

Board of Accountancy**Proposed Permanent Rules Regarding Fees, Peer Reviews, Education, and Housekeeping Updates****1105.0100 DEFINITIONS.**

[For text of subps 1 to 4, see M.R.]

Subp. 4a. **Asynchronous.** "Asynchronous" means a learning activity in which the participant has control over time, place, or pace of learning.

Subp. 4b. **Blended learning program.** "Blended learning program" means an educational program incorporating multiple learning formats.

[For text of subps 5 to 9, see M.R.]

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. individual participation in synchronous learning with real-time interaction of an instructor or subject matter expert and built-in process for attendance and interactivity.

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. synchronous learning in a group environment with real-time interaction of an instructor or subject matter expert that provides the required elements of attendance monitoring and engagement.

[For text of subps 9c and 9d, see M.R.]

Subp. 9e. [See repealer.]

Subp. 9f. **Licensee.** In addition to the definition "Licensee" has the meaning given 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.~~

[For text of subp 10, see M.R.]

Subp. 10a. **Nano-learning program.** "Nano-learning program" means a tutorial program designed to permit a participant to learn a given subject in a ten-minute time frame through the use of electronic media and without interaction with a real time instructor. A nano-learning program differs from a self-study program in that it is typically focused on a single learning objective and is not paper-based. A nano-learning program is not a group program. Nano-learning is not a substitute for comprehensive programs addressing complex issues.

[For text of subps 11 to 11b, see M.R.]

~~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~~ has the meaning given in Minnesota Statutes, section 326A.01, subdivision 12.

[For text of subps 13 to 16, see M.R.]

~~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~~

program completed individually without the assistance or interaction of a real time instructor.

[For text of subp 17, see M.R.]

Subp. 18. **Synchronous.** "Synchronous" means a group program in which participants simultaneously engage in learning activities.

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;~~ in items B to G 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~~ AICPA Code of Conduct and other statements and standards identified in this item are published by ~~and available from~~ the American Institute of Certified Public Accountants as "AICPA Professional Standards." The documents are available from AICPA, 1211 Avenue of the Americas, New York, NY 10036; www.aicpa.org;

- (1) AICPA Code of Professional Conduct, effective December 15, 2014;
- (2) Statements on Quality Control Standards 8, copyright 2015;
- (3) Standards for Performing and Reporting on Peer Reviews, copyright 2015; and

(4) Statement on Standards for Continuing Professional Education (CPE) Programs, revised August 2016;

~~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).~~

(5) Statements on Auditing Standards, dated June 1, 2015;

(6) Statements on Standards for Attestation Engagements, dated June 1, 2015;

(7) Statement on Standards for Accounting and Review Services, issued October 2014;

(8) Consulting Services Standards, revised January 2015;

(9) Statements on Standards for Tax Services, dated November 2009; and

(10) Statements on Standards for Valuation Services, copyright 2015.

~~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.~~

C. The following document is published by the National Association of State Boards of Accountancy and is available from the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036: NASBA Fields of Study, July 2016 revision.

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, 2016 edition.

E. The following document is published by and available from the United States ~~General Accounting~~ Government Accountability Office, Washington, DC 20548: Government Auditing Standards: July 2007 December 2011 revision.

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

G. F. The following document is published by the Financial Accounting Standards Board, Norwalk, CT: ~~Accounting Standards-Current Text, Volumes I and II~~ FASB Accounting Standards Codification, dated October 31, 2015.

H. G. The following document is published by the Governmental Accounting Standards Board, Norwalk, CT: ~~Codification of Governmental Accounting and Financial Reporting Standards~~ Government Accounting Standards Board Codification, dated June 30, 2015.

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.~~

1105.1200 COMMUNICATIONS.

An applicant, licensee, ~~or~~ registrant, or individual with practice privileges under Minnesota Statutes, section 326A.14, 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, or individual with practice privileges under Minnesota Statutes, section 326A.14, 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, or individual with practice privileges under Minnesota Statutes, section 326A.14, 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.

1105.1400 SEMESTER HOUR; ACCREDITATION; CREDIT FOR COURSES.

[For text of subp 1, see M.R.]

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~~ types 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~~ type of accreditation. The three ~~levels~~ types of accreditation are described in items A to C.

A. ~~Level one accreditation, the~~ An educational institution, ~~is granted to a four-year, degree-granting college or university that is~~ must be accredited by one ~~or more of the six~~ recognized regional ~~or national~~ accrediting agencies or successor agencies listed with the United States Department of Education. The recognized regional accrediting agencies are: the Middle States Commission on Higher Education, the North Central Association of Colleges and Schools, the Higher Learning Commission, the New England Association of Schools and Colleges, Commission on Institutions of Higher Education, the Northwest Commission on Colleges and Universities, the Southern Association of Colleges and Schools, Commission on Colleges, and the Western Association of Schools and Colleges, Senior Colleges and University Commission.

~~B. Level two accreditation, The A business school, is granted to a business school or college of business that has been within an accredited educational institution must be accredited by a national accreditation agency listed with the United States Department of Education, such as the ~~American Assembly of Collegiate Schools of Business~~ the Association to Advance 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 or the Accreditation Council for Business Schools and Programs (ACBSP).~~

~~C. Level three accreditation, The An accounting program or department, is granted to an accounting program or department that has been within an AACSB- or ACBSP-accredited business school must be accredited by a national accreditation agency listed with the United States Department of Education, such as the AACSB or ACBSP. 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 baccalaureate or graduate degree, it is accredited at the appropriate level as outlined in according to this chapter.

Subp. 4. **Institution accredited when applicant files with board.** If an educational institution was not accredited at the time an applicant's baccalaureate or graduate 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:

[For text of items A and B, see M.R.]

Subp. 5. Degree includes courses taken at ~~nonaccredited~~ another institution.

If an applicant's baccalaureate or graduate degree was received at an accredited educational institution pursuant to subpart 3 or 4, but ~~the educational program that was coursework~~ used to qualify the applicant as an accounting major included courses taken at ~~nonaccredited~~ other 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:

[For text of items A and B, see M.R.]

[For text of subps 6 to 8, see M.R.]

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 within an AACSB- or ACBSP-accredited business school that is accredited (~~level three accreditation~~) by ~~an accrediting agency listed with the United States Department of Education~~ AACSB or ACBSP;

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~~ AACSB or ACBSP 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 the following required courses:~~ 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~~ AACSB or ACBSP 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~~ the following required courses: 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~~) accredited by one or more of the regional accrediting agencies described in part 1105.1400, subpart 2, item A, that included or is supplemented by at least 24 semester hours of accounting at the ~~upper division or graduate~~ intermediate or advanced level, including ~~coverage of, but not necessarily separate courses in, the subjects of~~ the following required courses: 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. Intermediate or advanced level coursework includes courses taken beyond the introductory level.~~

Subp. 2. [Repealed, 38 SR 1367]

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, subdivision 5, 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.

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~~ three 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.

[For text of items B to E, see M.R.]

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:

[For text of items A to C, see M.R.]

[For text of subps 2 to 5, see M.R.]

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 D.

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.~~ who, at the date of verification, holds a "valid certificate" as defined in part 1105.6550, item A, or an unexpired certificate that has a certificate status of "inactive." Experience gained in another state must be verified by a certified public accountant with an unexpired certificate, license, or registration in that 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."~~

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

[For text of item A, see M.R.]

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 coursework required by part 1105.1500, subpart 1, item D, and a minimum of 24 semester hours in intermediate, advanced, or graduate-level courses in business-related subjects or accounting.

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 be nonduplicative and cover some or all one or more of the following subjects:

(1) accounting-related subjects:

[For text of units (a) to (k), see M.R.]

(l) accounting ethics; and

(2) business-related subjects:

[For text of units (a) to (h), see M.R.]

(i) information systems or technology; ~~and~~

(j) business ethics;

(k) marketing; and

(l) data analytics.

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.

[For text of items A to D, see M.R.]

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.

[For text of items F and G, see M.R.]

1105.3100 CONTINUING PROFESSIONAL EDUCATION PROGRAMS.

[For text of subp 1, see M.R.]

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. blended learning programs;
- D. nano-learning programs;
- ~~C.~~ E. independent study;
- ~~D.~~ F. authoring articles, books, or CPE courses for publication; and
- ~~E.~~ G. preparation time and presentation of courses or seminars.

[For text of subp 3, see M.R.]

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~~ nontechnical learning activities as 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 in the NASBA Fields of Study, July 2016 revision, and incorporated by reference; and

E. at least 72 hours must be obtained through programs meeting the registry requirements under subpart 1.

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~~ three 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.

[For text of items B to J, see M.R.]

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:

[For text of subitems (1) to (7), see M.R.]

(8) the initial ~~offering~~ report date of attest or compilation services in this state; and

[For text of subitem (9), see M.R.]

[For text of items B and C, see M.R.]

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~~ has the meaning given in Minnesota Statutes, section 326A.01, subdivision 12.

[For text of items B and C, see M.R.]

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.

[For text of items B and C, see M.R.]

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.~~ The peer review is due 18 months from the report date of the initial attest or compilation service, or sooner at the request of the firm.

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~~ submit the material in part 1105.5400 to the board no later than ~~15~~ 18 months after ~~from the end of the first year~~ report date of the initial attest or compilation service.

After the due date of the initial peer review report, the firm shall be required to ~~report~~ undergo a peer review and submit the material 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.

[For text of items B to E, see M.R.]

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:

[For text of items A to D, see M.R.]

E. A licensee, applicant, certificate holder, registrant, individual with practice privileges under Minnesota Statutes, section 326A.14, or ~~person specified in nonlicensee owner under~~ 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)₂, 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, individual with practice privileges under Minnesota Statutes, section 326A.14, or ~~person specified in nonlicensee owner under~~ 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.

[For text of item F, see M.R.]

[For text of subp 2, see M.R.]

1105.6300 MISLEADING CPA FIRM NAMES.

[For text of items A and B, see M.R.]

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~~ 326A.05:

[For text of subitems (1) to (4), see M.R.]

[For text of items D to F, see M.R.]

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~~ three 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.

[For text of items B to H, see M.R.]

1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM NAMES.

[For text of items A and B, see M.R.]

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~~ 326A.05:

[For text of subitems (1) to (4), see M.R.]

[For text of items D to G, see M.R.]

1105.7500 COMPILATION REPORTS.

[For text of items A and B, see M.R.]

C. Registrants must comply with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants and incorporated by reference 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.~~

1105.7800 CODE OF PROFESSIONAL CONDUCT.

[For text of items A to H, see M.R.]

I. A licensee or individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, recommends or refers a product or service to which the commission relates.

(3) Any licensee or individual with practice privileges under Minnesota Statutes, section 326A.14, who accepts a referral fee for recommending or referring any service of a licensee or individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, 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, or an individual with practice privileges under Minnesota Statutes, section 326A.14, 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 or individual with practice privileges under Minnesota Statutes, section 326A.14, 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.

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.

[For text of items B to H, see M.R.]

REPEALER. Minnesota Rules, parts 1105.0100, subpart 9e; 1105.0200, subpart 3; and 1105.5700, are repealed.