

**IOWA  
ACCOUNTANCY  
EXAMINING  
BOARD**

**IOWA CODE CHAPTER 542**

**ADMINISTRATIVE RULES  
CHAPTER 193A**

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**CHAPTER 542**  
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### **542.1 TITLE.**

This chapter shall be known and may be cited as the "Iowa Accountancy Act of 2001".

### **542.2 LEGISLATIVE INTENT.**

It is the policy of this state, and the purpose of this chapter, to promote the reliability of information that is used for guidance in financial transactions or for accounting for or assessing the financial status or performance of commercial, noncommercial, and governmental enterprises. The reliance of the public in general and of the business community in particular on sound financial reporting imposes on persons engaged in such practice certain obligations both to their clients and to the public. These obligations, which this chapter is intended to enforce, include the obligation to maintain independence in thought and action, to strive continuously to improve one's professional skills, to observe where applicable generally accepted accounting principles and generally accepted auditing standards, to promote sound and informative financial reporting, to hold the affairs of clients in confidence, and to maintain high standards of personal conduct in all matters affecting one's fitness to practice public accountancy. The public interest requires that persons professing special competence in accountancy or offering assurance as to the reliability or fairness of presentation of such information shall have demonstrated their qualifications to do so, and that persons who have not demonstrated and maintained such qualifications not be permitted to represent themselves as having such special competence or to offer such assurance; that the conduct of persons licensed as having special competence in accountancy be regulated in all aspects of their professional work; that a public authority competent to prescribe and assess the qualifications and to regulate the conduct of licensees be established; and that the use of titles that have a capacity or tendency to deceive the public as to the status or competence of the persons using such titles be prohibited.

### **542.3 DEFINITIONS.**

As used in this chapter, unless the context otherwise requires:

1. "Attest" or "attest service" means providing any of the following services:
  - a. An audit or other engagement to be performed in accordance with the statements on auditing standards.
  - b. A review of a financial statement to be performed in accordance with the statements on standards for accounting and review services.
  - c. An examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements. For purposes of this subsection, the statements on standards for attestation engagements means those standards adopted by the board, by rule, by reference to the standards developed for general application by the American institute of certified public accountants, or other recognized national accountancy organization.
2. "Board" means the Iowa accountancy examining board established under section 542.4 or its predecessor under prior law.

3. "Certificate" means a certificate as a certified public accountant issued under section 542.6 or 542.19, or a certificate issued under corresponding prior law.

4. "Certified public accountant" means a person licensed by the board who holds a certificate issued under this chapter or corresponding prior law.

5. "Certified public accounting firm" means a sole proprietorship, a corporation, a partnership, a limited liability company, or any other form of organization issued a

permit to practice as a firm of certified public accountants under section 542.7.

6. "Client" means a person or entity that agrees with a licensee or licensee's employer to receive a professional service.

7. "Commission" means a brokerage or other participation fee.

"Commission" does not include a contingent fee.

8. "Compilation" means a service performed in accordance with statements on standards for accounting and review services and presented in the form of financial statements, which provides information that is the representation of management without undertaking to express any assurance on the statements.

9. "Contingent fee" means a fee established for the performance of a service pursuant to an arrangement under which a fee will not be charged unless a specified finding or result is attained, or under which the amount of the fee is otherwise dependent upon the finding or result of such service. "Contingent fee" does not mean a fee fixed by a court or other public authority, or a fee related to any tax matter which is based upon the results of a judicial proceeding or the findings of a governmental agency.

10. "License" means a certificate issued under section 542.6 or 542.19, a permit issued under section 542.7, or a license issued under section 542.8; or a certificate, permit, or license issued under corresponding prior law.

11. "Licensed public accountant" means a person licensed by the board who does not hold a certificate as a certified public accountant under this chapter, and who offers to perform or performs for the public any of the following services:

a. Records financial transactions in books of record.

b. Makes adjustments of financial transactions in books of record.

c. Makes trial balances from books of record.

d. Prepares internal verification and analysis of books or accounts of original entry.

e. Prepares financial statements, schedules, or reports.

f. Devises and installs systems or methods of bookkeeping, internal controls of financial data, or the recording of financial data.

g. Prepares compilations.

Nothing contained in this definition or elsewhere in this chapter shall be construed to permit a licensed public accountant to give an opinion attesting to the reliability of any representation embracing financial information.

12. "Licensed public accounting firm" means a sole proprietorship, a corporation, a partnership, a limited liability company, or any other form of organization issued a permit to practice as a firm of licensed public accountants under section 542.8.

13. "Licensee" means the holder of a license.

14. "Manager" means a manager of a limited liability company.
15. "Member" means a member of a limited liability company.
16. "Peer review" means a study, appraisal, or review of one or more aspects of the professional work of a licensee or firm that performs attest or compilation services, by a licensed person or persons who are not affiliated with the licensee or firm being reviewed. "Peer review" does not include a peer review conducted pursuant to chapter 272C in connection with a disciplinary investigation.
17. "Peer review records" means a file, report, or other information relating to the professional competence of an applicant in the possession of a peer review team, or information concerning the peer review developed by a peer review team in the possession of an applicant.
18. "Peer review team" means a person or organization participating in the peer review function, but does not include the board.
19. "Permit" means a permit to practice as either a certified public accounting firm issued under section 542.7 or licensed public accounting firm under section 542.8 or under corresponding provisions of prior law.
20. "Practice of public accounting" means the performance or the offering to perform, by a person holding oneself out to the public as a certified public accountant or a licensed public accountant, one or more kinds of professional services involving the use of accounting, attest, or auditing skills, including the issuance of reports on financial statements, or of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. However, with respect to licensed public accountants, the "practice of public accounting" shall not include attest or auditing services or the rendering of an opinion attesting to the reliability of any representation embracing financial information.
21. "Report", when used with reference to financial statements, means a report, opinion, or other form of a writing that states or implies assurance as to the reliability of any financial statements and that includes or is accompanied by a statement or implication that the person or firm issuing the report has special knowledge or competence in accounting or auditing. Such statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is an accountant or auditor, or from the language of the report itself. "Report" includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply a positive assurance as to the reliability of the financial statements referred to or special knowledge or competence on the part of the person or firm issuing the language, and any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.
22. "State" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or Guam.
23. "Substantial equivalency" is a determination by the board that the education, examination, and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination, and experience requirements contained in this chapter or

that an individual licensee's education, examination, and experience qualifications are comparable to or exceed the education, examination, and experience requirements contained in this chapter.

#### **542.4 IOWA ACCOUNTANCY EXAMINING BOARD.**

1. An Iowa accountancy examining board is created within the professional licensing and regulation division of the department of commerce to administer and enforce this chapter. The board shall consist of eight members, appointed by the governor and subject to senate confirmation, all of whom shall be residents of this state. Five of the eight members shall be holders of certificates issued under section 542.6, one member shall be the holder of a license issued under section 542.8, and two shall not be certified public accountants or licensed public accountants and shall represent the general public. Not fewer than three of the holders of certificates issued under section 542.6 shall also be qualified to supervise attest services as provided in section 542.7. A certified or licensed member of the board shall be actively engaged in practice as a certified public accountant or as a licensed public accountant and shall have been so engaged for five years preceding appointment, the last two of which shall have been in this state. Professional associations or societies composed of certified public accountants or licensed public accountants may recommend the names of potential board members to the governor. However, the governor is not bound by the recommendations. A board member is not required to be a member of any professional association or society composed of certified public accountants or licensed public accountants. The term of each member of the board shall be three years, as designated by the governor, and appointments to the board are subject to the requirements of sections 69.16, 69.16A, and 69.19. Members of the board appointed and serving pursuant to chapter 542C, Code 2001, on the effective date of this Act shall serve out the terms for which they were appointed. Vacancies occurring during a term shall be filled by appointment by the governor for the unexpired term. Upon the expiration of the member's term of office, a member shall continue to serve until a successor shall have been appointed and taken office. The public members of the board shall be allowed to participate in administrative, clerical, or ministerial functions incident to giving the examinations, but shall not determine the content or determine the correctness of the answers. The licensed public accountant member shall not determine the content of the certified public accountant examination or determine the correctness of the answers. Any member of the board whose certificate under section 542.6 or license under section 542.8 is revoked or suspended shall automatically cease to be a member of the board, and the governor may, after a hearing, remove any member of the board for neglect of duty or other just cause. A person who has served three successive complete terms shall not be eligible for reappointment, but appointment to fill an unexpired term shall not be considered a complete term for this purpose.

2. The board shall elect annually from among its members a chairperson and such other officers as the board may determine to be appropriate. The board shall meet at such times and places as may be fixed by the board. A majority of the board members in office shall constitute a quorum at any meeting. The board shall



maintain a registry of the names and addresses of all licensees and permittees under this chapter.

3. Members of the board are entitled to receive a per diem as specified in section 7E.6 for each day spent on performance of duties as members and shall be reimbursed for all actual and necessary expenses incurred in the performance of duties as members.

4. All moneys collected by the board from fees authorized to be charged by this chapter shall be received and accounted for by the board and shall be paid monthly to the treasurer of state for deposit in the general fund of the state. Expenses of administering this chapter shall be paid from appropriations made by the general assembly, which expenses may include, but shall not be limited to, the costs of conducting investigations and of taking testimony and procuring the attendance of witnesses before the board or its committees; all legal proceedings taken under this chapter for the enforcement of this chapter; and educational programs for the benefit of the public and licensees and their employees.

5. A member of the board shall maintain the confidentiality of information relating to the following:

- a. Criminal history or prior misconduct of the applicant.
- b. Information relating to the contents of the examination.
- c. Information relating to the examination results other than final score except for information about the results of the examination given to the person examined.

A member of the board who willfully communicates or seeks to communicate such information in a manner which violates confidentiality requirements, and any person who willfully requests, obtains, or seeks to obtain such information, is guilty of a simple misdemeanor.

6. The administrator of the professional licensing and regulation division of the department of commerce shall provide staffing assistance to the board for implementing this chapter.

7. The board may join professional organizations and associations to promote the improvement of the standards of the practice of accountancy and for the protection and welfare of the public.

8. The board shall have the power to take all action that is necessary and proper to effectuate the purposes of this chapter, including the power to sue and be sued in its official name as an agency of this state. The board shall also have the power to issue subpoenas to compel the attendance of witnesses and the production of documents; to administer oaths; to take testimony; to cooperate with the appropriate authorities in other states in investigation and enforcement concerning violations of this chapter and comparable statutes of other states; and to receive evidence concerning all matters within the scope of this chapter. In case of disobedience of a subpoena, the board may invoke the aid of any district court in requiring the attendance and testimony of witnesses and the production of documentary evidence.

9. The board shall adopt rules pursuant to chapter 17A governing the administration and enforcement of this chapter and the conduct of licensees and permittees. Rules adopted shall include, but not be limited to, the following:
- a. Rules governing the board's meetings and the conduct of its business.
  - b. Rules of procedure governing the conduct of investigations and hearings by the board.
  - c. Rules specifying the educational and experience qualifications required for the issuance of a certificate under section 542.6 and the continuing professional education required for renewal of a certificate under section 542.6.
  - d. Rules specifying the educational and experience qualifications required for the issuance of a license under section 542.8 and the continuing professional education required for renewal of a license under section 542.8.
  - e. Rules of professional conduct directed to control the quality and probity of services provided by a licensee, and, among other areas, pertaining to a licensee's independence, integrity, and objectivity; competence and technical standards; responsibilities to the public; and responsibilities to a client.
  - f. Rules relating to the propriety of opinions on financial statements by a certified public accountant who is not independent.
  - g. Rules relating to actions discreditable to the practice as a certified public accountant or licensed public accountant.
  - h. Rules relating to professional confidences between a certified public accountant or licensed public accountant and a client.
  - i. Rules governing technical competence and the expression of opinions on financial statements.
  - j. Rules governing the failure to disclose a material fact known to the certified public accountant or licensed public accountant.
  - k. Rules relating to a material misstatement known to the certified public accountant or licensed public accountant.
  - l. Rules governing negligent conduct in an examination or in making a report on an examination.
  - m. Rules governing failure to direct attention to any material departure from generally accepted accounting principles.
  - n. Rules governing the professional standards applicable to a licensee.
  - o. Rules governing the manner and circumstances of use of the titles "certified public accountant" and "CPA".
  - p. Rules governing the manner and circumstances of use of the titles "accounting practitioner" and "AP", and "licensed public accountant" and "LPA".
  - q. Rules regarding peer review that may be required to be performed under this chapter.
  - r. Rules on substantial equivalency under section 542.19.
  - s. Such other rules as the board deems necessary or appropriate for administering this chapter, including, but not limited to, rules establishing fees and rules of professional conduct, pertaining to corporations or limited liability companies practicing accounting, which the board deems consistent with or required by the public welfare. The board may adopt rules governing the style, name, and title of

corporations and limited liability companies and governing the affiliation of corporations and limited liability companies with other organizations.

#### **542.5 QUALIFICATIONS FOR A CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT.**

1. A certificate as a certified public accountant may be granted to a person of good moral character who makes application pursuant to section 542.6 and who satisfies the education, experience, and examination requirements of this section and rules adopted pursuant to this section.

2. An applicant for a certificate who has been convicted of forgery, embezzlement, obtaining money under false pretenses, theft, extortion, conspiracy to defraud, or other similar offense, or of any crime involving moral character or honesty, in a court of competent jurisdiction in this state, or another state, territory, or a district of the United States, or in a foreign jurisdiction, may be denied a certificate by the board on the grounds of the conviction. For purposes of this subsection, "conviction" means a conviction for an indictable offense and includes a guilty plea, deferred judgment from the time of entry of the deferred judgment until the time the defendant is discharged by the court without entry of judgment, or other finding of guilt by a court of competent jurisdiction.

3. An applicant for a certificate who has had a professional license of any kind revoked in this or any other jurisdiction may be denied a certificate by the board on the grounds of the revocation.

4. A person who makes a false statement of material fact on an application for a certificate, or who causes to be submitted, or has been a party to preparing or submitting a false application for a certificate, may be denied a certificate by the board on the grounds of the false statement or submission. A certificate holder found to have made such a false statement or who has caused to be submitted, or was a party to preparing or submitting any false application for a certificate, may have the holder's certificate suspended or revoked by the board on the grounds of the false statement or submission.

5. A certified public accountant shall notify the board of such accountant's conviction of an offense included in subsection 2, within thirty days of such conviction. Failure of the certified public accountant to notify the board of the conviction within thirty days of the date of the conviction is sufficient grounds for revocation of the certificate.

6. The board, when considering the denial or revocation of a certificate pursuant to subsections 2 through 5, shall consider the nature of the offense; any aggravating or extenuating circumstances which are documented; the time lapsed since the revocation, conduct, or conviction; the rehabilitation, treatment, or restitution performed by the applicant or certificate holder; and any other factors the board deems relevant. Character references may be required, but shall not be obtained from certified public accountants. An applicant shall not be denied a certificate because of age,

citizenship, race, religion, marital status, or national origin, although the application may require citizenship information.

7. An applicant shall complete at least one hundred fifty semester hours, or the trimester or quarter equivalent of one hundred fifty semester hours, of college education, and receive a baccalaureate or higher degree conferred by a college or university recognized by the board, the total educational program to include a concentration in accounting or what the board determines to be substantially equivalent.

8. An applicant must pass an examination which shall be offered at least twice per year and which shall test the applicant's knowledge of the subjects of accounting and auditing, and such other related subjects as the board may specify by rule, including but not limited to business law and taxation. The examination shall be held at a time determined by the board and may be changed from time to time. The board shall prescribe by rule the methods of applying for and conducting the examination, including methods for grading and determining a passing grade required of an applicant for a certificate. However, the board, to the extent possible, shall ensure the examination, grading of the examination, and the passing grades are uniform with those applicable in all other states. The board may make such use of all or any part of a nationally recognized uniform certified public accountant examination and advisory grading service, and may contract with third parties to perform such administrative services with respect to the examination as it deems appropriate to perform the duties of the board with respect to examination. Except as otherwise provided under this section, a person who has partially passed the examination required by this subsection by passing one or more subjects prior to December 31, 2000, has until December 31, 2003, to successfully complete the examination process and qualify for a certificate under the educational requirements in effect prior to December 31, 2000.

9. The board may admit to the examination a candidate who will complete the educational requirements for a baccalaureate degree with a concentration in accounting or what the board determines by rule to be substantially equivalent to a concentration in accounting within one hundred twenty days immediately following the date of the examination or who has completed those requirements. However, the board shall not report the results of the examination until the candidate has met the educational requirements for a baccalaureate degree and shall not issue the certificate until the candidate has fully satisfied the requirements of subsection 7.

10. Applicants who fail the examination once shall be allowed to take the examination again at a time determined by the board. Applicants who fail the examination twice shall be allowed to take the examination again at the discretion of the board. The board may by rule prescribe the terms and conditions under which a candidate who passes two or more subjects of the examination conducted in this state or by the licensing authority of another state may be reexamined in only the failed subjects and receive credit for the passed subjects. An applicant who has failed the examination may request in writing information from the board concerning the applicant's examination grade and subject areas or questions which the applicant failed to answer correctly, except that if the board administers a uniform, standardized examination, the board shall only be required to provide the

examination grade and such other information concerning the applicant's examination results which are available to the board.

11. The board, by rule, may establish an examination fee to be charged each applicant by the board or by a third party administering the examination.

12. An applicant for initial issuance of a certificate must have no less than one year of experience. The experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills, as verified by a licensee, meeting requirements prescribed by the board by rule. The experience is acceptable if it was gained through employment in government, industry, academia, or public practice.

13. A person holding a certificate as a certified public accountant issued by the state prior to July 1, 2002, is deemed to have met the requirements of this section.

#### **542.6 ISSUANCE AND RENEWAL OF CERTIFICATES – MAINTENANCE OF COMPETENCY.**

1. a. The board shall issue a certificate to a person who makes application on a form prescribed and furnished by the board and who demonstrates either of the following:

(1) That the person's qualifications, including where applicable the qualifications prescribed by section 542.5, satisfy the requirements of this section, or that the person holds a certificate issued under prior law.

(2) That the person holds in good standing a certificate or license to practice as a certified public accountant in another state or equivalent designation from a foreign country, and is eligible under the substantial equivalency or other provisions of section 542.19.

b. The holder of a certificate issued under this section shall only provide attest services in a certified public accounting firm that is issued a permit under section 542.7.

2. A certificate shall be initially issued, and renewed, for a period of not more than three years, but in any event shall expire on a date specified by rule. A person who fails to renew a certificate as a certified public accountant by the expiration date shall be allowed to do so within thirty days following its expiration, but the board may assess a reasonable penalty. The board shall specify by rule the conditions under which a lapsed certificate may be reinstated, including the imposition of administrative penalties.

3. A certificate holder, for renewal of a certificate under this section, shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the board. The board, by rule, may grant an exception to this requirement for a certificate holder 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 issuance of reports on financial statements or the use of one or more kinds of management advisory, financial advisory, or

consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. A certificate holder entitled to an exception by rule of the board shall place the word "inactive" adjacent to the holder's certified public accountant title on any business card, letterhead, or other document or device, with the exception of the certificate holder's certified public accountant certificate, on which the certificate holder's certified public accountant title appears.

4. The board shall charge an application fee for initial issuance or renewal of a certificate in an amount prescribed by the board by rule.

5. An applicant for initial issuance or renewal of a certificate shall list in the application all states in which the applicant has applied for or holds a certificate, license,

or permit and list any past denial, revocation, or suspension of a certificate, license, or permit. A holder of or applicant for a certificate under this section shall notify the board in writing, within thirty days after its occurrence, of any issuance, denial, revocation, or suspension of a certificate, license, or permit by another state.

6. The board, by rule, shall require as a condition for renewal of a certificate under this section, by any certificate holder who performs compilation services for the

public other than through a certified public accounting firm, that such individual undergo, no more frequently than once every three years, a peer review conducted in such manner as the board shall by rule specify, and such review shall include verification that such individual has met the competency requirements set out in professional standards for such services.

#### **542.7 FIRM PERMITS TO PRACTICE – ATTEST EXPERIENCE AND PEER REVIEW.**

1. The board shall issue or renew a permit to practice to a certified public accounting firm that makes application and demonstrates the qualifications set forth in this section, or to a qualified certified public accounting firm originally licensed in another state that establishes an office in this state or otherwise provides services for clients in this state on a regular or recurring basis. A certified public accounting firm licensed and located in another state or foreign jurisdiction shall be allowed to audit a business unit located in Iowa without a permit to practice if the Iowa business unit is part of a multistate company whose principal offices are located outside of this state. A person or firm holding a permit to practice issued by this state prior to July 1, 2002, is deemed to have met the requirements of this section. A firm must hold a permit issued under this section in order to provide attest services or to use the title "CPAs" or "CPA firm".

2. A permit shall be initially issued and renewed for a period of not more than three years, but in any event shall expire on a date specified by rule. An application for a permit shall be made in such form, and in the case of an application for renewal, between such dates as the board may by rule specify.

3. a. An applicant for initial issuance or renewal of a permit to practice as a firm must show that notwithstanding any other provision of law, a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members, and managers belongs to holders of a

certificate issued by a state, and that such partners, officers, shareholders, members, and managers, who perform professional services in this state or for clients in this state, hold a certificate issued under section 542.6 or 542.19.

b. A certified public accounting firm may include a nonlicensee owner provided all of the following occur:

(1) Such firm designates a licensee who is responsible for the proper registration of the firm, and identifies that individual to the board.

(2) All nonlicensee owners are active participants in the firm or an affiliated entity.

(3) All nonlicensee owners participate in a program of learning designed to maintain professional competency in compliance with rules adopted by the board which shall include requiring compliance with requirements imposed by a regulatory authority charged with regulation of a nonlicensee owner's professional or occupational license which is relevant to the firm's services.

(4) All nonlicensee owners comply with all applicable rules of professional conduct adopted by the board, and their own regulatory authority.

(5) Such firm complies with other requirements as established by the board by rule.

c. A licensee who is responsible for supervising attest or compilation services and signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm, shall meet the experience or competency requirements set out in nationally recognized professional standards for such services.

d. A licensee who signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm shall meet the experience or competency requirements established in paragraph "c".

4. An applicant for initial issuance or renewal of a permit to practice as a certified public accounting firm is required to register each office of the firm within this state with the board and to show that all attest and compilation services rendered in this state are under the charge of a person holding a valid certificate issued under section 542.6 or 542.19.

5. The board, by rule, shall establish and charge an application fee for each application for initial issuance or renewal of a permit.

6. An applicant for initial issuance or renewal of a permit shall list in the application all states in which the applicant has applied for or holds a permit as a certified public accounting firm and list any past denial, revocation, or suspension of a permit by another state. A holder of or applicant for a permit shall notify the board in writing within thirty days after an occurrence of any of the following:

a. A change in the identity of a partner, officer, shareholder, member, or manager who performs professional services in this state or for clients in this state.

b. A change in the number or location of offices within this state.

c. A change in the identity of a person in charge of such offices.

d. The issuance, denial, revocation, or suspension of a permit by another state.

7. A firm, after receiving or renewing a permit which is not in compliance with this section as a result of a change in firm ownership or personnel, shall take

corrective action to bring the firm back into compliance as quickly as possible or apply to modify or amend the permit. The board may grant a reasonable period of time for a firm to take such corrective action. Failure to comply within a reasonable period as deemed by the board shall result in the suspension or revocation of the firm permit.

8. The board, by rule, shall require as a condition to renewal of a permit to practice as a certified public accounting firm, that an applicant undergo, no more frequently than once every three years, a peer review conducted in such manner as the board specifies. The review shall include a verification that any individual in the firm who is responsible for supervising attest and compilation services and who signs or authorizes someone to sign the accountant's report on a financial statement on behalf of the firm meets the competency requirements set forth in the professional standards for such services. Such rules shall include reasonable provision for compliance by an applicant showing that the applicant, within the preceding three years, has undergone a peer review that is a satisfactory equivalent to the peer review required under this subsection. An applicant's completion of a peer review program endorsed or supported by the American institute of certified public accountants, or other substantially similar review as determined by the board, satisfies the requirements of this subsection.

9. An applicant for a permit to practice as a certified public accounting firm, at the time of renewal, may request in writing upon forms provided by the board, a waiver from the requirements of subsection 8. The board may grant a waiver upon a showing satisfactory to the board of any of the following:

a. The applicant does not engage in, and does not intend to engage in during the following year, financial reporting areas of practice, including but not limited to financial audits, compilations, and reviews. An applicant granted a waiver pursuant to this paragraph shall immediately notify the board if the applicant engages in such practice, and shall be subject to peer review.

b. Reasons of health.

c. Military service.

d. Instances of hardship.

e. Other good cause as determined by the board.

10. Peer review records are privileged and confidential, and are not subject to discovery, subpoena, or other means of legal compulsion. Peer review records are not admissible in evidence in a judicial, administrative, or arbitration proceeding. Information or documents discoverable from sources other than a peer review team do not become nondiscoverable from such other sources because they are made available to or are in the possession of a peer review team. Information or documents publicly available from the American institute of certified public accountants relating to quality or peer review are not privileged or confidential under this subsection. A person or organization participating in the peer review process shall not testify as to the findings, recommendations, evaluations, or opinions of a peer review team in a judicial, administrative, or arbitration proceeding.



11. A person is not liable as a result of an act, omission, or decision made in connection with the person's service on a peer review team, unless the act, omission, or decision is made with actual malice. A person is not liable as a result of providing information to a peer review team, or for disclosure of privileged matters to a peer review team.

12. The costs of the peer review shall be paid by the applicant.

#### **542.8 QUALIFICATIONS FOR AND ISSUANCE OF A LICENSE AS A LICENSED PUBLIC ACCOUNTANT – RENEWAL OF LICENSE – FIRM REGISTRATION – PEER REVIEW.**

1. The license of a licensed public accountant shall be granted by the board to any person who meets one of the following requirements:

a. The applicant holds a license as an accounting practitioner issued under the laws of this state in full force and effect on the effective date of this Act and has completed additional educational requirements as prescribed by the board.

b. The applicant has satisfactorily completed the examination prescribed in subsection 2 after having met one of the following:

(1) The applicant has had two or more years' actual experience in practice as an accountant as an employee of a certified public accountant, an accounting practitioner, or a licensed public accountant.

(2) The applicant submits evidence satisfactory to the board that the applicant is a graduate of a four-year college or university accredited by the north central accreditation association or other regional accreditation association having equivalent standards, with a major in accounting, or that the applicant is a graduate in accountancy from a business or correspondence school accredited by the accrediting commission for business schools or the accrediting commission of the national home study council.

(3) The applicant submits evidence of at least five years of continuous experience engaged in performing any of the services delineated in section 542.3, subsection 11, on a full-time basis.

2. An examination shall be conducted by the board as often as deemed necessary, but not less than two times per year.

3. The examination shall be designed and given in a manner as to fairly test the applicant's knowledge of accounting. The examination shall not include questions relating to the subject of auditing.

4. The board, in its discretion, may use all or any part of a standard or uniform examination and advisory grading service that is provided or furnished by a national accounting organization or society to assist the board in the performance of its duties under this chapter. The identity of the person taking the examination shall be concealed until after the examination papers have been graded.

5. If an applicant has partially passed an examination given in another state determined by the board to be substantially equivalent to the examination required by this state and meets eligibility requirements that the board finds to be

substantially equivalent to those prescribed by this state, the results of the other state's examination shall be accepted as though given in this state.

6. An applicant who successfully passes all subjects in which examined shall be issued a license as a licensed public accountant by the board. The cost of the license shall be based upon the administrative costs of the board and the costs of issuing the license.

7. An applicant who fails the examination once shall be allowed to take the examination at the next scheduled time. Thereafter, the applicant shall be allowed to take the examination at the discretion of the board. An applicant who passes a portion of the examination shall have the right to be reexamined in the remaining subjects at a future examination, and if the applicant passes the remaining subjects, the applicant shall be considered to have passed the entire examination. An applicant who fails the examination may request in writing information from the board concerning the applicant's examination grade and subject areas or questions which the applicant failed to answer correctly, except that if the board administers a uniform, standardized examination, the board shall only be required to provide the examination grade and such other information concerning the applicant's examination results which is available to the board.

8. An applicant for initial issuance of a license must have no less than one year of experience. The experience shall include providing any type of service or advice involving the use of accounting, compilation, management advisory, financial advisory, tax, or consulting skills, as verified by a licensee, meeting requirements prescribed by the board by rule. The experience is acceptable if gained through employment in government, industry, academia, or public practice.

9. a. The licensed public accountant license shall expire in multiyear intervals as determined by the board. The board shall notify a person licensed under this chapter of the date of expiration of the license and the amount of the fee required for its renewal. The notice shall be mailed at least one month in advance of the expiration date. A person who fails to renew a license as a licensed public accountant by the expiration date shall be allowed to do so within thirty days following its expiration, but the board may assess a reasonable penalty.

b. A licensee, for renewal of a license under this section, shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the board. The board, by rule, may grant an exception to this requirement for a licensee 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 issuance of reports on financial statements or the use of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. A licensee entitled to an exception by rule of the board shall place the word "inactive" adjacent to the licensee's licensed public accountant title on any business card, letterhead, or other document or device, with the exception of the licensee's licensed public accountant license, on which the licensee's licensed public accountant title appears.

10. The board, in its discretion, may waive an examination and issue a license as a licensed public accountant to an applicant for one of the following:

a. The applicant holds a license as a licensed public accountant, an accounting practitioner, or similar title issued, after examination, by a state which extends by substantial equivalency privileges to a licensed public accountant of this state, and who, at the time of issuance of the registration, possessed the basic qualifications set forth in subsection 1.

b. The applicant has passed the examination required under the laws of another state and possesses the basic qualifications set forth in subsection 1 at the time the applicant applied for registration in this state.

11. A person applying for a license as a licensed public accountant shall pay a fee as determined by the board based upon the costs of issuing such licenses.

12. The board shall issue or renew a permit to practice as a licensed public accounting firm to a person that makes application and demonstrates the qualification set forth in this section or to a licensed public accounting firm originally registered in another state that provides evidence that the qualifications met in the other state are substantially equivalent to those required by this section. A firm must hold a permit issued under this section in order to use the title "LPA" or "Licensed Public Accountants" in a firm name.

a. An applicant for initial issuance or renewal of a permit to practice as a firm under this section must show that notwithstanding any other provision of law, a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members, and managers belongs to the holders of a certificate or license issued by a state, and that such partners, officers, shareholders, members, and managers, who perform professional services in this state or for clients in this state, hold a certificate issued under section 542.6 or a license issued under section 542.8.

b. A licensed public accounting firm may include a nonlicensee owner provided all of the following occur:

(1) Such firm designates a licensee who is responsible for the proper registration of the firm, and identifies that individual to the board.

(2) All nonlicensee owners are active participants in the firm or an affiliated entity.

(3) All nonlicensee owners participate in a program of learning designed to maintain professional competency in compliance with rules adopted by the board which shall include requiring compliance with requirements imposed by a regulatory authority charged with regulation of a nonlicensee owner's professional or occupational license which is relevant to the firm's services.

(4) All nonlicensee owners comply with all applicable rules of professional conduct adopted by the board, and their own regulatory authority.

(5) Such firm complies with other requirements as established by the board by rule.

c. An individual licensee who is responsible for compilation services and signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm shall meet the competency requirements set out in nationally recognized professional standards for such services.

d. An individual licensee who signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm shall meet the competency requirements set out in nationally recognized professional standards for such services.

13. An applicant for initial issuance or renewal of a permit to practice as a licensed public accounting firm is required to register each office of the firm within this state with the board and to show that all compilation services rendered in this state are under the charge of a person holding a valid certificate issued under section 542.6 or 542.19, or a license issued under section 542.8.

14. The board, by rule, shall establish and charge an application fee for each application for initial issuance or renewal of a permit.

15. An applicant for initial issuance or renewal of a permit shall list in the application all states in which the applicant has applied for or holds a permit as a certified public accountant or a licensed public accounting firm and list any past denial, revocation, or suspension of a permit by another state. A holder of or applicant for a permit shall notify the board in writing within thirty days after an occurrence of any of the following:

- a. A change in the identity of a partner, officer, shareholder, member, or manager who performs professional services in this state or for clients in this state.
- b. A change in the number or location of offices within this state.
- c. A change in the identity of a person in charge of such offices.
- d. The issuance, denial, revocation, or suspension of a permit by another state.

16. A firm, after receiving or renewing a permit which is not in compliance with this section as a result of a change in firm ownership or personnel, shall take corrective action to bring the firm back into compliance as quickly as possible or apply to modify or amend the permit. The board may grant a reasonable period of time for a firm to take such corrective action. Failure to comply within a reasonable period as deemed by the board shall result in the suspension or revocation of the firm permit.

17. The board, by rule, shall require as a condition to renewal of a permit to practice as a licensed public accounting firm, that an applicant undergo, no more frequently than once every three years, a peer review conducted in such manner as the board specifies. The review shall include verification that any individual in the firm who is responsible for supervising compilation services and who signs or authorizes someone to sign the accountant's report on a financial statement on behalf of the firm meets the competency requirements set forth in the professional standards for such services. Such rules shall include reasonable provision for compliance by an applicant showing that the applicant, within the preceding three years, has undergone a peer review that is a satisfactory equivalent to the peer review required under this subsection. An applicant's completion of a peer review program endorsed or supported by the national society of accountants, or other substantially similar review as determined by the board, satisfies the requirements of this subsection.

18. An applicant for a permit to practice as a licensed public accounting firm, at the time of renewal, may request in writing upon forms provided by the board, a waiver from the requirements of subsection 17. The board may grant a waiver upon a showing satisfactory to the board of any of the following:

a. The applicant does not engage in, and does not intend to engage in during the following year, financial reporting areas of practice, including but not limited to compilations. An applicant granted a waiver pursuant to this paragraph shall

immediately notify the board if the applicant engages in such practice, and shall be subject to peer review.

b. Reasons of health.

c. Military service.

d. Instances of hardship.

e. Other good cause as determined by the board.

19. Peer review records are privileged and confidential, and are not subject to discovery, subpoena, or other means of legal compulsion. Peer review records are not admissible in evidence in a judicial, administrative, or arbitration proceeding. Information or documents discoverable from sources other than a peer review team do not become nondiscoverable from such other sources because they are made available to or are in the possession of a peer review team.

Information or documents publicly available from the national society of accountants relating to quality or peer review are not privileged or confidential under this subsection. A person or organization participating in the peer review process shall not testify as to the findings, recommendations, evaluations, or opinions of a peer review team in a judicial, administrative, or arbitration proceeding.

20. A person is not liable as a result of an act, omission, or decision made in connection with the person's service in a peer review team, unless the act, omission, or decision is made with actual malice. A person is not liable as a result of providing information to a peer review team, or for disclosure of privileged matters to a peer review team.

21. The costs of the peer review shall be paid by the applicant.

#### **542.9 APPOINTMENT OF SECRETARY OF STATE AS AGENT.**

Application for a certificate under section 542.6, a license under section 542.8, a permit to practice under section 542.7, or a certificate under section 542.19 by a person or a firm not a resident of this state constitutes appointment of the secretary of state as the applicant's agent upon whom process may be served in any action or proceeding against the applicant arising out of a transaction or operation connected with or incidental to services performed by the applicant while a licensee within this state.

#### **542.10 ENFORCEMENT AGAINST A HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.**

1. After notice and hearing pursuant to section 542.11, the board may revoke, suspend for a period of time not to exceed two years, or refuse to renew a

license; reprimand, censure, or limit the scope of practice of any licensee; impose an administrative penalty not to exceed one thousand dollars per violation; or place any licensee on probation; all with or without terms, conditions, and in combinations of remedies, for any one or more of the following reasons:

- a. Fraud or deceit in obtaining a license, which may also result in permanent revocation of the license.
  - b. Dishonesty, fraud, or gross negligence in the practice of public accounting.
  - c. Engaging in any activity prohibited under section 542.13 or permitting persons under the licensee's supervision to do so.
  - d. Violation of a rule of professional conduct adopted by the board under the authority granted by this chapter.
  - e. Conviction of a felony under the laws of any state of the United States.
  - f. Conviction of any crime, any element of which is dishonesty or fraud as provided in section 542.5, subsection 2, under the laws of any state of the United States.
  - g. Cancellation, revocation, suspension, or refusal to renew the authority to practice as a certified public accountant, licensed public accountant, or accounting practitioner, or the acceptance of the voluntary surrender of a license to practice as a certified public accountant, licensed public accountant, or accounting practitioner to conclude a pending disciplinary action, by any other state or foreign authority for any cause other than failure to pay appropriate fees in the other jurisdiction.
  - h. Suspension or revocation of the right to practice before any state or federal agency.
  - i. Conduct discreditable to the public accounting profession.
  - j. Violation of section 272C.10.
2. Multiple violations arising from the same factual circumstances or from different factual circumstances containing a common error shall be considered as a single violation for the purpose of imposition of an administrative penalty.
  3. In lieu of or in addition to any remedy specifically provided in subsection 1, the board may require a licensee to satisfy a peer review or desk review process on such terms as the board may specify, satisfactorily complete a continuing education program, or such additional remedies as the board may specify by rule.

#### **542.11 INVESTIGATIONS AND HEARINGS.**

1. The board may initiate proceedings under this chapter upon written complaint or on its own motion pursuant to other information received by the board suggesting violations of this chapter or board rules. The board may conduct an investigation as needed to determine whether probable cause exists to initiate such proceedings. In aid of such investigation, the board may issue subpoenas to compel witnesses to testify or persons to produce evidence consistent with the provisions of section 272C.6, subsection 3. The board may also review the publicly available public accounting work product of licensees on a general or random basis to determine whether reasonable grounds exist to initiate proceedings under this chapter or to conduct a more specific investigation.

2. A written notice stating the nature of the charge or charges against the accused and the time and place of the hearing before the board on the charges shall be served on the accused not less than thirty days prior to the date of hearing either personally or by mailing a copy by restricted certified mail to the last known address of the accused.

3. At any hearing the accused may appear in person or by counsel, produce evidence and witnesses on behalf of the accused, cross-examine witnesses, and examine evidence which is produced against the accused. A firm may appear by a partner, officer, director, shareholder, member, or manager.

4. The board may issue subpoenas in any proceeding to compel witnesses to testify and to produce documentary evidence on behalf of the board and shall issue such subpoenas upon the application of the accused, pursuant to section 17A.13, subsection 1, and section 272C.6, subsection 3.

5. Evidence supporting the board's charges may be presented at any hearing by an assistant attorney general.

6. The decision of the board shall be by a majority vote of a quorum of the board. Licensee discipline shall only be imposed upon the majority vote of the members of the board not disqualified pursuant to section 17A.17, subsection 8, or other applicable law.

7. Judicial review may be sought in accordance with chapter 17A.

#### **542.12 REINSTATEMENT.**

1. In any case in which the board has suspended, revoked, or restricted a license, refused to renew a license, or accepted the voluntary surrender of a license to conclude a pending disciplinary investigation or action, the board may, upon written application, modify or terminate the suspension, reissue the license, or modify or remove the restriction, with or without terms and conditions.

2. The board is vested with discretionary authority to specify by rule the manner in which such applications shall be made, the times within which they shall be made, the circumstances in which a hearing will be held, and the grounds upon which such applications will be decided. The rules shall provide at a minimum that the burden is on the licensee to produce evidence that the basis for revocation, suspension, restriction, refusal to renew, or voluntarily surrender no longer exists and that it will be in the public interest for the board to grant the application on such terms and conditions as the board deems desirable.

#### **542.13 UNLAWFUL ACTS.**

1. Only a certified public accountant may issue a report on financial statements of a person, firm, organization, or governmental unit, or offer to render or render any attest service. Only a certified public accountant or licensed public accountant may render compilation services. This restriction does not prohibit such acts by a public official or public employee in the performance of that person's duties; or prohibit the performance by any nonlicensee of other services involving

the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports on such financial statements. A nonlicensee may prepare financial statements and issue nonattest transmittals or information on such statements or transmittals which do not purport to be in compliance with the statements on standards for accounting and review services.

2. A licensee performing attest or compilation services must provide those services consistent with professional standards.

3. A person not holding a certificate shall not use or assume the title "certified public accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a certified public accountant.

4. A firm shall not provide attest services or assume or use the title "certified public accountants" or the abbreviation "CPAs" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is a certified public accounting firm unless the firm holds a permit issued under section 542.7 and ownership of the firm satisfies the requirements of this chapter and rules adopted by the board.

5. A person shall not assume or use the title "licensed public accountant" or the abbreviation "LPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a licensed public accountant unless that person holds a license issued under section 542.8.

6. A firm not holding a permit issued under section 542.8 shall not provide compilation services or assume or use the title "licensed public accountant", the abbreviation "LPA", or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is composed of licensed public accountants.

7. A person or firm not holding a certificate, permit, or license issued under section 542.6, 542.7, 542.8, or 542.19 shall not assume or use the title "certified accountant", "chartered accountant", "enrolled accountant", "licensed accountant", "registered accountant", "accredited accountant", or any other title or designation likely to be confused with the title "certified public accountant" or "licensed public accountant", or use any of the abbreviations "CA", "LA", "RA", "AA", or similar abbreviation likely to be confused with the abbreviation "CPA" or "LPA". The title "enrolled agent" or "EA" may be used by individuals so designated by the Internal Revenue Service. Nothing in this section shall restrict truthful advertising of a bona fide credential or title which in context is not deceptive or misleading to the public.

8. A nonlicensee shall not use language in any statement relating to the financial affairs of a person or entity which is conventionally used by licensees in reports on financial statements. The board shall develop and issue language which nonlicensees may use in connection with such financial information.

9. A person or firm not holding a certificate, permit, or license issued under section 542.6, 542.7, 542.8, or 542.19 shall not assume or use any title or designation that includes the word "accountant", "auditor", or "accounting", in connection with any other language that implies that such person or firm holds such a certificate, permit, or license or has special competence as an accountant or



auditor. However, this subsection does not prohibit an officer, partner, member, manager, or employee of a firm or organization from affixing that person's own signature to a statement in reference to the financial affairs of such firm or organization with wording which designates the position, title, or office that the person holds, or prohibit any act of a public official or employee in the performance of such person's duties. This subsection does not prohibit the use of the title or designation "accountant" by persons other than those holding a certificate or license under this chapter.

10. A person holding a certificate or license or firm holding a permit under this chapter shall not use a professional or firm name or designation that is misleading about the legal form of the firm, or about the persons who are partners, officers, members, managers, or shareholders of the firm, or about any other matter. However, the name of one or more former partners, members, managers, or shareholders may be included in the name of a firm or its successor.

11. This section does not apply to a person or firm holding a certification, designation, degree, or license granted in a foreign country entitling the holder to engage in the practice of public accountancy or its equivalent in such country, whose activities in this state are limited to providing professional services to a person or firm who is a resident of, government of, or business entity of the country in which the person holds such entitlement, who does not perform attest or compilation services, and who does not issue reports with respect to the financial statements of any other person, firm, or governmental unit in this state, and who does not use in this state any title or designation other than the one under which the person practices in such country, followed by a translation of such title or designation into the English language, if it is in a different language, and by the name of such country.

12. A holder of a certificate issued under section 542.6 or 542.19 shall not perform attest services in a firm that does not hold a permit issued under section 542.7.

13. An individual licensee shall not issue a report in standard form upon a compilation of financial information through any form of business that does not hold a permit issued under section 542.7 unless the report discloses the name of the business through which the individual is issuing the report and the individual licensee does all of the following:

- a. Signs the compilation report identifying the individual as a certified public accountant or licensed public accountant.
- b. Meets competency requirements provided in applicable standards.
- c. Undergoes, no less frequently than once every three years, a peer review conducted in a manner as specified by the board. The review shall include verification that such individual has met the competency requirements set out in professional standards for such services.

14. This section does not prohibit a practicing attorney from preparing or presenting records or documents customarily prepared by an attorney in connection with the attorney's professional work in the practice of law.

15. a. A licensee shall not for a commission recommend or refer a client to any product or service, or for a commission recommend or refer another person to

any product or service to be supplied by a client, or receive a commission, when the licensee also performs for that client any of the following:

(1) An audit or review of a financial statement.

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

(3) An examination of prospective financial information.

The prohibitions under this paragraph "a" apply during the period in which the licensee is engaged to perform any of the services identified in subparagraphs (1) through (3), and the period covered by any historical financial statements involved in such services.

b. A licensee who is not prohibited by this section 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.

c. A licensee who accepts a referral fee for recommending a service of a licensee or referring a licensee to any person or entity or who pays a referral fee to obtain a client shall disclose such acceptance or payment to the client.

16. a. A licensee shall not do any of the following:

(1) Perform professional services for a contingent fee, or receive such fee from a client for whom the licensee or the licensee's firm performs any of the following:

(a) An audit or review of a financial statement.

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

(c) An examination of prospective financial information.

(2) Prepare for a client an original or amended tax return or claim for a tax refund for a contingent fee.

b. Paragraph "a" applies during the period in which the licensee is engaged to perform any of the listed services and the period covered by any historical financial statements involved in such listed services.

c. For purposes of this subsection, a contingent fee is a fee established for the performance of a service pursuant to an arrangement in which a fee will not 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. A fee shall not be considered as being a contingent fee if fixed by a court or other public authority, or, in a tax matter, if determined based on the results of a judicial proceeding or the findings of a governmental agency. A licensee's fee may vary depending on the complexity of the services rendered.

d. Nothing contained in this chapter shall be construed to authorize any person engaged in the practice as a certified public accountant or licensed public accountant or any member or employee of such firm to engage in the practice of law individually or within entities licensed under this chapter.

#### **542.14 INJUNCTION AGAINST UNLAWFUL ACTS, CIVIL PENALTIES, AND CONSENT AGREEMENTS.**

1. If, as a result of an investigation under section 542.11 or otherwise, the board believes that a person or firm has engaged, or is about to engage, in an act or practice which constitutes or will constitute a violation of section 542.13, the board may make application to the district court for an order enjoining such act or practice. Upon a showing by the board that such person or firm has engaged, or is about to engage, in any such act or practice, an injunction, restraining order, or other order as may be appropriate shall be granted by the court.

2. In addition to a criminal penalty provided for in section 542.15, the board may issue an order to require compliance with section 542.13 and may impose a civil penalty not to exceed one thousand dollars for each offense upon a person who is not a licensee under this chapter and who engages in conduct prohibited by section 542.13. Each day of a continued violation constitutes a separate offense.

3. The board, in determining the amount of a civil penalty to be imposed, may consider any of the following:

a. Whether the amount imposed will be a substantial economic deterrent to the violation.

b. The circumstances leading to the violation.

c. The severity of the violation and the risk of harm to the public.

d. The economic benefits gained by the violator as a result of noncompliance.

e. The interest of the public.

4. The board, before issuing an order under this section, shall provide the person written notice and the opportunity to request a hearing. The hearing must be requested within thirty days after receipt of the notice and shall be conducted in the same manner as provided for disciplinary proceedings involving a licensee under this chapter.

5. The board, in connection with a proceeding under this section, may issue subpoenas to compel the attendance and testimony of witnesses and the disclosure of evidence, and may request the attorney general to bring an action to enforce the subpoena.

6. A person aggrieved by the imposition of a civil penalty under this section may seek judicial review pursuant to section 17A.19.

7. If a person fails to pay a civil penalty within thirty days after entry of an order imposing the civil penalty, or if the order is stayed pending an appeal, within ten days after the court enters a final judgment in favor of the board, the board shall notify the attorney general. The attorney general may commence an action to recover the amount of the penalty, including reasonable attorney fees and costs.

8. An action to enforce an order under this section may be joined with an action for an injunction.

9. The board, in its discretion and in lieu of prosecuting a first offense under this section, may enter into a consent agreement with a violator, or with a person guilty of aiding or abetting a violator, which acknowledges the violation and the violator's agreement to refrain from any further violations.

### **542.15 CRIMINAL PENALTIES.**

1. A person who violates a provision of section 542.13 is guilty of a serious misdemeanor.

2. If the board has reason to believe that a person has committed a violation subject to subsection 1, the board may certify the facts to the attorney general of this state, or to the county attorney of the county where the person maintains a business office, who, in the attorney general's or county attorney's discretion, may initiate an appropriate criminal proceeding.

3. If, after an investigation under section 542.11 or otherwise, the board has reason to believe that a person or firm has knowingly engaged in an act or practice that constitutes a violation subject to subsection 1, the board may submit its information to the attorney general of any state, or other appropriate law enforcement official, who, in such official's discretion, may initiate an appropriate criminal proceeding.

### **542.16 SINGLE ACT EVIDENCE OF PRACTICE.**

In an action brought under section 542.14 or 542.15, evidence of the commission of a single act prohibited by this chapter is sufficient to justify a penalty, injunction, restraining order, or conviction, without evidence of a general course of conduct.

### **542.17 CONFIDENTIAL COMMUNICATIONS.**

A licensee shall not voluntarily disclose information communicated to the licensee by a client relating to and in connection with services rendered to the client by the licensee, except with the permission of the client, or an heir, successor, or personal representative of the client. Such information is deemed to be confidential. However, this section shall not be construed as prohibiting the disclosure of information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements or as prohibiting disclosures in a court proceeding, in an investigation or proceeding under this chapter or chapter 272C, in an ethical investigation conducted by a private professional organization, in the course of a peer review, to another person active in the licensee's firm performing services for that client on a need-to-know basis, to persons associated with the investigative entity who need this information for the sole purpose of assuring quality control, or as otherwise required by law. This section does not preclude a licensee from filing a complaint with, or responding to an inquiry made by, the board, a taxing authority or law enforcement authority of this state, or a licensing or similar authority of another state or the United States.

### **542.18 LICENSEES' WORKING PAPERS – CLIENTS' RECORDS.**

1. Subject to section 542.17, all statements, records, schedules, working papers, and memoranda made by a licensee or a partner, shareholder, officer, director, member, manager, or employee of a licensee, incident to, or in the course of, rendering services to a client, except reports submitted by the licensee to the

client and except for records that are part of the client's records, are the property of the licensee in the absence of an express agreement between the licensee and the client to the contrary. Such statement, record, schedule, working paper, or memorandum shall not be sold, transferred, or bequeathed, without the consent of the client or the client's personal representative or assignee, to anyone other than a surviving partner, stockholder, or member of the licensee, or any combined or merged firm or successor in interest to the licensee. This section shall not be construed as prohibiting a temporary transfer of working papers or other material necessary in the course of carrying out peer reviews

or as otherwise interfering with the disclosure of information pursuant to section 542.17.

2. A licensee shall furnish to a client or former client, upon request and reasonable notice, the following:

a. A copy of the licensee's working papers, to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client.

b. Accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received for the client's

account. The licensee may make and retain copies of such documents of the client when they form the basis for work done by the licensee.

3. This chapter does not require a licensee to keep any working papers beyond the period prescribed in any other applicable statute.

#### **542.19 SUBSTANTIAL EQUIVALENCY.**

1. An individual whose principal place of business is not in this state shall be granted a certificate to practice as a certified public accountant in this state if the board determines that the individual holds in good standing a valid certificate or license to practice as a certified public accountant in the state in which the individual's principal place of business is located, and that the individual satisfies one of the following conditions:

a. The other state's licensing standards are substantially equivalent to those required by this chapter.

b. The applicant's individual qualifications are substantially equivalent to those required by section 542.5.

c. The applicant satisfies all of the following:

(1) The applicant passed the examination required for issuance of the applicant's certificate or license with grades that would have been passing grades at the time in this state;

(2) The applicant has at least four years of experience within the ten years immediately preceding the application which occurred after passing the examination upon which the applicant's certificate or license was based and which in the board's opinion is substantially equivalent to that required by section 542.5, subsection 12; and,

(3) If the applicant's certificate or license was issued more than four years prior to the filing of the application in this state, the applicant has fulfilled the continuing professional education requirements described in section 542.6, subsection 3.

2. An individual who holds in good standing a valid certificate or license to practice as a certified public accountant in another state and who desires to establish the holder's principal place of business in this state shall request the issuance of a certificate from the board prior to establishing such principal place of business. The board shall issue a certificate to an individual who satisfies one or more of the conditions described in subsection 1.

3. The board shall issue a certificate to a holder of a substantially equivalent foreign designation, upon satisfaction of all of the following:

a. The foreign authority which issued the designation allows a person who holds a valid certificate issued by this state to obtain such foreign authority's comparable designation.

b. The foreign designation satisfies all of the following:

(1) The designation was issued by a foreign authority that regulates the practice of public accountancy and the foreign designation has not expired or been revoked or suspended.

(2) The designation entitles the holder to issue reports on financial statements.

(3) The designation was issued upon the basis of education, examination, and experience requirements established by the foreign authority or by law.

c. The applicant satisfies all of the following:

(1) The designation was issued based on education and examination standards substantially equivalent to those in effect in this state at the time the foreign designation was granted.

(2) The applicant satisfies an experience requirement, substantially equivalent to the requirement set out in section 542.5, subsection 12, in the jurisdiction which issued the foreign designation or has completed four years of professional experience in this state; or meets equivalent requirements prescribed by the board by rule, within the ten years immediately preceding the application.

(3) The applicant has passed qualifying examinations in national standards and the laws, rules, and code of ethical conduct in effect in this state.

(4) The applicant shall list in the application all jurisdictions, foreign and domestic, in which the applicant has applied for or holds a designation to practice public

accountancy. A holder of a certificate issued under this section shall notify the board in writing, within thirty days after its occurrence, of any issuance, denial, revocation, or

suspension of a designation or commencement of a disciplinary or enforcement action by any jurisdiction.

4. An applicant under this section shall comply with all applicable provisions of section 542.5, subsections 1 through 6, and section 542.6.

5. The board shall adopt rules to implement this section which will expedite the application process to the extent reasonably possible.

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## CHAPTER 1 DEFINITIONS

**193A—1.1(542) Definitions.** The following definitions shall be applicable to the rules of the board of accountancy.

"Act" means the Accountancy Act of 2001.

"AICPA" means the American Institute of Certified Public Accountants.

"Attest" or "attest service" means providing any of the following services:

1. An audit or other engagement to be performed in accordance with the statements on auditing standards.
2. A review of a financial statement to be performed in accordance with the statements on standards for accounting and review services.
3. An examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements. For purposes of these rules, the statements on standards for attestation engagements means those standards adopted by the board, by rule, by reference to the standards developed for general application by the AICPA or other recognized national accountancy organization.

"Attest engagement team" means the team of individuals participating in attest service, including those who perform concurring and second partner reviews. The "attest engagement team" includes all employees and contractors retained by the firm who participate in attest service, irrespective of their functional classification.

"Audit" means an examination of financial statements by a CPA, conducted in accordance with generally accepted auditing standards accompanied by the CPA's opinion as to whether the statements conform with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting.

"Board" means the accountancy examining board established by 2001 Iowa Acts, chapter 55, section 4.

"Certificate" means the certificate of a certified public accountant granted under 2001 Iowa Acts, chapter 55, section 6 or 19, or a certificate issued under prior corresponding law.

"Client" means a person or entity that agrees with a licensee or licensee's employer to receive a professional service.

"Commission" means any form of compensation in a fixed or variable amount or percent received for selling, recommending or referring any product or service of another. "Commission" includes a referral fee.

"Compensation" means anything of value received by a CPA or LPA while practicing public accounting for selling, recommending or referring a product or service of another.

"Compilation" means presenting in the form of a financial statement information that is the representation of any other person without the undertaking to express any assurance on the statement.

"Contingent fee" means 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. "Contingent fee" does not mean a fee fixed by a court or other public authority or a fee related to any tax matter which is based upon the results of a judicial proceeding or the findings of a governmental agency.

"CPA" means certified public accountant.

"Division" means the professional licensing and regulation division of the department of commerce.

"Examination of prospective financial information" means an evaluation by a CPA of a forecast or projection, the support underlying the assumptions in the forecast or projection, whether the presentation of the forecast or projection is in conformity with AICPA presentation guidelines, and whether the assumptions in the forecast or projection provide a reasonable basis for the projection or forecast.

"FASB" means the Financial Accounting Standards Board.

"Financial statement" means a presentation of financial data, including accompanying notes derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in conformity with a comprehensive basis of accounting, but does not include incidental financial data included in management advisory services reports to support recommendations to a client, nor does it include tax returns and supporting documents.

"Firm" means a sole proprietorship, partnership, corporation, professional corporation, professional limited liability company, limited liability partnership or any other form of organization issued a permit to practice as a firm under 2001 Iowa Acts, chapter 55, section 7 or 8, or the office of the auditor of state, state of Iowa, when the auditor of state is a certified public accountant.

"Forecast" means prospective financial statements that present, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions it expects to exist and the course of action it expects to take.

"GASB" means the Governmental Accounting Standards Board.

"IRS" means the Internal Revenue Service, United States Department of the Treasury.

"License" means a certificate issued under 2001 Iowa Acts, chapter 55, section 6 or 19, a permit issued under 2001 Iowa Acts, chapter 55, section 7, or a license or permit under 2001 Iowa Acts, chapter 55, section 8, or a certificate, permit or license issued under corresponding prior law.

"Licensed public accountant" means a person licensed by the board who does not hold a certificate as a certified public accountant under this chapter and who offers to perform or performs for the public any of the following services:

1. Recording financial transactions in books of record.
2. Making adjustments of financial transactions in books of record.
3. Making trial balances from books of record.
4. Preparing internal verification and analysis of books or accounts of original entry.
5. Preparing financial statements, schedules, or reports.

6. Devising and installing systems or methods of bookkeeping, internal controls of financial data, or the recording of financial data.

7. Preparing compilations.

"Licensed public accounting firm" means sole proprietorship, corporation, professional corporation, partnership, professional limited liability company, limited liability partnership or any other form of organization issued a permit to practice as a firm of licensed public accountants under 2001 Iowa Acts, chapter 55, section 8.

"Licensee" means the holder of a license.

"LPA" means licensed public accountant.

"Managing partner," or "managing shareholder," or "managing member" means the designated individual with ultimate responsibility for the operation of a firm's practice.

"NASBA" means the National Association of State Boards of Accountancy.

"NSA" means the National Society of Accountants.

"Office" means any workspace identified or advertised to the general public as being connected with any firm of CPAs or LPAs where business is conducted.

"Owner" means any person who has equity ownership interest in a CPA or LPA firm.

"PCAOB" means Public Company Accounting Oversight Board. The PCAOB is a private-sector, non-profit corporation, created by [the Sarbanes-Oxley Act of 2002](#), to oversee the auditors of public companies in order to protect the interests of investors and further the public interest.

Peer review," as used in Chapters 11 and 12 of these rules, means a study, appraisal, or review of one or more aspects of the professional work of a licensee or firm that issues attest or compilation reports, by a licensed person or persons not affiliated with the licensee or firm being reviewed. "Peer review" does not include a peer review conducted pursuant to Iowa Code chapter 272C in connection with a disciplinary investigation.

"Person," unless the context indicates otherwise, means individuals, sole proprietorships, partnerships, corporations, limited liability companies, limited liability partnerships or other forms of entities.

"Person associated with a CPA or LPA" means any owner, partner, shareholder, member, employee, assistant, or independent contractor of a CPA or LPA firm.

"Practice of public accounting" means the performance or the offering to perform, by a person holding oneself out to the public as a certified public accountant or a licensed public accountant, one or more kinds of professional services involving the use of accounting, attest, or auditing skills, including the issuance of reports on financial statements, or of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. However, with respect to licensed public accountants, the "practice of public accounting" shall not include attest or auditing services or the rendering of an opinion attesting to the reliability of any representation embracing financial information.

"Projection" means prospective financial statements that present, to the best of the responsible party's knowledge and belief given one or more hypothetical

assumptions, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions it expects would exist and the course of action it expects would be taken given such hypothetical assumptions.

"Report," when used with reference to financial statements, means a report, opinion, or other form of a writing that states or implies assurance as to the reliability of any financial statements and that includes or is accompanied by a statement or implication that the person or firm issuing the report has special knowledge or competence in accounting or auditing. Such statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is an accountant or auditor, or from the language of the report itself. "Report" includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply a positive assurance as to the reliability of the financial statements referred to or special knowledge or competence on the part of the person or firm issuing the language, and any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.

"Respondent" means any person against whom a formal statement of charges has been filed or any person whose legal right provided for in 2001 Iowa Acts, chapter 55, shall be determined or affected.

"Review" means to perform inquiry and analytical procedures that permit a CPA to determine whether there is a reasonable basis for expressing limited assurance that there are no material modifications that should be made to financial statements in order for them to be in conformity with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting.

"SAS" means statements on auditing standards.

"SEC" means the United States Securities and Exchange Commission.

"SSARS" means the statements on standards for accounting and review services.

"State" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or Guam.

"Substantial equivalency" means a determination by the board that the education, examination, and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination, and experience requirements contained in these rules or that an individual licensee's education, examination, and experience qualifications are comparable to or exceed the education, examination, and experience requirements contained 2001 Iowa Acts, chapter 55, section 6.

"Year," when used in the context as a time measurement of experience in accounting work, means a period of 365 days.

These rules are intended to implement 2001 Iowa Acts, chapter 55.

## CHAPTER 2 ORGANIZATION AND ADMINISTRATION

### **193A—2.1(542) Description.**

**2.1(1)** The purpose of the accountancy examining board is to administer and enforce the provisions of 2001 Iowa Acts, chapter 55, (Accountancy Act of 2001) with regard to the practice of accountancy in the state of Iowa including the examining of candidates; issuing of certificates and licenses; granting of permits to practice accountancy; investigating violations and infractions of the accountancy law; disciplining certificate holders, licensees or permit holders; and imposing civil penalties against nonlicensees. To this end, the board has promulgated these rules to clarify the board's intent and procedures.

**2.1(2)** The primary mission of the board is to protect the public interest. All board rules shall be construed as fostering the guiding policies and principles described in 2001 Iowa Acts, chapter 55, section 2. The board and its licensees shall strive at all times to protect the public interest by promoting the reliability of information that is used for guidance in financial transactions or accounting for or assessing the financial status or performance of commercial, noncommercial, and governmental enterprises.

**2.1(3)** All official communications, including submissions and requests, should be addressed to the board at 1918 S.E. Hulsizer, Ankeny, Iowa 52001.

### **193A—2.2(542) Administrative committees.**

**2.2(1)** The board chair may appoint administrative committees of not less than two nor more than five members who shall be members of the board for the purpose of making recommendations on matters specified by the board.

**2.2(2)** An administrative committee may be appointed to make recommendations to the board concerning the board's responsibilities as to examinations, registrations and licensing, continuing education, professional conduct, discipline and other board matters.

**193A—2.3(542) Annual meeting.** The annual meeting of the board shall be the first meeting scheduled after April 30. At this meeting the chair and vice-chair shall be elected to serve until their successors are elected. The newly elected officers shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected.

**193A—2.4(542) Other meetings.** In addition to the annual meeting and subsequent meetings, the time and place of which may be fixed by resolution of the board, a meeting may be called by the chair of the board or by joint call of a majority of its members.

### **193A—2.5(542) Board administrator's duties.**

**2.5(1)** The board administrator shall ensure that complete records are kept of all applications for examination and registration, all certificates, licenses and permits



granted, and all necessary information in regard thereto. The board administrator is the lawful custodian of the board records.

**2.5(2)** The board administrator shall determine when the legal requirements for licensure have been satisfied with regard to issuance of certificates, licenses or registrations; and the board administrator shall submit to the board any questionable application.

**2.5(3)** The board administrator shall keep accurate minutes of the meetings of the board. The board administrator shall keep a list of the names of persons issued certificates as certified public accountants, persons issued licenses as licensed public accountants, and all firms issued permits to practice.

**2.5(4)** The board administrator shall perform such additional administrative duties as are requested by the board or otherwise authorized by this chapter or the rules of the professional licensing and regulation division.

**193A—2.6(542) Disclosure of confidential information.**

**2.6(1)** 2001 Iowa Acts, chapter 55, section 4, prohibits members of the board from disclosing a final examination score to persons other than the one who took the examination. For the purposes of this rule, "final score" includes information as to whether the candidate "passed," "failed," or "conditioned" the examination. Persons who take the examination may consent to the publication of their names on a list of passing candidates.

**2.6(2)** Other information relating to the examination results, including the specific grades by subject matter, shall be given only to the person who took the examination, except that the board may:

a. Disclose the specific grades by subject matter to the regulatory authority of any other state or foreign country in connection with the candidate's application for a reciprocal certificate or license from the other state or foreign country, but only if requested by the applicant.

b. Disclose the specific grades by subject matter to educational institutions, professional organizations, or others who have a legitimate interest in the information, provided the names of the persons taking the examination are not provided in conjunction with the scores.

**193A—2.7(17A,21,22,272C,542) Uniform division rules.** Administrative and procedural rules which are common to all boards in the division can be found in the rules of the professional licensing and regulation division.

**2.7(1)** Person seeking waivers or variances from board rules should review the uniform division rules at 193 —Chapter 5.

**2.7(2)** Rules outlining procedures regarding investigatory subpoenas can be found at 193—Chapter 6.

**2.7(3)** Rules regarding contested cases appear at 193—Chapter 7.

**2.7(4)** Rules regarding denial of issuance or renewal of license for nonpayment of child support or student loan appear at 193—Chapter 8.

**2.7(5)** Rules outlining procedures for petitions for rule making are at 193—Chapter 9.

**2.7(6)** Rules regarding procedures to be followed when seeking declaratory orders can be found at 193—Chapter 10.

**2.7(7)** Rules regarding sales of goods and services by board or commission members appear at 193—Chapter 11.

**2.7(8)** Rules regarding impaired licensee review committees appear at 193—Chapter 12.

**2.7(9)** Rules covering public records and fair information practices appear at 193—Chapter 13.

These rules are intended to implement chapters 17A, 21, 22, 272C and 2001 Iowa Acts, chapter 55.

## CHAPTER 3 CERTIFICATION OF CPAS

### **193A—3.1(542) Qualifications for a certificate as a certified public accountant.**

**3.1(1)** A person of good moral character who makes application pursuant to Iowa Code section 542.6, may be granted a certificate as a certified public accountant if the person satisfies all of the following qualifications:

- a. Satisfactory completion of the educational requirements of Iowa Code section 542.5(7) and rule 193A—3.2(542).
- b. No less than one year of verified experience including the types of services described in Iowa Code section 542.5(12) and rule 193A—3.11(542); and
- c. Successful completion of the examination described in Iowa Code section 542.5(8), and rule 193A—3.6(542) and the ethics course and examination outlined in 193A—3.12(542).

**3.1(2)** An application may be denied if the applicant:

- a. Has been convicted of a crime described in Iowa Code section 542.5(2);
- b. Has had a professional license of any kind revoked in this or any other jurisdiction, as provided in Iowa Code section 542.5(3);
- c. Makes a false statement of material fact on an application for a certificate or is otherwise implicated in the submission of a false application as provided in Iowa Code section 542.5(4); or
- d. Demonstrates a lack of moral character in a manner which the board reasonably believes will impair the applicant's ability to practice public accountancy in full compliance with the public interest and state policies described in Iowa Code section 542.2. While it is not possible to itemize all actions or behaviors which may demonstrate a lack of moral character, the following nonexclusive list of factors will guide the board in making its determination:
  - (1) A pattern and practice of making false or deceptive representations, or of omitting material facts, while providing the public any of the services described in Iowa Code section 542.3(20).
  - (2) Fraud or dishonesty while advertising or selling goods or services to the public.
  - (3) Willful or repeated failure to timely file tax returns or other mandatory submittals due a governmental body.
  - (4) Fiscally irresponsible behavior in the absence of mitigating circumstances.

**193A—3.2(542) Colleges or universities recognized by the board.** Iowa Code section 542.5, in providing for educational qualifications for a certificate as a certified public accountant, refers to colleges or universities "recognized by the board." For such purpose, the board recognizes educational institutions accredited by the American Assembly of Collegiate Schools of Business and the regional accrediting bodies listed in the current publication of the Accredited Institutions of Post Secondary Education, which listing is made a part of these rules by reference.

This rule is intended to implement Iowa Code section 542.5.

**193A—3.3(542) Accounting concentration.**

**3.3(1)** A candidate will be deemed to have met the educational requirement if, as part of the 150 semester hours of education as outlined in Iowa Code section 542.5, the candidate has met one of the following four conditions:

a. Earned a graduate degree with a concentration in accounting from a program that is accredited in accounting by an accrediting agency recognized by the board.

b. Earned a graduate degree in business from a program that is accredited in business by an accrediting agency recognized by the board and completed at least 24 semester hours in accounting including courses covering the subjects of financial accounting, auditing, taxation, and management accounting. Such accounting hours shall not include elementary accounting or principles of accounting, internships or life experience.

c. Earned a baccalaureate degree in business or accounting from a program that is accredited in business by an accrediting agency recognized by the board and completed at least 24 semester hours in accounting courses covering the subjects of financial accounting, auditing, taxation, and management accounting. Such accounting hours shall not include elementary accounting or principles of accounting, internships or life experience.

d. Earned a baccalaureate or higher degree and completed the following hours from an accredited institution recognized by the board:

(1) At least 24 semester hours in accounting courses above elementary accounting or principles of accounting covering the subjects of financial accounting, auditing, taxation, and management accounting, not including internships or life experience; and

(2) At least 24 additional semester hours in business-related courses, not including internships or life experience. Elementary accounting hours that do not qualify under subparagraph 3.3(1)“d”(1) may apply toward business-related courses.

Quarter hours will be accepted in lieu of semester hours at a 3:2 ratio; that is, three quarter hours is equivalent to two semester hours. Internships and life experience hours may apply toward the total 150 hours, requirement.

**3.3(2)** The board will consider correspondence study and study in other schools not meeting the above requirements on an individual basis if the candidate can provide evidence that such study would be acceptable for credit by a college or university recognized by the board; provided, however, that at least 18 of the required hours in accounting and at least 16 of the required hours in business - related subjects must be obtained in a college or university recognized by the board.

**3.3(3)** The applicant's claim to college or university credits must be confirmed by an official transcript of credit issued by the institution in question. The applicant shall be responsible for having such transcripts sent to the board's test administrator at the time of making application. The applicant shall also be responsible for having any institution not listed under rule 193A—3.2(542) furnish the board evidence that it meets the accreditation requirements of the board. In addition, the applicant is responsible for all material being in possession of the test administrator by the

deadline for filing applications. Otherwise, the application shall be considered incomplete and shall not be approved by the board.

**3.3(4)** Graduates of foreign colleges or universities shall have their education evaluated by a foreign credentials evaluation advisory service specified by the board.

**193A—3.4(542) Examination applications.**

**3.4(1)** A individual desiring to take the certified public accountant examination as an initial candidate should apply to the board's test administrator. An application shall not be approved until complete in all respects. A complete application includes a completed application form, the designated fee, and all applicable college transcripts.

**3.4(2)** To be eligible to make application for the examination a candidate shall fulfill the requirements of rule 3.3(542).

**3.4(3)** A candidate for the examination who has been convicted in a court of competent jurisdiction in this state, or another state, territory, or a district of the United States, or in a foreign jurisdiction of forgery, embezzlement, obtaining money under false pretenses, theft, extortion, conspiracy to defraud, or other similar offense, or of any crime involving moral character or dishonesty, may be denied admittance to the examination by the board on the grounds of the conviction. For purposes of this subsection, "conviction" means a conviction for an indictable offense and includes a guilty plea, deferred judgment from the time of entry of the deferred judgment until the time the defendant is discharged by the court without entry of judgment, or other finding of guilt by a court of competent jurisdiction.

**3.4(4)** A candidate for examination who has had a professional license of any kind revoked in this or any other jurisdiction may be denied admittance to the examination by the board on the grounds of the revocation.

**3.4(5)** A candidate who makes a false statement of material fact on an application for examination for a certificate, or who causes to be submitted or has been a party to preparing or submitting a false application for a certificate, may be denied a certificate by the board on the grounds of the false statement or submission.

**3.4(6)** A candidate may be considered as a reexamination applicant regardless of whether or not the candidate sat for the examination once initially approved. Reexamination applicants may apply by telephone to the board's test administrator or may apply on-line if the technology is available.

**3.4(7)** A nonrefundable proctoring fee shall be collected from a candidate who wishes to be proctored in Iowa.

**193A—3.5(542) Content and grading of the examination.**

**3.5(1)** The board may make use of the uniform certified public accountant's examination prepared by the American Institute of Certified Public Accountants or another nationally recognized organization under a plan of cooperation with the boards of all states and territories of the United States.

**3.5(2)** The board may also make use of the advisory grading service provided by the American Institute of Certified Public Accountants or another nationally

recognized organization under a plan of cooperation with the boards of all states and territories of the United States.

**3.5(3)** A grade of at least 75 in each subject shall be considered passing.

**193A—3.6(542) Conditioning requirements.**

**3.6(1)** Under the paper- and-pencil examination, a candidate is subject to the following:

- a. A candidate must take all subjects at one sitting until the candidate achieves the status of conditional candidate or passes all subjects.
- b. A candidate who at any examination passes two or more subjects and obtains a grade of not less than 50 in each subject failed shall be considered as a conditional candidate in the subjects successfully passed. However, the minimum grade requirement will be waived if three subjects are passed at a single sitting.
- c. A candidate who achieves conditional standing shall be credited with the subjects in which the candidate received passing grades. A conditional candidate may, upon payment of the required fee, appear for reexamination in the subject or subjects failed at any of the next six consecutive examinations.
- d. When a conditional candidate appears for reexamination, the candidate must take all subjects for which failing grades were received. To obtain credit for a subject or subjects passed upon reexamination, the conditional candidate must obtain a grade of not less than 50 in each subject failed. A grade of less than 50 shall have no effect on a prior condition.
- e. If, on reexamination, the candidate fails to pass the remaining subject or subjects within the time provided for reexamination in subrule 3.7(3), such candidate shall revert to the status of a new applicant, take the entire examination, and pay the appropriate fee.

**3.6(2) 3.6(2)** Effective with the implementation of the computer-based examination, a candidate may take the required test subjects individually and in any order. Except as provided in subrule 3.6(3) and rule 193A—3.7(542), credit for any subjects passed shall be valid for 18 months from the actual date the candidate sat for the subject, without the candidate's having to attain a minimum score on any failed subject(s) and without regard to whether the candidate sat for any other subjects. The candidate shall also be subject to the following:

- a. The candidate must pass all four subjects of the examination within a rolling 18-month period that begins on the date that the first subject is passed. If all four subjects are not passed within the 18-month period, credit for any subject taken outside the 18-month period shall expire.
- b. If a candidate fails a subject, the candidate cannot retake the same failed subject in an examination window. An examination window refers to a three-month period in which a candidate has the opportunity to take the examination (comprised of two months when the examination is offered and one month when the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, the candidate will be able to sit for the examination two out of three months within an examination window.

**3.6(3)** Effective with the implementation of the computer-based examination, a candidate who has earned conditional status on the paper-and-pencil examination

will retain conditional credit for the corresponding test subject of the computer-based examination as follows:

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

Such candidate will be allowed until October 31, 2005, or 18 months from the last administration of the paper-and-pencil examination, whichever is longer, to complete any remaining subjects of the examination before the credit(s) earned under the paper-and-pencil examination expires and the candidate loses credit.

**3.6(4)** A candidate shall be deemed to have passed the examination once the candidate holds, at the same time, valid credit for passing each of the four subjects of the examination. For purposes of this rule, credit for passing a subject of the examination is valid from the actual date of the testing event for that subject, regardless of the date the candidate actually received notice of the passing score.

This rule is intended to implement Iowa Code section 542.5.

**193A—3.7(542) Extension of conditional status.**

**3.7(1)** The time limit within which a candidate is required to pass all subjects under these rules shall not include any period during which the candidate was serving in the armed forces of the United States. This exception does not apply if the candidate takes an examination while so serving. The board may extend the time limit in particular instances on a case-by-case basis.

**3.7(2)** The time limit within which a candidate is required to pass all subjects under these rules may be extended for hardship cases, such as when the applicant for the examination is prevented from attending for such reasons as unexpected illness, verified by a medical doctor, or a death in the family, verified in writing.

**3.7(3)** The time limit within which a candidate is required to pass all subjects under these rules may be extended if circumstances occur which prevent the score from an examination from reaching the candidate in a reasonable period of time. Such circumstances would allow the candidate the opportunity to retake a failed subject.

**193A—3.8(542) Transfer of Credit from Another Jurisdiction**

**3.8(1)** A candidate requesting transfer of grades from any other jurisdiction will be subject to the same provisions of these rules as an Iowa candidate, provided that the examination given by the licensing authority in the other state was an examination approved by the Iowa board.

**3.8(2)** A candidate requesting transfer of grades from any other jurisdiction who does not meet the provisions of these rules, but who meets all of the requirements for issuance of an original certificate in the examining state other than residency, may, at the board's discretion, be required to take at least one section of the examination designated by the board.

**193A—3.9(542) Examination procedures.**

**3.9(1)** At the examination, a candidate must provide evidence of identification with two forms of official documentation, such as a driver's license, student identification, service identification, or passport that contains the candidate's photograph and signature.

**3.9(2)** The candidate may be photographed by the test administrator at each appearance for the examination. The test administrator may collect from the candidate a fee for the processing of the photograph.

**3.9(3)** Scratch paper and supplies furnished by the board's test administrator shall remain the administrator's property and must be returned whether used or not.

**3.8(4)** In the event that a computer malfunction or failure occurs which the examination is being conducted, the liability of the board or its test administrator will be limited to the fee paid by the applicant for the examination.

**193A—3.10(542) Conduct of the examination.**

**3.10(1)** Any individual who subverts or attempts to subvert the examination process may, at the discretion of the board, have the individual's examination scores declared invalid for the purpose of certification in Iowa, be barred from accountancy licensing and certification examinations in Iowa, or be subject to the imposition of other sanctions the board deems appropriate.

**3.10(2)** Conduct that subverts or attempts to subvert the examination process includes, but is not limited to:

a. Conduct which violates the security of the examination materials, such as removing from the examination room any of the examination materials; reproducing or reconstructing any portion of the licensing examination; aiding by any means in the reproduction or reconstruction of any portion of the licensing examination; selling, distributing, buying, receiving, or having unauthorized possession of any portion of a future, current, or previously administered licensing examination.

b. Conduct which violates the standards of test administration, such as communicating with any other examination candidate during the administration of the licensing examination; communicating with others outside of the examination site during the administration of the examination; copying answers from another candidate or permitting one's answers to be copied by another candidate during the administration of the examination; having in one's possession during the administration of the licensing examination any books, notes, written or printed materials or data of any kind, other than the examination materials distributed.

c. Conduct which violates the examination process, such as falsifying or misrepresenting educational credentials or other information required for admission



to the licensing examination; impersonating an examination candidate or having an impersonator take the licensing examination on one's behalf.

**3.10(3)** Any examination candidate who wishes to appeal a decision of the board under this rule may request a contested case hearing. The request for hearing shall be in writing, shall briefly describe the basis for the appeal, and shall be filed in the board's office within 30 days of the date of the board decision being appealed. Any hearing requested under this subrule shall be governed by the rules applicable to contested case hearings under 193—Chapter 7.

**193A—3.11(542) Refunding of examination fees.** Examination fees shall not be refunded except in hardship cases, such as when the candidate for the examination is prevented from attending for such reasons as unexpected illness, verified by a medical doctor, a death in the family, or a call to active military service, 50 percent of the fee may be returned. Written documentation including evidence of the hardship shall be provided to the board's test administrator.

**193A—3.12(542) Experience for certificate.**

**3.12(1)** Experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. Experience may be gained through employment in government, industry, academia, or public practice.

**3.12(2)** One year of experience shall consist 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 outlined in subrule 3.12(1). Experience may be gained in more than one employment situation, including an internship.

**3.12(3)** An applicant seeking qualification as an attest CPA shall have at a minimum two years of experience as more fully described in 193A—subrule 6.3(1).

**3.12(4)** All experience shall be verified by a licensee with direct supervisory control over the applicant or by a licensee who can attest that the experience gained by the applicant meets the requirements of subrule 3.12(1) if the applicant is not supervised by a licensee.

**3.12(5)** Teaching experience shall be in the employment of an institution of higher education and shall include teaching a minimum of 24 semester hours of accounting courses for which the course participants receive credit on an official transcript. Teaching of non-credit continuing education courses shall not qualify under this rule.

**193A—3.13(542) Ethics course and examination.** A successful candidate shall also be required to pass an examination covering the code of ethical conduct prior to issuance of the certificate.

**193A—3.14(542) Obtaining the certificate.** A candidate who successfully passes the examination, completes the ethics course and examination and meets all of the requirements outlined in rule 193A—3.1(542) shall make application for the certificate on a form which may be obtained from the board office. An applicant for a

certificate may be denied the certificate for reasons outlined in subrule 3.4(3), 3.4(4), or 3.4(5) regardless of when the incident occurred.

**3.14(2)** A candidate who meets the requirements for a certificate outlined in rule 193A—3.1(542) shall file an application for a certificate within three years of the date of passing the examination. If the candidate does not file an application for a certificate within the required timeframe, the candidate must comply with the basic continuing education requirements outlined in 193A—10.3(542) prior to filing an application. The required continuing education hours shall include a minimum of seven hours of continuing education devoted to statements on standards for accounting and review services (SSARS).

**193A—3.15 (542) Use of title.**

**3.15(1)** Only a person who holds a certificate and who complies with the requirements of 193A—Chapter 5 and 10 may use or assume the title "certified public accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a certified public accountant.

**3.15(2)** Rules regarding the use of the title "CPA" in a firm name are found at 193A—subrule 13.6(5).

These rules are intended to implement Iowa Code chapter 542.

**CHAPTER 4  
LICENSURE OF LPAS**

**193A—4.1(542) Qualifications for a license as a licensed public accountant.**

**4.1(1)** A person of good moral character who makes application pursuant to 2001 Iowa Acts, chapter 55, section 8, may be granted a license as a licensed public accountant if the person satisfies all of the following qualifications:

- a. Satisfactory completion of the educational requirements of 2001 Iowa Acts, chapter 55, section 8(1), and rule 193A—4.2(542);
- b. No less than one year of verified experience including the types of services described in 2001 Iowa Acts, chapter 55, section 8(8), and rule 193A—4.12(542); and
- c. Successful completion of the examination described in 2001 Iowa Acts, chapter 55, section 8(3), and rule 193A—4.7(542) and the ethics course and examination outlined in 193A—4.13(542).

**4.1(2)** An application may be denied if the applicant:

- a. Has been convicted of a crime;
- b. Has had a professional license of any kind revoked in this or any other jurisdiction;
- c. Makes a false statement of material fact on an application for a license or is otherwise implicated in the submission of a false application; or
- d. Demonstrates a lack of moral character in a manner that the board reasonably believes will impair the applicant's ability to practice public accountancy in full compliance with the public interest and state policies described in 2001 Iowa Acts, chapter 55, section 2. While it is not possible to itemize all actions or behaviors which may demonstrate a lack of moral character, the following nonexclusive list of factors will guide the board in making its determination:
  - (1) A pattern and practice of making false or deceptive representations, or of omitting material facts, while providing the public any of the services.
  - (2) Fraud or dishonesty while advertising or selling goods or services to the public.
  - (3) Willful or repeated failure to timely file tax returns or other mandatory submittals due a governmental body.
  - (4) Fiscally irresponsible behavior in the absence of mitigating circumstances.

**193A—4.2(542) Examination application.**

**4.2(1)** An individual desiring to take the examination to qualify for a license as a licensed public accountant shall apply to the board's test administrator.

**4.2(2)** To be eligible to take the examination, the applicant must meet the requirements Iowa Code section 542.8(1)"b" at the time of filing the application.

**4.2(3)** A candidate for the examination who has been convicted in a court of competent jurisdiction in this state, or another state, territory, or a district of the United States, or in a foreign jurisdiction of forgery, embezzlement, obtaining money under false pretenses, theft, extortion, conspiracy to defraud, or other similar offense, or of any crime involving moral character or dishonesty may be denied

admittance to the examination by the board on the grounds of the conviction. For purposes of this subrule, "conviction" means a conviction for an indictable offense and includes a guilty plea, deferred judgment from the time of entry of the deferred judgment until the time the defendant is discharged by the court without entry of judgment, or other finding of guilt by a court of competent jurisdiction.

**4.2(4)** A candidate for examination who has had a professional license of any kind revoked in this or any other jurisdiction may be denied admittance to the examination by the board on the grounds of the revocation.

**193A—4.3(542) Major in accounting.** In determining whether the requirement in 2001 Iowa Acts, chapter 55, section 8(1)(b)(2), as to a "major in accounting" has been met, the board will follow the rules associated with a "concentration in accounting" outlined in 193A— paragraph 3.3(2)"c."

**193A—4.4(542) Transcripts required.** The applicant's claim to college, university, business school, or correspondence school credit must be confirmed by an official transcript issued by the institution. The applicant shall be responsible for having such transcripts sent to the board at the time of making application. The applicant shall also be responsible for having the institution furnish the board evidence that the institution meets the accreditation requirements of the board. The applicant is also responsible for all such material being in possession of the board by the deadline for filing the application; otherwise, the application shall be considered incomplete and disapproved by the board.

**193A—4.5 (542) Deadline for filing applications.** Examinations are ordinarily held in June and December of each year, and all applications to take the examinations must be filed by the deadline established by the board's test administrator.

**193A—4.6(542) Rescinded.**

**193A—4.7(542) Content and grading of the examination.**

**4.7(1)** The board may use the examination prepared by the Accreditation Council for Accountancy and Taxation. The examination shall not include any questions regarding auditing or attest functions.

**4.7(2)** The board may use the grading services provided by the Accreditation Council for Accountancy and Taxation.

**4.7(3)** The identity of the person taking the examination shall be concealed until after the examination papers have been graded. Absent a showing of good cause, the board shall accept the passing grade established by the Accreditation Council for Accountancy and Taxation.

**4.7(4)** Alternatively, an applicant may satisfy the examination requirement of this rule by passing the Financial Accounting and Reporting-Business Enterprises and Accounting and Reporting-Taxation, Managerial, Governmental and Not-for-Profit Organization sections of the CPA examination provided by the AICPA.

**193A—4.8(542) Conditioning requirements.**

**4.8(1)** An applicant must take all subjects at one sitting unless the applicant becomes a conditional candidate or passes all subjects.

**4.8(2)** If an applicant receives a passing grade in any of the subjects and obtains a grade of not less than 50 in the subject or subjects failed, the applicant shall be considered a conditional candidate entitled to receive credit for the subject or subjects passed and be reexamined in the subject or subjects not passed during the next six succeeding examinations upon payment of the required fee.

**4.8(3)** The time limit within which an applicant is required to pass all subjects under this rule shall not include any period during which the applicant was serving in the armed forces of the United States, unless the applicant takes an examination while so serving, in which case such time shall be included in computing the time limitation.

**4.8(4)** The time limit within which a candidate is required to pass all subjects under this rule may be extended for hardship cases, such as when the applicant for the examination is prevented from attending for such reasons as unexpected illness, verified by a medical doctor, or a death in the family, verified in writing.

**193A—4.9(542) Examination procedures.** The examination procedures to be followed by a candidate for the certified public accountants' examination as outlined in rule 193A—3.8(542) shall also apply to a licensed public accountant examination candidate.

**193A—4.10(542) Refunding of examination fees.** Examination fees will not be refunded except as provided by the rules concerning the refunding of examination fees to an examination candidate for a certified public accountant certificate outlined in 193A—3.10(542).

**193A—4.11(542) Credit for an examination taken in another state.** A candidate who has partially passed an examination in another state will be given credit for the part or parts passed, provided the candidate meets the conditioning requirements of the board and further provided the examination given by the licensing authority in the other state was an examination prepared and graded by the Board of Examiners of the American Institute of Certified Public Accountants or the Accreditation Council for Accountancy and Taxation.

**193A—4.12(542) Experience for license.**

**4.12(1)** Experience shall include providing any type of service or advice involving the use of accounting, compilation, management advisory, financial advisory, tax or consulting skills. Experience may be gained through employment in government, industry, academia, or public practice.

**4.12(2)** One year of experience shall consist 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 outlined in subrule 4.12(1). Experience may be gained in more than one employment situation, including an internship.

**4.12(3)** All experience shall be verified by a licensee with direct supervisory control over the applicant or by a licensee who can attest that the experience gained by the applicant meets the requirements of subrule 4.12(1) if the applicant is not supervised by a licensee.

**4.12(4)** Teaching experience shall be in the employment of an institution of higher education and shall include teaching a minimum of 24 semester hours of accounting courses for which the course participants shall receive credit on an official transcript. Teaching of noncredit continuing education courses shall not qualify under this rule.

**193A—4.13(542) Ethics course and examination.** A successful candidate shall also be required to pass an examination covering the code of ethical conduct prior to issuance of the license.

**193A—4.14(542) Statements on standards for accounting and review services (SSARS) education.** An LPA license applicant shall complete a minimum of seven hours of continuing education devoted to statements on standards for accounting and review services (SSARS) prior to issuance of the license. An LPA license applicant is exempt from this requirement if the applicant has passed the CPA examination provided by the AICPA.

**193A—4.15(542) Obtaining the license.** A candidate who successfully passes the examination and completes requirements outlined in rules 193A—4.12(542), 4.13(542) and 4.14(542) shall make application for licensure on a form available from the board office. An applicant shall list on the application all states in which the applicant has applied for or holds a certificate, license or permit and shall also list any past denial, revocation, suspension, refusal to renew or voluntary surrender to avoid disciplinary action of a certificate, license or permit. An applicant shall notify the board in writing within 30 days after the occurrence of any issuance, denial, revocation, suspension, refusal to renew, or voluntary surrender to avoid disciplinary action of a certificate, license or permit by another state. An applicant for license may be denied the license for reasons outlined in subrule 4.1(2) regardless of when the incident occurred.

**193A—4.16(542) Licensure by reciprocity.**

**4.16(1)** The examination required by 2001 Iowa Acts, chapter 55, section 8, will be waived for an applicant who has passed the examination required under the laws of another state, provided the examination given by the licensing authority of the other state was an examination prepared and graded by the Board of Examiners of the American Institute of Certified Public Accountants or the Accreditation Council for Accountancy and Taxation.

**4.16(2)** For the purpose of 2001 Iowa Acts, chapter 55, section 8, the title by which such other state designates its accountants shall not be controlling, but the matter shall be controlled by substantive requirements, whether such accountants be called licensed public accountants, public accountants, accounting practitioners or any other similar title.

**4.16(3)** A person desiring a license as a licensed public accountant in this state on the basis of a licensed public accountant license issued by another state must apply upon a form that may be obtained from the board office. The burden is on the applicant to obtain information satisfactory to the board that the applicant's license in such other state is in full force and effect and that the requirements for obtaining such license were substantially equivalent to those of this state to obtain a license as a licensed public accountant.

**4.16(4)** An applicant shall list on the application all states in which the applicant has applied for or holds a certificate, license or permit and shall also list any past denial, revocation, suspension, refusal to renew or voluntary surrender to avoid disciplinary action of a certificate, license, or permit. An applicant shall notify the board in writing within 30 days after the occurrence, of any issuance, denial, revocation, suspension, refusal to renew or voluntary surrender to avoid disciplinary action of a certificate, license or permit by another state.

**4.16(5)** An applicant shall affirm that all information provided on the form is true and correct. Providing false information shall be considered prima facie evidence of a violation of 2001 Iowa Acts, chapter 55. A nonrefundable application fee will be charged each applicant.

**193A—4.17(542) Use of title.** Only a person holding a license as a licensed public accountant shall use or assume the title "licensed public accountant" or the abbreviation "LPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a licensed public accountant.

These rules are intended to implement 2001 Iowa Acts, chapter 55, section 8.

## **CHAPTER 5 RENEWAL OF CERTIFICATES AND LICENSES**

**193A—5.1(542) Biennial renewal.** To maintain the certificate of certified public accountant granted by the board under 2001 Iowa Acts, chapter 55, section 6 or 19, or the license to practice as a licensed public accountant granted under 2001 Iowa Acts, chapter 55, section 8, certificates and licenses shall be renewed biennially. Licensees whose last names begin with A to K will renew in even-numbered years. Licensees whose last names begin with L to Z will renew in odd-numbered years. The renewal of certificates and licenses, as required by 2001 Iowa Acts, chapter 55, sections 6 and 8, shall be on the basis of a biennial expiration date of June 30, upon forms that may be obtained from the board office or on the board's Web site. A biennial renewal fee will be charged.

**193A—5.2(542) Obtaining effective status.**

**5.2(1)** A holder of a certificate as a certified public accountant or a license as an accounting practitioner issued under prior laws shall be permitted to restore the certificate or license to an effective status at some future date upon the payment of a penalty of \$100 and the current renewal fee and by providing evidence of completed continuing education even though the holder had, prior to that date, ceased to renew with the board.

**5.2(2)** An applicant who wishes to restore a certificate or license to active status must meet the basic requirement of 120 hours of continuing education earned in the preceding three-year period prior to the date of application to restore active status. The hours claimed to restore effective status cannot again be used at the next renewal. At the first biennial renewal date of July 1 that is less than 12 months from the date of filing the application to restore the certificate or license to active status, the certificate or license holder shall not be required to report continuing education. At the biennial renewal date of July 1 which is more than 12 months, but less than 24 months, from the date of filing the application to restore the certificate or license to active status, the certificate or license holder shall report 40 hours of previously unreported continuing education earned in the one-year period ending December 31 prior to the July 1 renewal date. At the biennial renewal date of July 1 which is more than 24 months, but less than 36 months, from the date of filing the application to restore the certificate or license to active status, the certificate or license holder shall report 80 hours of continuing education earned in the two-year period ending December 31 prior to the July 1 renewal date.

**193A—5.3(542) Notices.**

**5.3(1)** An application to renew a CPA certificate or LPA license can be obtained from the board office or on the board's Web site. While the board generally mails renewal applications in the May preceding certificate or license expiration, neither the board's failure to mail nor a licensee's failure to receive an application shall excuse the requirement to timely renew and pay the renewal fee.



**5.3(2)** A licensee shall notify the board within 30 days of any change of address or business connection.

**193A—5.4(542) Renewal procedures.**

**5.4(1)** A licensee shall file a timely and sufficient renewal application with the board by the June 30 deadline in the biennial renewal year. An application shall be deemed filed on the date received by the board or, if mailed, the date postmarked, but not the date metered.

**5.4(2)** An applicant for renewal under this chapter shall disclose on the application all background and character information requested by the board, including, but not limited to:

a. All states or foreign jurisdictions in which the applicant has applied for or holds a CPA certificate or license, an LPA license, or a substantially equivalent designation from a foreign country;

b. Any past denial, revocation, suspension, or refusal to renew a CPA certificate, license or permit to practice, or LPA license, or voluntary surrender of a CPA certificate, license or permit or LPA license to resolve or avoid disciplinary action, or similar actions concerning a substantially equivalent foreign designation;

c. Any other form of discipline imposed against a CPA certificate, license or permit, LPA license, or a substantially equivalent foreign designation;

d. The conviction of any crime; and

e. The revocation of a professional license of any kind in this or any other jurisdiction.

**5.4(3)** A licensee who performs compilation services for the public other than through a certified public accounting or licensed public accounting firm shall submit a certification of completion of a peer review conducted in accordance with 193A—Chapter 11 no less often than once every three years.

**5.4(4)** Within the meaning of Iowa Code subsection 17A.18(2), a timely and sufficient renewal application shall be:

a. Received by the board in person or electronic form or postmarked with a nonmetered United States Postal Service postmark on or before the date the license is set to expire or lapse;

b. Signed by the licensee if submitted in person, or mailed, or certified as accurate if submitted electronically;

c. Fully completed, including continuing education, if applicable; and

d. Accompanied with the proper fee. The fee shall be deemed improper if, for instance, the amount is incorrect, the fee was not included with the application, the credit card number provided by the applicant is incorrect, the date of expiration of a credit card is omitted or incorrect, the attempted credit card transaction is rejected, or the applicant's check is returned for insufficient funds or a closed account.

**5.4(5)** The administrative processing of an application to renew an existing license shall not prevent the board from subsequently commencing a contested case to challenge the licensee's qualifications for continued licensure if grounds exist to do so.

**5.4(6)** If grounds exist to deny a timely and sufficient application to renew, the board shall send written notification to the applicant by restricted certified mail,

return receipt requested. Grounds may exist to deny an application to renew if, for instance, the licensee failed to satisfy the continuing education as required as a condition for licensure. If the basis for denial is pending disciplinary action or disciplinary investigation which is reasonably expected to culminate in disciplinary action, the board shall proceed as provided in 193—Chapter 7. If the basis for denial is not related to a pending or imminent disciplinary action, the applicant may contest the board’s decision as provided in 193—subrule 7.39(1).

**5.4(7)** When a licensee appears to be in violation of mandatory continuing education requirements, the board may, in lieu of proceeding to a contested case hearing on the denial of a renewal application as provided in rule 193—7.39(546,272C), offer a licensee the opportunity to sign a consent order. While the terms of the consent order will be tailored to the specific circumstances at issue, the consent order will typically impose a penalty between \$50 and \$250, depending on the severity of the violation, establish deadlines for compliance; and may impose additional educational requirements on the licensee. A licensee is free to accept or reject the offer. If the offer of settlement is accepted, the licensee will be issued a renewed certificate of registration and will be subject to disciplinary action if the terms of the consent order are not complied with. If the offer of settlement is rejected, the matter will be set for hearing, if timely requested by the applicant pursuant to 193—subrule 7.39(1).

**5.4(8)** Certificate or license holders who continue to practice public accounting as a CPA or an LPA in Iowa after their certificate or license has expired shall be subject to disciplinary action. Such unauthorized activity may also be grounds to deny a licensee’s application for reinstatement.

**193A—5.5(542) Failure to renew.**

**5.5(1)** A person who fails to renew the certificate or license by the expiration date, but does so within 30 days following its expiration date, shall be assessed a penalty of 25 percent of the biennial renewal fee.

**5.5(2)** If the holder fails to renew the certificate or license within the 30-day grace period outlined in subrule 5.5(1) the certificate or license will lapse and the licensee shall be required to reinstate in accordance with subrule 5.5(3). The licensee is not authorized to practice during the period of time that the certificate or license is lapsed.

**5.5 (3)** The board may reinstate an active certificate or license upon the applicant’s completion of the following:

- a. Paying a penalty of \$100; and
- b. Paying the current renewal fee; and
- c. Providing evidence of completed continuing education outlined in rule 193A—10.3(542); and
- d. Providing a written statement outlining the professional activities of the applicant during the period in which the applicant’s license was lapsed. The statement shall describe all services performed which constitute the practice of accounting, including, but not limited to, those professional practice activities described in subrule 5.8(2).

**5.5(4)** The board may reinstate an inactive certificate or license upon the applicant's completion of all of the following:

- a. Paying a penalty of \$100; and
- b. Paying the current renewal fee; and
- c. Providing a written statement outlining the professional activities of the applicant during the period in which the applicant's license was lapsed. The statement shall describe all services performed which constitute the practice of accounting, including, but not limited to, those professional practice activities described in subrule 5.8(2).

**5.5(5)** The board may find probable cause to file charges for unlicensed practice if the individual continues to offer services defined as the practice of accounting while using the title "CPA" or "LPA" during the period of lapsed registration.

**193A—5.6(272C,542) Certificates and licenses property of the board.** Every certificate or license granted by the board shall, while it remains in the possession of the holder, be preserved by the holder but shall, nevertheless, always remain the property of the board. In the event that the certificate or license is revoked, suspended, or is not renewed in the manner prescribed by 2001 Iowa Acts, chapter 55, or Iowa Code chapter 272C, it shall, on demand, be delivered by the holder to the administrator of the board. However, a person shall be entitled to retain possession of a lapsed certificate or license which has not been revoked, suspended or voluntarily surrendered in a disciplinary action as long as the person complies with all provisions of 2001 Iowa Acts, chapter 55, sections 10 and 13. A lapsed certificate or license may be reinstated to active status at anytime pursuant to 193A—subrule 5.2(2).

**193A—5.7(542) Licensee's continuing duty to report.** A licensee shall notify the board in writing of the licensee's conviction of a crime within 30 days of the date of conviction. "Conviction" is defined in 2001 Iowa Acts, chapter 55, section 5(2). Licensees shall also notify the board in writing within 30 days of the date of any issuance, denial, revocation, or suspension of a certificate, license or permit by another state.

**193A—5.8(272C,542) Inactive status.**

**5.8(1) General purpose.** This rule establishes a procedure under which a person issued a certificate as a certified public accountant or a license as a licensed public accountant may apply to the board to register in inactive status. Registration under this rule is available to a certificate or license holder residing within or outside the state of Iowa who is not engaged in Iowa in any practice for which a certificate or license is required. A person eligible to register as inactive may, as an alternative to such registration, allow the person's certificate or license to lapse. The board will continue to maintain a data base on persons registered as inactive, including information which is not routinely maintained after a certificate or license has lapsed through failure to renew. A person who registers as inactive will accordingly receive

renewal applications, board newsletters and other mass communications from the board.

**5.8(2) Eligibility.** A person holding a lapsed or active certificate or license which has not been revoked or suspended may apply on forms provided by the board to register as inactive if the person is not engaged in the state of Iowa in any practices for which a certificate or license is required, including:

a. Supervising or performing any attest services, such as audits, reviews or agreed-upon procedures (which may only be performed by a CPA within a CPA firm which holds a permit to practice);

b. Supervising or performing compilation services or otherwise issuing compilation reports (which may only be performed by a CPA or LPA); and

c. Performing any accounting, tax, consulting, or financial or managerial advisory services for any client, business, employer, government body, or other entity while holding oneself out as a CPA or LPA, or otherwise using titles restricted in 2001 Iowa Acts, chapter 55, section 13.

**5.8(3) Affirmation.** The application form shall contain a statement in which the applicant affirms that the applicant will not engage in any of the practices listed in subrule 5.8(2) in Iowa without first complying with all rules governing reinstatement to active status. A person in inactive status may reinstate to active status at any time pursuant to subrule 5.8(7).

**5.8(4) Renewal.** A person registered as inactive may renew the person's certificate or license on the biennial schedule described in 193A-5.1(542). Such person is exempt from the continuing education requirements and will be charged a reduced renewal fee as provided in 193A-12.1(542). An inactive certificate or license shall lapse if not timely renewed.

**5.8(5) Permitted practices.** A person may, while registered as inactive, perform for a client, business, employer, government body, or other entity those accounting, tax, consulting, or financial or managerial advisory services which may lawfully be performed by a person to whom a certificate or license has never been issued as long as the person does not in connection with such services use the title "CPA" or "LPA," or any other title restricted for use only by CPAs or LPAs in 2001 Iowa Acts, chapter 55, section 13 (with or without additional designations such as "inactive"). Restricted titles may only be used by active CPAs or LPAs who are subject to continuing education requirements to ensure that the use of such titles is consistently associated with the maintenance of competency through continuing education.

**5.8(6) Prohibited practices.** A person who, while registered as inactive, engages in any of the practices described in subrule 5.8(2) or violates any provision of rule 193A—14.2(542) is subject to disciplinary action. A person in inactive status is not authorized to verify the experience of an applicant for a CPA certificate under 2001 Iowa Acts, chapter 55, section 5(12), or an applicant for an LPA license under 2001 Iowa Acts, chapter 55, section 8(8).

**5.8(7) Reinstatement to active status.** A person registered as inactive shall, prior to engaging in any of the practices listed in subrule 5.8(2) in Iowa, satisfy the conditions for reinstatement described in 193A—5.2(542). Such person shall be

given credit for renewal fees previously paid if the person applies for reinstatement at other than the person's regular renewal date. A person who has engaged in the practice of public accounting in another jurisdiction while registered as inactive in Iowa will be deemed to have satisfied the continuing education required for reinstatement if the person demonstrates that the person has satisfied substantially equivalent continuing education in the other jurisdiction.

**5.8(8)** Retired status. A person registered as an inactive holder of a certificate as a certified public accountant or license as a licensed public accountant who does not reasonably expect to return to the workforce in any capacity for which a certificate or license is required due to bona fide retirement or disability may use the title "CPA, retired" or "LPA, retired," respectively, in the context of non-income-producing personal activities

These rules are intended to implement Iowa Code chapter 272C and 2001 Iowa Acts, chapter 55.

## **CHAPTER 6 ATTEST SERVICE**

**193A—6.1(542) Applicability.** The provisions of 2001 Iowa Acts, chapter 55, section 7, shall apply to each certificate holder who is responsible for supervising attest services and who signs or authorizes someone to sign the accountant's report on behalf of a certified public accounting firm. A person seeking attest qualification under these rules shall file an application with the board on a form available from the board. A nonrefundable application fee shall be charged.

**193A—6.2(542) Attest services restricted to CPA firm.** Attest services as defined in 193A—1.1(542) may be provided only through a firm holding a permit to practice under the provisions outlined in 2001 Iowa Acts, chapter 55, section 7, and 193A—Chapter 7.

**193A—6.3(542) Experience or competency requirements.** The rules of professional conduct rest upon the premise that the reliance of the public in general and of the business community in particular on sound financial reporting, and on the implication of professional competence inherent in the authorized use of a legally restricted title relating to the practice of public accountancy, imposes on persons engaged in such practice certain obligations both to their clients and to the public. These obligations include the obligation to maintain independence of thought and action; to strive continuously to improve one's professional skills; to observe, where applicable, generally accepted accounting principles and generally accepted auditing standards, to promote sound and informative financial reporting; to hold the affairs of clients in confidence; and to maintain high standards of personal conduct in all matters affecting one's fitness to practice public accountancy. It is for these reasons that the board requires attest CPAs to gain experience as outlined in this chapter.

**6.3(1)** A certificate holder who is responsible for supervising attest services or who signs or authorizes someone to sign the accountant's report on financial statements on behalf of a firm shall have two years of full-time or part-time equivalent experience that extends over a period of no less than two years and no more than four years and includes no fewer than 4,000 hours, at least 2,000 of which shall be providing attest services under the supervision of one or more CPAs responsible for supervising attest services on behalf of a CPA firm that holds a permit to practice. Experience shall include all of the following:

- a. Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in accounting records.
- b. Experience in the preparation of audit working papers covering the examination of the accounts usually found in accounting records.
- c. Experience in the planning of the program of audit work including the selection of the procedures to be followed.
- d. Experience in the preparation of written explanations and comments on the findings of the examinations and on the content of the accounting records.

e. Experience in the preparation and analysis of financial statements together with explanations and notes thereon.

**6.3(2)** A supervising CPA shall verify that the applicant for attest qualification has met the requirements outlined in subrule 6.3(1).

**6.3(3)** An applicant seeking attest qualification through the substantial equivalency provision outlined in 2001 Iowa Acts, chapter 55, section 19 and 193A—Chapter 9 shall affirm that the applicant meets the requirements under subrule 6.3(1). Providing false information shall be considered prima facie evidence of a violation of 2001 Iowa Acts, chapter 55.

**6.3(4)** Any certificate holder who has been requested to submit to the board evidence of an 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. The board may require any certificate holder who furnished the evidence of an applicant's experience to substantiate the information provided. An applicant may be required to appear before the board to supplement or verify evidence of experience. The board may inspect documentation relating to an applicant's claimed experience.

**193A—6.4(542) Qualification under prior law.** A person holding or having held an individual permit to practice as a CPA in this state issued prior to July 1, 2002, will be deemed to qualify to perform attest services on and after July 1, 2002, in a CPA firm holding a firm permit to practice, provided that appropriate continuing education is maintained as outlined in rule 193A—10.3(542).

These rules are intended to implement 2001 Iowa Acts, chapter 55, section 7.

## CHAPTER 7 CERTIFIED PUBLIC ACCOUNTING FIRMS

### **193A—7.1(542) Initial permit to practice.**

**7.1(1)** A new firm, as defined in rule 193A—1.1(542), about to engage in the practice of public accounting in this state under the requirements and provisions of 2001 Iowa Acts, chapter 55, section 7, shall make application for a permit to practice upon a form that may be obtained from the board office.

A firm must hold a permit issued under 2001 Iowa Acts, chapter 55, section 7, and these rules in order to perform attest services or use the title “CPAs” or “CPA firm.” A nonrefundable application fee shall be charged.

**7.1(2)** The application shall include information that discloses the highest level of accounting service offered, such as compilation or attest.

**7.1(3)** The application shall list the names of all owners, a simple majority of whom shall hold certificates issued under 2001 Iowa Acts, chapter 55, section 6 or 19, or issued in some other state.

**7.1(4)** The application shall list the name and certificate number of any licensee who is responsible for supervising attest or compilation services and who signs or authorizes someone to sign the accountant’s report on financial statements on behalf of the firm. The application shall affirm that any licensee listed meets the competency requirements set forth in 193A—6.3(542).

**7.1(5)** The application shall list the number and location of offices within this state and name of the licensee in charge of such offices.

**7.1(6)** The application shall affirm that all attest and compilation services rendered in this state are under the charge of an individual who holds a valid certificate issued under 2001 Iowa Acts, chapter 55, section 6, or section 19(2), and who meets the competency requirements outlined in 193A—6.3(542).

**7.1(7)** The application shall designate an individual who holds a valid certificate issued under 2001 Iowa Acts, chapter 55, section 6 or 19, as the person responsible for ensuring that the firm has complied with all requirements for a permit to practice.

**7.1(8)** The application shall affirm that all nonlicensee owners are active participants in the firm or an affiliated entity.

**7.1(9)** The application shall affirm that all nonlicensees who are by statute required to comply with continuing education imposed by a regulatory authority meet those requirements.

**7.1(10)** The application for initial issuance of a permit shall list all states in which the applicant has applied for or holds a permit as a certified public accounting firm and list any past denial, revocation, or suspension of a permit by another state.

**7.1(11)** The application shall list the names of all non-CPA owners and provide information regarding any owner who has been convicted of a crime described in 2001 Iowa Acts, chapter 55, section 5(2), or who has had a professional license of any kind revoked in this or any other jurisdiction. The board may deny the application if a non-CPA owner has been convicted of a crime described in 2001



Iowa Acts, chapter 55, section 5(2), or has had a professional license of any kind revoked in this or any other jurisdiction.

**193A—7.2(542) Annual renewal of permit.** Applications to renew a permit to practice may be obtained from the board office or on the board's Web site. While the board generally mails renewal applications in the May preceding permit expiration, neither the board's failure to mail an application nor a permit holder's failure to receive an application shall excuse the requirement to timely renew and pay the renewal fee.

**193A—7.3(542) Renewal procedures.**

**7.3(1)** The permit holder shall file a timely and sufficient renewal application with the board by the June 30 deadline each year. Applications shall be deemed filed on the date received by the board or, if mailed, the date postmarked, but not the date metered.

**7.3(2)** The permit holder shall list on the renewal application all states in which the applicant has applied for or holds a permit as a certified public accounting firm and list any past denial, revocation, suspension, refusal to renew or voluntary surrender to avoid disciplinary action of a permit to practice. Permit holders shall notify the board in writing within 30 days after the occurrence of any issuance, denial, revocation, suspension or refusal to renew or voluntary surrender of a permit to practice as a certified public accounting firm to avoid disciplinary action by another state.

**7.3(3)** Within the meaning of Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55, a timely and sufficient renewal application shall be:

- a. Received by the board in person or postmarked with a nonmetered United States Postal Service postmark on or before the date the permit is set to expire or lapse;
- b. Signed by the licensee in charge of the firm's practice if submitted in person or mailed;
- c. Fully completed and accompanied with the proper fee. The fee shall be deemed improper if, for instance, the amount is incorrect, the fee was not included with the application, the credit card number provided by the applicant is incorrect, the date of expiration of a credit card is omitted or incorrect, the attempted credit card transaction is rejected, or the applicant's check is returned for insufficient funds or a closed account.

**7.4 (3)** The board may reinstate the permit upon the payment of the proper renewal fee and a penalty of \$100. The board shall also require a written statement outlining the firm's professional activities during the period of lapsed registration.

**7.4(4)** The board may find probable cause to file charges for unlicensed practice if the firm continues to offer services defined as the practice of accounting while using the title "CPA" during the period of lapsed registration.

**193A—7.4(542) Failure to renew permit.**

**7.4(1)** A firm that fails to renew the permit by the expiration date, but does so within 30 days following the expiration date, shall be assessed a penalty of 25 percent of the biennial renewal fee.

**7.4(2)** If the firm fails to renew the permit within the 30-day grace period outlined in subrule 7.4(1), the permit will lapse and the firm shall be required to reinstate in accordance with subrule 7.4(3). The firm is not authorized to practice during the period of time that the permit is lapsed.

**7.4 (3)** The board may reinstate the permit upon the payment of the proper renewal fee and a penalty of \$100.

**193A—7.5(542) Notices required.** A holder of or applicant for a permit shall notify the board in writing within 30 days after an occurrence of any of the following:

1. A change in the identity of an owner, partner, officer, shareholder, member, or manager who performs professional services in this state or for clients in this state.
2. A change in the number or location of offices within this state.
3. A change in the identity of a person in charge of such offices.
4. The issuance, denial, revocation, or suspension of a permit by another state.

**193A—7.6(542) Firms not in compliance with requirements.** A firm, which after receiving or renewing a permit, is not in compliance with 2001 Iowa Acts, chapter 55, section 7, this section as a result of a change in firm ownership or personnel shall take corrective action to bring the firm back into compliance as quickly as possible or apply to modify or amend the permit. The board may grant a reasonable period of time, usually 90 days, for a firm to take such corrective action. Failure to comply within a reasonable period as deemed by the board shall result in the suspension or revocation of the firm permit.

**193A—7.7(542) Peer review required.** As a condition of renewal of a permit to practice as a certified public accounting firm, the firm shall undergo, at least once every three years, a peer review conducted under the provisions outlined in 193A—Chapter 11.

These rules are intended to implement Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55.

## **CHAPTER 8 LICENSED PUBLIC ACCOUNTING FIRMS**

### **193A—8.1(542) Initial registration.**

**8.1(1)** A new firm, as defined in rule 193A—1.1(542), about to engage in the practice of public accounting in this state under the requirements and provisions of 2001 Iowa Acts, chapter 55, section 8, shall make application for registration and a permit to practice upon a form that may be obtained from the board office. A firm must hold a permit issued under 2001 Iowa Acts, chapter 55, section 8 and these rules in order to use the title “LPAs” or “LPA firm.” A nonrefundable application fee shall be charged.

**8.1(2)** The application shall list the names of all owners, a simple majority of whom shall hold licenses issued under 2001 Iowa Acts, chapter 55, section 8 or in some other state.

**8.1(3)** The application shall list the name and license number of any licensee who is responsible for supervising compilation services and who signs or authorizes someone to sign the accountant’s report on financial statements on behalf of the firm. The application shall affirm that any licensee listed meets the competency requirements set forth in SSARS.

**8.1(4)** The application shall list the number and location of offices within this state and the name of the licensee in charge of such offices.

**8.1(5)** The application shall affirm that all compilation services rendered in this state are under the charge of an individual who holds a valid license issued under 2001 Iowa Acts, chapter 55, section 8, and who meets the competency requirements outlined in SSARS.

**8.1(6)** The application shall designate an individual who holds a valid license issued under 2001 Iowa Acts, chapter 55, section 6, 8 or 19, as the person responsible for ensuring that the firm has complied with all of the requirements for a permit to practice.

**8.1(7)** The application shall affirm that all nonlicensee owners are active participants in the firm or an affiliated entity.

**8.1(8)** The application shall affirm that all nonlicensees who are by statute required to comply with continuing education imposed by a regulatory authority meet those requirements.

**8.1(9)** The application for initial issuance of a permit shall list all states in which the applicant has applied for or holds a permit as a licensed public accounting firm and list any past denial, revocation, or suspension of a permit by another state.

**8.1(10)** The application shall list the names of all nonlicensee owners and provide information regarding any owner who has been convicted of a crime or has had a professional license of any kind revoked in this or any other jurisdiction. For purposes of this subrule, "conviction" means a conviction for an indictable offense and includes a guilty plea, deferred judgment from the time of entry of the deferred judgment until the time the defendant is discharged by the court without entry of judgment, or other finding of guilt by a court of competent jurisdiction. The board may deny the application if a nonlicensee has been convicted of a crime or has had a professional license of any kind revoked in this or any other jurisdiction.

**193A—8.2(542) Annual renewal of permit.** A permit issued under the provisions of 2001 Iowa Acts, chapter 55, section 8, shall be renewed annually by June 30 upon forms provided by the board. Applications to renew a permit to practice may be obtained from the board office or on the board's Web site. While the board generally mails renewal applications in the May preceding permit expiration, neither the board's failure to mail an application nor a permit holder's failure to receive an application shall excuse the requirement to timely renew and pay the renewal fee.

**193A—8.3(542) Renewal procedures.**

**8.3(1)** The permit holder shall file a timely and sufficient renewal application with the board by the June 30 deadline each year. Applications shall be deemed filed on the date received by the board or, if mailed, the date postmarked, but not the date metered.

**8.3(2)** The permit holder shall list on the renewal application all states in which the applicant has applied for or holds a permit as a licensed public accounting firm and list any past denial, revocation, suspension, refusal to renew or voluntary surrender to avoid disciplinary action of a permit. Permit holders shall notify the board in writing within 30 days after the occurrence of any issuance, denial, revocation, suspension or refusal to renew or voluntary surrender to avoid disciplinary action of a permit to practice as a licensed public accounting firm by another state.

**8.3(3)** Within the meaning of Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55, a timely and sufficient renewal application shall be:

- a. Received by the board in person or postmarked with a nonmetered United States Postal Service postmark on or before the date the permit is set to expire or lapse;
- b. Signed by the licensee in charge of the firm's practice if submitted in person or mailed;
- c. Fully completed and accompanied with the proper fee. The fee shall be deemed improper if, for instance, the amount is incorrect, the fee was not included with the application, the credit card number provided by the applicant is incorrect, the date of expiration of a credit card is omitted or incorrect, the attempted credit card transaction is rejected, or the applicant's check is returned for insufficient funds or a closed account.

**193A—8.4(542) Failure to renew permit.**

**8.4(1)** A firm that fails to renew the permit by the expiration date, but does so within 30 days following the expiration date, shall be assessed a penalty of 25 percent of the annual renewal fee.

**8.4(2)** If the firm fails to renew the permit within the 30-day grace period outlined in subrule 8.4(1), the permit will lapse and the firm shall be required to reinstate in accordance with subrule 8.4(3). The firm is not authorized to practice during the period of time that the permit is lapsed.

**8.4(3)** The board may reinstate the permit upon the payment of the proper renewal fee and a penalty of \$100. The board shall also require a written statement outlining the firm's professional activities during the period of lapsed registration.

**8.4(4)** The board may find probable cause to file charges for unlicensed practice if the firm continues to offer services defined as the practice of accounting while using the title "LPA" during the period of lapsed registration.

**193A—8.5(542) Notices required.** A holder of or applicant for a permit shall notify the board in writing within 30 days after an occurrence of any of the following:

1. A change in the identity of an owner, partner, officer, shareholder, member, or manager who performs professional services in this state or for clients in this state.

2. A change in the number or location of offices within this state.

3. A change in the identity of a person in charge of such offices.

4. The issuance, denial, revocation, or suspension of a permit by another state.

**193A—8.6(542) Firms not in compliance with requirements.** A firm which, after receiving or renewing a permit, is not in compliance with 2001 Iowa Acts, chapter 55, section 8, as a result of a change in firm ownership or personnel shall take corrective action to bring the firm back into compliance as quickly as possible or apply to modify or amend the permit. The board may grant a reasonable period of time, usually 90 days, for a firm to take such corrective action. Failure to comply within a reasonable period as deemed by the board shall result in the suspension or revocation of the firm permit.

**193A—8.7(542) Peer review required.** As a condition for renewal of a permit to practice as a licensed public accounting firm, the firm shall undergo, at least once every three years, a peer review conducted under the provisions outlined in 193A—Chapter 11.

These rules are intended to implement Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55.

## CHAPTER 9 SUBSTANTIAL EQUIVALENCY

**193A—9.1(542) Iowa CPA certificate required.** Except as provided in 2001 Iowa Acts, chapter 55, section 7(1) or 13(11), a person who holds a certificate or license to practice as a CPA in another state or a substantially equivalent designation from a foreign jurisdiction who plans to practice public accounting as a CPA in Iowa or for Iowa clients or who otherwise desires to establish the person's principal place of business as a CPA in Iowa must first apply to the board for an Iowa CPA certificate.

**193A— 9.2 (542) Application forms.** Application forms may be obtained from the board office or on the board's Web site. An applicant shall attest that all information provided on the form is true and accurate. An application may be denied based on a false statement of material fact. A nonrefundable fee shall be charged each applicant as provided in 193A—Chapter 12.

**193A—9.3 (542) Background and character.**

**9.3(1)** An applicant for a CPA certificate under this chapter shall disclose on the application all background and character information requested by the board including, but not limited to:

- a. All states or foreign jurisdictions in which the applicant has applied for or holds a CPA certificate or license, or a substantially equivalent designation from a foreign country;
- b. Any past denial, revocation, suspension, or refusal to renew a CPA certificate, license or permit to practice, or voluntary surrender of a CPA certificate, license or permit to resolve or avoid disciplinary action, or similar actions concerning a substantially equivalent foreign designation;
- c. Any other form of discipline imposed against the holder of a CPA certificate, license or permit, or a substantially equivalent foreign designation ;
- d. The conviction of any crime; and
- e. The revocation of a professional license of any kind in this or any other jurisdiction.

**9.3(2)** The board may deny an application based on prior discipline imposed against the holder of a CPA certificate, license or permit, or a substantially equivalent foreign designation, or on any of the grounds listed in 193A—subrule 3.1(2).

**193A— 9.4 (542) Verification of state licensure.** An applicant holding a CPA certificate or license from another state or states shall submit verification that the applicant's CPA certificate or license is valid and in good standing in the state in which the applicant's principal place of business is located. An applicant applying for a CPA certificate under the substantial equivalency provisions of 2001 Iowa Acts, chapter 55, section 19(1)(a), and paragraph 9.5(1)"a" may attach a letter of good standing to the application. Such letter of good standing shall be prepared by the state in which the applicant's principal place of business is located and shall be

dated within six months of the date of the application. To expedite the application process, the board will accept verification from another state's board by facsimile or E-mail. The board reserves the right to request an original verification document directly from another state board.

**193A—9.5 (542) Qualifications for a CPA certificate.**

**9.5(1)** A person who holds in good standing a valid CPA certificate or license from another state shall be deemed qualified for an Iowa CPA certificate if the person satisfies one of the following three conditions:

a. Substantially equivalent state. The licensing standards on education, examination and experience of the state which issued the applicant's CPA certificate or license were, at the time of licensure, comparable or superior to the education, examination and experience requirements of 2001 Iowa Acts, chapter 55 in effect at the time the application is filed in Iowa. The board may accept the determination of substantial equivalency made by the National Association of State Boards of Accountancy or may make an independent determination of substantial equivalency.

b. Individual substantial equivalency. The applicant's individual qualifications on education, examination and experience are comparable or superior to the education, examination and experience requirements of 2001 Iowa Acts, chapter 55 in effect at the time the application is filed in Iowa.

c. "Four-in-ten rule." The applicant satisfies all of the following:

(1) The applicant passed the examination required for issuance of the applicant's certificate or license with grades that would have been passing grades at the time in this state.

(2) The applicant has had at least four years of experience within the ten years immediately preceding the application which occurred after the applicant passed the examination upon which the CPA certificate or license was based and which in the board's opinion is substantially equivalent to that required by 2001 Iowa Acts, chapter 55, section 5(12).

(3) If the applicant's CPA certificate or license was issued more than four years prior to the filing of the application in this state, the applicant has fulfilled the continuing professional education requirements described in 2001 Iowa Acts, chapter 55, section 6(3), and 193A—chapter 10.

**9.5(2)** A person who holds in good standing a certificate, license or designation from a foreign authority that is substantially equivalent to an Iowa CPA certificate shall be deemed qualified for an Iowa CPA certificate if the person satisfies all of the provisions of 2001 Iowa Acts, chapter 55, section 19(3). The burden is on the applicant to demonstrate that such certificate, license or foreign designation is in full force and effect and that the requirements for that certificate, license or foreign designation are comparable or superior to those required for a CPA certificate in this state. Original verification from the foreign authority which issued the certificate, license or designation shall be required to demonstrate that such certificate, license or designation is valid and in good standing. If the applicant cannot establish comparable or superior qualifications, the board shall require that the applicant pass the uniform certified public accountant examination designed to test the applicant's knowledge of practice in this state and

country. If the applicant is a Canadian Chartered Accountant, Australian Chartered Accountant or Australian Certified Practicing Accountant, the applicant may be required to take the International Uniform CPA Qualification Examination (IQEX) in lieu of the uniform certified public accountant examination.

**9.5(3)** An applicant seeking an Iowa CPA certificate based on the provisions of 9.5(1)"b", 9.5(1)"c" or 9.5(2) shall submit such supporting information on education, examination or experience as the board deems reasonable to determine whether the applicant qualifies for licensure in Iowa.

**193A—9.6 (542) Continuing requirements.** A person issued a CPA certificate under this chapter is subject to all laws and rules governing persons holding CPA certificates issued in this state including, without limitation, those concerning continuing education, peer review, and notification of crimes and professional discipline. However, a person issued a CPA certificate under this chapter who maintains the principal place of business in a different state and who maintains in good standing a valid CPA certificate or license in that state shall be deemed to have satisfied the continuing education and peer review requirements described in 193A—chapters 10 and 11 if the person satisfies similar requirements in the state in which the principal place of business is located.

**193A—9.7(542) Expedited application processing.** A person applying for a CPA certificate under the substantial equivalency provisions of 2001 Iowa Acts, chapter 55, section 19(1)(a), and paragraph 9.5(1)"a" often desires expedited application processing to facilitate cross-border practice. Applications by such persons are especially suitable for rapid processing given the substantially equivalent standards previously enforced in another state. Unless such application reveals grounds to deny the application under subrule 9.3(2), the board is otherwise aware of such grounds, or the application is unaccompanied by the proper fee, the board's administrator shall approve an application which qualifies under 2001 Iowa Acts, chapter 55, section 19(1)(a), and paragraph 9.5(1)"a" as rapidly as feasible and shall deem the effective date of approval to practice in Iowa to be the date the board received the completed application with timely letter of good standing in a substantially equivalent state.

These rules are intended to implement 2001 Iowa Acts, chapter 55, section 19.



## CHAPTER 10 CONTINUING EDUCATION

**193A—10.1(542) Applicability.** The continuing education rules that follow rest upon the premise that (1) the increasing complexity of the practice of public accountancy makes it essential that CPAs and LPAs continue their professional education; (2) the public interest requires that CPAs and LPAs practicing before the public keep themselves continually up to date on all developments affecting the areas of their practice; and (3) formal programs of continuing education provide CPAs and LPAs with the opportunity to continually update themselves on the expanding body of knowledge required to practice public accountancy. Each certificate holder or license holder is required to comply with the continuing education requirements as a condition precedent to the renewal of the certificate or license.

**193A—10.2(542) Cost of continuing education.** All costs of complying with the continuing education requirements of the board are the responsibility of the certificate or license holder wishing to maintain registration in this state.

**193A—10.3(542) Basic requirement.** During the three-year period ending on the December 31 preceding the July 1 renewal date of the certificate or license, an applicant for renewal shall have completed 120 hours of acceptable continuing education subject to the following exceptions:

**10.3(1)** At the first biennial renewal date of July 1 that is less than 12 months from the date of filing the initial application for the certificate or license, the certificate or license holder shall not be required to report continuing education.

**10.3(2)** At the biennial renewal date of July 1 which is more than 12 months, but less than 24 months, from the date of filing the initial application for the certificate or license, the certificate or license holder shall report 40 hours of continuing education earned in the one-year period ending December 31 prior to the July 1 renewal date.

**10.3(3)** At the biennial renewal date of July 1 which is more than 24 months, but less than 36 months, from the date of filing the initial application for the certificate or license, the certificate or license holder shall report 80 hours of continuing education earned in the two-year period ending December 31 prior to the July 1 renewal date.

**10.3(4)** An applicant who wishes to restore a certificate or license to active status must meet the basic requirement of 120 hours of continuing education earned in the preceding three-year period prior to the date of application to restore active status. The hours claimed to restore effective status cannot again be used at the next renewal. At the first biennial renewal date of July 1 that is less than 12 months from the date of filing the application to restore the certificate or license to active status, the certificate or license holder shall not be required to report continuing education. At the biennial renewal date of July 1 which is more than 12 months, but less than 24 months, from the date of filing the application to restore the certificate or license to active status, the certificate or license holder shall report 40 hours of

previously unreported continuing education earned in the one-year period ending December 31 prior to the July 1 renewal date. At the biennial renewal date of July 1 which is more than 24 months, but less than 36 months, from the date of filing the application to restore the certificate or license to active status, the certificate or license holder shall report 80 hours of continuing education earned in the two-year period ending December 31 prior to the July 1 renewal date.

**10.3(5)** A licensee shall be deemed to have complied with the requirements of rule 193A—10.3(542) if, for the period that the licensee is a resident of another state or district having a continuing education requirement, the licensee met the resident state's mandatory requirement.

**10.3(6)** The board shall have authority to make exceptions for reasons of individual hardship including health, certified by a medical doctor, military service, foreign residency, retirement, or other good cause. No exceptions shall be made solely because of age.

**193A—10.4(542) Measurement standards.** The following standards will be used to measure the hours of credit to be given for acceptable continuing education programs completed by individual applicants:

**10.4(1)** Credit is measured with one 50-minute period equaling one contact hour of credit. Half-hour credits may be allowed (equal to no less than 25 minutes) after the first hour of credit has been earned.

**10.4(2)** Only class hours or the equivalent, and not student hours devoted to preparation, will be counted.

**10.4(3)** Credit expressed as continuing education units (CEUs) shall be counted as ten contact hours for each continuing education unit.

**10.4(4)** Service as lecturer or discussion leader of continuing education programs will be counted to the extent that it contributes to the applicant's professional competence.

**193A—10.5(542) Mandatory education required.**

**10.5(1)** In each biennial period in which compilation reports are issued, every CPA certificate holder or LPA license holder who is responsible for supervising compilation services or who signs or authorizes someone to sign the accountant's compilation report on the financial statements on behalf of a firm shall complete as a condition of certificate or license renewal, a minimum of seven hours of continuing education devoted to financial statement presentation such as courses covering the statements on standards for accounting and review services (SSARS) and accounting and auditing updates. When required, the financial statement presentation continuing education shall be completed within the two-year period ending on the December 31 preceding the application for certificate or license renewal. For credit to be claimed for a course covering multiple topics, a minimum of one hour as outlined in subrule 10.4(1) shall be devoted to financial statement presentation and credit shall be claimed as one contact hour of credit for each hour of participation devoted to each particular topic. For example, if a seminar or presentation is conducted for a total of four hours and only one hour is devoted to

financial statement presentation, then only one hour shall be claimed toward meeting the requirement of this subrule.

**10.5(2)** Every CPA certificate holder or LPA license holder shall complete a minimum of four hours of continuing education devoted to ethics and rules of professional conduct during the two-year period ending December 31, prior to the July 1 biennial renewal date. For a course to qualify to meet this requirement the course description shall clearly outline the subject matter covered as professional or business ethics. If credit is to be claimed for a course covering multiple topics, a minimum of one hour as outlined in subrule 10.4(1) shall be devoted to business or professional ethics and credit shall be claimed as one contact hour of credit for each hour of participation devoted to each particular topic. For example, if a seminar or presentation is conducted for a total of four hours and only one hour is devoted to business or professional ethics, then only one hour shall be claimed toward meeting the requirement of this subrule. The first requirement shall be completed by December 31, 2007, for individuals whose renewal date is July 1, 2008, and December 31, 2008, for individuals whose renewal date is July 1, 2009.

**193A—10.6(542) Programs that qualify—limitations.**

**10.6(1)** The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of an individual registered in this state. It will be left to each individual certificate or license holder to determine the course of study to be pursued. Thus, the auditor may study accounting and auditing, the tax practitioner may study taxes, and the management advisory services practitioner may study subjects related to such practice. Job-related continuing education shall qualify as acceptable provided that the hours claimed contribute directly to the professional competence of the certificate or license holder.

**10.6(2)** Continuing education programs will qualify only if:

- a. An outline of the program is prepared in advance and preserved.
- b. The program is at least one hour (50-minute period) in length.
- c. The program is conducted by a qualified instructor, discussion leader or lecturer. A qualified instructor, discussion leader or lecturer is anyone whose background, training, education or experience makes it appropriate for that person to lead a discussion on the subject matter of the particular program.
- d. A record of attendance is maintained.

**10.6(3)** The following programs are deemed to qualify provided all other requirements of this rule are met.

- a. Professional development programs of recognized national and state accounting organizations.
- b. Technical sessions at meetings of recognized national and state accounting organizations and their chapters.
- c. Distance learning programs or group study Webcast programs.
- d. University or college courses meet the continuing education requirements of those attending. Each semester hour shall be equal to 15 contact hours of credit. Each quarter hour shall be equal to 10 contact hours of credit.

**10.6(4)** Formal correspondence and formal individual study programs contributing directly to the professional competence of an individual that require registration and provide evidence of satisfactory completion will be considered for credit. The amount of credit to be allowed for correspondence and formal individual study programs (including tested study programs) is to be recommended by the program sponsor and based upon appropriate "field tests" and shall not exceed 50 percent of the renewal requirement. If the program sponsor has not designated the amount of credit to be claimed for completing the course of study, the licensee must estimate the equivalent number of hours and justify the amount of hours claimed. A licensee claiming credit for correspondence or formal self-study courses is required to obtain evidence of satisfactory completion of the course from the program sponsor. Credit will be allowed in the renewal period in which the course is completed.

**10.6(5)** Credit may be allowed for interactive self-study programs on the basis of one hour of credit for each 50 minutes spent on the interactive study program if the developer of such programs is approved by either the national continuing professional education registry or by the NASBA continuing education registry.

**10.6(6)** The credit allowed an instructor, discussion leader, or speaker will be on the basis of two hours for subject preparation for each hour of teaching. Credit for teaching college or university coursework may be claimed for courses taught above the elementary accounting or principles of accounting level. Repetitious presentations shall not be considered. The maximum credit for such preparation and teaching will not exceed 50 percent of the renewal period requirement.

**10.6(7)** Credit may be awarded for published articles and books. The amount of credit so awarded will be determined by the board. Credit may be allowed for published articles and books provided they contribute to the professional competence of the licensee. Credit for preparation of such publications may be given on a self-declaration basis up to 25 percent of the renewal period requirement. In exceptional circumstances a licensee may request additional credit by submitting the article(s) or book(s) to the board with an explanation of the circumstances that the licensee feels justify additional credit.

**10.6(8)** Participation in committee meetings or recognized professional societies, which are structured as educational programs, may qualify if they meet the appropriate requirements.

**10.6(9)** Credit may be allowed for the successful completion of examinations for Certified Management Accountant/CMA, Certified Information Systems Auditor/CISA, Certified Financial Planner/CFP, Enrolled Agent/EA, as well as other similar examinations approved by the Board. Credit will be allowed at a rate of five times the length of each examination, which is presumed to include all preparation time, claimed in the calendar year of the examination, and limited to 50 percent of the total renewal requirement.

**10.6(10)** Dinner, luncheon and breakfast meetings of recognized organizations may qualify if they meet the appropriate requirements.

**10.6(11)** Firm meetings for staff or for management groups may qualify if they meet the appropriate requirements. Portions of such meetings devoted to administrative and firm matters cannot be included.

**10.6(12)** The board may look to recognized state or national accounting organizations for assistance in interpreting the acceptability of and credit to be allowed for individual courses.

**10.6(13)** The right is specifically reserved to the board to approve or disapprove credit for continuing education claimed under these rules.

**193A—10.7(542) Controls and reporting.**

**10.7(1)** An applicant for renewal may be requested to provide, in such manner and at such time as prescribed by the board, a signed statement, under penalty of perjury, on forms provided by the board, setting forth the continuing education in which the licensee has participated. The board may allow for attestation that the licensee has met the requirements in lieu of providing a listing in certain instances. If requested to provide a listing of the continuing education completed, the information may include:

- a. School, firm or organization conducting the course.
- b. Location of course.
- c. Title of course or description of content.
- d. Principal instructor.
- e. Dates attended.
- f. Hours claimed.

**10.7(2)** The board may require sponsors of courses to furnish an attendance list or any other information the board deems essential for administration of these continuing education rules.

**10.7(3)** The board will verify on a test basis information submitted by licensees. If an application for renewal is not approved, the applicant will be so notified and may be granted a period of time by the board in which to correct the deficiencies noted.

**10.7(4)** Primary responsibility for documenting the requirements rests with the licensee, and evidence to support fulfillment of those requirements must be retained for a period of three years subsequent to submission of the report claiming the credit. Satisfaction of the requirements, including retention of attendance records and written outlines, may be accomplished as follows:

a. For courses taken for scholastic credit in accredited universities and colleges (state, community, or private) or high school districts, evidence of satisfactory completion of the course will be sufficient; for noncredit courses taken, a statement of the hours of attendance, signed by the instructor, must be obtained by the licensee.

b. For correspondence and formal independent study courses, written evidence or a certificate of completion from the sponsor or course provider shall be obtained by the licensee.

c. In all other instances, the licensee must maintain a record of the information listed in subrule 10.7(1) and a copy of the course outline prepared by the course sponsor.

These rules are intended to implement Iowa Code chapter 272C and 2001 Iowa Acts, chapter 55.

## **CHAPTER 11 PEER REVIEW**

**193A—11.1(542) Peer review required.** As a condition of renewal for a CPA or LPA who issues compilation reports other than through a CPA or LPA firm which holds a permit to practice and, as a condition of permit renewal for LPA firms which issue compilation reports or CPA firms which provide attest services or issue compilation reports, the applicant shall submit certification of completion of a peer review issued pursuant to this chapter. Such review shall be completed at the highest level of service provided by the firm or licensee.

**193A—11.2(542) How often required.** During the three-year period ending December 31 preceding the application for renewal of a certificate, license, or permit to practice, the firm shall have completed a peer review in accordance with this chapter. A peer review shall be completed no less often than once every three years.

**193A—11.3(542) System of internal quality control.** If the firm has not issued reports on financial statements prior to the application for renewal, the firm shall have in place a system of internal quality control prior to the commencement of a financial reporting engagement and shall come into compliance within 18 months of completion of a financial reporting engagement.

**193A—11.4(79GA, Ch55) Peer review programs that qualify.** A firm's completion of a peer review program endorsed or supported by the AICPA, National Society of Accountants or other substantially similar review programs in Iowa or other states approved by the board shall satisfy the requirements of this chapter.

**193A—11.5(79GA, ch 55) Waiver of peer review requirement.** At the time of renewal a licensee or firm may request, in writing upon a form provided by the board, a waiver from the requirements of this chapter, as provided in 2001 Iowa Acts, chapter 55, sections 7(9) and 8(19).

These rules are intended to implement 2001 Iowa Acts, chapter 55.

**CHAPTER 12  
FEES**

**193A—12.1(542) Required fees.** The following is a schedule of the fees for examinations, certificates, licenses, permits and renewals adopted by the board:

Initial CPA examination application:	
Paid directly to CPA examination services. . . . .	not to exceed \$1000
Reexamination:	
Paid directly to CPA examination services. . . . .	not to exceed \$1000
Nonrefundable proctoring fee for out-of-state candidates. . . . .	\$100
Initial LPA examination application. . . . .	\$120
Reexamination:	
Two subjects. . . . .	\$ 80
One subject. . . . .	\$ 60
Original issuance of CPA certificate or LPA license by examination (fee includes wall certificate). . . . .	
	\$100
Original issuance of CPA certificate by reciprocity or substantial equivalency. . . . .	
	\$100
CPA wall certificate issued by reciprocity or substantial equivalency. . . . .	
	\$ 50
Replacement of lost or destroyed CPA certificate or LPA license. . . . .	
	\$ 50
Original issuance of attest qualification . . . . .	
	\$100
Biennial renewal of CPA certificate or LPA license—active status . . . . .	
	\$100
Biennial renewal of CPA certificate or LPA license—inactive status . . . . .	
	\$100
Penalty for failure to comply with continuing education requirements. . . . .	
	\$50 to \$250
Reinstatement of lapsed CPA certificate or LPA license. . . . .	
	\$100 + renewal fee
Original issuance of a firm permit to practice. . . . .	
	\$ 50
Annual renewal of firm permit to practice. . . . .	
	\$ 50
Reinstatement of lapsed firm permit to practice . . . . .	
	\$100 + renewal fee

**193A—12.2(542) Prorating of certain fees.** Fees for issuance of original certificates or licenses for less than one year to the biennial renewal date as provided in 193A—5.1(542) may be prorated on an annual basis for the remainder of time covered by the certificate or license. For example, if a CPA certificate or LPA license holder applies for the original certificate or license and would be required to renew the certificate or license in 12 months or less, the fee would be \$50. If the original certificate or license is not scheduled to be renewed for more than 12 months, the fee would be \$100.

These rules are intended to implement 2001 Iowa Acts, chapter 55.



## CHAPTER 13 RULES OF PROFESSIONAL CONDUCT

**193A—13.1(542) Definitions.** The following definitions shall be applicable to the rules of this chapter.

“Covered member” means:

1. An individual on the attest engagement team;
2. An individual in a position to influence the attest engagement team;
3. A partner or manager who provides nonattest services to the attest client once the partner or manager has provided ten hours of nonattest services to the client within any fiscal year;
4. A partner in the office in which the lead attest engagement partner primarily practices in connection with the attest engagement;
5. The firm, including the firm’s employee benefit plan; or
6. An entity whose operating, financial, or accounting practice can be controlled by any of the individuals described in “1” through “5”.

“Covered member’s immediate family” means:

1. The covered member’s spouse (or spousal equivalent), and
2. The covered member’s dependents.

### **193A—13.2(542) Applicability.**

**13.2(1)** The rules of professional conduct which follow rest upon the premise that the reliance of the public in general and of the business community in particular on sound financial reporting and on the implication of professional competence inherent in the authorized use of a legally restricted title relating to the practice of public accountancy, imposes on persons engaged in such practice certain obligations both to their clients and to the public. These obligations, which the rules of professional conduct are intended to enforce where necessary, include the obligation to maintain independence of thought and action, to strive continuously to improve one’s professional skills, to observe applicable generally accepted accounting principles and generally accepted auditing standards, to promote sound and informative financial reporting, to hold the affairs of clients in confidence, and to maintain high standards of personal conduct in all matters affecting one’s fitness to practice public accountancy.

**13.2(2)** Acceptance of a certificate as a CPA or a license as an LPA to practice public accounting involves acceptance by the CPA or LPA of the obligations set forth in the preceding subrule and accordingly a duty to abide by the rules of professional conduct.

**13.2(3)** The rules of professional conduct are intended to have application to all kinds of professional services performed in the practice of public accountancy and to apply as well to all CPAs and LPAs whether or not engaged in the practice of public accountancy, except where the wording of a rule clearly indicates that the applicability is more limited.

**13.2(4)** A CPA or LPA who is engaged in the practice of public accountancy outside the United States will not be subject to discipline by the board for departing, with respect to such foreign practice, from any of the rules, so long as the CPA’s or

LPA's conduct is in accordance with the standards of professional conduct applicable to the practice of public accountancy in the country in which the CPA or LPA is practicing. However, even in such a case, if a CPA's or LPA's name is associated with financial statements in such manner as to imply that the CPA or LPA is acting as an independent public accountant and under circumstances that would entitle the reader to assume that United States practices are followed, the CPA or LPA will be expected to comply with subrules 13.4(2) and 13.4(3).

**13.2(5)** In the interpretation and enforcement of the rules of professional conduct, the board will give consideration, but not necessarily dispositive weight, to relevant interpretations, rulings and opinions issued by other state boards of accountancy and by appropriately authorized committees on ethics of professional organizations.

**13.2(6)** A CPA or LPA may be held responsible for compliance with the rules of professional conduct by all persons associated with the accountant in the practice of public accounting who are either under the accountant's supervision or are members, partners or shareholders in the accountant's practice.

**13.2(7)** A covered member's immediate family is also subject to these rules, except that:

a. Employment with the attest client is permitted if the family member is not in a "key position" which allows the person to influence the client's financial statements; or

b. A financial interest may be held through an attest client's employee benefit plan in certain instances if the covered member is not on the attest engagement team or in a position to influence the engagement.

### **193A—13.3(542) Independence, integrity and objectivity.**

**13.3(1) Independence.** A CPA or LPA or firm of which a CPA or LPA is an owner, partner, officer, shareholder, member or manager shall not issue a report on financial statements of a client in such a manner as to imply that the CPA or LPA is acting as an independent public accountant with respect thereto unless the CPA or LPA is independent with respect to such client. Independence will be considered to be impaired if, for example:

a. During the period of the professional engagement, or at the time of expressing an opinion, a CPA, LPA or covered member:

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

(2) Had any joint closely held business investment with the client or any officer, director or principal stockholder which was material to the CPA, LPA, or covered member; or

(3) Had any loan to or from the client or any officer, director or principal stockholder thereof other than loans of the following kinds made by a financial institution under normal lending procedures, terms and requirements: loans which are not material in relation to the net worth of the CPA, LPA or covered member;

home mortgages; and other secured loans, except those secured solely by a guarantee of the CPA, LPA or covered member:

b. During the period covered by the financial statements, during the period of the professional engagement, or at the time of expressing an opinion, the covered member;

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

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

The foregoing examples are not intended to be all-inclusive.

**13.3(2) Integrity and objectivity.** A CPA or LPA shall not, in the performance of professional services, knowingly misrepresent facts, subordinate judgment to others, or allow professional judgment to be impaired by self-interest. In tax practice, however, a CPA or LPA may resolve doubt in favor of the client as long as there is reasonable support for this position.

**13.3(3) Commissions.** A CPA or LPA may accept a commission subject to the prohibitions set forth in 2001 Iowa Acts, chapter 55, section 13(15), and the restrictions set forth in these rules.

a. A CPA or LPA engaged in the practice of public accounting must act in the best interests of the client and shall not allow integrity, objectivity or professional judgment to be impaired by the self-interest a commission-based fee may create.

b. A CPA or LPA who anticipates receiving a commission in connection with the recommendation, referral or sale of a product or service must establish such procedures as are reasonably necessary to avoid the prohibitions set forth in 2001 Iowa Acts, chapter 55, section 13(15).

c. A CPA or LPA engaged in the practice of public accounting who is paid or expects to be paid a commission shall disclose that fact to any person or entity to whom the CPA or LPA recommends, refers or sells a product or service to which the commission relates.

d. To ensure full and effective disclosure, a CPA or LPA shall substantially adhere to the following guidelines when recommending, referring or selling a product or service to which a commission relates:

(1) The disclosure shall be in writing, signed and dated by the person to whom a product or service is recommended, referred or sold, and a copy shall be provided to the client.

(2) The disclosure shall be made at or prior to the time the product or service is recommended, referred or sold.

(3) The disclosure shall be legible, clear and conspicuous, and on a separate form.

(4) A copy of the disclosure shall be retained by the CPA or LPA for as long as the CPA or LPA deems appropriate to the transaction; however, the board recommends a minimum of three years.

(5) In the event of a continuing engagement or series of related transactions involving similar products or services, one written disclosure may cover more than one recommendation, referral or sale as long as the disclosure is provided at least annually and is not misleading.

This rule does not prohibit payments for the purchase of all, or a material part, of an accounting practice, or retirement payments to persons formerly engaged in the practice of public accountancy, or payments to heirs or estates of such persons

**13.3(4) *Contingent fees.*** A CPA or LPA may accept contingent fees as defined in rule 193A—1.1(542) subject to the prohibitions set forth in 2001 Iowa Acts, chapter 55, section 13(15), and restrictions set forth in these rules.

**193A—13.4(542) Competence and technical standards.**

**13.4(1) *Competence.*** A CPA or LPA shall not undertake any engagement for the performance of professional services which the accountant or accountant's firm cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with subrules 13.4(2) and 13.4(3).

**13.4(2) *Engagement standards.*** CPAs or LPAs shall not permit their names to be associated with financial statements unless they have complied with the applicable generally accepted engagement standards. The board will consider the American Institute of Certified Public Accountants Professional Standards, SAS, and SSARS as sources of interpretations of generally accepted engagement standards.

**13.4(3) *Accounting principles.*** A CPA or LPA shall not state in the CPA's or LPA's report on financial statements that the financial statements are presented in conformity with generally accepted accounting principles if such financial statements contain any departure from such accounting principles which has a material effect on the financial statements taken as a whole, unless the CPA or LPA can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. In such cases the accountant's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle(s) would result in a misleading statement. The board will consider the pronouncements issued by the Financial Accounting Standards Board and its predecessor entities as sources of interpretations of generally accepted accounting principles.

**13.4(4) *Standards and procedures or other requirements in governmental audits.*** A CPA shall not accept a governmental audit unless the CPA undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules and regulations in addition to generally accepted auditing standards unless the CPA discloses in the accountant's report the fact that such requirements were not followed and the reasons therefor.

**13.4(5) *Requirements of governmental bodies, commissions, or other regulatory agencies.*** Many governmental bodies, commissions, or other regulatory agencies have established requirements such as audit standards, guides, rules and regulations that CPAs are required to follow in preparation of financial statements or related information, such as management's discussion or analysis, in performing attest or similar services for entities subject to the jurisdiction of the governmental bodies, commissions, or regulatory agencies. For example, the Securities and Exchange Commission, General Accounting Office, office of auditor of state, state insurance commission and other regulatory agencies have established such requirements.

A CPA shall not prepare financial statements or related information for the purposes of reporting to such bodies, commissions, or regulatory agencies, unless the CPA agrees to follow the requirements of such organizations in addition to generally accepted auditing standards, where applicable, unless the CPA discloses in the financial statements or the accountant's report that such requirements were not followed.

**13.4(6) *Negligence in the preparation of financial statements or records.*** A CPA or LPA shall be considered negligent if, in conjunction with the preparation of financial statements or records, any of the following infractions occur:

- a. The CPA or LPA makes or permits another to make materially false or misleading entries in financial statements or records; or
- b. The CPA or LPA fails to correct financial statements that are materially false or misleading when the member has the authority to record an entry; or
- c. The CPA or LPA signs, or permits or directs another to sign, a document containing materially false or misleading information.

**13.4(7) *Forecasts.*** A CPA shall not in the performance of professional services permit the CPA's name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the accountant vouches for the achievability of the forecast.

### **193A—13.5(542) Responsibilities to clients.**

**13.5(1) *Confidential client information.*** A CPA or LPA shall not without the consent of the accountant's client, disclose any confidential information pertaining to the client obtained in the course of performing professional services. This rule does not:

- a. Relieve a CPA or LPA of any obligations under subrules 13.4(2) and 13.4(3); or
- b. Affect in any way a CPA's or LPA's obligation to comply with a validly issued subpoena or summons enforceable by order of a court; or
- c. Prohibit disclosures in the course of a peer review of a CPA's or LPA's professional services; or
- d. Preclude a CPA or LPA from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board. Members of the board and professional practice reviewers shall not disclose any confidential information which comes to their attention from a CPA or LPA in disciplinary proceedings or otherwise in carrying out their responsibilities, except that they may furnish such information to an investigative or disciplinary body of the kind referred to above.

**13.5(2) *Records.*** A CPA or LPA shall furnish to a client or former client, upon request made within a reasonable time:

- a. Any accounting or other records belonging to, or obtained from or on behalf of, the client which a CPA or LPA removed from the client's premises or received for the client's account, including a copy of all disclosures required by subrule 13.3(4). The accountant may make and retain copies of such documents when they form the basis for work done by a CPA or LPA.

b. A copy of the working papers of the CPA or LPA to the extent that such working papers include records which would ordinarily constitute part of the client's books and records and are not otherwise available to the client or easily reconstructed by the client or successor CPA or LPA. Examples of such work include depreciation schedules and LIFO inventory work papers.

**13.5(3) Reasonable time.** A "reasonable time" for furnishing clients or former clients the records described in subrule 13.5(2) is dependent upon the facts and circumstances. A CPA or LPA should strive to be as responsive as the situation requires in light of the possible adverse consequence of delay to the client or former client. As a general rule of thumb, the CPA or LPA should provide such records within ten business days of a written request.

**13.5(4) Nonpayment of fees.** A CPA or LPA shall not withhold the records described in subrule 13.5(2) from a client or former client based on nonpayment of fees. However, if a CPA or LPA has already issued a tax return, report or other record to a client or former client, the CPA or LPA may, but is not required to, request payment of outstanding fees prior to providing a second copy of such records.

**13.5(5) Documentation and Retention.** A CPA or LPA shall comply with all professional standards applicable to particular engagements, including, but not limited to standards adopted by recognized standards-setting bodies such as the Public Company Accounting Oversight Board (PCAOB), the Comptroller General of the United States, the Audit Standards Board or other applicable regulatory body.

**13.5(6) Retention Period of Attest Documentation and Working Papers.** Unless otherwise required by applicable law, a CPA firm shall retain attest documentation and attest working papers for seven years, measured by the report date. If the CPA firm is notified within the seven year period of a board investigation or disciplinary proceeding, criminal investigation or proceeding, or other governmental investigation or proceeding, which stems from or relates to the documents at issue, such attest documentation and attest working papers shall not be destroyed until the firm has been notified in writing that the investigation or proceeding has been closed or otherwise fully resolved, or seven years from the report date, whichever period is longer.

### **193A—13.6(542) Other responsibilities and practices.**

**13.6(1) Acts discreditable.** A CPA or LPA shall not commit any act that reflects adversely on the CPA's or LPA's fitness to engage in the practice of public accountancy. The board may consider discipline by any other agency or jurisdiction when determining probable cause to take action against a CPA or LPA for acts discreditable.

**13.6(2) Advertising.** A CPA or LPA shall not use or participate in the use of any form of public communication having reference to professional services that contains a false, fraudulent, misleading, deceptive or unfair statement or claim. A false, fraudulent, misleading, deceptive or unfair statement or claim includes but is not limited to a statement or claim which:

- a. Contains a misrepresentation of fact; or

- b. Is likely to mislead or deceive because it fails to make full disclosure of relevant facts; or
- c. Contains any testimonial or laudatory statement, or other statement or implication that the CPA's or LPA 's professional services are of exceptional quality; or
- d. Is intended to likely create false or unjustified expectations of favorable results; or
- e. Implies educational or professional attainments or licensing recognition not supported in fact; or
- f. States or implies that the CPA or LPA has received formal recognition as a specialist in any aspect of the practice of public accountancy, if this is not the case; or
- g. Represents that professional services can or will be competently performed for a stated fee when this is not the case, or makes representations with respect to fees for professional services that do not disclose all variables affecting the fees that will in fact be charged; or
- h. Contains other representations or applications that in reasonable probability will cause an ordinarily prudent person to misunderstand or be deceived.

**13.6(3) Solicitation.** A CPA or LPA shall not by any direct personal communication solicit an engagement to perform professional services,

- a. If the communication would violate subrule 13.6(2) if it were a public communication; or
- b. By the use of coercion, duress, compulsion, intimidation, threats, overreaching, or harassing conduct; or
- c. If the solicitation communication contains proposals which would be in violation of rule 193A—13.3(542) or 193A—13.4(542).

**13.6(4) Acting through others.** A CPA or LPA shall not permit others to carry out on the CPA's or LPA's behalf, either with or without compensation, acts which, if carried out by the CPA or LPA, would violate the rules of professional conduct.

**13.6(5) Misleading firm names.** A firm name is misleading within the meaning of 2001 Iowa Acts, chapter 55, section 13, if, among other things:

- a. The firm name implies the existence of a corporation when the firm is not a corporation.
- b. The firm name implies the existence of a partnership when there is not a partnership, (e.g. "Smith & Jones, CPAs" or "Smith and Jones, LPAs.")
- c. The CPA firm name includes the name of a person who is not a CPA if the title "CPAs" or "Certified Public Accountants" is included in the firm name.
- d. The LPA firm name includes the name of a person who is not an LPA if the title "LPAs" or "Licensed Public Accountants" is included in the firm name.
- e. The firm name contains any wording that would be a violation of subrule 13.6(2).

**13.6(6) Communications.** A CPA or LPA shall, when requested, respond to communications from the board within 30 days of the mailing of such communications by certified mail.

**13.6(7)** Reporting requirements. In addition to any other reporting requirement in Iowa Code chapter 542 or these rules, a CPA or LPA shall notify the board within 30 days of:

a. Imposition upon the CPA or LPA of discipline, including but not limited to, censure, reprimand, sanction, probation, civil penalty, fine, consent decree or order, suspension, revocation, or modification of a license, certificate, permit or practice rights by:

- (1) the SEC, PCAOB, IRS (by the Director of Practice), or
- (2) another state board of accountancy for cause other than failure to pay a professional fee by the due date or failure to meet the continuing education requirements of another state board of accountancy; or
- (3) any other federal or state agency regarding the CPA's or LPA's conduct while rendering professional services, or
- (4) any foreign authority or credentialing body that regulates the practice of accountancy.

b. Occurrence of any matter reportable that must be reported by the CPA to the PCAOB pursuant to Sarbanes-Oxley Section 102(b)(2)(f) and PCAOB Rules and forms adopted pursuant thereto;

c. Any judgment, award or settlement of a civil action or arbitration proceeding in which the CPA or LPA was a party if the matter included allegations of gross negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of accounting; provided however, licensed firms shall notify the board regarding civil judgments, settlements or arbitration awards directly involving the firm's practice of public accounting in this state; or

d. Criminal charges, deferred prosecution or conviction or plea of no contest to which the licensee is a defendant if the crime is:

- (1) Any felony under the laws of the United States or any state of the United States or any foreign jurisdiction; or
- (2) A misdemeanor if an essential element of the offense is dishonesty, deceit or fraud.

**13.6(8)** Firm's duty to report. The CPA or LPA designated by each firm in accordance with Iowa Code section 542.7(3)"b"(1) or 542.8(12)"b"(1) and these rules as the licensee responsible for the proper registration of the firm shall report any matter reportable under this rule to which a non-licensee owner with a principal place of business in this state is a party.

These rules are intended to implement Iowa Code chapter 272C and 2001 Iowa Acts, chapter 55.



## **CHAPTER 14 DISCIPLINARY AUTHORITY AND GROUNDS FOR DISCIPLINE**

**193A—14.1(17A,272C,542) Disciplinary authority.** The board is empowered to administer Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55, and related administrative rules for the protection and well-being of those persons who may rely upon licensed individuals and firms for the performance of public accounting services within this state or for clients in this state. To perform these functions, the board is broadly vested with authority to review and investigate alleged acts or omissions of licensees, determine whether disciplinary proceedings are warranted, initiate and prosecute disciplinary proceedings, establish standards of professional conduct, and impose discipline, pursuant to Iowa Code sections 17A.13, 272C.3 to 272C.6 and 272C.10 and 2001 Iowa Acts, chapter 55, sections 4 and 10 through 16. In exercising its disciplinary authority and in construing the meaning of the phrase “conduct discreditable to the public accounting profession” as used in 2001 Iowa Acts, chapter 55, section 10(1)(i), the board shall be guided by the legislative policies, goals and standards set forth in 2001 Iowa Acts, chapter 55, section 2.

**193A—14.2(17A,272C,542) Grounds for discipline.** The board may initiate disciplinary action against a CPA, LPA, or a firm of CPAs or LPAs, on any of the following grounds:

1. All grounds set forth in 2001 Iowa Acts, chapter 55, section 10.
2. Acts or omissions constituting unlawful acts under 2001 Iowa Acts, chapter 55, section 13, whether committed before or after licensure as a CPA or LPA.
3. A violation of 2001 Iowa Acts, chapter 55, section 17.
4. A violation of 2001 Iowa Acts, chapter 55, section 18.
5. A violation of any of the rules of professional conduct set forth in 193A—Chapter 13.
6. A violation of Iowa Code subsection 272C.9(2) or 272C.9(3), or any of the provisions of 193A —Chapter 18.
7. Failure to comply with an order of the board imposing discipline.
8. Violation of Iowa Code subsection 272C.3(2).
9. Continuing to practice public accounting without satisfying the continuing education mandated by 2001 Iowa Acts, chapter 55, sections 6(3) and 8(9)(b), and 193A —Chapter 10, absent express waiver granted by the board.
10. As applicable, performing attest services or issuing compilation reports without satisfying the peer review required by 2001 Iowa Acts, chapter 55, sections 6(6), 8(17) and 13(13), and 193A —Chapter 11.
11. Violation by a CPA or CPA firm of 2001 Iowa Acts, chapter 55, sections 5(4), 5(5), 6(5), 7(3), 7(6) or 7(7).
12. Violation by an LPA or LPA firm of 2001 Iowa Acts, chapter 55, sections 8(12), 8(15) or 8(16).

13. Knowingly aiding or abetting a licensee, license applicant or unlicensed person in committing any act or omission which is grounds for discipline under this rule or is an unlawful act by a nonlicensee under 2001 Iowa Acts, chapter 55, section 13, or otherwise knowingly aiding or abetting the unlicensed practice of public accounting by a person who either improperly uses a title restricted under 2001 Iowa Acts, chapter 55, or performs attest services or issues compilation reports without proper licensure.

14. Failure to fully cooperate with a licensee disciplinary investigation or investigation against a nonlicensee, including failure to respond to a board inquiry within 30 calendar days of the date of mailing by certified mail of a written communication directed to the licensee's last address on file at the board office.

These rules are intended to implement Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55.

## CHAPTER 15 DISCIPLINARY INVESTIGATIONS

**193A—15.1(17A,272C,542) Investigative authority.** The board is authorized by Iowa Code sections 17A.13(1), 272C.3, 272C.4 and subsection 272C.6(4) and 2001 Iowa Acts, chapter 55, section 11, to conduct disciplinary investigations to determine whether grounds exist to initiate a disciplinary proceeding against a licensee.

**193A—15.2(17A, 272C, 542) Initiation of disciplinary investigations.** The board may initiate a licensee disciplinary investigation upon the board's receipt of information suggesting that a licensee may have violated a law or rule enforced by the board which, if true, would constitute grounds for licensee discipline. The board may also review the publicly available work product of licensees on a general or random basis to determine whether reasonable grounds exist to initiate disciplinary proceedings or to conduct a more specific investigation.

**193A—15.3(272C,542) Sources of information.** Without limitation, the following nonexclusive list of information sources may form the basis for the initiation of a disciplinary investigation or proceeding:

1. General or random review of financial statements submitted to or filed with local, state or federal governmental bodies, or other publicly available work product.
2. News articles or other media sources.
3. Reports filed with the board by the commissioner of insurance pursuant to Iowa Code subsection 272C.4(9).
4. Complaints filed with the board by any member of the public.
5. License applications or other documents submitted to the board.
6. Reports to the board from any regulatory or law enforcement agency from any jurisdiction.
7. Board audits of licensee compliance with conditions for licensure, such as continuing education or peer review.

**193A—15.4(17A,272C,542) Conflict of interest.** If the subject of a complaint is a member of the board, or if a member of the board has a conflict of interest in any disciplinary matter before the board, that member shall abstain from participation in any consideration of the complaint and from participation in any disciplinary hearing that may result from the complaint.

**193A—15.5(272C,542) Complaints.** Written complaints may be submitted to the board office by mail, E-mail, facsimile, or personal delivery by members of the public, including clients, business organizations, nonprofit organizations, governmental bodies, licensees, or other individuals or entities with knowledge of possible law or rule violations by licensees.

**15.5(1) Contents of a written complaint.** Written complaints may be submitted on forms provided by the board which are available from the board office and on the

board's website. Written complaints, whether submitted on a board complaint form or in other written medium, shall contain the following information:

- a. The full name, address, and telephone number of the complainant (person complaining).
- b. The full name, address, and telephone number of the respondent (licensee against whom the complaint is filed).
- c. A statement of the facts and circumstances giving rise to the complaint, including a description of the alleged acts or omissions which the complainant believes demonstrate that the respondent has violated or is violating laws or rules enforced by the board.
- d. If known, citations to the laws or rules allegedly violated by the respondent.
- e. Evidentiary supporting documentation.
- f. Steps, if any, taken by the complainant to resolve the dispute with the respondent prior to filing a complaint.

**15.5(2) Immunity.** As provided by Iowa Code section 272C.8, a person shall not be civilly liable as a result of filing a report or complaint with the board unless such act is done with malice, nor shall an employee be dismissed from employment or discriminated against by an employer for filing such a report or complaint.

**15.5(3) Role of complainant.** The role of the complainant in the disciplinary process is limited to providing the board with factual information relative to the complaint. A complainant is not party to any disciplinary proceeding which may be initiated by the board based in whole or in part on information provided by the complainant.

**15.5(4) Role of the board.** The board does not act as an arbiter of disputes between private parties, nor does the board initiate disciplinary proceedings to advance the private interest of any person or party. The role of the board in the disciplinary process is to protect the public by investigating complaints and initiating disciplinary proceedings in appropriate cases. The board possesses sole decision making authority throughout the disciplinary process, including the authority to determine whether a case will be investigated, the manner of the investigation, whether a disciplinary proceeding will be initiated, and the appropriate licensee discipline to be imposed, if any.

**15.5(5) Initial complaint screening.** All written complaints received by the board shall be initially screened by the board's administrator to determine whether the allegations of the complaint fall within the board's investigatory jurisdiction and whether the facts presented, if true, would constitute a basis for disciplinary action against a licensee. Complaints which are clearly outside the board's jurisdiction, which clearly do not allege facts upon which disciplinary action would be based, or which are frivolous shall be referred by the board administrator to the board for closure at the next scheduled board meeting. All other complaints shall be referred by the board administrator to the board's disciplinary committee for committee review as described in rule 193A—15.8(17A,272C,542).

**193A—15.6(272C,542) Case numbers.** Whether based on a written complaint received by the board or a complaint initiated by the board, all complaint files shall

be tracked by a case numbering system. Complaints are assigned case numbers in chronological order with the first two digits representing the year in which the complaint was received or initiated, and the second two digits representing the order in which the case file was opened (e.g., 01-01, 01-02, 01-03, etc.). The board's administrator shall maintain a case file log noting the date each case file was opened, whether disciplinary proceedings were initiated in the case, and the final disposition of the case. Once a case file number is assigned to a complaint, all persons communicating with the board regarding that complaint are encouraged to include the case file number to facilitate accurate records and prompt response.

### **193A — 15.7(272C,542) Confidentiality of complaint and investigative information.**

**15.7(1) General provisions.** All complaint and investigatory information received or created by the board is privileged and confidential pursuant to Iowa Code section 272C.6(4). Such information shall not be released to any person except as provided in that section.

**15.7(2) Confidentiality of PCAOB information and records.**

a. The Public Company Accounting Oversight Board (PCAOB) was created by the Sarbanes-Oxley Act of 2002 (the Act) as a nonprofit corporation under the laws of the District of Columbia. The duties of the PCAOB include the registration of public accounting firms that prepare audit reports for public companies; the promulgation of rules (as approved by the SEC) for auditing, quality control, ethics, independence and other standards relating to the preparation of audit reports; the inspection of registered public accounting firms; the investigation of alleged standards violations; and the imposition of appropriate sanctions following disciplinary proceedings.

b. Pursuant to section 105(b)(5)(A) of the Act and PCAOB rules, PCAOB investigatory information and records are confidential and privileged, and exempt from disclosure under the federal Freedom of Information Act. PCAOB, in its discretion, may share such information and records, along with the nonpublic sections of inspection reports, with state regulatory authorities as necessary to accomplish the purposes of the Act or to protect investors. As provided in section 105(b)(5)(B) of the Act, state regulatory authorities are required to maintain such information and records as confidential and privileged.

c. The board shall maintain as confidential PCAOB investigative information and records, and the nonpublic sections of inspection reports, to the extent required by federal law. In the event a licensee is charged by the board in a state disciplinary proceeding based in whole or part upon confidential information or records received from the PCAOB, the board shall take such steps as are required by federal law to preserve the confidentiality of the information and records from the general public.

### **193A—15.8(17A,272C,542) Investigation procedures.**

**15.8(1) Disciplinary committee.** The board chair shall annually appoint two to four members of the board to serve on the board's disciplinary committee. The disciplinary committee is a purely advisory body which shall review complaint files

referred by the board's administrator, generally supervise the investigation of complaints, and make recommendations to the full board on the disposition of complaints. Members of the committee shall not personally investigate complaints, but they may review the investigative work product of others in formulating recommendations to the board.

**15.8(2) *Committee screening of complaints.*** Upon the referral of a complaint from the board's administrator or from the full board, the committee shall determine whether the complaint presents facts which, if true, suggest that a licensee may have violated a law or rule enforced by the board. If the committee concludes that the complaint does not present facts which suggest such a violation or that the complaint does not otherwise constitute an appropriate basis for disciplinary action, the committee shall refer the complaint to the full board with the recommendation that it be closed with no further action. If the committee determines that the complaint does present a credible basis for disciplinary action, the committee may either immediately refer the complaint to the full board recommending that a disciplinary proceeding be commenced or initiate a disciplinary investigation.

**15.8(3) *Committee procedures.*** If the committee determines that additional information is necessary or desirable to evaluate the merits of a complaint, the committee may assign an investigator or expert consultant, appoint a peer review committee, provide the licensee an opportunity to appear before the disciplinary committee for an informal discussion as described in rule 193A—15.9(17A,272C,542) or request board staff to conduct further investigation. Upon completion of an investigation, the investigator, expert consultant, peer review committee or board staff shall present a report to the committee. The committee shall review the report and determine what further action is necessary. The committee may:

- a. Request further investigation.
- b. Determine there is not probable cause to believe a disciplinary violation has occurred and refer the case to the full board with the recommendation of closure.
- c. Determine there is probable cause to believe that a law or rule enforced by the board has been violated, but that disciplinary action is unwarranted on other grounds, and refer the case to the full board with the recommendation of closure. The committee may also recommend that the licensee be informally cautioned or educated about matters which could form the basis for disciplinary action in the future.
- d. Determine there is probable cause to believe a disciplinary violation has occurred, and refer the case to the full board with the recommendation that the board initiate a disciplinary proceeding (contested case).

**15.8(4) *Subpoena authority.*** Pursuant to Iowa Code subsections 17A.13(1) and 272C.6(3) and 2001 Iowa Acts, chapter 55, section 11(1), the board is authorized in connection with a disciplinary investigation to issue subpoenas to compel witnesses to testify or persons to produce books, papers, records and any other real evidence, whether or not privileged or confidential under law, which the board deems necessary as evidence in connection with a disciplinary proceeding or

relevant to the decision of whether to initiate a disciplinary proceeding. Board procedures concerning investigative subpoenas are set forth in 193—Chapter 6.

**193A—15.9(17A,272C,542) Informal discussion.** If the disciplinary committee considers it advisable, or if requested by the affected licensee, the committee may grant the licensee an opportunity to appear before the committee for a voluntary informal discussion of the facts and circumstances of an alleged violation, subject to the provisions of this rule.

**15.9(1)** An informal discussion is intended to provide a licensee an opportunity to share the licensee’s side of a complaint in an informal setting before the board determines whether probable cause exists to initiate a disciplinary proceeding. A licensee is not required to attend an informal discussion. Because disciplinary investigations are confidential, the licensee may not bring other persons to an informal discussion, but licensees may be represented by legal counsel. Where an allegation is made against a firm, the firm may be represented by a managing partner, member or other firm representative.

**15.9(2)** Unless disqualification is waived by the licensee, board members or staff who personally investigate a disciplinary complaint are disqualified from making decisions or assisting the decision makers at a later formal hearing. Because board members generally rely upon investigators, peer review committees, or expert consultants to conduct investigations, the issue rarely arises. An informal discussion, however, is a form of investigation because it is conducted in a question and answer format. In order to preserve the ability of all board members to participate in board decision making and to receive the advice of staff, a licensee who desires to attend an informal discussion must therefore waive the right to seek disqualification of a board member or staff based solely on the board member’s or staff’s participation in an informal discussion. A licensee would not be waiving the right to seek disqualification on any other ground. By electing to attend an informal discussion, a licensee accordingly agrees that participating board members or staff are not disqualified from acting as a presiding officer in a later contested case proceeding or from advising the decision maker.

**15.9(3)** Because an informal discussion constitutes a part of the board’s investigation of a pending disciplinary case, the facts discussed at the informal discussion may be considered by the board in the event the matter proceeds to a contested case hearing and those facts are independently introduced into evidence.

**15.9(4)** The disciplinary committee, subject to board approval, may propose a consent order at the time of the informal discussion. If the licensee agrees to a consent order, a statement of charges shall be filed simultaneously with the consent order, as provided in rule 193—7.4(17A,272C).

**193A—15.10 (17A, 272C, 542) Closing complaint files.**

**15.10(1) *Grounds for closing.*** Upon the recommendation of the administrator pursuant to subrule 15.5(4), the recommendation of the disciplinary committee pursuant to rule 193A—15.8(17A,272C,542), or on its own motion, the board may close a complaint file, with or without prior investigation. Given the broad scope of

matters members of the public may complain about, it is not possible to catalog all possible reasons why the board may close a complaint file. The following nonexclusive list is, however, illustrative of the grounds upon which the board may close a complaint file:

- a. The complaint alleges matters outside the board's jurisdiction.
- b. The complaint does not allege a reasonable or credible basis to believe that the subject of the complaint violated a law or rule enforced by the board.
- c. The complaint is frivolous or trivial.
- d. The complaint alleges matters more appropriately resolved in a different forum, such as civil litigation to resolve a contract dispute, or more appropriately addressed by alternative procedures, such as outreach education or rule making.
- e. The matters raised in the complaint are situational, isolated, or unrepresentative of a licensee's typical practice, and the licensee has taken appropriate steps to ensure future compliance and prevent public injury.
- f. Resources are unavailable or better directed to other complaints or board initiatives in light of the board's overall budget and mission.
- g. Other extenuating factors which weigh against the imposition of public discipline consistent with the legislative policies, goals, and standards set forth in 2001 Iowa Acts, chapter 55, section 2.

**15.10(2) Closing orders.** The board's administrator may enter an order stating the basis for the board's decision to close a complaint file. If entered, the order shall not contain the identity of the complainant or the respondent and shall not disclose confidential complaint or investigative information.

If entered, a closing order will be indexed by case number and shall be a public record pursuant to Iowa Code subsection 17.3(1)(d). A copy of the order may be mailed to the complainant, if any, and to the respondent. The board's decision whether or not to pursue an investigation, to institute disciplinary proceedings, or to close a file is not subject to judicial review.

**15.10(3) Cautionary letters.** The board may issue a confidential letter of caution to a licensee when a complaint file is closed which informally cautions or educates the licensee about matters which could form the basis for disciplinary action in the future if corrective action is not taken by the licensee. Informal cautionary letters do not constitute disciplinary action, but the board may take such letters into consideration in the future if a licensee continues a practice about which the licensee has been cautioned.

**15.10(4) Reopening closed complaint files.** The board may reopen a closed complaint file if additional information arises after closure which provides a basis to reassess the merits of the initial complaint.

These rules are intended to implement Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55.



## CHAPTER 16

### DISCIPLINARY PROCEEDINGS

**193A—16.1(17A,272C,542) Initiation of disciplinary proceedings.** Disciplinary proceedings may be initiated only by the affirmative vote of a majority of a quorum of the board at a public meeting. Board members who are disqualified shall not be included in determining whether a quorum exists. If, for example, two members of the board are disqualified, four members of the board shall constitute a quorum of the remaining six board members for purposes of voting on the case in which the two members are disqualified. When three or more members of the board are disqualified or otherwise unavailable for any reason, the administrator may request the special appointment of one or more substitute board members pursuant to Iowa Code section 17A.11, subsection 5.

**193A—16.2(17A,272C,542) Disciplinary contested case procedures.** Unless in conflict with a provision of 2001 Iowa Acts, chapter 55 or board rules in this chapter, all of the procedures set forth in 193—Chapter 7 shall apply to disciplinary contested cases initiated by the board.

#### **193A—16.3 (272C, 542) Disciplinary sanctions.**

**16.3(1) *Type of sanctions.*** The board has authority to impose the following disciplinary sanctions:

a. Revoke a license issued by the board. In the event of a revocation, the licensee shall not be allowed to remain a member, partner or shareholder of a business entity if the law requires all that members, partners or shareholders of such an entity be actively involved.

b. Suspend a license issued by the board. A CPA or LPA who is under suspension shall refrain, during the period of the suspension, from all facets of the ordinary practice of public accounting.

c. Revoke or suspend the privilege to engage in one or more areas of the practice of public accounting.

d. Impose a period of probation. As a condition to a period of probation, the board may impose terms and conditions deemed appropriate by the board which may include, but are not limited to, the following:

1) The board may require the licensee to undergo a quality review or peer review under the board's supervision. The licensee shall select, subject to approval by the board, a CPA, LPA, or a firm of CPAs or LPAs, or a review program which would qualify as a peer review program under 193A— Chapters 11 and 12. The costs of the review shall be paid by the licensee. The board shall be furnished a copy of the report issued by the reviewing party and may require remedial actions or education as a result of the report findings.

(2) The board may require the licensee to enter into an agreement with a CPA, an LPA, or a firm of CPAs or LPAs to obtain a preissuance review of any audits, compilations, or reviews issued by the licensee or other public accounting services performed during the period of probation. The agreement shall be preapproved by the board. The board may require the licensee to report regularly concerning the preissuance reviews conducted pursuant to the agreement. Any cost incurred in obtaining preissuance review shall be paid by the licensee.

(3) A substance abuse evaluation and such care and treatment as are recommended in the evaluation or otherwise appropriate under the circumstances.

e. Impose requirements regarding continuing education. The board may specify that a designated amount of continuing education be taken in specific subjects and may specify the time period for completing these courses. The board may also specify whether that continuing education be in addition to the continuing education routinely required for license renewal. The board may also specify that additional continuing education be a condition for the termination of any suspension or reinstatement of a certificate, permit, license, or registration. The board may also specify that current reference materials be obtained and maintained.

f. Require reexamination, using one or more parts of the CPA or LPA examination given to candidates for the CPA certificate or the LPA license.

g. Impose civil penalties, the amount of which shall be at the discretion of the board, but which shall not exceed \$1,000 per violation. Civil penalties may be imposed for any of the disciplinary violations specified in rule 193A—14.2(17A, 272C, 542).

h. Issue a reprimand.

i. Order the licensee to alter a professional practice or refrain from engaging in a particular act or practice in the future.

**16.3(2) *Imposing discipline.*** Discipline may be imposed against a licensee only by the affirmative vote of a majority of the members of the board who are not disqualified.

**16.3(3) *Voluntary surrender.*** The board may accept the voluntary surrender of a license to resolve a pending disciplinary contested case or pending disciplinary investigation. The board shall not accept a voluntary surrender of a license to resolve a pending disciplinary investigation unless a statement of charges will be filed along with the order accepting the voluntary surrender. Such a voluntary surrender is considered disciplinary action and shall be published in the same manner as is applicable to any other form of disciplinary order.

**16.3(4) *Notification requirements.*** Whenever a license is revoked, suspended, restricted, or voluntarily surrendered under this chapter, the licensee shall:

a. Within 15 days of receipt of the board's final order, notify in writing all clients of the fact that the license has been revoked, suspended or voluntarily surrendered or that the practice of the licensee has been restricted, for example the licensee may agree to discontinue governmental audits. Such notice shall advise

the client to obtain alternative professional services, unless the restriction at issue would not impact the public accounting services provided for that client;

b. Within 30 days of receipt of the board's final order, the licensee shall file with the board copies of the notices sent pursuant to paragraph 16.3(4)"a." Compliance with this requirement shall be a condition for an application for reinstatement.

**16.3(5) Civil penalties.** Factors the board may consider when determining whether to assess and the amount of civil penalties include:

- a. Whether other forms of discipline are being imposed for the same violation.
- b. Whether the amount imposed will be a substantial deterrent to the violation.
- c. The circumstances leading to the violation.
- d. The severity of the violation and the risk of harm to the public.
- e. The economic benefits gained by the licensee as a result of the violation.
- f. The interest of the public.
- g. Evidence of reform or remedial action.
- h. Time lapsed since the violation occurred.
- i. Whether the violation is a repeat offense following a prior cautionary letter, disciplinary order, or other notice of the nature of the infraction.
- j. The clarity of the issues involved.
- k. Whether the violation was willful and intentional.
- l. Whether the licensee acted in bad faith.
- m. The extent to which the licensee cooperated with the board.
- n. Whether the licensee improperly used a title restricted by 2001 Iowa Acts, chapter 55, performed attest services or issued a compilation report when not properly licensed to do so, or with a lapsed, inactive, suspended, restricted or revoked license engaged in practices which require licensure.

**193A—16.4(272C,542) Publication of decisions.**

**16.4(1)** The board shall publish in the board's newsletter, or in another professional publication designated by the board, the name of each licensee disciplined by the board, along with a brief description of the underlying circumstances, regardless of the nature of the violation.

**16.4(2)** The board shall issue a formal press release in those instances in which a certificate, permit, or license has been suspended or revoked.

**16.4(3)** The board shall notify other state boards of accountancy that have issued a similar license to an Iowa licensee of disciplinary action taken against the Iowa licensee. The board shall also notify the National Association of State Boards of Accountancy of disciplinary action taken against an Iowa licensee.

**193A—16.5 (272C, 542C) Reinstatement.**

**16.5(1)** The term “reinstatement” as used in this rule and in rule 193—7.38(17A,272C) shall include the reinstatement of a suspended license, the modification or removal of a practice restriction, the issuance of a license following the denial of an application to renew a license, and the issuance of a new license following the revocation or voluntary surrender of a license.

**16.5(2)** Any person whose license has been revoked, suspended or restricted by the board, or who has voluntarily surrendered a license to conclude a disciplinary investigation or proceeding, or whose application to renew a license has been denied may apply to the board to modify or terminate the suspension, issue or reissue the license, or modify or remove the restriction in accordance with 2001 Iowa Acts, chapter 55, section 12, rule 193 —7.38(17A,272C), the provisions of this rule, and the terms of the order of revocation, suspension or restriction, denial of license renewal, or acceptance of voluntary surrender of a license.

**16.5(3)** If the applicable order did not establish terms upon which the licensee may apply for reinstatement, an initial application for reinstatement may not be made until one year has elapsed from the date of the order which revoked, suspended or restricted the license, denied license renewal, or accepted a voluntary surrender.

**16.5(4)** All proceedings for reinstatement shall be initiated by the respondent and shall be subject to the procedures set forth in rule 193—7.38(17A,272C). In addition, the board may grant an applicant’s request to appear informally before the board prior to the issuance of a notice of hearing on the application if the applicant requests an informal appearance in the application and agrees not to seek to disqualify on the ground of personal investigation the board members or staff before whom the applicant appears.

**16.5(5)** An order granting an application for reinstatement may impose such terms and conditions as the board deems desirable, which may include one or more of the types of disciplinary sanctions described in rule 193A—16.3(272C,542).

**16.5(6)** The board shall not grant an application for reinstatement when the initial order which revoked, suspended or restricted the license, denied license renewal, or accepted a voluntary surrender was based on a criminal conviction and the applicant cannot demonstrate to the board’s satisfaction that:

- a. All terms of the sentencing or other criminal order have been fully satisfied;
- b. The applicant has been released from confinement and any applicable probation or parole; and
- c. Restitution has been made or is reasonably in the process of being made to any victims of the crime.

These rules are intended to implement Iowa Code chapters 17A and 272C and 2001 Iowa Acts, chapter 55.

## **CHAPTER 17 ENFORCEMENT PROCEEDINGS AGAINST NONLICENSEES**

**193A—17.1 (542) Civil penalties against nonlicensees.** The board may impose civil penalties by order against a person who is not licensed by the board pursuant to 2001 Iowa Acts, chapter 55, based on the unlawful practices specified in 2001 Iowa Acts, chapter 55, section 13. In addition to the procedures set forth in 2001 Iowa Acts, chapter 55, section 14, this chapter shall apply.

**193A—17.2(17A,542) Investigations.** The board is authorized by Iowa Code subsection 17A.13(1) and 2001 Iowa Acts, chapter 55, section 11, to conduct such investigations as are needed to determine whether grounds exist to impose civil penalties against a nonlicensee. Such investigations shall conform to the procedures outlined in 193A—Chapter 15. Complaint and investigatory files concerning nonlicensees are not confidential except as may be provided in Iowa Code chapter 22.

**193A—17.3(17A,542) Notice of intent to impose civil penalties.** The notice of the board's intent to issue an order to require compliance with 2001 Iowa Acts, chapter 55, section 13, and to impose a civil penalty shall be served upon the nonlicensee by restricted certified mail, return receipt requested, or personal service in accordance with Iowa R. Civil P. 1.305. Alternatively, the nonlicensee may accept service personally or through authorized counsel. The notice shall include the following:

1. A statement of the legal authority and jurisdiction under which the proposed civil penalty would be imposed.
2. Reference to the particular sections of the statutes and rules involved.
3. A short, plain statement of the alleged unlawful practices.
4. The dollar amount of the proposed civil penalty and the nature of the intended order to require compliance with 2001 Iowa Acts, chapter 55, section 13.
5. Notice of the nonlicensees's right to a hearing and the time frame in which hearing must be requested.
6. The address to which a written request for hearing must be made.

**193A—17.4(17A,542) Requests for hearings.**

**17.4(1)** Nonlicensees must request a hearing within 30 days of the date the notice is mailed if served through restricted certified mail to the last known address, or within 30 days of the date of service, if service is accepted or made in accordance with Iowa R. Civ. P. 1.305. A request for hearing must be in writing and is deemed made on the date of the nonmetered United States Postal Service postmark or the date of personal service.

**17.4(2)** If a request for hearing is not timely made, the board chair or the chair's designee may issue an order imposing the civil penalty and requiring compliance with 2001 Iowa Acts, chapter 55, section 13, as described in the notice. The order may be mailed by regular first-class mail or served in the same manner as the notice of intent to impose civil penalty.

**17.4(3)** If a request for hearing is timely made, the board shall issue a notice of hearing and conduct a hearing in the same manner as applicable to disciplinary cases against licensees.

**17.4(4)** A nonlicensee may waive the right to hearing and all attendant rights and enter into a consent order imposing a civil penalty and requiring compliance with 2001 Iowa Acts, chapter 55, section 13, at any stage of the proceeding upon mutual consent of the board.

**17.4(5)** The notice of intent to issue an order and the order are public records available for inspection and copying in accordance with Iowa Code chapter 22. Copies may be published as provided in rule 193A—16.4(272C,542). Hearings shall be open to the public.

**193A—17.5(542). Factors to consider.** In addition to the factors set forth in 2001 Iowa Acts, chapter 55, section 14(3), the board may consider the following when determining the amount of civil penalty to impose, if any:

1. The time lapsed since the unlawful practice occurred.
2. Evidence of reform or remedial actions.
3. Whether the violation is a repeat offense following a prior warning letter or other notice of the nature of the infraction.
4. Whether the violation involved an element of deception.
5. Whether the unlawful practice violated a prior order of the board, court order, cease and desist agreement, consent order, or similar document.
6. The clarity of the issue involved.
7. Whether the violation was willful and intentional.
8. Whether the nonlicensee acted in bad faith.
9. The extent to which the nonlicensee cooperated with the board.

**193A—17.6(542) “Safe harbor” language.** Persons who do not hold a CPA certificate or LPA license and firms which do not hold a CPA or LPA firm permit to practice shall not use in any statement relating to the financial affairs of a person or entity language which is conventionally used by CPAs or LPAs in reports on financial statements. Pursuant to the Iowa Accountancy Act of 2001, 2001 Iowa Acts, chapter 55, section 13(8), such persons or firms may use the following “safe harbor” language:

“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, reviewed or compiled the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.”

**193A—17.7(542) Enforcement options.** In addition, or as an alternative, to the administrative process described in these rules, the board may seek an injunction in district court, refer the matter for criminal prosecution, or enter into a consent order as provided in 2001 Iowa Acts, chapter 55, section 14.

These rules are intended to implement Iowa Code chapter 17A and 2001 Iowa Acts, chapter 55.

## **CHAPTER 18 LICENSEES' DUTY TO REPORT**

### **193A—18.1(542) Reporting acts or omissions committed by licensees.**

**18.1(1)** Iowa Code subsection 272C.9(2) requires one who is licensed by the board to report acts or omissions of others licensed by the board that demonstrate a lack of qualifications which are necessary to assure the residents of this state of a high standard of professional and occupational care. For the purposes of this rule, the failure to perform an engagement for a client in accordance with professional standards is a demonstration by a CPA or LPA that the CPA or LPA may lack such qualifications. These professional standards are set forth in the following:

- a. 193A—subrule 13.3(1) as to the independence of a CPA when expressing opinions on financial statements.
- b. 193A—subrule 13.3(3) as to the integrity and objectivity of a CPA or LPA when performing services for clients.
- c. 193A—subrule 13.3(4) as to the independence and objectivity of a CPA or LPA who pays or accepts commissions.
- d. 193A—subrule 13.3(5) as to the independence and objectivity of a CPA or LPA who performs services for a contingent fee.
- e. 193A—subrule 13.4(1) as to the competence of a CPA or LPA.
- f. 193A—subrule 13.4(2) as to the compliance with generally accepted engagement standards.
- g. 193A—subrule 13.4(3) as to the compliance with generally accepted accounting principles.
- h. 193A—subrule 13.4(4) as to associating the CPA's name with forecasts.

**18.1(2)** When a licensee observes a violation of any of the subrules referenced in subrule 18.1(1), the licensee shall report the violation in writing to the board office setting forth the name of the CPA or LPA alleged to have committed the violation and the rule(s) violated, together with a copy of all material that evidences the violation.

### **193A—18.2(542) Reporting judgments and settlements alleging malpractice.**

**18.2(1)** Iowa Code subsection 272C.9(3) requires a licensee to report to the board every adverse judgment in a professional malpractice action to which the person is a party and every settlement of a claim against the licensee. For the purposes of this rule, malpractice actions brought against a firm registered with the board will be deemed to have been brought against the individual(s) registered with the board provided they are partners, members or owners in the office that performed the services that led to the malpractice action.

**18.2(2)** When a CPA or LPA is a party to an adverse judgment resulting from a professional malpractice action or is a party to a settlement of a claim resulting from an allegation of malpractice, the CPA or LPA shall file a report in writing forwarded to the board office, setting forth the name and address of the client, the date the claim was originally made, a brief description of the circumstances precipitating the claim and a copy of the judgment or settlement agreement resulting



from the claim. It is the intent of this rule to require the reporting of all judgments or settlements resulting from claims that were initiated by court action and not claims of malpractice that are made against a CPA or LPA that are not filed in a court of law.

**193A—18.3(542) Timely reporting.** The reports required by rules 193A—18.1(542) and 193A—18.2(542) are to be forwarded to the board within a reasonable period of time from the initial obtaining of the information required to be reported. A period of less than 30 days will be considered to be a reasonable period of time.

**193A—18.4(542) Failure to make reports.** Upon obtaining information that a CPA or LPA failed to file a report required by rule 193A—18.1(542) or 193A—18.2(542) within a reasonable period of time, the board shall initiate a disciplinary proceeding against the CPA or LPA who failed to make the required report.

These rules are intended to implement Iowa Code chapter 272C.

## CHAPTER 19 TRANSITION RULES

**193A—19.1(542C,542) Purpose and timing.** The transition rules in this chapter initially became effective December 19, 2001, to aid transitional planning for those persons holding CPA certificates, AP licenses or permits to practice issued in Iowa prior to July 1, 2002. 2001 Iowa Acts, chapter 55, replaces Iowa Code chapter 542C as of July 1, 2002. Because the transition rules may impact the legal rights and duties of some persons for a period of time, the chapter will remain in place until July 1, 2004.

**193A—19.2 (542C,542) CPA certificates and permits to practice.** 2001 Iowa Acts, chapter 55 eliminates the distinction between CPA certificates and permits to practice. As of July 1, 2002, all persons holding CPA certificates may use the title "CPA" without the need for a separate individual permit to practice. CPAs wishing to perform attest services or use the title "CPA" in a firm name, however, may do so only within a CPA firm which holds a firm permit to practice.

**19.2(1) Certificate holders deemed qualified.** A person holding a CPA certificate issued in Iowa prior to July 1, 2002, is deemed to have satisfied the education, examination and experience qualifications for a CPA certificate under the Iowa Accountancy Act of 2001.

**19.2(2) Certificates remain valid.** CPA certificates issued prior to July 1, 2002, remain valid on and after July 1, 2002, if properly renewed and in good standing.

**19.2(3) Biennial renewal.** CPA certificates issued prior to July 1, 2002, will continue to be renewed on a biennial schedule:

a. CPA certificates held by persons whose last names begin with A to K expire on June 30, 2002, if not renewed on or prior to June 30, 2002. The biennial renewal fee for the period between July 1, 2002, and June 30, 2004, is \$100.

b. CPA certificates held by persons whose last names begin with L to Z expire on June 30, 2003, if not renewed on or prior to June 30, 2003. The biennial renewal fee for the period between July 1, 2003, and June 30, 2005, is \$100.

**19.2(4) Reinstating lapsed certificates.** A CPA certificate which has lapsed may be restored to effective status at any time prior to July 1, 2002, upon the board's receipt of a proper application accompanied by a reinstatement fee of \$100 and a renewal fee of \$25 for persons whose last names begin with A to K or \$50 for persons whose last names begin with L to Z. A person who fails to reinstate a lapsed CPA certificate prior to July 1, 2002, may reinstate on or after July 1, 2002, but in addition to payment of applicable renewal fees and a \$100 reinstatement fee, the applicant must satisfy continuing education requirements as described in subrule 19.4(3).

**19.2(5) Continuing education.** Commencing July 1, 2002, every CPA certificate holder is required to complete continuing education as a condition of certificate renewal. Continuing education requirements are described in rule 193A—19.4 (542).

**19.2(6) Peer review.** Commencing July 1, 2002, a CPA certificate holder who issues compilation reports other than through a CPA or LPA firm which holds a firm permit to practice is required to complete compilation peer review as a condition of certificate renewal. Peer review requirements are described in rule 193A—19.5 (272C,542).

**19.2(7) Permits to practice phased out.** As of July 1, 2002, the board will no longer issue or renew individual permits to practice as a CPA. Permits to practice will continue to be issued to CPA firms as described in subrule 19.2(9).

**19.2(8) Attest services.** A CPA certificate holder who is responsible for supervising attest services or who signs, or authorizes someone to sign, the accountant's attest report on the financial statements on behalf of a CPA firm must be qualified to perform attest services. The board is in the process of developing experience and competency standards for attest services. While additional methods of attaining proper qualification may accordingly be developed, CPAs holding an individual permit to practice will qualify as follows:

a. A person holding or having held an individual permit to practice as a CPA issued prior to July 1, 2002, will be deemed to qualify to perform attest services on and after July 1, 2002, in a CPA firm holding a firm permit to practice, provided that appropriate continuing education is maintained as provided in subrule 19.4(4).

b. A CPA certificate holder who is in the process of attaining the two years of full-time, supervised experience as required to hold an individual permit to practice will be deemed qualified to perform attest services if the certificate holder fully satisfies the requirements outlined in 193A—6.3(542) and thereafter maintain appropriate continuing education. Such experience must be attained in a CPA firm holding a firm permit to practice and under the supervision of a CPA in the following areas of practice:

(1) Application of a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in accounting records;

(2) Preparation of audit working papers covering the examination of the accounts usually found in accounting records;

(3) Planning of the program of audit work including the selection of the procedures to be followed;

(4) Preparation of written explanations and comments on the findings of the examinations and on the content of accounting records; and

(5) Preparation and analysis of financial statements together with explanations and notes thereon.

**19.2(9) Firm permits to practice.** Firm permits to practice are renewed annually and expire June 30, 2002. Each firm must file an initial application for a firm permit to practice for the period beginning July 1, 2002.

a. Initial firm permits to practice will be issued for the period beginning July 1, 2002, and ending June 30, 2003.

b. An application for an initial firm permit to practice will be deemed timely if hand delivered or postmarked by July 31, 2002, and, if granted, be effective as of July 1, 2002. Application forms for firm permits to practice will be available by May 15, 2002, and may be filed prior to enactment of the new law.

c. CPA firms holding or having held firm permits to practice issued prior to July 1, 2002, are deemed to qualify for a firm permit to practice under the Iowa Accountancy Act of 2001.

d. Firm permits to practice will be renewed annually on a fiscal year ending June 30. The initial application fee will be \$50. The annual renewal fee will be \$50.

**193A—19.3 (542C,542) AP licenses and permits to practice.** 2001 Iowa Acts, chapter 55, creates a new license of licensed public accountant (LPA) to replace the current license of accounting practitioner (AP). A Person holding a license as an LPA may practice nonattest public accounting using the title "LPA" without the need for a separate individual permit to practice. An LPA wishing to use the title "LPA" in a firm name, however, may do so only within an LPA firm which holds a firm permit to practice.

**19.3(1) AP license holders deemed qualified.** A person holding an AP license in full force and effect on July 1, 2002, is deemed qualified to hold an LPA license under the Iowa Accountancy Act of 2001.

**19.3(2) Licenses remain valid.** An AP license issued prior to July 1, 2002, remains valid on and after July 1, 2002, if properly renewed and in good standing. Such license shall be treated for all purposes as an LPA license and shall be renewed as an LPA license. The board shall issue at no charge a replacement license reflecting the new LPA title and retaining the previously issued license number.

**19.3(3) Biennial renewal.** An AP license issued prior to July 1, 2002, will be renewed as an LPA license on a biennial schedule:

a. Licenses held by persons whose last names begin with A to K expire on June 30, 2002, if not renewed on or prior to June 30, 2002. The biennial renewal fee for the period between July 1, 2002, and June 30, 2004, is \$100.

b. Licenses held by persons whose last names begin with L to Z expire on June 30, 2003, if not renewed on or prior to June 30, 2003. The biennial renewal fee for the period between July 1, 2003, and June 30, 2005, is \$100.

**19.3(4) Reinstating lapsed licenses.** An AP license which has lapsed may be restored to effective status at any time prior to July 1, 2002, upon the board's receipt of a proper application accompanied by a reinstatement fee of \$100, prorated renewal fee, and evidence of completion of satisfactory continuing education. A person who fails to reinstate a lapsed AP license prior to July 1, 2002, must reapply for an LPA license, pay applicable application and reinstatement fees, and satisfy continuing education requirements, but the person will be deemed to be qualified for an LPA license.

**19.3(5) Continuing education.** Continuing education requirements applicable to a person holding an AP license shall remain applicable to a person holding an LPA license. In addition, an LPA who issues compilation reports shall complete compilation continuing education as provided in subrule 19.4(2).

**19.3(6) Peer review.** Commencing July 1, 2002, an LPA license holder who issues compilation reports other than through a CPA firm or LPA firm which holds a firm permit to practice is required to complete compilation peer review as a

condition of license renewal. Peer review requirements are described in rule 193A—19.5(542C,542).

**19.3(7) *Permits to practice phased out.*** As of July 1, 2002, the board will no longer issue or renew individual permits to practice. Permits to practice will continue to be issued to LPA firms as described in subrule 19.3(8).

**19.3(8) *Firm permits to practice.*** Firm permits to practice are renewed annually and expire June 30, 2002. Every firm must file an initial application for a firm permit to practice for the period beginning July 1, 2002.

a. Initial firm permits to practice will be issued for the period beginning July 1, 2002, and ending June 30, 2003.

b. An application for an initial firm permit to practice will be deemed timely and, if granted, be effective as of July 1, 2002, if hand-delivered or postmarked by July 31, 2002. Application forms for firm permits to practice will be available by May 15, 2002, and may be filed prior to enactment of the new law.

c. An LPA firm holding or having held a firm permit to practice issued prior to July 1, 2002, is deemed to qualify for a firm permit to practice under the Iowa Accountancy Act of 2001.

d. Firm permits to practice will be renewed annually on a fiscal year ending June 30. The initial application fee will be \$50. The annual renewal fee will be \$50.

**193A—19.4 (542) Continuing education.** Commencing July 1, 2002, a person holding a CPA certificate or LPA license must complete, as a condition of certificate or license renewal, 120 hours of qualifying continuing education as outlined in rule 193A—10.5(542) within the three-year period ending on the December 31 preceding the application for certificate or license renewal. This requirement mirrors the continuing education required as a condition to renew an individual CPA or AP permit to practice.

**19.4(1) *Transition period for persons holding CPA certificates.*** A substantial number of persons holding CPA certificates have not previously been subject to continuing education requirements because they have not held a permit to practice. In light of that circumstance, a CPA certificate holder will be deemed to be in compliance with continuing education requirements if the certificate holder has completed qualifying continuing education in the amounts and within the time periods stated in the following chart:

<b>Biennial renewal period ending with:</b>	<b>Last names begin with:</b>	<b>Time period within which continuing education shall be completed:</b>	<b>Number of qualifying hours:</b>
6/30/03	L – Z	1/1/01 – 12/31/02	40
6/30/04	A – K	1/1/01 – 12/31/03	80
6/30/05	L – Z	1/1/02 – 12/31/04	120
6/30/06	A – K	1/1/03 – 12/31/05	120

**19.4(2)** Commencing with the biennial renewal period ending June 30, 2003, in each biennial period in which compilation reports are issued, a CPA certificate holder or LPA license holder who is responsible for supervising compilation services or who signs or authorizes someone to sign the accountant's compilation report on the financial statements on behalf of a firm shall complete as a condition of certificate or license renewal a minimum of seven hours of continuing education devoted to SSARS. When required, the SSARS continuing education shall be completed within the two-year period ending on the December 31 preceding the application for certificate or license renewal.

**19.4(3)** *Lapsed certificates or licenses.* In addition to any other applicable requirement, a person filing an application between July 1, 2002, and June 30, 2004, to reinstate a CPA certificate which was initially issued prior to July 1, 2002, shall complete qualifying continuing education as follows: The applicant must have completed either 120 hours of qualifying education in the three years preceding the date of the application, 80 hours of qualifying education in the two years preceding the date of the application, or 40 hours of qualifying education in the one year preceding the date of the application. After the application is granted, continuing education will be required as a condition of biennial renewal on the schedule outlined in subrule 19.4(1).

**19.4(4)** *Special caution for CPAs performing attest services.* A CPA performing attest services is cautioned that the minimum requirements for qualifying continuing education under this rule may or may not satisfy other standards applicable to the performance of attest services, such as "yellow book" standards applicable to government audits.

**193A - 19.5 (542C,542) Peer review.** Under the Iowa Accountancy Act of 2001, peer review is required as a condition of renewal for a CPA or LPA who issues compilation reports other than through a CPA firm or LPA firm which holds a permit to practice, and as a condition of firm permit renewal for LPA firms which issue compilation reports and CPA firms which provide attest services or issue compilation reports.

**19.5(1)** Because of the expanded peer review requirements and the need for peer review programs to accommodate increased demand, persons or firms subject to peer review for the first time when the law changes on July 1, 2002, shall have until June 30, 2004, to complete their first peer review program.

**19.5(2)** Persons or firms which have already been subject to peer review prior to July 1, 2002, shall continue with the schedule outlined in 193A—Chapter 11.

**19.5(3)** Persons or firms which are initially issued a certificate, license or permit on or after July 1, 2002, or which become subject to peer review for the first time after June 30, 2002, due to changes in their practice, shall complete peer review within 18 months of the initial engagement, as described in rule 193A—11.1(542), or by June 30, 2004, whichever date is later.

**19.5(4)** Satisfactory completion of existing peer review programs for compilation services administered by the Iowa Society of Certified Public Accountants, the National Society of Accountants, or substantially similar peer review programs in Iowa or other states will satisfy the compilation peer

review requirement.

These rules are intended to implement 2001 Iowa Acts, chapter 55.