

CHAPTER 1105
BOARD OF ACCOUNTANCY
LICENSURE AND REGULATION OF ACCOUNTANTS

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1105.0100 DEFINITIONS.

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

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

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

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

Subp. 5. [Repealed, 38 SR 1367]

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

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

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

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

Subp. 9a. **Group Internet-based program.** "Group Internet-based program" means an educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants by using the Internet.

Subp. 9b. **Group live program.** "Group live program" means an educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants in a classroom or conference setting.

Subp. 9c. **Group program.** "Group program" means either a group Internet-based program or group live program.

Subp. 9d. **Independent study.** "Independent study" means an educational process designed to teach a participant a given subject using a learning contract with a continuing professional education program sponsor.

Subp. 9e. **Internet-based program.** "Internet-based program" means an educational process using a group program or a self-study program that is designed to teach a participant a given subject using the Internet.

Subp. 9f. **Licensee.** In addition to the definition in Minnesota Statutes, section 326A.01, subdivision 9, a "licensee" for purposes of parts 1105.1200, 1105.5600, 1105.5800, and 1105.7800, and Minnesota Statutes, sections 326A.08, 326A.10, and 326A.13, can also be a person issued a certificate as a certified public accountant under the law of any other state who is rendering services in this state according to Minnesota Statutes, section 326A.04 or 326A.14, or an entity issued a permit as a CPA firm under the law of any other state who is rendering services in this state according to Minnesota Statutes, section 326A.05.

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

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

Subp. 11a. **Professional engagement.** "Professional engagement" means an agreement between a client and a licensee relative to the performance of professional services and the services performed under the agreement.

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

- A. issuing reports on financial statements;
- B. providing management or financial advisory or consulting services;
- C. preparing tax returns;
- D. providing advice in tax matters; or
- E. other services performed under a professional engagement.

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

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

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

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

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

Subp. 16a. **Self-study program.** "Self-study program" means an educational process designed to teach a participant a given subject without involvement of an instructor.

Subp. 17. [Repealed, 33 SR 476]

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 30 SR 422; 33 SR 476; 38 SR 1367; 40 SR 953*

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1105.0200 INTERPRETATION OF RULES.

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

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

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

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

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.0250 INCORPORATION BY REFERENCE.

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

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

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

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

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

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

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

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

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

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

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

Statutory Authority: *MS s 326A.02*

History: *30 SR 422; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.0300 BOARD OF ACCOUNTANCY MEETINGS.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.0400 ELECTION AND TENURE OF OFFICERS.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.0500 DUTIES OF OFFICERS.

A. The chair or, in the event of the chair's absence or inability to act, the vice-chair shall preside at and prepare an agenda for all meetings of the board. The chair shall make committee appointments and

shall supervise the activities of the executive director in accordance with board directives and policy. The board shall determine other duties of the officers.

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

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

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

History: *27 SR 1425; 30 SR 422; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.0600 [Repealed, L 2013 c 85 art 5 s 50]

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1105.0700 REFUNDING FEES.

Fees must be refunded if an application is rejected prior to processing. Once an application for examination or reexamination has been processed or approved by the board or third-party administrator on behalf of the board, the fee specified in Minnesota Statutes, section 326A.04, subdivision 5, paragraph (b), clause (14), may not be refunded. The fee may be applied to a subsequent examination within six months, after which the fee is forfeited. The fee specified in Minnesota Statutes, section 326A.04, subdivision 5, paragraph (b), clause (15), may be refundable pursuant to the refund policy of the third-party administrator.

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.0800 [Repealed, 28 SR 1636]

Published Electronically: *September 18, 2008*

1105.0900 VERIFICATION AND TRANSFER OF GRADE FEES.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.1000 PRORATING FEES.

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

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.1100 CHANGES OF ADDRESS AND OTHER INFORMATION.

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

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.1200 COMMUNICATIONS.

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

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

History: *27 SR 1425; 28 SR 1636; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.1300 APPEARANCE BEFORE BOARD.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.1400 SEMESTER HOUR; ACCREDITATION; CREDIT FOR COURSES.

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

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

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

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

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

Subp. 3. **Institution accredited when degree is granted.** A candidate is considered as graduating from an accredited educational institution if, at the time the educational institution grants the applicant's degree, it is accredited at the appropriate level as outlined in this chapter.

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

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

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

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

- A. has accepted the courses by including them in its official transcript; or
- B. has certified to the board that it will accept the courses for credit toward graduation.

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

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

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

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

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

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

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

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

History: *27 SR 1425; 30 SR 422*

Published Electronically: *September 18, 2008*

1105.1500 EDUCATION REQUIREMENTS.

Subpart 1. **Education requirements.** For purposes of Minnesota Statutes, section 326A.03, subdivision 3, an applicant is considered to have met the education requirement if the applicant has met any one of the following conditions:

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

B. earned a graduate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency recognized by the board and completed at least 24 semester hours in accounting at the undergraduate level or 15 semester hours at the graduate level, or an

equivalent combination thereof, including coverage of, but not necessarily separate courses in, the subject of financial accounting, auditing, taxation, and management accounting;

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

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

Subp. 2. [Repealed, 38 SR 1367]

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.1600 APPLICATIONS FOR EXAMINATION.

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

Subp. 2. **Completion of filing.** An application is not considered filed until the application fee and examination fee required by Minnesota Statutes, section 326A.04, and all required supporting documents have been received by the board or examination administrator, including proof of identity as determined by the board, official transcripts, and proof that the applicant has completed the education requirement. Applicants who do not supply all required supporting documents and applicable fees within four years of the date the application was received by the board shall submit a new application with the required fee.

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

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

Subp. 5. [Repealed, 28 SR 1636]

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

History: *27 SR 1425; 28 SR 1636; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.1650 EARLY APPLICATION AND EXAMINATION PROVISIONS.

A. Notwithstanding the requirements in parts 1105.1500, subpart 1, and 1105.1600, subpart 2, and as provided for by Minnesota Statutes, section 326A.03, subdivision 3a, an applicant for the examination may:

(1) make application for the examination within 180 days prior to the anticipated completion of the education requirements contained in part 1105.1500 and Minnesota Statutes, section 326A.03, subdivision 3; and

(2) sit for part or all of the examination within 90 days prior to the anticipated completion of the education requirements contained in part 1105.1500 and Minnesota Statutes, section 326A.03, subdivision 3, provided that:

(a) the applicant has met all the requirements for sitting for the examination contained in part 1105.1600, except for obtaining the final official transcript containing proof the applicant has completed the education requirements contained in part 1105.1500 and Minnesota Statutes, section 326A.03, subdivision 3;

(b) the applicant submits a transcript containing courses completed and a listing of courses which are going to be completed by the applicant to meet the education requirements contained in part 1105.1500 and Minnesota Statutes, section 326A.03, subdivision 3; and

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

B. No credit shall be given for any part of the examination taken before completion of the education requirements contained in part 1105.1500 and Minnesota Statutes, section 326A.03, subdivision 3, if the education requirements are not met within 120 days subsequent to first sitting for any part of the examination and a final transcript containing proof that the applicant has completed the education requirements as required by part 1105.1600, subpart 2, is not received by the board or examination administrator within 150 days of the applicant first sitting for any part of the examination.

C. Examination related fees required by part 1105.2100 and Minnesota Statutes, section 326A.04, shall not be refunded if the applicant does not submit a final transcript within the 150-day period required in item B.

Statutory Authority: *MS s 326A.02*

History: *33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.1700 TIME AND PLACE OF EXAMINATION.

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

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

History: *27 SR 1425; 28 SR 1636*

Published Electronically: *September 18, 2008*

1105.1800 EXAMINATION CONTENT.

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

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

Subp. 3. [Repealed, 40 SR 953]

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

History: *27 SR 1425; 28 SR 1636; 33 SR 476; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.1900 DETERMINING AND REPORTING EXAMINATION GRADES.

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

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

History: *27 SR 1425; 30 SR 422*

Published Electronically: *September 18, 2008*

1105.2000 RETAKE AND GRANTING OF CREDIT REQUIREMENTS.

Subpart 1. [Repealed, 28 SR 1636]

Subp. 2. **Examination requirements.** An applicant may take the required examination sections individually and in any order. Credit for any section passed shall be valid for 18 months from the actual date the applicant took that section, without having to attain a minimum score on any failed section and without

regard to whether the applicant has taken other sections, regardless of the date the applicant actually receives notice of the passing grade. In addition:

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

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

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

Subp. 3. [Repealed, 33 SR 476]

Subp. 4. **Other states.** An applicant shall retain credit, if approved by the board according to part 1105.1900, for sections of an examination passed in another state if the credit would have been given, under then applicable requirements, if the applicant had taken the examination in this state.

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

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

History: *27 SR 1425; 28 SR 1636; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.2100 EXAMINATION CHARGES.

The board shall charge, or provide for a third party to charge, each applicant a fee for each section of the examination or reexamination taken by the applicant as specified in Minnesota Statutes, section 326A.04.

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

History: *27 SR 1425; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.2200 CHEATING.

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

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

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

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

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

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

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

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

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

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

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

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

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

A. admonish the candidate;

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

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

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

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

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

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

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

History: *27 SR 1425; 30 SR 422; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.2300 SECURITY AND IRREGULARITIES.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.2400 EMERGENCY EXAMINATION PROCEDURES.

When circumstances exist making it impossible for the board or examination administrator to conduct the examination at the time, date, or place scheduled or make it impossible for a majority of examination candidates to attend the examination at the time, date, or place scheduled, the board shall waive parts 1105.1600, subpart 3; 1105.1700; and 1105.2000, subpart 2; and Minnesota Statutes, section 326A.04, paragraph (b), clauses (14) and (15), to avoid hardship on examination candidates affected. The circumstances include notice to the board of the unavailability of the examination site with insufficient time to give notice to examination candidates; weather emergencies as declared by the governor, the governor's designees, or those state officials empowered to close public highways; civil disturbances; natural disasters; and other causes that affect the board's or examination administrator's ability to fairly administer the examination.

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.2450 GOOD MORAL CHARACTER.

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

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

(1) any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of nolo contendere, for any felony or any crime, an essential element of which is fraud, dishonesty, or deceit, or any other crime that evidences

an unfitness of the applicant to practice public accountancy in a competent manner and consistent with the public safety;

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

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

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

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

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

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

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

Published Electronically: *September 18, 2008*

1105.2500 APPLICATIONS FOR CERTIFICATES.

A. Applications for initial certificates and for renewal of certificates pursuant to the act must be made on a form provided by the board and, in the case of applications for renewal, must be filed no later than the expiration date set by the act or this chapter. Applications are not considered filed until the board receives the fully completed application, the applicable fee prescribed in Minnesota Statutes, section 326A.04, and the following supporting documentation:

(1) for initial certificates, evidence of completion of the education, examination, and experience requirements in part 1105.3800, items A, E, F, G, and H; and

(2) for renewal certificates, evidence of completion of continuing education requirements described in item B.

Applicants who do not supply all required supporting documents and applicable fees for an initial certificate within four years of the date the application was received by the board shall submit a new application with the required fee. If an application for renewal is filed late, it must also be accompanied by the delinquency fee prescribed in Minnesota Statutes, section 326A.04. In addition, the reinstatement fee prescribed in Minnesota Statutes, section 326A.04, must be paid if the renewal is filed more than two years late. The application for renewal must be submitted on a form provided by the board by December 31 of each year.

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

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

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

(3) Licensees who do not meet the criteria of subitem (1) or (2), and have complied with part 1105.3000, items A to C, shall have a certificate status of "active." Initial issuances of certificates shall also have an "active" status.

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

(a) are employees of a firm granted a permit under Minnesota Statutes, section 326A.05, or are engaged as independent contractors by a firm granted a permit under Minnesota Statutes, section 326A.05;

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

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

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

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

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

(6) Nonresident individuals who do not meet the requirements of part 1105.7900, item B, and Minnesota Statutes, section 326A.04, subdivision 7, or 326A.14, and who have never been granted a CPA certificate by any state must not be issued a certificate by this state unless the individual previously met the nonresident requirements of part 1105.1600, subpart 1, and meets all other requirements for initial issuance of a certificate.

D. Applicants, licensees, or nonresident individuals who desire to practice in this state but do not meet the requirements of part 1105.7900, item B, who have successfully passed the Uniform Certified Public Accountant Examination and have met the experience and education requirements of parts 1105.2600 and 1105.2900, and Minnesota Statutes, section 326A.04, must either:

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

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

if the applicants, licensees, or nonresident individuals who do not meet the requirements of part 1105.7900, item B, are owners or are employed by or become employed by a firm which has been issued a permit under this chapter and Minnesota Statutes, section 326A.05, or are employees in the Office of the Legislative Auditor or State Auditor, and the employment results in the providing of professional services to a client. Applications must be accompanied by the applicable fee prescribed in Minnesota Statutes, section 326A.04, and must be filed with the board within 60 days of meeting the criteria specified in this item.

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

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

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

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

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367*

Published Electronically: *September 10, 2014*

1105.2540 TEMPORARY MILITARY CERTIFICATE.

Subpart 1. **Information required.** An applicant shall submit an application for a temporary military certificate under Minnesota Statutes, section 197.4552, accompanied by payment of the license fee as specified in Minnesota Statutes, section 326A.04, subdivision 5. The applicant shall supply the board with evidence of all the following:

- A. military status:
 - (1) active duty military member;
 - (2) spouse of an active duty military member; or
 - (3) confirmation of an honorable or general discharge status within the two years preceding the date of temporary military certificate application;
- B. verification of current licensure or certification in another state; and
- C. a current criminal background study.

Subp. 2. **Evaluation of information.** The board shall evaluate the information required by subpart 1. If the board finds the applicant is eligible for certification, the board shall issue a temporary certificate and notify the applicant in writing. If the board finds the applicant is ineligible for a temporary military certificate, the board shall notify the applicant in writing and give the reasons for ineligibility.

Subp. 3. **Temporary certificate period.** A temporary military certificate is valid for not more than six months from the date of issuance and shall expire on the date listed on the temporary certificate, upon the board's determination that the applicant is ineligible for certification or upon issuance of a certificate under part 1105.2500 or 1105.3400, whichever occurs first.

Subp. 4. **Application required.** During the temporary certificate period, the individual shall complete the full application required for a CPA certificate. If the board finds the applicant is eligible for certification, the board shall issue a certificate as provided under part 1105.2500 or 1105.3400 and notify the applicant in writing. If the board finds the applicant ineligible for certification, the board shall notify the applicant in writing and give the reasons for ineligibility.

Subp. 5. **Limitations.** The board shall not issue a temporary military certificate to an applicant who has previously received a temporary certificate in Minnesota. A temporary military certificate shall not be renewed.

Statutory Authority: *MS s 197.4552; 326A.02*

History: *40 SR 953*

Published Electronically: *February 15, 2016*

1105.2550 [Repealed, L 2013 c 85 art 5 s 50]

Published Electronically: *July 24, 2013*

1105.2560 RENEWAL OF CERTIFICATES AFTER 2013.

A. Beginning with certificate renewal applications for certificates with an expiration date of December 31, 2014, the board shall renew each certificate for a one-year period.

B. Initial issuances of certificates after January 1, 2014, shall expire on the December 31 following issuance and shall thereafter be renewed annually before December 31 on a form provided by the board for that purpose.

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

D. Certificates with an expiration date of December 31, 2013, or prior, submitted to the board for renewal on or after January 1, 2014, shall expire on the December 31 following renewal.

Statutory Authority: *MS s 326A.02*

History: *38 SR 1367*

Published Electronically: *April 28, 2014*

1105.2600 EXPERIENCE REQUIRED FOR INITIAL CERTIFICATE.

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

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

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

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

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

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

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.2700 [Repealed, L 2013 c 85 art 5 s 50]

Published Electronically: *July 24, 2013*

1105.2800 EVIDENCE OF APPLICANT'S EXPERIENCE.

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

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

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

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

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

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

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

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

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

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

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

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

History: *27 SR 1425; 30 SR 422; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.3000 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS.

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

A. A licensee holding a certificate with an active status shall:

(1) complete a minimum of 20 hours of continuing professional education (CPE) complying with this chapter each year;

(2) in a rolling three-year period, complete a minimum of 120 hours of CPE complying with this chapter including at least eight hours in regulatory ethics or behavioral ethics;

(3) complete the required CPE by June 30 each year; and

(4) report the required CPE to the board on a form provided by the board by December 31 each year.

B. A continuing professional education period is one year, from July 1 to June 30. No carryforward of CPE from one period to the next is allowed. A licensee may carryback CPE hours earned after June 30 to satisfy the requirements of a prior CPE period provided that the late processing fees specified in item E are paid. Carryback hours used to satisfy the requirements of a prior CPE period must not also be used to satisfy the requirements of the period in which they were completed.

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

D. A licensee holding a certificate with an inactive status who elects or is required to have an active certificate shall complete at least 120 hours of CPE complying with this chapter during the three-year period preceding application for an active certificate. Such licensee shall identify and complete a program of learning designed to demonstrate the currency of the licensee's competencies directly related to the licensee's area of service.

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

F. A licensee electing to change the status of the licensee's certificate from a status of "active" to a status of "inactive" must:

(1) notify the board of the request in writing on a form provided by the board; and

(2) provide the board with documentation showing completion of a minimum of 120 hours of CPE required under this chapter during the three-year period ended June 30 preceding the effective date of the status change, with a minimum of 20 hours each year.

The change in status from "active" to "inactive" is effective on January 1 following completion of subitems (1) and (2).

G. The following requirements apply to licensees granted an initial certificate with an active status.

(1) Licensees receiving their initial certificate between January 1 and June 30:

(a) are exempt from the CPE requirement for the CPE period ended June 30 in the same year as the date the initial certificate was granted;

(b) must complete the 20-hour requirement in item A by June 30 of the year following the date the initial certificate was granted; and

(c) must complete the 120-hour requirement in item A by the June 30 three years after the date in which the initial certificate was granted.

(2) Licensees receiving their initial certificate between July 1 and December 31:

(a) are exempt from the CPE requirement for the CPE period ended June 30 in the year following the date the initial certificate was granted;

(b) must complete the 20-hour requirement in item A by June 30 two years after the date in which the initial certificate was granted; and

(c) must complete the 120-hour requirement in item A by June 30 four years after the date in which the initial certificate was granted.

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.3100 CONTINUING PROFESSIONAL EDUCATION PROGRAMS.

Subpart 1. **Regular qualifications.** A program qualifies as acceptable continuing professional education for purposes of this chapter and Minnesota Statutes, section 326A.04, subdivision 4, if it is a program of learning that contributes to the growth in the professional knowledge and professional competence of a licensee. The program must meet the minimum standards of quality of development, presentation, measurement, and reporting of credits in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA or such other standards acceptable to the board. Except to the extent permitted in subpart 2, program sponsors qualifying under this chapter must be members of NASBA's CPE registry. Group programs designed with interaction between an instructor or facilitator and other participants that are sponsored or presented by the entities in items A to E are not subject to NASBA's CPE Registry requirement:

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

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

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

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

E. CPE programs sponsored by professional organizations recognized by another state's board of accountancy.

Subp. 2. **Other qualifications.** The board shall accept programs that, in the determination of the board, contribute to the growth of the professional knowledge and competence of the licensee even if the programs do not meet the specific requirements of subpart 1 if the licensee shows that the programs contribute to the licensee's professional knowledge and professional competence. All self-study programs and program sponsors must be approved by NASBA and listed on NASBA's CPE Registry. The following learning activities are eligible for CPE credit as specified in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA:

- A. group live programs;
- B. group Internet-based programs;
- C. independent study;
- D. authoring articles, books, or CPE courses for publication; and
- E. preparation time and presentation of courses or seminars.

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

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

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

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

- A. a maximum of 60 hours may be claimed for presenting or instructing qualifying courses or seminars;
- B. a maximum of 60 hours may be claimed for authoring articles, books, or CPE courses for publication;
- C. at least 24 hours must be obtained from attending instructor-led programs;
- D. a maximum of 24 hours may be obtained from programs in the subject area of personal development defined as a field of study that covers such skills as communications, managing the group process, dealing effectively with others, interviewing, counseling, and career planning; and
- E. at least 72 hours must be obtained through programs meeting the registry requirements under subpart 1.

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367; 40 SR 953*

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1105.3200 CONTINUING PROFESSIONAL EDUCATION REPORTING AND RECORDS.

A. Persons seeking renewal of certificates with an active status pursuant to the act shall file with their applications a signed statement indicating they have met the requirements for participation in a program of continuous learning as set forth in this chapter and indicate the number of hours claimed for each of the three preceding years ending on June 30. The licensee shall report the hours claimed, separately identifying those programs meeting the registry requirements under part 1105.3100, subpart 1, and those programs not meeting the registry requirement under part 1105.3100, subpart 2.

B. The licensee shall be responsible for documenting the acceptability of the program and the validity of the credits. Documentation must be retained for five years following completion of each program.

Documentation of participation in a program of learning for programs meeting the registry requirements of this chapter must include a certificate of attendance that contains the registry number of the program. For programs that do not meet the registry requirements of this chapter, documentation of participation must include:

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

C. The board shall conduct audits to verify information regarding hours of CPE attendance in order to determine compliance with the continuing professional education requirements of this chapter through inspection of documentation supplied by the licensee. In cases where the board determines that the documentation supplied by the licensee is not sufficient or the programs do not meet the requirements of this chapter, the board may grant an additional period of time in which the deficiencies can be cured or the board may take disciplinary action. Licensees determined not in compliance shall be assessed the late processing fee required in part 1105.3000, item E. Fraudulent reporting is a basis for disciplinary action.

D. Beginning in calendar year 2014, licensees holding an active certificate on June 30 shall report to the board by December 31 of each year the continuing professional education hours earned during the one- and three-year CPE period ended on June 30.

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

History: *27 SR 1425; 30 SR 422; 33 SR 476; 38 SR 1367*

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1105.3300 EXCEPTION TO CONTINUING PROFESSIONAL EDUCATION REQUIREMENT.

A. The board may make an exception to the requirement in part 1105.3000, item A, for a licensee who is retired or who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including:

- (1) the issuance of reports on financial statements or other compilation communication;
- (2) furnishing one or more kinds of management advisory, financial advisory, or consulting services;
- (3) the preparation of tax returns; or
- (4) furnishing advice on tax matters.

Licensees shall request an exception only in connection with the application for certificate renewal or with a request to change the status of a licensee's certificate from "active" to "inactive" or "exempt."

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

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

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

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

History: *27 SR 1425; 30 SR 422; 33 SR 476; 38 SR 1367*

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1105.3350 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS FOR INITIAL ISSUANCE OF CERTIFICATE.

A. Applicants for initial issuance of a certificate shall submit with the application specified in part 1105.2500, item A, on a form provided by the board, a report of continuing professional education completed during the three-year period preceding the date of the initial application. The report must show the completion of at least 120 hours of continuing professional education complying with this chapter.

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

Statutory Authority: *MS s 326A.02*

History: *28 SR 1636; 38 SR 1367*

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1105.3400 INTERSTATE RECIPROCITY.

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

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

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

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

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

E. has completed the examination on professional ethics as required by part 1105.1800, subpart 2.

Subp. 2. **Principal place of business in this state.** A certificate holder licensed by another state who establishes a principal place of business in this state shall obtain a certificate from this state. If the certificate

holder's individual qualifications are not substantially equivalent to the act or this chapter, the board shall issue a certificate to the holder of a certificate in good standing issued by another state provided the applicant is of good moral character and has met the qualifications in subpart 1.

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

Subp. 4. **Certificate based on international reciprocity.** An applicant holding a certificate issued by another state whose certificate in that other state was issued based on a professional accounting credential or professional registration issued by a foreign country must apply for a certificate in this state under part 1105.3500 and Minnesota Statutes, section 326A.03, subdivision 7.

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.3500 INTERNATIONAL RECIPROCITY.

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

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

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

(1) the holder of the foreign accounting credential met the issuing body's education requirement and passed the issuing body's examination used to qualify its own domestic candidates; and

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

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

Subp. 2. **Qualifying examinations.** The board shall satisfy its requirements through qualifying examinations that the holder of a foreign credential deemed by the board to be generally equivalent to a CPA certificate possesses adequate knowledge of United States practice standards and the board's regulations. The board may rely on the National Association of State Boards of Accountancy, the American Institute of Certified Public Accountants, or other professional bodies to develop, administer, and grade the qualifying examinations. The board shall specify the qualifying examinations and process by resolution.

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

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

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

C. if the applicant has a foreign credential in effect at the time of the application for renewal of the CPA certification, present documentation from the foreign accounting credential issuing body that the applicant's foreign credential has not been suspended or revoked and the applicant is not the subject of a current investigation. If the applicant for renewal no longer has a foreign credential, the applicant must present proof from the foreign credentialing body that the applicant for renewal was not the subject of any disciplinary proceedings or investigations at the time that the foreign credential lapsed; and

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

Subp. 4. **Self-reporting.** The holder of a license or practice privilege issued or granted by the board in reliance on a foreign accounting credential or license shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing or licensing body against the CPA's foreign credential or license, or any discipline ordered by any regulatory authority having jurisdiction over the holder's conduct in the practice of accountancy.

Subp. 5. **Sanctions against foreign credentials.** Suspension or revocation of, or refusal to renew, the CPA's foreign accounting credential by the foreign credentialing body may be evidence of conduct reflecting adversely upon the CPA's fitness to retain the certificate and may be a prima facie basis for board action.

Subp. 6. **Conviction.** Conviction of a felony or any crime involving dishonesty or fraud under the laws of a foreign country is evidence of conduct reflecting adversely on the CPA's fitness to retain the certificate and is a prima facie basis for board action.

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

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

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 33 SR 476; 40 SR 953*

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1105.3700 EXEMPTION FROM CERTIFICATE RENEWAL REQUIREMENT.

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

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

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

(1) Submit evidence of completion of 50 hours of continuing professional education per year of exemption, up to a maximum of 120 hours, to be taken within 12 months prior to the renewal application in subjects specifically approved in advance by the board and meeting the requirements in part 1105.3100. The 50-hour requirement must be prorated for periods less than a full year.

(2) If, at the time of application for exempt status, the licensee had not yet reported qualifying continuing professional education of 120 hours with a minimum of 20 hours per year for each of the three years prior to the application for exempt status, the licensee shall be required to report continuing professional education for those years in addition to the hours required in subitem (1).

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

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

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

History: *27 SR 1425; 33 SR 476; 38 SR 1367*

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1105.3800 INITIAL ISSUANCE OF CERTIFICATE.

A certificate shall be issued to a person who has:

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

B. paid the required fee specified in Minnesota Statutes, section 326A.04;

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

D. complied with all applicable statutes and rules;

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

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

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

H. completed the examination on professional ethics as required by part 1105.1800, subpart 2.

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367*

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1105.3900 [Repealed, 38 SR 1367]

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1105.4000 APPLICATION FOR FIRM PERMIT.

A. Applications by firms for initial issuance and for renewal of permits under Minnesota Statutes, section 326A.05, must be made on a form provided by the board and, in the case of applications for renewal, must be filed no later than December 31. Applications are not considered filed until the applicable fee prescribed in Minnesota Statutes, section 326A.04, and all required documents prescribed in this chapter are received. Applicants who do not supply all required supporting documents and applicable fees for initial issuance of a permit within four years of the date the application was received by the board shall submit a new application with the required fee. If an application for permit renewal is filed late, it must also be accompanied by the delinquency fee prescribed in Minnesota Statutes, section 326A.04. In addition, the reinstatement fee prescribed in Minnesota Statutes, section 326A.04, shall be paid if the renewal is filed more than two years late.

B. A sole proprietor shall apply for a firm permit, when a permit is needed, as required by part 1105.4200.

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

D. The board shall not:

(1) issue an initial permit to a firm until all partners, members, managers, as defined in Minnesota Statutes, section 326A.01, shareholders, directors, and officers who are required to hold a certificate and whose principal place of business is in this state individually hold nonexpired certificates with an active status issued under Minnesota Statutes, section 326A.04, covering the term of the firm permit to be issued; or

(2) renew the permit of a firm until a two-thirds majority of partners, members, managers, as defined in Minnesota Statutes, section 326A.01, shareholders, directors, and officers who hold a certificate and whose principal place of business is in this state individually renew their certificates with an active status or hold nonexpired certificates with an active status issued under Minnesota Statutes, section 326A.04,

covering the term of the firm permit to be renewed. If all of these individuals do not renew their certificates with an active status within 60 days of expiration, the board shall automatically revoke the permit of the firm.

E. A firm's partners, members, shareholders, directors, or officers resident in this state who do not hold, and are not eligible to hold, a certificate shall annually, in connection with initial issuance or renewal of the firm permit, submit with the application a statement signed by the person that:

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

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

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

F. Persons specified in item E shall annually register with the board before December 31 on a form provided by the board and pay the fee specified in Minnesota Statutes, section 326A.04. The form must provide a space to indicate the percentage of voting and financial interest held by the individual in the firm.

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

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

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

J. The application for a firm permit for a firm whose principal place of business is in this state shall include a certified copy of the articles of incorporation, articles of organization, or LLP registration on file with the Secretary of State's Office. The application for a firm permit for a firm whose principal place of business is not in this state shall include a certified copy of the certificate of authority from the Secretary of State's Office.

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367; 40 SR 953*

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1105.4100 NOTIFICATION OF CHANGES BY FIRMS.

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

- (1) formation of a new firm;
- (2) addition of a partner, member, manager, director, or shareholder who resides or practices in this state;
- (3) retirement, withdrawal, or death of a partner, member, manager, director, or shareholder who resides or practices in this state;
- (4) any change in the name of the firm;
- (5) termination of the firm;
- (6) change in the management of any branch office in this state;
- (7) establishment of a new branch office or the closing or change of address of a branch office in this state;
- (8) the initial offering of attest or compilation services in this state; and
- (9) the occurrence of any event or events that would cause the firm not to be in conformity with this chapter or the act.

B. In the event of any change in legal form of a firm, the new firm shall, within 30 days of the change, file an application for an initial permit according to this chapter and pay the fee required by Minnesota Statutes, section 326A.04.

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

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

History: *27 SR 1425; 30 SR 422; 33 SR 476; 38 SR 1367*

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1105.4150 HEADQUARTERS OF CLIENT.

A. For purposes of part 1105.4200 and Minnesota Statutes, sections 326A.05, subdivision 1, and 326A.14, subdivision 1, a client is considered to have its headquarters in this state if the location specified by the client as the address to which a service is directed is located in this state. In addition, a client is considered to have its headquarters in this state if:

- (1) the client has its headquarters, home office, or principal place of business located within this state;
- (2) the client is a subsidiary or affiliate of another entity that does not have its headquarters in this state, but the client subsidiary or client affiliate does have its headquarters in this state and enters into an agreement with a CPA firm to provide attest services;

(3) the CPA firm's engagement letter or agreement to provide attest services is with a client located within this state; or

(4) the client is a subsidiary or affiliate of another entity that does not have its headquarters in this state, but the client subsidiary or client affiliate is located within this state and the CPA firm is engaged, either directly or indirectly, to provide attest services and issue a report on the financial statements of the entity located within this state.

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

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

Statutory Authority: *MS s 326A.02*

History: *33 SR 476*

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1105.4200 APPLICATIONS; INITIAL ISSUANCE; RENEWAL OF PERMITS.

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

(1) all individual employees of the firm who have been granted practice privileges under Minnesota Statutes, section 326A.14, or who hold certificates and reside or practice in this state and those persons specified in part 1105.4000, item D, who are responsible for supervising attest or compilation services or who sign or authorize someone to sign an accountant's report on financial statements have met the competency requirements set out in professional standards; and

(2) all attest and compilation services rendered by the firm in this state are under the charge of a person holding an unexpired certificate issued under Minnesota Statutes, section 326A.04, with an active status or the corresponding provision of prior law or a person who has been granted practice privileges under Minnesota Statutes, section 326A.14.

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

(1) provides attest services;

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

(3) provides compilation services, except that if the entity's form of business does not qualify it for a permit, then the CPA holding an active certificate and employed by the entity who performs the compilation services shall comply with Minnesota Statutes, section 326A.10, paragraph (k). Registered accounting practitioners shall comply with this chapter including part 1105.7500.

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

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.4250 [Repealed, 33 SR 476]

Published Electronically: *September 18, 2008*

1105.4300 PEER REVIEW AS CONDITION FOR RENEWAL OF PERMIT.

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

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

B. A peer review oversight committee shall be appointed by the board to monitor the report acceptance bodies designated by the board in part 1105.5300 and report to the board whether their programs meet the requirements in this chapter and the act. The oversight committee must be constituted of and act according to subitems (1) to (6).

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

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

(3) It must annually provide the board with an assessment of the effectiveness of the report acceptance bodies designated in part 1105.5300, item B, and the peer review process by December 31.

(4) It must maintain the confidentiality of information obtained during the peer review process except as provided in subitem (5).

(5) It must obtain the information required by part 1105.5300, item D, by December 31 of each year. The committee must provide to the board the names of those licensees and firms that the committee obtained through part 1105.5300, item D. Further, the committee shall annually provide the board with the report it obtained in part 1105.5300, item D, relating to continuing professional education sponsored by the report acceptance bodies and its evaluation of the report by August 1.

(6) It must determine through its oversight of the report acceptance bodies that the verification specified in part 1105.4700, item C, was part of the peer review standards under which the reviews were conducted.

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 38 SR 1367; 40 SR 953*

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1105.4400 INTERNET PRACTICE.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.4500 [Repealed, 38 SR 1367]

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1105.4600 PEER REVIEW.

For the purpose of parts 1105.4600 to 1105.5500, the terms in this part have the meanings given.

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

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 33 SR 476; 40 SR 953*

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1105.4700 PEER REVIEW STANDARDS.

A. For purposes of parts 1105.4600 to 1105.5500, Standards for Performing and Reporting on Peer Reviews (Standards) and Statements on Quality Control Standards (Statements) that are contained in AICPA Professional Standards, Volume 2, are incorporated by reference.

B. Peer reviews conducted according to the standards meet the board's requirements for a peer review. Except as specified in part 1105.4800, inspections conducted under Section 104 of the Sarbanes-Oxley Act of 2002, Public Law 107-204, shall meet the board's requirements for a peer review. Approved report acceptance bodies specified in part 1105.5300, item B, shall file with the board prior to April 1 of each year a statement which details all significant differences between the peer review standards followed by the report acceptance body and the standards specified in item A. A firm shall notify the board and obtain permission prior to having a review conducted through a report acceptance body other than those specified in part 1105.5300.

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

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.4800 PEER REVIEW REQUIREMENTS.

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

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

C. Firms holding a permit issued by the State Board of Accountancy of another state and that are required to apply for a permit in this state under Minnesota Statutes, section 326A.05, subdivision 1, paragraph (a), clause (4), shall submit with its application the material required by part 1105.5400, item A, covering the peer review of its public and nonpublic company attest and compilation client practice.

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 30 SR 422; 33 SR 476; 40 SR 953*

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1105.4900 EXEMPTION FROM PEER REVIEW REQUIREMENT.

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

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 40 SR 953*

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1105.5000 Subpart 1. [Repealed, 38 SR 1367]

Subp. 2. [Repealed, 33 SR 476]

Subp. 3. [Repealed, 38 SR 1367]

Subp. 4. [Repealed, 38 SR 1367]

Published Electronically: *April 28, 2014*

1105.5100 FIRM PEER REVIEW REQUIREMENT.

A. As a condition to renewal of a firm permit, a new firm shall:

(1) undergo a peer review during the first year after it becomes subject to the requirements for peer review; and

(2) report the material in part 1105.5400 to the board no later than 15 months after the end of the first year.

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

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

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

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

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

E. A partnership, corporation, LLC, or LLP that is dissolved with one partner or shareholder taking all of the existing clients. The peer review for the firm taking over the existing business remains in the year to which the partnership, corporation, LLC, or LLP was originally assigned.

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 33 SR 476; 38 SR 1367; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.5200 QUALIFICATIONS OF REVIEWER.

The reviewer shall have the following minimum qualifications:

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

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

C. be independent of the firm under review;

D. have no conflict of interest;

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

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 33 SR 476; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.5300 QUALIFICATIONS OF REPORT ACCEPTANCE BODIES.

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

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

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

D. The report acceptance bodies specified in item B shall provide to the Peer Review Oversight Committee established in part 1105.4300, item B, or to the board if so requested, by December 31 of each year the names of the licensees, who have undergone a peer review as required by part 1105.3600, and firms

that have undergone a peer review during the year ending December 15 and had the letter specified in part 1105.5400, item A, subitem (2), issued by the report acceptance body. In addition, the report acceptance bodies specified in item B shall provide to the committee by June 30 of each year a written report of the procedures it uses to ensure that the continuing professional education it sponsors meets the applicable standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs.

E. The report acceptance bodies specified in item B shall allow the Peer Review Oversight Committee established in part 1105.4300, item B, access to the peer review process that is subject to oversight consistent with Minnesota Statutes, section 326A.05, subdivision 8, paragraph (e). The Peer Review Oversight Committee shall treat all information to which it has access as confidential and shall not communicate to the board information that would divulge the identity of a licensee, registrant, or firm. Such information shall be used solely for the purpose of evaluating the effectiveness of report acceptance bodies designated by the board in item B.

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.5400 REPORT TO BOARD.

A. Within 30 days of receipt of the letter described in subitem (2), each firm shall submit, or have submitted on its behalf, the following material to the board:

- (1) a copy of the report issued by the reviewer, including any response from the firm that addresses deficiencies or significant deficiencies contained in the report;
- (2) the final letter of acceptance from the report acceptance body; and
- (3) any agreements to correct deficiencies that have been entered into between the firm and the report acceptance body.

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

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

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

Except as specified in part 1105.4800, a written report, including any responses by the firm attached to the report, on all inspections conducted by the Public Company Accounting Oversight Board submitted within 30 days of receipt to the board shall meet the requirements of this part.

Nothing in this part requires a firm to submit the Public Company Accounting Oversight Board inspections report to the board if a peer review encompassing the firm's public company attest client practice has been conducted and submitted to the board according to parts 1105.4600 to 1105.5500 or according to standards adopted by the AICPA or the Public Company Accounting Oversight Board within the previous three years.

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

(1) require that a partner, member, manager, shareholder, or employee of the firm complete continuing education in the areas of deficiency in addition to the continuing professional education hours required in part 1105.3000;

(2) require that the firm maintain a minimum library of source materials designed to provide the firm with the resources necessary to cure the deficiencies noted; and

(3) impose any other discipline authorized by Minnesota Statutes, section 326A.08.

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

(1) pass;

(2) pass with deficiencies; or

(3) fail.

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.5500 PRIVATE DATA.

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.5600 GROUNDS FOR ENFORCEMENT ACTION.

Subpart 1. **Grounds for disciplinary action.** The grounds for revocation and suspension of certificates, registrations, and permits, and other disciplinary action against licensees, certificate holders, applicants, and individuals with privileges under Minnesota Statutes, section 326A.14, are specified in Minnesota Statutes, section 326A.08. In addition, the grounds include the following particular grounds for disciplinary action:

A. fraud, dishonesty, or deceit in obtaining a certificate, registration, or permit, within the meaning of Minnesota Statutes, section 326A.08, subdivision 5, paragraph (a), clause (5), including the submission to the board of any knowingly false or forged evidence in, or in support of, an application for a certificate, registration, or permit, and cheating on an examination as defined in this chapter;

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

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

(1) using the CPA title or providing attest or compilation services in this state without a certificate with an active status, registration, or permit to practice issued under Minnesota Statutes, sections 326A.04 and 326A.05, or without properly qualifying to practice across state lines under the substantial equivalency provision of the act;

(2) using or attempting to use a certificate, registration, or permit which has been suspended or revoked;

(3) making any false, deceptive, or misleading statement, in support of an application for a certificate, registration, or permit filed by another;

(4) failure of a licensee to provide any explanation requested by the board regarding evidence submitted by the licensee in support of an application filed by another, or regarding a failure or refusal to submit such evidence; and failure by a licensee to furnish for inspection, upon request by the board or its representative, documentation relating to any evidence submitted by the licensee in support of such an application;

(5) failure to satisfy the continuing professional education requirements in Minnesota Statutes, section 326A.04, subdivision 4, and failure to comply with the continuing education requirements of this chapter;

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

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

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

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

(1) adjudication as mentally incompetent;

(2) fiscal dishonesty of any kind;

(3) presenting as one's own a certificate, registration, or permit issued to another;

(4) concealment of information regarding violations by other licensees of the act or this chapter when questioned or requested by the board;

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

(6) incompetence, including:

(a) gross negligence, recklessness, or repeated acts of negligence in the licensee's record of professional practice; or

(b) any condition, whether physical or mental, that endangers the public by impairing skill and care in providing professional services.

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

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 40 SR 953*

Published Electronically: *February 15, 2016*

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

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.5800 REVIEW OF PROFESSIONAL WORK PRODUCT.

The board may solicit and receive publicly available reports of licensees, registrants, and individuals with privileges under Minnesota Statutes, section 326A.14, and related financial statements from clients, public agencies, banks, and other users of financial statements on a general and random basis without regard to whether an application for renewal of the particular licensee is then pending or whether there is any formal complaint or suspicion of impropriety on the part of the licensee, registrant, or individual. It may also review such reports and otherwise proceed with respect to the results of the review as prescribed in part 1105.4300 to 1105.5400.

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.5900 NOTICES OF HEARING OR CONFERENCE.

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

- (1) a statement of matters asserted or charged; and
- (2) references to any particular sections of the act or of the rules which are asserted to have been involved in unlawful conduct.

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

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

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.6000 SERVICE.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.6100 APPLICATIONS FOR RELIEF FROM DISCIPLINARY PENALTIES.

A. A person whose certificate or registration has been revoked or suspended, an individual whose privileges under Minnesota Statutes, section 326A.14, have been revoked or limited, a firm whose permit to practice has been revoked or suspended, or a person or firm that has been subject to disciplinary action pursuant to Minnesota Statutes, section 326A.08, may apply to the board for modification of the suspension, revocation, or discipline after completion of all requirements contained in the board's original order.

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.6200 ACTION BY BOARD.

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

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

C. In considering an application under part 1105.6100, the board may consider all activities of the applicant since the disciplinary penalty from which relief is sought was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the certificate, registration, privileges under Minnesota Statutes, section 326A.14, or permit was in good standing, the applicant's rehabilitative efforts, restitution to damaged parties in the matter for which the penalty was imposed, the applicant's general reputation for truth and professional probity, and factors described in part 1105.2450.

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

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.6300 MISLEADING CPA FIRM NAMES.

A. A CPA firm name must not be used unless the name has been registered with and approved by the board.

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

(1) contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who the owners or members of the firm are, such as a reference to a type of organization or abbreviation thereof which does not accurately reflect the form under which the firm is organized. This includes, but is not limited to, a name that:

(a) implies the existence of a corporation when the firm is not a corporation such as through the use of the words "corporation," "incorporated," "LTD," "professional corporation," or an abbreviation thereof as part of the firm name if the firm is not incorporated or is not a professional corporation;

(b) implies the existence of a partnership when there is not a partnership such as by use of the term "partnership" or "limited liability partnership," or the abbreviation "LLP" if the firm is not such an entity;

(c) includes the name of an individual who is not a CPA if the title "CPAs" is included in the firm name;

(d) includes information about or indicates an association with persons who are not members of the firm;

(e) includes the terms "and company," "company," "and associate," "associates," "group," or abbreviators thereof, or similar names implying more than one employed licensee in the firm, but the firm does not include, in addition to the named licensee, at least one other unnamed licensee involved full time in the practice;

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

(2) contains any representation that would be likely to cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities, through the use of a false or unjustified statement of fact as to any material matters;

(3) claims or implies the ability to influence a regulatory body or official; or

(4) includes the name of an owner whose license has been revoked for disciplinary reasons by the board, whereby the licensee has been prohibited from practicing public accountancy or prohibited from using the title CPA or holding the licensee out as a certified public accountant.

C. The following types of CPA firm names are not misleading and are permissible so long as they do not violate Minnesota Statutes, section 326.05:

(1) a firm name that includes the names of one or more former or present owners;

(2) a firm name that excludes the names of one or more former or present owners;

(3) a firm name that uses the CPA title as part of the firm name when all named individuals are owners of the firm and who hold such title or are former owners who held such title at the time they ceased to be owners of the firm; or

(4) a firm name that includes the name of a non-CPA owner if the CPA title is not part of the firm name.

D. A network firm, as defined in the AICPA Code of Professional Conduct in effect July 1, 2011, may use a common brand name, or share common initials, as part of the firm name.

E. A network firm, as defined in the AICPA Code of Professional Conduct in effect July 1, 2011, may use the network name as the firm's name provided it also shares one or more of the following characteristics with other firms in the network:

(1) common control, as defined by generally accepted accounting principles in the United States among the firms through ownership, management, or other means;

(2) profits or costs, excluding costs of operating the association, costs of developing audit methodologies, manuals and training courses, and other costs that are immaterial to the firm;

(3) a common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are held accountable for performance pursuant to the strategy;

(4) a significant portion of professional resources; or

(5) common quality control policies and procedures that participating firms are required to implement and that are monitored by the association.

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

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

History: *27 SR 1425; 30 SR 422; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.6400 FICTITIOUS FIRM NAMES.

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

A firm name is considered false or misleading if:

- A. it is not the lawful and registered name of the firm;
- B. the name contains or fairly implies a misrepresentation of facts;
- C. the name indicates character or grade of service that is not based upon verifiable facts;
- D. the name is likely to mislead or deceive because it omits relevant facts. The following are examples, but are not inclusive:

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

or

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

- E. the name is intended or likely to create false or unjustified expectations of favorable results;
- F. the name implies special expertise;
- G. the name implies educational or professional attainment or licensing recognition of the firm or of its owners, partners, or shareholders that are not supported in fact;

H. the name of the firm that is incorporated does not include the words "corporation," "incorporated," "Ltd," "professional corporation," or "company," or an abbreviation thereof as part of the firm name and the name of a firm organized under the limited liability partnership statute does not include the words "limited liability company" or "limited liability partnership," as appropriate, or an abbreviation thereof, as part of the firm name;

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

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

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

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

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

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

History: *27 SR 1425; 28 SR 1636; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.6500 SAFE HARBOR LANGUAGE.

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

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

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

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

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

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

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

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

A. "Valid certificate" or "valid license," as used in Minnesota Statutes, section 326A.10 or 326A.14, is an unexpired certificate that has a certificate status of "active" as defined in part 1105.2500. This definition does not limit the use of the CPA designation by those persons who comply with part 1105.3300.

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

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

D. "Good standing," as used in parts 1105.3400 and 1105.3500 and Minnesota Statutes, section 326A.14, is the absence of grounds for enforcement or disciplinary action described in part 1105.5600 and Minnesota Statutes, section 326A.08, subdivision 5.

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

History: *27 SR 1425; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.6600 REGISTERED ACCOUNTING PRACTITIONER.

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

- A. have met the education requirement in part 1105.6700;
- B. have met the RAP examination requirement in part 1105.6800;
- C. have met the experience requirement in part 1105.6900;
- D. have submitted documentation, which can be verified by the board, to support items A to C; and
- E. have paid the fee in Minnesota Statutes, section 326A.04.

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

History: *27 SR 1425; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.6700 EDUCATION REQUIREMENT FOR REGISTERED ACCOUNTING PRACTITIONER.

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

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

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.6800 EXAMINATION; REGISTERED ACCOUNTING PRACTITIONER.

A. Persons applying for initial designation as a registered accounting practitioner shall successfully pass all sections of an RAP examination designed to test knowledge in the subjects of accounting and compilation services, business law, and taxation with a score of at least 75 percent. The board may designate the Accreditation Council for Accountancy and Taxation examination or an examination developed or administered by another vendor whose objective is to test knowledge in the subject matter areas specified in part 1105.6700 as the RAP examination that applicants must use.

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

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

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

History: *27 SR 1425; 28 SR 1636*

Published Electronically: *September 18, 2008*

1105.6900 EXPERIENCE; REGISTERED ACCOUNTING PRACTITIONER.

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

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

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

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

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

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.7000 RENEWAL OF REGISTRATION.

A. The registration of a registered accounting practitioner expires on December 31 each year and must be renewed annually before December 31 on a form provided by the board for that purpose. The fee in Minnesota Statutes, section 326A.04, must be paid. If an application for renewal is filed late, it shall also be accompanied by the delinquency fee in Minnesota Statutes, section 326A.04. In addition, the reinstatement fee in Minnesota Statutes, section 326A.04, must be paid if the renewal is filed more than two years late.

B. A registrant seeking renewal shall show that the registrant has completed no less than 90 hours of continuing professional education complying with the standards in part 1105.3100 during the three-year period preceding renewal with a minimum of 20 hours in each year. At least four hours of the 90 hours shall be in regulatory ethics or behavioral ethics. A registrant's initial three-year period starts on January 1 following the date the individual is initially registered by the board.

C. Failure to report continuing professional education, failure to obtain CPE required by this part, reporting an amount less than that required, or fraudulently reporting continuing professional education is a basis for disciplinary action under Minnesota Statutes, section 326A.08. A registrant not in compliance with this part on June 30 of each year shall be subject to the requirements of part 1105.3000, item E.

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

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

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

History: *27 SR 1425; 30 SR 422; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.7100 RAP FIRM APPLICATION.

A. Applications by RAP firms for initial issuance and for renewal of RAP firm permit must be made on a form provided by the board and, in the case of applications for renewal, shall be filed no later than December 31. Applications are not considered filed until the applicable fee prescribed in Minnesota Statutes, section 326A.04, and all required documents prescribed in this chapter are received. Applicants who do not supply all required supporting documents and applicable fees for initial issuance of a RAP firm permit within four years of the date the application was received by the board shall submit a new application

with the required fee. If an application for permit renewal is filed late, it must also be accompanied by the delinquency fee prescribed in Minnesota Statutes, section 326A.04. In addition, the reinstatement fee prescribed in Minnesota Statutes, section 326A.04, shall be paid if the renewal is filed more than two years late.

B. A sole proprietor shall apply simultaneously for renewal of an individual registration and a RAP firm permit, if a permit is required.

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

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

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

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

E. RAP firm partners, members, shareholders, directors, or officers resident in this state who do not hold a registration issued under part 1105.6600 shall annually, in connection with initial issuance and renewal of the RAP firm permit, submit with the application a statement signed by the person that:

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

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

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

F. No licensee may be a partner, member, manager, shareholder, director, or officer of a RAP firm. Persons specified in item E shall annually register with the board before December 31 on a form provided by the board and pay the fee specified in Minnesota Statutes, section 326A.04. The form must provide a space to indicate the percentage of voting and financial interest held by the individual in the firm. The aggregate amount of percentages must not exceed 50 percent for all persons who do not hold a registration issued under part 1105.6600.

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

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

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

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 38 SR 1367; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.7200 NOTIFICATION OF CHANGES BY RAP FIRMS.

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

- (1) formation of a new RAP firm;
- (2) addition of a partner, member, manager, director, or shareholder;
- (3) retirement, withdrawal, or death of a partner, member, manager, director, or shareholder;
- (4) any change in the name of the RAP firm;
- (5) termination of the RAP firm;
- (6) change in the management of any branch office in this state;
- (7) establishment of a new branch office or the closing or change of address of a branch office in this state; and
- (8) the occurrence of any event or events that would cause the RAP firm not to be in conformity with the provisions of this chapter.

B. In the event of any changes in legal form of a RAP firm, the new firm shall, within 30 days of the change, file an application for an initial RAP firm permit according to this chapter and pay the fee required by Minnesota Statutes, section 326A.04.

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

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

History: *27 SR 1425; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

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

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

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

History: *27 SR 1425*

Published Electronically: *September 18, 2008*

1105.7400 PEER REVIEW AS CONDITION FOR RENEWAL OF PERMIT.

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

- (1) review of financial statements and the reports of registrants on financial statements, to assess their compliance with applicable professional standards;
- (2) improvement of reporting practices of licensees through educational and rehabilitative measures;
- (3) referrals to the complaint committee of cases requiring further investigation; and
- (4) other functions necessary to carry out the peer review process.

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM NAMES.

A. A RAP firm name must not be used unless the name has been registered with and approved by the board.

B. A RAP firm name is misleading within the meaning of Minnesota Statutes, section 326A.10, paragraph (h), if the RAP firm name:

(1) contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who the owners or members of the firm are, such as a reference to a type of organization or abbreviation thereof which does not accurately reflect the form under which the firm is organized. This includes, but is not limited to, a name that:

(a) implies the existence of a corporation when the firm is not a corporation such as through the use of the words "corporation," "incorporated," "LTD," "professional corporation," or an abbreviation thereof as part of the firm name if the firm is not incorporated or is not a professional corporation;

(b) implies the existence of a partnership when there is not a partnership such as by use of the term "partnership" or "limited liability partnership," or the abbreviation "LLP" if the firm is not an LLP;

(c) includes the name of an individual who is not a RAP if the title "RAPs" is included in the firm name;

(d) includes the information about or indicates an association with persons who are not members of the firm;

(e) includes the terms "and company," "and associate," or "group," but the firm does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff employee; or

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

(2) contains any representation that would be likely to cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities, through the use of a false or unjustified statement of fact as to any material matters;

(3) claims or implies the ability to influence a regulatory body or official; or

(4) includes the name of an owner whose registration has been revoked for disciplinary reasons by the board, whereby the registrant has been prohibited from using the title RAP or from practicing or holding himself out as a registered accounting practitioner.

C. The following types of RAP firm names are not misleading and are permissible so long as they do not violate Minnesota Statutes, section 326.05:

(1) a firm that includes the names of one or more former or present owners;

(2) a firm name that excludes the names of one or more former or present owners;

(3) a firm name that uses the "RAP" title as part of the firm name when all named individuals are owners of the firm and who hold such title or are firm owners who held such title at the time they ceased to be owners of the firm; or

(4) a firm name that includes the name of a non-RAP owner if the RAP title is not part of the firm name.

D. A network firm as defined in the AICPA Code of Professional Conduct in effect July 1, 2011, may use a common brand name, or share common initials, as part of the firm name.

E. A network firm, as defined in the AICPA Code of Professional Conduct in effect July 1, 2011, may use the network name as the firm's name provided it also shares one or more of the following characteristics with other firms in the network:

(1) common control, as defined by generally accepted accounting principles in the United States among the firms through ownership, management, or other means;

(2) profits or costs, excluding costs of operating the association, costs of developing audit methodologies, manuals and training courses, and other costs that are immaterial to the firm;

(3) a common business strategy that involves ongoing collaboration among the firms whereby the firms are responsible for implementing the association's strategy and are held accountable for performance pursuant to the strategy;

(4) a significant portion of professional resources; or

(5) common quality control policies and procedures that participating firms are required to implement and that are monitored by the association.

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

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

A firm name is considered false or misleading if:

(1) it is not the lawful and registered name of the firm;

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

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 38 SR 1367*

Published Electronically: *April 28, 2014*

1105.7500 COMPILATION REPORTS.

- A. No holder of a registration issued under this chapter may issue a compilation report through any business form that does not hold a valid RAP firm permit issued under this chapter.
- B. The form of the compilation report that can be issued is in part 1105.6500, items B and C.

C. Registrants must comply with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants when performing compilation services except as specified in part 1105.6500, item C. The statements are in AICPA Professional Standards, Volume 2, published by the American Institute of Certified Public Accountants, which are incorporated by reference.

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

History: *27 SR 1425; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.7600 [Repealed, 33 SR 476]

Published Electronically: *September 18, 2008*

1105.7700 RAP CODE OF PROFESSIONAL CONDUCT.

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

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

History: *27 SR 1425; 28 SR 1636*

Published Electronically: *September 18, 2008*

1105.7800 CODE OF PROFESSIONAL CONDUCT.

- A. The AICPA Code of Professional Conduct is incorporated by reference.
- B. Failure to report continuing professional education or falsely reporting continuing professional education required by parts 1105.3000 and 1105.7000 is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A.08.
- C. Failure to report peer reviews required by parts 1105.4000 and 1105.7100 or seeking an exemption when one is not warranted, is an act discreditable to the profession and is a basis for disciplinary action under Minnesota Statutes, section 326A.08.
- D. Failure to file an application, registration, renewal, or other document or form required to be filed with the board pursuant to this chapter, the act, or any other statutes or rule is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A.08.
- E. Persons and firms subject to the Sarbanes-Oxley Act of 2002, Public Law 107-204, shall comply with that act and related published rules. Failure to do so is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A.08.
- F. Persons and firms performing audit or attest services according to government auditing standards issued by the Comptroller General of the United States or auditing or related professional practice standards issued by the Public Company Accounting Oversight Board, which documents are incorporated by reference, shall comply with those standards. Failure to do so is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A.08.
- G. A firm granted a permit under Minnesota Statutes, section 326A.05, is not considered independent with respect to an audit of financial statements for a client if any person specified in part

1105.4000, items D and E, within one year preceding the commencement of audit procedures, participated in any capacity in the current or prior audit and subsequently became the chief executive officer, controller, chief financial officer, chief accounting officer, or any person servicing an equivalent position for the client.

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

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

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

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

(c) not to withdraw an issued report.

I. A licensee shall not render services that do not follow the standards, as applicable under the circumstances and at the time the services are provided, specified in the documents in part 1105.0250. In addition to these applicable standards, and to the extent other provisions of this chapter and Minnesota Statutes do not modify or conflict with them, a licensee shall follow standards issued by other professional or governmental bodies including international standards setting bodies with which a licensee is required by law, regulation, or the terms of engagement to comply.

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

(a) an audit or review of a financial statement;

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

(c) an examination of prospective financial information.

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

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

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

- K. (1) A licensee shall not:
- (a) perform for a contingent fee any professional services for, or receive any fee from a client for whom the licensee or the licensee's firm performs:
 - i. an audit or review of a financial statement;
 - ii. a compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence; or
 - iii. an examination of prospective financial information; or
 - (b) prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.

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

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

Statutory Authority: *MS s 197.4552; 326.18; 326A.02*

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476; 40 SR 953*

Published Electronically: *February 15, 2016*

1105.7850 RETENTION AND CONTENT OF AUDIT DOCUMENTATION.

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

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

C. Failure to comply with this part, or with all professional standards applicable to particular engagements, including, but not limited to, standards adopted by the Public Company Accounting Oversight Board or the Comptroller General of the United States, which are incorporated by reference in part 1105.0250, items D and E, respectively, is an act discreditable to the profession and is basis for disciplinary action under Minnesota Statutes, section 326A.08. The documentation and retention requirements in this part do not apply to engagements that are subject to the jurisdiction of the Public Company Accounting Oversight Board or the Comptroller General of the United States. Unless otherwise stated in this part, firms shall comply with the documentation and retention requirements in this part in any other audit engagement performed for a client having its headquarters in this state.

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

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

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

- (1) procedures for the maintenance of back-up copies of electronic audit documentation at secure locations;
- (2) procedures for maintaining audit documentation;
- (3) procedures for approving any changes to audit documentation; and
- (4) procedures for approving the destruction of documentation when no longer required to be maintained by this part.

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

- (1) relevant workpapers containing documentation of auditing procedures applied, evidence obtained, and conclusions reached by the firm in the audit; and
- (2) other relevant documents that form the basis of the audit which:
 - (a) are created, sent, or received in connection with the audit; and
 - (b) contain conclusions, opinions, analyses, or financial data related to the audit.

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

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

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

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476*

Published Electronically: *September 18, 2008*

1105.7900 SUBSTANTIAL EQUIVALENCY.

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

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

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

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

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

History: *27 SR 1425; 28 SR 1636; 30 SR 422; 33 SR 476*

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