

1 Board of Accountancy

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3 Adopted Permanent Rules Relating to Practice Monitoring

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5 Rules as Adopted

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PRACTICE MONITORING

7 1100.9100 DEFINITIONS.

8 Subpart 1. Scope. For the purpose of parts 1100.9100 to  
9 1100.9900 the terms in this part have the meanings given.

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

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

16 Subp. 4. Licensed practice unit or LPU. "Licensed  
17 practice unit" or "LPU" means a corporation, partnership,  
18 limited liability company (LLC), limited liability partnership  
19 (LLP), or sole proprietorship licensed under Minnesota Statutes,  
20 section 326.20, to practice public accounting in Minnesota.

21 Subp. 5. Qualified report. "Qualified report" means a  
22 report that describes deficiencies in the work reviewed or the  
23 related quality control system, or both, when compared with the  
24 professional standards established by the AICPA in Standards for  
25 Performing and Reporting on Quality Reviews, effective April 1,  
26 1994.

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

34 Subp. 7. Report acceptance body. "Report acceptance body"  
35 means the organization that accepts the quality review report

1 from the reviewer, reviews it, and determines what, if any,  
2 action the LPU shall take in order to bring the LPU's practice  
3 up to the professional standards set forth in part 1100.4650.

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

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

10 Subp. 10. **Unqualified report.** "Unqualified report" means  
11 a report that describes no deficiencies in the work reviewed or  
12 the related quality control system, or both, when compared with  
13 the professional standards established by the AICPA in Standards  
14 for Performing and Reporting on Quality Reviews, effective April  
15 1, 1994.

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

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

22 1100.9150 INCORPORATION BY REFERENCE.

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

29 1100.9200 REQUIREMENT FOR QUALITY REVIEW; AREAS TO BE REVIEWED.

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

1 to the LPU's financial statement practice and its related  
2 compilation and review reports.

3 1100.9300 EXEMPTION FROM QUALITY REVIEW.

4 An LPU is exempt from the quality review requirement in  
5 part 1100.9200 if it annually represents to the board that it  
6 does not engage in audits, reviews, or compilations; that it  
7 does not intend to engage in such practices during the following  
8 year; and that it shall immediately notify the board in writing  
9 if it engages in such practices.

10 The representation shall be made in writing, under oath,  
11 and upon forms provided by the board. The representation shall  
12 be made annually at the time the LPU applies for renewal of its  
13 license.

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

18 1100.9400 INITIAL QUALITY REVIEW CYCLE.

19 Subpart 1. Past participation in quality review. LPUs  
20 that are participating in a quality review program on the  
21 effective date of this part shall comply with items A to C.

22 A. LPUs whose year under review ended in 1993 shall  
23 have quality reviews performed in 1994, which will be their year  
24 of review, and submit the material specified in part 1100.9800  
25 to their report acceptance bodies  $\pm 5$  30 days after receiving it  
26 from their reviewers, and to the board by June 30, 1995.

27 B. LPUs whose year under review ended in 1994 shall  
28 have quality reviews performed in 1995, which will be their year  
29 of review, and submit the material specified in part 1100.9800  
30 to their report acceptance bodies  $\pm 5$  30 days after receiving it  
31 from their reviewers, and to the board by June 30, 1996.

32 C. LPUs whose year under review ended in 1995 shall  
33 have quality reviews performed in 1996, which will be their year  
34 of review, and submit the material specified in part 1100.9800  
35 to their report acceptance bodies  $\pm 5$  30 days after receiving it

1 from their reviewers, and to the board by June 30, 1997.

2 Subp. 2. First time participation in quality review. LPUs  
3 that did not participate in quality review programs prior to the  
4 effective date of this part, and are subject to the quality  
5 review programs for the first time, shall have reviews performed  
6 in either 1995 or 1996, which will be their year of review.  
7 LPUs shall submit the material specified in part 1100.9800 to  
8 their report acceptance bodies and to the board according to the  
9 following schedule:

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

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

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

23 1100.9500 NEW LPUs; QUALITY REVIEW CYCLE.

24 As a condition of licensing, a new LPU shall undergo a  
25 quality review during the first full year after it becomes  
26 subject to the requirements for quality review, and shall report  
27 the material specified in part 1100.9800 to the board by June 30  
28 of the second full year after becoming subject to the  
29 requirements for quality review.

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

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

1 following:

2 A. An LPU that has been previously licensed in this  
3 state and changes its name or the legal form of its practice,  
4 but retains the same practice.

5 B. A new partnership, corporation, LLC, or LLP formed  
6 by more than one previous LPU which were already scheduled for  
7 quality review. The quality review of this LPU shall be  
8 conducted in the later of the years for which each of the former  
9 LPUs was scheduled.

10 C. A partnership, corporation, LLC, or LLP that is  
11 dissolved with each individual LPU taking clients from the  
12 partnership or corporation. The quality review for each of  
13 these individual LPUs remains in the same year to which the  
14 original partnership, corporation, LLC, or LLP was assigned.

15 D. A partnership, corporation, LLC, or LLP that is  
16 dissolved with one partner or shareholder taking all of the  
17 existing clients. The quality review for the LPU taking over  
18 the existing business remains in the year to which the  
19 partnership, corporation, LLC, or LLP was originally assigned.

20 1100.9600 QUALIFICATIONS OF REVIEWER.

21 The reviewer shall have the following minimum  
22 qualifications:

23 A. be licensed to practice as a CPA or LPA; or a CPA,  
24 LPA, LLC, or LLP firm, by any state; and have undergone at least  
25 one quality review;

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

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

32 D. have no conflict of interest, as defined in part  
33 1100.4500, as proposed at 18 State Register 1818;

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

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

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

8 1100.9700 QUALIFICATIONS OF REPORT ACCEPTANCE BODIES.

9 The AICPA is an approved report acceptance body.

10 The Minnesota Association of ~~Professiona~~ Public  
11 Accountants, the Minnesota Society of Certified Public  
12 Accountants, other state accountancy boards, and any other  
13 organization able to demonstrate that it will fulfill its  
14 responsibilities in accordance with the review standards as  
15 established by the AICPA, and incorporated by reference in part  
16 1100.9150, may apply to the board to be considered a report  
17 acceptance body. The board shall approve applications to be  
18 considered a report acceptance body if the applicant  
19 demonstrates that it has or will fulfill its responsibilities in  
20 accordance with the review standards as established by the  
21 AICPA, and incorporated by reference in part 1100.9150.  
22 Approval shall be withdrawn if a report acceptance body fails to  
23 fulfill its responsibilities in accordance with the review  
24 standards as established by the AICPA, and incorporated by  
25 reference in part 1100.9150.

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

28 1100.9800 REPORT TO BOARD.

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

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

35 B. the final letter of approval from the report

1 acceptance body; and

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

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

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

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

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

17 A. require that the members of the LPU firm complete  
18 continuing education in the areas of deficiency in addition to  
19 the continuing professional education hours required in part  
20 1100.6500;

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

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

26 1100.9900 PRIVATE DATA.

27 The board shall treat the quality review reports of the  
28 reviewer and the report acceptance body, and all material of the  
29 LPU, as private data as defined by Minnesota Statutes, section  
30 13.02, subdivision 12, or nonpublic data as defined by Minnesota  
31 Statutes, section 13.02, subdivision 9, as applicable.

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