

Subp. 3. **Negligence in preparation of financial statements or records.** A licensee who through negligence makes, permits, or directs another to make false and misleading entries in the financial statements or records of an entity shall be considered to have committed an act discreditable to the profession.

Subp. 4. **Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies in performing attest or similar services.** When a licensee agrees to perform an attest or similar service for the purpose of reporting to governmental bodies, commissions, or regulatory agencies, the licensee shall follow their requirements, in addition to the generally accepted auditing standards incorporated by reference in part 1100.4650, where applicable. Failure to substantially follow the requirements is an act discreditable to the profession, unless the licensee discloses in the licensee's report that the requirements were not followed and gives the reasons why.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 2360; 19 SR 1732*

### 1100.4400 INDEPENDENCE.

Subpart 1. **Independence.** A licensee, all persons with a managerial position in the licensee's office, and all partners and shareholders in the licensee's firm shall be independent when the licensee performs:

A. an audit or review of a financial statement;

B. a compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence;

C. an examination of prospective financial information; or

D. other attest engagements. An attest engagement is one in which a licensee is engaged to issue or does issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.

**Subp. 2. Impairment of independence.** Independence shall be considered to be impaired if, for example, a licensee had any of the following transactions, interests, or relationships:

A. While providing professional accounting services for the client, or at the time of expressing an opinion, a licensee or a licensee's firm:

(1) had or was committed to acquire any direct or material indirect financial interest in the enterprise;

(2) was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise;

(3) had any joint, closely held business investment with the enterprise or with any officer, director, or principal stockholder that was material in relation to the licensee's net worth or to the net worth of the licensee's firm; or

(4) had any loan to or from the enterprise or any officer, director, or principal shareholder of the enterprise except as permitted under "Grandfathered Loans" and "Other Permitted Loans" in the AICPA Professional Standards, Volume 2, ET Section 101.07, incorporated by reference in part 1100.4650.

B. During the period covered by the financial statements, while providing professional accounting services for the client, or at the time of expressing an opinion, a licensee or a licensee's firm:

(1) was connected with the enterprise as a promoter, underwriter, or voting trustee, as a director or officer, or in any capacity equivalent to that of a member of management or an employee; or

(2) was a trustee for any pension or profit-sharing trust of the enterprise.

Items A and B are examples and are not intended to be all-inclusive.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 2360; 19 SR 1732*

### **1100.4500 INTEGRITY AND OBJECTIVITY; CONFLICT OF INTEREST.**

A. In the performance of any professional accounting services, a licensee shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.

B. A licensee who knowingly makes, or permits or directs another to make, false and misleading entries in an entity's financial statements or records shall be considered to have knowingly misrepresented facts in violation of this part.

C. A conflict of interest may occur if a licensee performs a professional accounting service for a client or employer, and the licensee or the licensee's firm has a significant relationship with another person, entity, product, or service that could be viewed as impairing the licensee's objectivity. If this significant relationship is disclosed to and consent is obtained from the client, employer, or other appropriate parties, this part shall not operate to prohibit the performance of the professional accounting service. When making the disclosure, the licensee should consider part 1100.5100.

D. Certain professional engagements require independence. Independence impairments cannot be eliminated by disclosure and consent.

E. In dealing with an employer's external accountant, a licensee or certificate holder must be candid and not knowingly misrepresent facts or knowingly fail to disclose material facts. This would include, for example, responding to specific inquiries for which the external accountant requests written representation.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 2360; 19 SR 1732*

1100.4600 [Renumbered 1100.4950]

**1100.4650 INCORPORATION BY REFERENCE.**

For the purposes of parts 1100.4300, 1100.4400, 1100.4700, 1100.4800, and 1100.4900, the following documents are incorporated by reference, are subject to frequent change, and are available through the state law library:

A. AICPA Professional Standards, Volumes 1 and 2, published for the American Institute of Certified Public Accountants by Commerce Clearing House, Inc. (June 1, 1994);

B. Current Text, Accounting Standards, published by the Financial Accounting Standards Board (June 1, 1994);

C. Government Auditing Standards, by the Comptroller General of the United States, published by the United States General Accounting Office (1994 Revision); and

D. Codification of Governmental Accounting and Financial Reporting Standards, Governmental Accounting Standards Board (June 30, 1992).

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 2360; 19 SR 1732*

**1100.4700 COMPETENCE.**

Subpart 1. **Professional competence.** A licensee and a licensee's firm shall only undertake those professional services that the licensee or the licensee's firm can reasonably expect to complete with professional competence.

Subp. 2. **Due professional care.** A licensee and a licensee's firm shall exercise due professional care in the performance of professional accounting services.

Subp. 3. **Planning and supervision.** A licensee and a licensee's firm shall adequately plan and supervise the performance of professional accounting services.

Subp. 4. **Sufficient relevant data.** A licensee and a licensee's firm shall obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional accounting services performed.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 19 SR 1732*

**1100.4800 AUDITING STANDARDS.**

Licenses shall not permit their names to be associated with financial statements in such a manner as to imply that they are acting as independent public accountants unless they have complied with AICPA Professional Standards or Government Auditing Standards incorporated by reference in part 1100.4650, item A or C.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 19 SR 1732*

**1100.4900 ACCOUNTING PRINCIPLES.**

Subpart 1. **Prohibited statements.** A licensee shall not:

A. express an opinion or state affirmatively that the financial statements or other financial data of an entity are presented in conformity with generally accepted accounting principles; or

B. state that the licensee is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles if the statements contain any departure from generally accepted accounting principles as described in AICPA Professional Standards, Volume 1 and 2, Current Text, Accounting Standards, as of June 1, 1994, or Codification of Governmental Accounting and Financial Reporting Standards, as of June 30, 1992, incorporated by reference in part 1100.4650, item A, B, or D, which has a material effect on the statements taken as a whole. If the licensee can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading, the licensee's report shall describe the departure, the approximate effects, if practicable, and the reasons why compliance with the principle would result in an otherwise misleading statement.

**Subp. 2. Application.** This part applies to all licensees and certificate holders with respect to any affirmation that financial statements or other financial data are presented in conformity with generally accepted accounting principles (GAAP). Representation regarding GAAP conformity included in a letter or other communication from a client entity to its auditors or others related to that entity's financial statements is subject to this part and may be considered an affirmative statement within the meaning of this part with respect to licensees and certificate holders who signed the letter or other communication, for example, signing reports to regulatory authorities, creditors, and auditors.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 2360; 19 SR 1732*

#### **1100.4950 TAX PRACTICE.**

In tax practice, a licensee may resolve doubt in favor of the client as long as there is reasonable support for that position.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 2360*

#### **1100.5000 [Repealed, 19 SR 1732]**

#### **1100.5100 CONFIDENTIAL CLIENT INFORMATION.**

A licensee shall not disclose any confidential information without the consent of the client.

This part shall not be construed:

- A. to relieve a licensee of the obligation under parts 1100.4800 and 1100.4900;
- B. to affect in any way compliance with a validly issued subpoena or summons enforceable by order of a court, or to prohibit a licensee's compliance with applicable laws and government regulations;
- C. to prohibit review of a licensee's professional practices as part of a board authorized quality review program; or
- D. to preclude a licensee from initiating a complaint with or responding to any inquiry made by the board, under state statutes, or the ethics committees of professional organizations recognized by the board.

Members of the board and professional practice reviewers identified in items C and D shall not use to their own advantage or disclose any confidential client information which comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their official responsibilities. However, this prohibition shall not restrict the exchange of information with an aforementioned duly constituted investigative or disciplinary body.

This prohibition shall also not be construed to prohibit the review of a professional CPA or LPA practice by a qualified reviewer as part of a board authorized quality review program.

A review of a CPA's or LPA's professional practice is authorized to include a review in conjunction with a prospective purchase, sale, or merger of all or part of the licensee's practice. The licensee must take appropriate precautions, for example, through a written confidentiality agreement, so that the prospective purchaser does not disclose any information obtained in the course of the review, since the information is deemed to be confidential client information.

Licensees reviewing a practice in connection with a prospective purchase or merger shall not use to their advantage nor disclose any confidential client information that comes to their attention.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 2360; 19 SR 1732*

#### **1100.5200 [Repealed, 18 SR 2360]**

#### **1100.5300 FURNISHING INFORMATION TO CLIENTS.**

Retention of client records after a demand is made for them is an act discreditable to the profession.

A client's records are any accounting or other records belonging to the client that were provided to the licensee by or on behalf of the client. If an engagement is terminated prior to completion, the licensee is required to return only client records.

A licensee's workpapers, including, but not limited to, analyses and schedules prepared by the client at the request of the licensee, are the licensee's property, not client records, and need not be made available.

In some instances a licensee's workpapers contain information that is not reflected in the client's books and records, with the result that the client's financial information is incomplete. This includes:

A. adjusting, closing, combining, or consolidating journal entries; and

B. information normally contained in books of original entry and general ledgers or subsidiary ledgers.

In these instances when an engagement has been completed, the information must also be made available to the client upon request. However, the licensee may require that fees due the licensee with respect to the completed engagements be paid before the information is provided.

Once the licensee has complied with the requirements in this part, the licensee need not comply with any subsequent requests to again provide the information.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 2360*

**1100.5400** [Repealed, 18 SR 2360]

**1100.5500** [Repealed, 18 SR 2360]

**1100.5600** [Repealed, 18 SR 2360]

**1100.5700 ADVERTISING.**

A licensee shall not use or participate in the use of any form of public communication having reference to the licensee's professional services which contains a false, fraudulent, misleading, deceptive, or unfair statement or claim. A false, fraudulent, misleading, deceptive, or unfair statement or claim includes but is not limited to a statement or claim which:

A. contains a misrepresentation of fact; or

B. is likely to mislead or deceive because it fails to make full disclosure of relevant facts; or

C. contains any testimonial or laudatory statement, or other statement or implication that the licensee's professional services are of exceptional quality that is not based on verifiable facts; or

D. is intended or likely to create false or unjustified expectations of favorable results; or

E. implies educational or professional attainments or licensing recognition not supported in fact; or

F. states or implies that the licensee has received formal recognition as a specialist in any aspect of the practice of public accountancy, if this is not the case; or

G. represents that professional services can or will be competently performed for a stated fee when this is not the case, or makes representations with respect to fees for professional service that do not disclose all variables affecting the fees that will in fact be charged; or

H. contains other representations or implications that in reasonable probability will cause an ordinarily prudent person to misunderstand or be deceived.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279*

**1100.5800 COMMISSIONS AND REFERRAL FEES.**

Subpart 1. **Prohibited commissions.** An active licensee shall not recommend or refer to a client any product or service for a commission, or recommend or refer to any product or

service to be supplied by a client for a commission, or receive a commission, when the licensee or the licensee's firm also performs for that client:

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

This prohibition applies during the period in which the licensee is engaged to perform any of the services listed in items A to C and the period covered by any historical financial statements involved in such listed services.

**Subp. 2. Disclosure of permitted commissions.** An active licensee who is not prohibited by this part from performing services for or receiving a commission and who is paid or expects to be paid a commission shall disclose that fact to any person or entity to whom the licensee recommends or refers a product or service to which the commission relates.

**Subp. 3. Referral fees.** Any licensee who accepts a referral fee for recommending or referring any service of a CPA or LPA to any person or entity or who pays a referral fee to obtain a client shall disclose such acceptance or payment to the client.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 2360; 19 SR 1732.*

#### **1100.5850 CONTINGENT FEES.**

An active licensee shall not:

A. perform for a contingent fee any professional accounting services for, or receive such a fee from, a client for whom the licensee or the licensee's firm performs:

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

B. prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.

The prohibition in item A applies during the period in which the licensee or the licensee's firm is engaged to perform any of the services listed in item A and the period covered by any historical financial statements involved in the listed services.

Except as stated in the next sentence, a contingent fee is a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained or in which the amount of the fee is otherwise dependent upon the finding or result of the service. Solely for purposes of this part, fees are not regarded as being contingent if fixed by courts or other public authorities or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies.

A licensee's fees may vary depending, for example, on the complexity of services rendered.

**Statutory Authority:** *MS s 326.18*

**History:** *18 SR 2360; 19 SR 1732*

**1100.5900** [Repealed, 18 SR 2360]

**1100.6000** [Renumbered 1100.1902]

#### **1100.6100 SOLICITATION.**

An active licensee shall not solicit an engagement to perform professional services:

A. if the communication of the solicitation, whether oral or written, would violate part 1100.5700 if it were a public communication; or

B. by the use of coercion, duress, compulsion, intimidation, threats, overreaching, or vexatious or harassing conduct against another licensee, the client, or a potential client.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 19 SR 1732*

1100.6200 [Repealed, 18 SR 2360]

1100.6300 [Repealed, 17 SR 2274]

### CONTINUING PROFESSIONAL EDUCATION

#### 1100.6400 STATUTORY AUTHORITY; PURPOSE.

Under Minnesota Statutes, section 214.12, the board prescribes parts 1100.6400 to 1100.7800 to establish requirements of continuing professional education (CPE) to be met from time to time by active licensees in order to maintain their professional knowledge and competence, as a condition to continuing to practice as licensed certified public accountants or licensed public accountants.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471; 19 SR 1732*

#### 1100.6500 CONTINUING PROFESSIONAL EDUCATION REQUIREMENT.

Subpart 1. **Basic requirement.** Except as otherwise provided in subpart 2, all persons who renew their active licenses by December 31 as described in part 1100.2150 shall complete 120 hours of continuing professional education meeting the requirements of parts 1100.6800 to 1100.7800 by the preceding June 30 according to the schedule outlined in this subpart.

A. Reporting Cycle A: All those licensees originally licensed in 1909 to 1977, and in 1980, 1983, 1986, 1989, and 1992 shall report 120 hours of CPE by June 30, 1996. Thereafter those licensees, new licensees licensed in the state's 1996 fiscal year (July 1, 1995 to June 30, 1996), and those licensees licensed every third fiscal year thereafter shall report 120 hours on each three-year anniversary of the date June 30, 1993.

B. Reporting Cycle B: All those licensees originally licensed in 1978, 1981, 1984, 1987, and 1990 shall report 120 hours of CPE by June 30, 1994. Thereafter those licensees, new licensees licensed in the period January 1, 1993 to June 30, 1993, or in the state's 1994 fiscal year (July 1, 1993 to June 30, 1994), and those licensees licensed in every third fiscal year thereafter shall report 120 hours on each three-year anniversary of the date June 30, 1994.

C. Reporting Cycle C: All those licensees originally licensed in 1979, 1982, 1985, 1988, and 1991 shall report 120 hours of CPE by June 30, 1995. Thereafter those licensees, new licensees licensed in the state's 1995 fiscal year (July 1, 1994 to June 30, 1995), and those licensees licensed in every third fiscal year thereafter shall report 120 hours on each three-year anniversary of the date June 30, 1995.

Subp. 2. **Exceptions.** The board shall have authority to make exceptions for reasons of individual hardship including health, military service, foreign residency, retirement, or other good cause. Licensees have the burden of proving such hardship.

Subp. 3. [Repealed, 18 SR 1471]

Subp. 4. **Annual minimum CPE report.** Before July 1 of each year, every active licensee shall report a minimum of 20 continuing professional education credits to the board on the required form.

Subp. 5. **License renewals.** Individual licenses will not be renewed until the CPE requirements in subparts 1 and 4 have been met.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471*

#### 1100.6600 CONTINUING PROFESSIONAL EDUCATION POLICIES.

The board has adopted the following policies to assist licensees in complying with the accountancy statute and rules as they pertain to continuing professional education.

**Statutory Authority:** *MS s 326.18*

**History:** *18 SR 1471*

#### 1100.6700 COMPLIANCE AND EXCEPTIONS.

Subpart 1. **Standards.** Licensees shall maintain the high standards of the profession in selecting quality education programs to fulfill the continuing professional education requirement.

All licensees are required to comply with the continuing professional education requirements except those individuals licensed as inactive, such as licensees in private industry, educational institutions, or similar activities, unless those individuals in addition to their basic employment engage in the practice of public accounting.

Failure to submit the continuing professional education report on time or failure to report the necessary amount of continuing professional education will subject the licensee to the late filing fees in part 1100.3600, subpart 2c.

**Subp. 2. Nonresident licensees.** Licensees who are out-of-state residents and not engaged in the practice of public accounting in this state are excepted from the continuing professional education requirements until such time as they enter or reenter this state to practice public accounting. This exception also applies to nonresident licensees who are partners of public accounting partnerships or shareholders of professional accounting corporations, or PLCs or PLLPs that are licensed by the board to do business in this state, provided such nonresident licensees do not practice public accounting in this state.

An individual who holds a valid and unrevoked certified public accountant or licensed public accountant certificate issued by any state or political subdivision of the United States or a comparable certificate or degree issued by any foreign country, and who receives a license to practice in this state under the appropriate provisions of the accountancy law, will be required to comply with the continuing professional education requirement on a pro rata basis when the license is next renewed and each succeeding three-year period.

**Subp. 3.** [Repealed, 17 SR 2274]

**Subp. 3a. Original licenses.** A certificate holder who does not apply for the license within two years and 90 days of having received the results of the uniform CPA examination shall furnish satisfactory evidence of having completed 20 hours of acceptable continuing professional education within the 12 months immediately after licensure.

**Subp. 4. Formerly active licensees reentering active public practice.** A formerly active licensee reentering public practice shall report continuing professional education as described in items A to C.

A. Before receipt of an active license and reentry into public practice, the formerly active licensee shall submit evidence of completion of 50 hours of continuing professional education meeting the requirements in parts 1100.6800 to 1100.7800 in the last 12 months prior to application for active licensure.

B. If at the time of application for inactive status, the licensee had not yet reported continuing professional education for the years of the reporting cycle during which the licensee was actively licensed, the licensee shall be required to report continuing professional education on a pro rata basis for those years.

C. Once relicensed as active, the licensee shall be placed on a three-year reporting cycle as outlined in part 1100.6500, subpart 1, based on the date the licensee was originally approved for licensure and shall report continuing professional education accordingly.

**Subp. 5.** [Repealed, 17 SR 2274]

**Subp. 6. Inactive license status.** A licensee may surrender an active license and request exemption from the continuing professional education requirements if the licensee does not hold out as a public accountant, perform public accounting services to any degree whatever, with or without any form of remuneration, and is not engaged in an employment which was used as experience for initial licensure. Requests for inactive status are subject to approval by the board and shall be reported annually at renewal time.

**Subp. 7. Temporary licensees.** Temporary licensees must be current with their continuing professional education in their home states before being allowed to practice temporarily in Minnesota.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 1471; 19 SR 1732*

#### **1100.6800 PROGRAMS WHICH QUALIFY.**

**Subpart 1. Principles.** The overriding consideration in determining whether a specific program qualifies as acceptable continuing professional education is that it be a formal pro-



gram of learning that contributes directly to the professional competence of an individual licensed to practice as a certified public accountant or as a licensed public accountant.

Subp. 2. **Programs requiring attendance.** Continuing professional education programs requiring attendance will qualify only if an outline of the program is prepared in advance and preserved, the program is at least one hour (50-minute period) in length, the program is conducted by a qualified instructor, and a record of registration or attendance is maintained.

Subp. 3. **Programs presumed to qualify.** The following programs are deemed to qualify provided the criteria in subpart 2 are met:

A. professional development programs of recognized national and state accounting organizations;

B. technical sessions at meetings of recognized national and state accounting organizations and their chapters;

C. university or college courses:

(1) credit courses. Each semester hour credit shall equal 15 hours toward the requirement. A quarter hour credit shall equal ten hours; and

(2) noncredit short courses;

D. formal organized in-firm or in-house educational or training programs including, for example, videotape presentations, formal programs on legislative changes, and sessions on how to enforce new rules and laws;

E. participation in committee meetings of recognized professional societies which are structured as educational programs;

F. meetings at dinner, luncheon, and breakfast which are structured as formal educational programs;

G. firm meetings for staff or management groups, except that portions of such meetings devoted to administrative and firm matters do not qualify; and

H. programs in other recognized organizations (accounting, industrial, professional, etc.).

Subp. 4. **Correspondence courses; individual study programs.** Formal correspondence or other individual study programs which require registration and provide evidence of satisfactory completion will qualify with the amount of credit to be determined by the board.

Subp. 5. **Assistance of accounting organizations in determining program eligibility.** The board may look to recognized state or national accounting organizations for assistance in interpreting the acceptability of and credit to be allowed for individual courses.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471; 19 SR 1732*

#### 1100.6900 ACCEPTABLE SUBJECT MATTER AND PROGRAMS.

The following general subject matters are acceptable so long as they contribute to the professional competence of the individual practitioner:

A. accounting or auditing;

B. taxation;

C. management services;

D. computer science;

E. communication arts;

F. mathematics, statistics, probability and quantitative applications in business;

G. economics;

H. business law;

I. functional fields of business: finance, production, marketing, personnel relations, business management and organization;

J. social environment of business;

K. specialized areas of industry; for example, film industry, real estate, or farming;

and

L. administrative practice; for example, engagement letters, fee structures, or personnel.

Areas other than those in items A to L may be acceptable if the licensee can demonstrate that they contribute to professional competence. The responsibility for substantiating that a particular program is acceptable and meets the requirements rests only with the licensee.

No more than 40 hours of CPE in a three-year cycle will be given for the following types of courses: (1) behavioral courses, (2) motivational courses, (3) computer courses, and (4) management courses; unless it can be shown by the licensee that the course is directly related to the practice of public accounting.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 17 SR 2274; 18 SR 1471*

#### **1100.7000 CREDIT FOR INDIVIDUAL STUDY PROGRAMS.**

In determining the amount of credit to be allowed for specific correspondence and individual study programs (including taped study programs), the board will determine the equivalency of the program to a comparable seminar or a comparable course for credit in an accredited educational institution. Licensees claiming credit for such courses will be required to obtain evidence of satisfactory completion of the course from the program sponsor. Credit will be allowed in the renewal period in which the course is completed.

**Statutory Authority:** *MS s 326.18*

#### **1100.7100 CREDIT FOR SERVICE AS LECTURER, DISCUSSION LEADER, OR SPEAKER.**

Credit for one hour of continuing professional education will be awarded for each hour completed as an instructor or discussion leader to the extent that the particular activity contributes to the professional competence of the licensee as determined by the board. Credit as an instructor, discussion leader, or speaker will be allowed for any meeting or engagement provided that the session is one which would meet the continuing professional education requirements of those attending. The credit allowed an instructor, discussion leader, or a speaker will be on the basis of a maximum of two hours for actual subject preparation time for each hour of teaching. The maximum credit for preparation and teaching will not exceed 50 percent of the renewal period requirement. A qualified instructor or discussion leader is anyone whose background, training, education, or experience makes it appropriate to lead a discussion on the subject matter of the particular program.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 2274; 18 SR 1471*

#### **1100.7200 CREDIT FOR PUBLICATIONS.**

Credit may be allowed for published articles and books provided they contribute to the professional competence of the licensee. The amount of credit so awarded will be determined by the board. Credit for preparation of such publications may be given on a self-declaration basis up to 25 percent of the renewal period requirement. In exceptional circumstances a licensee may request additional credit by submitting the articles or books to the board with an explanation of the circumstances justifying a greater credit.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279*

**1100.7300** [Repealed, 17 SR 2274]

**1100.7400** [Repealed, 17 SR 2274]

**1100.7500** [Repealed, 17 SR 2274]

**1100.7600** [Repealed, 17 SR 2274]

#### **1100.7700 MEASURING CREDIT HOURS.**

The following standards will be used to measure the hours of credit to be given for acceptable continuing professional education programs completed by an individual applicant.

A one-day program will be considered to equal eight hours. Only class hours or the equivalent will be counted, and not student hours devoted to preparation. Service as lecturer or discussion leader of continuing professional education programs will be counted to the extent that it contributes to the applicant's professional competence.

Continuing professional education credit will be given for whole hours only, with a minimum of 50 minutes constituting one hour. As an example, 100 minutes of continuous instruction would count for two hours; however, more than 50 minutes but less than 100 minutes of continuous instruction would count only for one hour. A one-day program qualifying for eight hours of credit is any program the duration of which is equivalent to a normal working day. Travel time cannot be claimed.

**Statutory Authority:** *MS s 326.18*

**History:** *18 SR 1471*

### 1100.7800 DOCUMENTING COMPLETION OF REQUIREMENTS.

Subpart 1. **Retaining documents.** Primary responsibility for documenting the requirements rests with the licensee, and evidence to support fulfillment of those requirements must be retained for a period of four years after the completion of educational courses.

Subp. 2. **Required documents.** Satisfaction of the requirements under part 1100.6800, subpart 2, including the retention of attendance records and written outlines, may be accomplished as follows:

A. In the case of courses taken for scholastic credit in accredited universities and colleges (state, community, or private) or high school districts, evidence of satisfactory completion of the course will be sufficient.

B. In all other instances, the licensee must maintain an outline and evidence of attendance. In the case of noncredit courses taken in educational institutions, a signed statement of the hours of attendance must be obtained from the instructor.

Subp. 3. **Controls and reporting.** Applicants for license renewal must provide a signed statement of the continuing professional education programs which they claim to be acceptable showing sponsoring organization, location of program, title of program or description of content, dates attended, and hours claimed.

Subp. 4. **Verification.** The board will verify on a test basis information submitted by licensees. If an application for license renewal is not approved the applicant will be so notified and may be granted a period of time by the board in which to correct the deficiencies noted.

**Statutory Authority:** *MS s 326.18*

**History:** *17 SR 1279; 18 SR 1471*

1100.7900 [Repealed, 18 SR 1471]

### 1100.8000 EFFECTIVE DATE.

Parts 1100.6400 to 1100.7900 shall become effective for certified public accountants on January 1, 1978, and for licensed public accountants on January 1, 1981.

**Statutory Authority:** *MS s 326.18*

## PRACTICE MONITORING

### 1100.9100 DEFINITIONS.

Subpart 1. **Scope.** For the purpose of parts 1100.9100 to 1100.9900 the terms in this part have the meanings given.

Subp. 2. **Adverse report.** "Adverse report" is a report that describes nonconformance with the professional standards established by the AICPA in Standards for Performing and Reporting on Quality Reviews, effective April 1, 1994.

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

Subp. 4. **Licensed practice unit or LPU.** "Licensed practice unit" or "LPU" means a corporation, partnership, limited liability company (LLC), limited liability partnership

(LLP), or sole proprietorship licensed under Minnesota Statutes, section 326.20, to practice public accounting in Minnesota.

Subp. 5. **Qualified report.** "Qualified report" means a report that describes deficiencies in the work reviewed or the related quality control system, or both, when compared with the professional standards established by the AICPA in Standards for Performing and Reporting on Quality Reviews, effective April 1, 1994.

Subp. 6. **Quality review.** "Quality review" means a study, appraisal, or review of one or more aspects of the professional work of a person or firm (LPU) in the practice of public accountancy by a reviewer who meets the requirements of part 1100.9600. An on-site quality review shall include a review of the LPU's quality control system. An off-site quality review shall not.

Subp. 7. **Report acceptance body.** "Report acceptance body" means the organization that accepts the quality review report from the reviewer, reviews it, and determines what, if any, action the LPU shall take in order to bring the LPU's practice up to the professional standards set forth in part 1100.4650.

Subp. 8. **Reporting year.** "Reporting year" means the year after the quality review has been conducted. It is the year in which the licensee will send the quality review report to the board.

Subp. 9. **Reviewer.** "Reviewer" means the licensed individual or firm selected to conduct the quality review.

Subp. 10. **Unqualified report.** "Unqualified report" means a report that describes no deficiencies in the work reviewed or the related quality control system, or both, when compared with the professional standards established by the AICPA in Standards for Performing and Reporting on Quality Reviews, effective April 1, 1994.

Subp. 11. **Year of review.** "Year of review" means the year during which the quality review will be conducted.

Subp. 12. **Year under review.** "Year under review" means the year prior to the year in which the quality review is actually started. It is the third and final year of a licensee's three-year reporting cycle.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9150 INCORPORATION BY REFERENCE.**

For purposes of part 1100.9100, Standards for Performing and Reporting on Quality Reviews, effective April 1, 1994, is incorporated by reference. This document is published by the American Institute of Public Accountants, Inc., New York, New York 10036-8775. It is not subject to frequent change and is available at the state law library.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9200 REQUIREMENT FOR QUALITY REVIEW; AREAS TO BE REVIEWED.**

As a condition to renewal of its license pursuant to Minnesota Statutes, section 326.20, every LPU shall undergo a quality review in accordance with parts 1100.9100 to 1100.9900 once every three years. The on-site quality review is limited to the LPU's accounting and auditing practice and its related quality control system. The off-site quality review is limited to the LPU's financial statement practice and its related compilation and review reports.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9300 EXEMPTION FROM QUALITY REVIEW.**

An LPU is exempt from the quality review requirement in part 1100.9200 if it annually represents to the board that it does not engage in audits, reviews, or compilations; 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 shall be made in writing, under oath, and upon forms provided by the board. The representation shall be made annually at the time the LPU applies for renewal of its license.

If an LPU under exemption notifies the board that it has performed an audit, review, or compilation, it shall undergo a quality review during the first full year after its initial acceptance of an engagement, or sooner at the request of the LPU.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9400 INITIAL QUALITY REVIEW CYCLE.**

Subpart 1. **Past participation in quality review.** LPUs that are participating in a quality review program on July 12, 1994, shall comply with items A to C.

A. LPUs whose year under review ended in 1993 shall have quality reviews performed in 1994, which will be their year of review, and submit the material specified in part 1100.9800 to their report acceptance bodies 30 days after receiving it from their reviewers, and to the board by June 30, 1995.

B. LPUs whose year under review ended in 1994 shall have quality reviews performed in 1995, which will be their year of review, and submit the material specified in part 1100.9800 to their report acceptance bodies 30 days after receiving it from their reviewers, and to the board by June 30, 1996.

C. LPUs whose year under review ended in 1995 shall have quality reviews performed in 1996, which will be their year of review, and submit the material specified in part 1100.9800 to their report acceptance bodies 30 days after receiving it from their reviewers, and to the board by June 30, 1997.

Subp. 2. **First time participation in quality review.** LPUs that did not participate in quality review programs prior to July 12, 1994, and are subject to the quality review programs for the first time, shall have reviews performed in either 1995 or 1996, which will be their year of review. LPUs shall submit the material specified in part 1100.9800 to their report acceptance bodies and to the board according to the following schedule:

A. LPUs with license numbers whose last digit is even shall have quality reviews performed in 1995, and submit the material specified in part 1100.9800 to their report acceptance bodies 30 days after receiving it from their reviewers, and to the board by June 30, 1996.

B. LPUs with license numbers whose last digit is odd shall have quality reviews performed in 1996, and submit the material specified in part 1100.9800 to their report acceptance bodies 30 days after receiving it from their reviewers, and to the board by June 30, 1997.

After the initial report, LPUs shall be required to report every three years on the anniversary of their first reporting date.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9500 NEW LPUs; QUALITY REVIEW CYCLE.**

As a condition of licensing, a new LPU 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 1100.9800 to the board by June 30 of the second full year after becoming subject to the requirements for quality review.

After the initial report, the LPU shall be required to report every three years on the anniversary of the June 30 reporting date.

A new LPU is one that has not been previously licensed in Minnesota or has not had a quality review completed in the three-year period prior to application. It does not include the following:

A. An LPU that has been previously licensed 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 formed by more than one previous LPU which were already scheduled for quality review. The quality review of this LPU shall be conducted in the later of the years for which each of the former LPUs was scheduled.

C. A partnership, corporation, LLC, or LLP that is dissolved with each individual LPU taking clients from the partnership or corporation. The quality review for each of these individual LPUs 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 LPU 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:** *19 SR 74*

#### **1100.9600 QUALIFICATIONS OF REVIEWER.**

The reviewer shall have the following minimum qualifications:

A. be licensed to practice as a CPA or LPA; or a CPA, LPA, LLC, or LLP firm, by 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 such reports and statements;

C. be independent, as defined by part 1100.4400, of the LPU under review;

D. have no conflict of interest, as defined in part 1100.4500;

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

F. be familiar with the procedure for conducting a quality review in accordance with the standards set forth by the AICPA; and

G. have attended a quality review seminar sponsored by the board, the AICPA, the National Society of Public Accountants, another state board, or another professional accounting organization.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9700 QUALIFICATIONS OF REPORT ACCEPTANCE BODIES.**

The AICPA is an approved report acceptance body.

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 the review standards as established by the AICPA, and incorporated by reference in part 1100.9150, 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 the review standards as established by the AICPA, and incorporated by reference in part 1100.9150. Approval shall be withdrawn if a report acceptance body fails to fulfill its responsibilities in accordance with the review standards as established by the AICPA, and incorporated by reference in part 1100.9150.

The report acceptance body shall not make membership a condition of acting as a report acceptance body for any LPU.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9800 REPORT TO BOARD.**

**Subpart 1. Required submittals.** By June 30 of each year, each LPU that is scheduled to report that year shall submit the following material to the board:

A. a copy of the qualified, adverse, or unqualified report issued by the reviewer, including any letters of comment and responses;

B. the final letter of approval from the report acceptance body; and

C. any agreements to correct deficiencies that have been entered into between the LPU and the report acceptance body.

The board shall review this material prior to relicensing the LPU.

Failure to file the required material by June 30 of its reporting year shall be cause for discipline against the LPU's certificate and license.

In the case of a qualified or adverse report, where the report acceptance body and the LPU have entered into an agreement to correct deficiencies, failure by the LPU to abide by that agreement shall be grounds for discipline against the LPU's certificate and license.

**Subp. 2. Board requirements.** In addition to any agreement made between the report acceptance body and the LPU, the board may:

A. require that the members of the LPU firm complete continuing education in the areas of deficiency in addition to the continuing professional education hours required in part 1100.6500;

B. require that the LPU maintain a minimum library of source materials designed to provide the LPU with the resources necessary to cure the deficiencies noted; and

C. impose any other discipline authorized by Minnesota Statutes, section 326.229, subdivision 4.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*

#### **1100.9900 PRIVATE DATA.**

The board shall treat the quality review reports of the reviewer and the report acceptance body, and all material of the LPU, 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.

If an LPU becomes the subject of a disciplinary proceeding pursuant to Minnesota Statutes, section 326.229, the board may make the information public in accordance with Minnesota Statutes, chapter 14.

**Statutory Authority:** *MS s 326.18*

**History:** *19 SR 74*