

1.1 **Board of Accountancy**

1.2 **Proposed Permanent Rules Relating to Board of Accountancy**

1.3 **1105.0100 DEFINITIONS.**

1.4 [For text of subps 1 to 9, see M.R.]

1.5 Subp. 9a. **Licensee.** In addition to the definition in Minnesota Statutes, section  
1.6 326A.01, subdivision 9, a "licensee" for purposes of parts 1105.1200, 1105.5600,  
1.7 1105.5800, and 1105.7800, and Minnesota Statutes, sections 326A.08, 326A.10, and  
1.8 326A.13, can also be a person issued a certificate as a certified public accountant under  
1.9 the law of any other state who is rendering services in this state according to Minnesota  
1.10 Statutes, section 326A.04 or 326A.14, or an entity issued a permit as a CPA firm under  
1.11 the law of any other state who is rendering services in this state according to Minnesota  
1.12 Statutes, section 326A.05.

1.13 [For text of subps 10 and 11, see M.R.]

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

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

1.20 A. **issuing reports on financial statements;**

1.21 B. **providing management or financial advisory or consulting services;**

1.22 C. **preparing tax returns;**

1.23 D. **providing advice in tax matters; or**

1.24 E. **other services performed under a professional engagement.**

2.1 Subp. 12. **Quality review.** "Quality review" means a peer review as required by  
2.2 Minnesota Statutes, section 326A.05, subdivision 8. Quality review also means ~~a~~ an  
2.3 independent study, appraisal, or review of one or more aspects of the attest or compilation  
2.4 professional work services of a licensee ~~or CPA firm~~ that issues attest or compilation  
2.5 reports, or the professional work of a person registered under Minnesota Statutes, section  
2.6 326A.06, paragraph (b); The reviews must be conducted according to standards approved  
2.7 by the board by a person or persons who hold certificates with an active status and who  
2.8 are not affiliated with the licensee or CPA firm being reviewed or by reviewers approved  
2.9 by the board.

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

2.11 Subp. 17. [See repealer.]

## 2.12 **1105.0200 INTERPRETATION OF RULES.**

2.13 [For text of subpart 1, see M.R.]

2.14 Subp. 2. **Other statutory authority.** Nothing contained in this chapter prohibits or  
2.15 limits in any way the exercise by the board of powers granted to it by Minnesota Statutes,  
2.16 sections 214.001 to 214.12, ~~319A.01 to 319A.22~~, and 326.53, and chapter 326A.

2.17 [For text of subps 3 and 4, see M.R.]

## 2.18 **1105.0250 INCORPORATION BY REFERENCE.**

2.19 A. For purposes of this chapter, the documents dated June 1, ~~2005~~ 2007, in item  
2.20 B; the documents dated June 1, ~~2005~~ 2007, in item C; the document as of December 2007  
2.21 and copyrighted 2005 2008 in item D; ~~and the 2003~~ January 2007 revision, ~~as further~~  
2.22 ~~amended through May 2005~~, of the document in item E; the document dated October  
2.23 2006, in item F; the document dated June 1, 2007, in item G; and the document dated  
2.24 June 30, 2007, in item H; are incorporated by reference to the extent other provisions of  
2.25 this chapter and Minnesota Statutes do not modify or conflict with the provisions of the

3.1 documents, in which case the provisions of this chapter and Minnesota Statutes shall  
3.2 prevail. They can be found at the State Law Library and are subject to frequent change.

3.3 B. The following documents are published by and available from the American  
3.4 Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY  
3.5 10036:

3.6 (1) AICPA Code of Professional Conduct;

3.7 (2) Statements on Quality Control Standards;

3.8 (3) ~~Statements~~ Standards for Performing and Reporting on Peer Reviews;

3.9 and

3.10 (4) ~~Statement on~~ Standards for Continuing Professional Education (CPE)

3.11 Programs.

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

3.14 [For text of item C, see M.R.]

3.15 D. The following document is published by and available from the American  
3.16 Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY  
3.17 10036: PCAOB Standards and Related Rules, ~~copyright 2005~~.

3.18 E. The following document is published by and available from the United States  
3.19 General Accounting Office, Washington, DC 20548: Government Auditing Standards:  
3.20 ~~2003~~ July 2007 revision.

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

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

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

4.4 **1105.0600 FEES.**

4.5 The following fees apply:

4.6 A. initial issuance of certificate, \$50;

4.7 B. renewal of certificate with an active status, \$45 per year;

4.8 C. initial CPA firm permits, except for sole practitioners, \$100;

4.9 D. renewal of CPA firm permits, except for sole practitioners and those firms  
4.10 specified in item Q, \$35 per year;

4.11 E. initial issuance and renewal of CPA firm permits for sole practitioners, except  
4.12 for those firms specified in item Q, \$35 per year;

4.13 F. annual late processing delinquency fee for permit, certificate, or registration  
4.14 renewal applications not received prior to expiration date, \$50;

4.15 G. copies of records, per page, 25 cents;

4.16 H. registration of noncertificate holders, nonlicensees, and nonregistrants in  
4.17 connection with renewal of firm permits, \$45 per year;

4.18 I. applications for reinstatement, \$20;

4.19 J. initial registration of a registered accounting practitioner, \$50;

4.20 K. initial registered accounting practitioner firm permits, \$100;

4.21 L. renewal of registered accounting practitioner firm permits, except for sole  
4.22 practitioners, \$35 per year;

4.23 M. renewal of registered accounting practitioner firm permits for sole  
4.24 practitioners, \$35 per year;

- 5.1 N. ~~computer-based~~ CPA examination application, \$40;
- 5.2 O. ~~computer-based~~ CPA examination, fee determined by third-party examination
- 5.3 administrator;
- 5.4 P. ~~Minnesota Statutes, section 326A.14, practice privilege application, \$45; and~~
- 5.5 ~~Q. renewal of certificates with an inactive status, \$10. per year; and~~
- 5.6 Q. renewal of CPA firms permits for firms that have one or more offices located
- 5.7 in another state, \$68 per year.

5.8 **1105.1000 PRORATING FEES.**

5.9 Certificate, permit, or registration fees pertain to a ~~calendar year~~ specified initial or

5.10 renewal period and must not be prorated.

5.11 **1105.1100 OBLIGATION OF LICENSEES AND REGISTRANTS TO NOTIFY**

5.12 **THE BOARD OF CHANGES OF ADDRESS AND OTHER INFORMATION.**

5.13 Each licensee or registrant shall notify the board in writing within 30 days of any

5.14 change of address and, in the case of individual licensees or registrants, change of

5.15 employment. In addition, each licensee and registrant shall ~~annually~~ notify the board of

5.16 correct business and home addresses and telephone and facsimile numbers in connection

5.17 with the renewal of the certificate, permit, or registration.

5.18 **1105.1200 COMMUNICATIONS.**

5.19 An applicant, licensee, or registrant shall respond to communications from the board,

5.20 committees of the board, or the attorney general on behalf of the board within 30 days

5.21 of the mailing of communications, unless an earlier response is requested within the

5.22 communications. An applicant, licensee, or registrant shall appear before the board,

5.23 committees of the board, or the attorney general on behalf of the board when requested

5.24 to do so and provide copies of all pertinent records, including handwriting samples, to

5.25 assist the board in its deliberations. Communications must be addressed to "Executive

6.1 ~~Secretary~~ Director, Board of Accountancy." An applicant, licensee, or registrant shall  
6.2 sign an authorization letter giving the board access to information relating to a board  
6.3 investigation that is held by any federal, state, or other local government agency, or  
6.4 professional organization, the subject matter of which pertains to conduct as described  
6.5 in Minnesota Statutes, section 326A.08, subdivision 5, paragraph (a), clause (10), when  
6.6 requested to do so by the board or by the attorney general on behalf of the board.

6.7 **1105.1650 EARLY APPLICATION AND EXAMINATION PROVISIONS.**

6.8 A. Notwithstanding the requirements in parts 1105.1500, subpart 1, and  
6.9 1105.1600, subpart 2, and as provided for by Minnesota Statutes, section 326A.03,  
6.10 subdivision 3a, an applicant for the examination may:

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

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

6.17 (a) the applicant has met all the requirements for sitting for the  
6.18 examination contained in part 1105.1600, except for obtaining the final official transcript  
6.19 containing proof the applicant has completed the education requirements contained in part  
6.20 1105.1500 and Minnesota Statutes, section 326A.03, subdivision 3;

6.21 (b) the applicant submits a transcript containing courses completed  
6.22 and a listing of courses which are going to be completed by the applicant to meet the  
6.23 education requirements contained in part 1105.1500 and Minnesota Statutes, section  
6.24 326A.03, subdivision 3; and

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

7.3 B. No credit shall be given for any part of the examination taken before  
 7.4 completion of the education requirements contained in part 1105.1500 and Minnesota  
 7.5 Statutes, section 326A.03, subdivision 3, if the education requirements are not met within  
 7.6 120 days subsequent to first sitting for any part of the examination and a final transcript  
 7.7 containing proof that the applicant has completed the education requirements as required  
 7.8 by part 1105.1600, subpart 2, is not received by the board or examination administrator  
 7.9 within 150 days of the applicant first sitting for any part of the examination.

7.10 C. Examination related fees required by parts 1105.0600 and 1105.2100 shall  
 7.11 not be refunded if the applicant does not submit a final transcript within the 150-day  
 7.12 period required in item B.

7.13 **1105.1800 EXAMINATION CONTENT.**

7.14 [For text of subpart 1, see M.R.]

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

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

7.21 **1105.2000 RETAKE AND ~~CONDITIONING POLICIES~~ GRANTING OF CREDIT**  
 7.22 **REQUIREMENTS.**

7.23 Subpart. 1. [Repealed, 28 SR 1636]

7.24 Subp. 2. ~~Computer-based examination~~ **Examination requirements.** An applicant  
 7.25 may take the required examination sections individually and in any order. ~~The applicant~~

8.1 ~~shall retain conditional credit for any section or sections passed for 18 months, without~~  
 8.2 ~~having to attain a minimum score on any failed section or sections and without regard~~  
 8.3 ~~to whether the applicant has taken other sections.~~ Credit for any section passed shall be  
 8.4 valid for 18 months from the actual date the applicant took that section, without having to  
 8.5 attain a minimum score on any failed section and without regard to whether the applicant  
 8.6 has taken other sections, regardless of the date the applicant actually receives notice of  
 8.7 the passing grade. In addition:

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

8.9 Subp. 3. [See repealer.]

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

8.14 [For text of subp 5, see M.R.]

8.15 **1105.2200 CHEATING.**

8.16 [For text of subpart 1, see M.R.]

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

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

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

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

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

9.4 [For text of subps 3 to 5, see M.R.]

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

9.11 [For text of subp 7, see M.R.]

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

#### 9.17 **1105.2400 EMERGENCY EXAMINATION PROCEDURES.**

9.18 When circumstances exist making it impossible for the board or examination  
9.19 administrator to conduct the examination at the time, date, or place scheduled or make  
9.20 it impossible for a majority of examination candidates to attend the examination at the  
9.21 time, date, or place scheduled, the board shall waive ~~certain rules~~ parts 1105.0600, items  
9.22 N and O; 1105.1600, subpart 3; 1105.1700; and 1105.2000, subpart 2; to avoid hardship  
9.23 on examination candidates affected. ~~These rules are parts 1105.0600, items N and O;~~  
9.24 ~~1105.1600, subpart 3; and 1105.1700.~~ The circumstances include notice to the board of the  
9.25 unavailability of the examination site with insufficient time to give notice to examination  
9.26 candidates; weather emergencies as declared by the governor, the governor's designees,

10.1 or those state officials empowered to close public highways; civil disturbances; natural  
10.2 disasters; and other causes that affect the board's or examination administrator's ability to  
10.3 fairly administer the examination.

10.4 **1105.2450 GOOD MORAL CHARACTER.**

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

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

10.9 (1) any deferred prosecution agreement involving an admission of  
10.10 wrongdoing, or any criminal conviction, including conviction following a guilty plea or  
10.11 plea of nolo contendere, for any felony or any crime, an essential element of which is fraud,  
10.12 dishonesty, or deceit, or any other crime that evidences an unfitness of the applicant to  
10.13 practice public accountancy in a competent manner and consistent with the public safety;

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

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

10.18 C. Factors the board may consider in determining rehabilitation of moral  
10.19 character include the following:

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

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

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

11.1 **1105.2500 APPLICATIONS FOR CERTIFICATES.**

11.2 A. Applications for initial certificates and for renewal of certificates pursuant to  
11.3 the act must be made on a form provided by the board and, in the case of applications  
11.4 for renewal, must be filed no later than the expiration date set by the act or this chapter.  
11.5 Applications are not considered filed until the applicable fee prescribed in this chapter is  
11.6 received. If an application for renewal is filed late, it must also be accompanied by the  
11.7 delinquency fee prescribed in this chapter. In addition, the reinstatement fee prescribed in  
11.8 this chapter must be paid if the renewal is filed more than two years late. The application  
11.9 for renewal must be submitted on a form provided by the board by December 31 of each  
11.10 year or in accordance with part 1105.2550.

11.11 [For text of item B, see M.R.]

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

11.14 [For text of subitems (2) to (4), see M.R.]

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

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

11.19 [For text of units (b) and (c), see M.R.]

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

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

11.24 [For text of subitem (6), see M.R.]

12.1 (7) Nonresident individuals who do not meet the requirements of part  
12.2 1105.7900, item B, and Minnesota Statutes, section 326A.04, subdivision 7, or 326A.14,  
12.3 and who have never been granted a CPA certificate by any state must not be issued a  
12.4 certificate by this state unless the individual previously met the nonresident requirements  
12.5 of part 1105.1600, subpart 1, and meets all other requirements for initial issuance of a  
12.6 certificate.

12.7 D. Applicants or licensees, or nonresident individuals who desire to practice  
12.8 in this state but do not meet the requirements of part 1105.7900, item B, who have  
12.9 successfully passed the Uniform Certified Public Accountant Examination and have  
12.10 met the experience and education requirements of parts 1105.2600 or 1105.2700, and  
12.11 1105.2900, and Minnesota Statutes, section 326A.04, must either:

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

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

12.14 if the applicants ~~or~~ licensees, or nonresident individuals who do not meet the requirements  
12.15 of part 1105.7900, item B, are owners or are employed by or become employed by a  
12.16 firm which has been issued a permit under this chapter and Minnesota Statutes, section  
12.17 326A.05, or are employees in the Office of the Legislative Auditor or State Auditor, and  
12.18 the employment results in the providing of professional services to a client. Applications  
12.19 must be accompanied by the applicable fee prescribed in this chapter and must be filed  
12.20 with the board within 60 days of meeting the criteria specified in this item.

12.21 [For text of item E, see M.R.]

12.22 **1105.2550 RENEWAL OF CERTIFICATES AFTER 2009.**

12.23 A. Beginning with certificate renewal applications for calendar year 2010, the  
12.24 board shall renew each certificate as follows:

12.25 (1) for licensees whose last name begins with the letters:

13.1 (a) A through H, certificates shall be renewed for a three-year period  
13.2 (Cycle A);

13.3 (b) I through P, certificates shall be renewed for a two-year period  
13.4 (Cycle B); and

13.5 (c) Q through Z, certificates shall be renewed for a one-year period  
13.6 (Cycle C); and

13.7 (2) renewals of those certificates, after the expiration of the renewals  
13.8 periods specified in subitem (1), shall thereafter follow a three-year cycle.

13.9 B. Initial issuances of certificates after January 1, 2010, shall expire on the  
13.10 December 31 following issuance and shall thereafter be renewed so as to place the  
13.11 certificate in the correct renewal cycle established for the licensee's last name in item A.

13.12 C. Licensees who have obtained a legal name change shall, upon renewal,  
13.13 have their certificates renewed so as to place the certificate in the correct renewal cycle  
13.14 established for the licensee's last name in item A.

13.15 D. Licensees requesting a change in certificate status during the renewal  
13.16 period shall not be entitled to any refund of fees according to part 1105.1000 and can  
13.17 only request a change in status according to this chapter and on a form provided by the  
13.18 board. However, additional fees covering any remaining portion of the renewal period  
13.19 established as a result of items A and B shall be paid if the change in status is to "active."  
13.20 The additional fee is based on a complete calendar year and is not prorated.

13.21 E. Licensees electing to change the status of the licensee's active certificate to a  
13.22 status other than active can only do so effective on the January 1 following the licensee's  
13.23 written request for the change and on a form provided by the board. The request shall  
13.24 be accompanied with documentation showing that the licensee completed at least 120  
13.25 hours of continuing professional education required by this chapter during the three-year

14.1 period ended June 30 preceding the effective date of the status change, with a minimum of  
14.2 20 hours each year.

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

14.7 **1105.2900 EDUCATION REQUIRED FOR INITIAL CERTIFICATION ON OR**  
14.8 **AFTER JULY 1, 2006.**

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

14.10 C. ~~No~~ The 48-semester hour requirement in item B may not include more than  
14.11 six hours ~~may be recognized~~ for internships or life experience.

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

14.14 (1) accounting-related subjects:

14.15 (a) financial accounting and reporting for business organizations;

14.16 (b) financial accounting and reporting for government and not-for-profit  
14.17 entities;

14.18 (c) auditing and attestation services;

14.19 (d) managerial or cost accounting;

14.20 (e) taxation;

14.21 (f) fraud examination;

14.22 (g) internal controls and risk assessment;

14.23 (h) financial statement analysis;

14.24 (i) accounting research and analysis;

- 15.1                    (j) tax research and analysis;
- 15.2                    (k) accounting information systems; and
- 15.3                    (l) ethics; and
- 15.4                    (2) business-related subjects:
- 15.5                    (a) business law;
- 15.6                    (b) economics;
- 15.7                    (c) management;
- 15.8                    (d) finance;
- 15.9                    (e) business communications;
- 15.10                   (f) statistics;
- 15.11                   (g) quantitative methods;
- 15.12                   (h) technical writing;
- 15.13                   (i) information systems or technology; and
- 15.14                   (j) ethics.

15.15    **1105.3000 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS**  
 15.16    **~~FOR RENEWAL OF CERTIFICATE.~~**

15.17                    The requirements of continuing professional education in items A to K apply ~~to the~~  
 15.18    ~~renewal of certificates~~ pursuant to Minnesota Statutes, section 326A.04, subdivision 4.

15.19                    A. A licensee ~~seeking renewal of a certificate with an active status~~ holding a  
 15.20    certificate with an active status shall ~~show the completion of~~ complete at least 120 hours  
 15.21    of continuing professional education complying with this chapter during the preceding  
 15.22    three-year period ~~preceding renewal~~, with a minimum of 20 hours in each year. No  
 15.23    carryforward of CPE hours from a one- or three-year CPE period ended on June 30  
 15.24    to another CPE period is allowed. As further explained in part 1105.3100, a licensee

16.1 ~~seeking renewal of a certificate~~ holding a certificate with an active status shall demonstrate  
16.2 participation in a program of learning meeting the applicable standards set forth in the  
16.3 Statement on Standards for Continuing Professional Education (CPE) Programs jointly  
16.4 approved by NASBA and AICPA, which is incorporated by reference. At least eight hours  
16.5 of the 120 hours shall be in accounting ethics or business ethics. A program in ethics  
16.6 includes topics such as ethical reasoning, state-specific statutes and rules, and standards of  
16.7 professional conduct, including those of other applicable regulatory bodies.

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

16.9 G. Failure to report CPE, failure to obtain CPE required by this part, reporting of  
16.10 an amount less than that required, or fraudulently reporting CPE is a basis for disciplinary  
16.11 action ~~as specified in~~ under Minnesota Statutes, section 326A.08. A licensee not in  
16.12 compliance with this part on June 30 of each year shall be assessed a late processing fee of  
16.13 \$50 for the first month, or partial month, of noncompliance and \$25 per month, or partial  
16.14 month, of noncompliance thereafter until the date the ~~licensee can demonstrate to the~~  
16.15 ~~satisfaction of the board that the licensee was in~~ licensee reports in writing to the board  
16.16 compliance with this part and demonstrates compliance to the satisfaction of the board.

16.17 H. A licensee may use CPE hours taken subsequent to the end of a CPE period  
16.18 ended on June 30 to satisfy the requirements of item A related to a period ended on June  
16.19 30 provided the late processing fee specified in item G is paid. ~~Such~~ The hours must not  
16.20 be counted in two different reporting periods.

16.21 I. ~~The eight hours of accounting or business ethics specified in item A are first~~  
16.22 ~~effective for the three-year period ending June 30, 2006.~~ A licensee electing to change  
16.23 the status of the licensee's active certificate to a status other than active can only do so  
16.24 effective on the January 1 following a written request for the change and on a form  
16.25 provided by the board. The request shall be accompanied with documentation showing  
16.26 that the licensee completed at least 120 hours of continuing professional education

17.1 required under this chapter during the three-year period ended June 30 preceding the  
17.2 effective date of the status change, with a minimum of 20 hours each year.

17.3 ~~J. A licensee seeking renewal of a certificate with inactive status shall show the~~  
17.4 ~~completion of at least 120 hours of continuing professional education complying with this~~  
17.5 ~~chapter during the three-year period ending June 30 preceding renewal with a minimum of~~  
17.6 ~~20 hours in each year, if the licensee had a certificate with an active status at the time of~~  
17.7 ~~making a timely filed renewal application requesting an inactive status.~~

17.8 ~~K.~~ J. Licensees granted an initial certificate with an active status have no  
17.9 continuing professional education hour requirement for the year ending June 30 during  
17.10 which the initial certificate was granted. The 120-hour requirement and the ethics  
17.11 requirement in item A ~~is~~ are not effective for these licensees until the June 30 following  
17.12 the third anniversary of the initial certificate issuance, at which time at least 120 hours  
17.13 of CPE and the ethics requirement complying with this chapter must be completed.  
17.14 The 20-hour requirement in item A is not effective for these licensees until the June 30  
17.15 following the first anniversary of the initial certificate issuance.

17.16 K. A licensee shall report compliance with this part as required by parts  
17.17 1105.2500, item B; 1105.3200, items A and C; or upon request by the board under part  
17.18 1105.3200, item B.

17.19 **1105.3100 PROGRAMS QUALIFYING FOR CONTINUING PROFESSIONAL**  
17.20 **EDUCATION CREDIT.**

17.21 Subpart 1. **Regular qualifications.** A program qualifies as acceptable continuing  
17.22 professional education for purposes of this chapter and Minnesota Statutes, section  
17.23 326A.04, subdivision 4, if it is a program of learning that contributes to the growth in the  
17.24 professional knowledge and professional competence of a licensee. The program must  
17.25 meet the minimum standards of quality of development, presentation, measurement, and  
17.26 reporting of credits in the Statement on Standards for Continuing Professional Education

18.1 (CPE) Programs jointly approved by NASBA and AICPA or such other standards  
18.2 acceptable to the board. Except to the extent permitted in subpart 2, ~~beginning July 1,~~  
18.3 ~~2004,~~ program sponsors qualifying under this chapter must be members of NASBA's CPE  
18.4 registry and, in the case of self-study programs, members of NASBA's Quality Assurance  
18.5 Service program. ~~Exceptions to this registry requirement are Seminar or lecture programs~~  
18.6 ~~sponsored or presented by the entities in items A to D are not subject to the NASBA's~~  
18.7 CPE Registry requirement:

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

18.9 Subp. 2. **Other qualifications.** The board shall accept programs that, in the  
18.10 determination of the board, contribute to the growth of the professional knowledge and  
18.11 competence of the licensee even if the programs do not meet the specific requirements  
18.12 of subpart 1 or part 1105.3000, item A, if the licensee shows that ~~such~~ the programs  
18.13 contribute to the licensee's professional knowledge and professional competence and  
18.14 ~~provided the aggregate hours of the programs do not exceed 40 percent of the hours~~  
18.15 ~~required for the three-year period~~ at least 72 hours for the three-year period do meet  
18.16 the requirements of subpart 1. All self-study program sponsors must be members of  
18.17 NASBA's Quality Assurance Service Program as required by subpart 1 and the program  
18.18 must comply with part 1105.3000, item A.

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

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

19.1 If a nonresident licensee's principal ~~office~~ place of business state has no CPE  
19.2 requirements for renewal of a certificate, the nonresident licensee must comply with all  
19.3 CPE requirements ~~for renewal of a certificate in~~ this state.

19.4 Subp. 4. **CPE hour limitations.** ~~On and after June 30, 2007,~~ The following hour  
19.5 limitations apply during the three-year CPE period ~~preceding renewal~~:

19.6 A. ~~no more than 50 percent of the hours required can~~ at least 60 hours must be  
19.7 obtained from other than instructor preparation or presentation;

19.8 B. ~~no more than 50 percent of the hours required can~~ at least 60 hours must be  
19.9 obtained from other than the writing of articles, books, or CPE courses for publication;

19.10 C. ~~no more than 80 percent of the hours required can~~ at least 24 hours must be  
19.11 obtained from other than self-study programs; and

19.12 D. ~~no more than 24 hours can~~ at least 96 hours must be obtained from programs  
19.13 in ~~the subject area of~~ areas other than personal development as defined in the Statement on  
19.14 Standards for Continuing Professional Education (CPE) Programs.

19.15 **1105.3200 CONTINUING PROFESSIONAL EDUCATION RECORDS.**

19.16 A. Persons seeking renewal of certificates with an active status pursuant to  
19.17 the act shall file with their applications a signed statement indicating they have met the  
19.18 requirements for participation in a program of continuous learning as set forth in this  
19.19 chapter and indicate the number of hours claimed for each of the three preceding years  
19.20 ending on June 30. The licensee shall report the hours claimed, separately identifying  
19.21 those programs meeting the registry requirements under part 1105.3100, subpart 1, and  
19.22 those programs not meeting the registry requirement under part 1105.3100, subpart 2.  
19.23 Responsibility for documenting the acceptability of the program and the validity of the  
19.24 credits rests with the licensee who must retain ~~such~~ the documentation for five years  
19.25 following completion of each learning activity. Further, the documentation of participation

20.1 in the program of learning must consist of a certificate of attendance that contains  
20.2 the registry number of the program sponsor if ~~such~~ the registry participation meets the  
20.3 requirements of this chapter and must consist of the following items for those programs  
20.4 that do not meet the registry requirements of this chapter:

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

20.6 B. The board shall verify on a test basis, through inspection of documentation  
20.7 supplied by the licensee, information regarding hours of CPE attendance ~~submitted~~  
20.8 ~~by licensees in connection with the renewal of their certificates~~ in order to determine  
20.9 compliance with the continuing professional education requirements of this chapter. In  
20.10 cases where the board determines that the hour information supplied by the licensee is not  
20.11 supported by the documentation supplied by the licensee or ~~such~~ the hours do not meet the  
20.12 requirements of this chapter, the board may grant an additional period of time in which the  
20.13 deficiencies can be cured or the board may take disciplinary action. Licenses determined  
20.14 not in compliance shall be assessed the late processing fee required in part 1105.3000,  
20.15 item G. Fraudulent reporting is a basis for disciplinary action.

20.16 C. Beginning in calendar year 2011, licensees holding an active certificate on  
20.17 June 30 shall report to the board by July 31 of each year the continuing professional  
20.18 education hours earned during the one- and three-year CPE period ended on June 30.  
20.19 The report shall be made as required by the board and no report under this item shall be  
20.20 required of a licensee in the final year of the renewal cycle specified in part 1105.2550.

20.21 **1105.3300 EXCEPTION TO CONTINUING PROFESSIONAL EDUCATION**  
20.22 **REQUIREMENT.**

20.23 A. The board may make an exception to the requirement ~~set out~~ in part  
20.24 1105.3000, item A, for a licensee who is retired or who does not perform or offer to  
20.25 perform for the public one or more kinds of services involving the use of accounting  
20.26 or auditing skills, including the issuance of reports on financial statements or other

21.1 compilation communication; furnishing one or more kinds of management advisory,  
21.2 financial advisory, or consulting services; the preparation of tax returns; or the furnishing  
21.3 of advice on tax matters. Licensees shall request an exception only in connection with  
21.4 the application for certificate renewal ~~for the following year~~ or as provided for in part  
21.5 1105.2550, item E.

21.6 [For text of item B, see M.R.]

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

21.11 [For text of item D, see M.R.]

21.12 **1105.3400 INTERSTATE RECIPROCITY.**

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

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

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

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

22.1 D. has met the CPE requirement pursuant to Minnesota Statutes, section  
 22.2 326A.04, subdivision 3, paragraph (a), clause (3), if applicable; and

22.3 E. has completed the examination on professional ethics as required by part  
 22.4 1105.1800, subpart 2.

22.5 Subp. 2. **Principal place of business in this state.** A certificate holder licensed  
 22.6 by another state who establishes a principal place of business in this state shall obtain  
 22.7 a certificate from this state. If the certificate holder's individual qualifications are not  
 22.8 substantially equivalent to the act or this chapter, the board shall issue a certificate to the  
 22.9 holder of a certificate in good standing issued by another state provided the applicant is of  
 22.10 good moral character and has met the qualifications in subpart 1.

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

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

22.20 **1105.3500 INTERNATIONAL RECIPROCITY.**

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

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

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

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

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

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

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

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

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

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

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

24.8 [For text of subps 7 and 8, see M.R.]

24.9 **1105.3600 QUALITY REVIEW FOR LICENSEES WHO DO NOT PRACTICE**  
 24.10 **IN A FIRM.**

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

24.16 **1105.3700 EXEMPTION FROM CERTIFICATE RENEWAL REQUIREMENT.**

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

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

24.20 [For text of subitems (1) and (2), see M.R.]

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

24.24 D. For purposes of this part, the "practice of public accounting in any manner"  
 24.25 means issuing a report as described in ~~part 1105.0100, subpart 17~~ Minnesota Statutes,

25.1 section 326A.01, subdivision 15, whether or not a fee is received. In addition, for purposes  
25.2 of this subpart, "hold out" means any oral or written communication conveying the facts  
25.3 that the person holds a CPA certificate, including, without limitation, the displaying of the  
25.4 CPA certificate in any location where business is conducted and the use of titles or legends  
25.5 on letterheads, business cards, resumes, office doors, or advertisements and listings,  
25.6 including published membership listings of professional organizations.

25.7 E. Certificate holders who have never met the experience or education  
25.8 requirements ~~specified~~ in Minnesota Statutes, section 326A.03, subdivision 6 or 8, may  
25.9 not elect to be exempt from the renewal requirement.

25.10 **1105.3800 INITIAL ISSUANCE OF CERTIFICATE ON OR AFTER JANUARY**  
25.11 **1, 2003.**

25.12 A certificate shall be issued to a person who has:

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

25.14 F. for initial certificate applications received on or after July 1, 2006:

25.15 [For text of subitem (1), see M.R.]

25.16 (2) for those whose initial sitting for any part of the examination required  
25.17 by Minnesota Statutes, section 326A.03, was on or after July 1, 2006, and for all initial  
25.18 applications received after December 31, 2008:

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

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

25.23 G. complied with the continuing professional education requirement in part  
25.24 1105.3350; and

26.1 H. completed the examination on professional ethics as required by part  
26.2 1105.1800, subpart 2.

26.3 **1105.3900 RENEWAL BY CERTIFICATE HOLDERS WHO HAVE NOT MET**  
26.4 **EXPERIENCE REQUIREMENTS OF MINNESOTA STATUTES, SECTION**  
26.5 **326A.03, SUBDIVISION 5.**

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

26.7 B. The renewal must be submitted on a form provided by the board by December  
26.8 31 of each year or according to part 1105.2550.

26.9 C. The board shall notify each certificate holder of the renewal requirement.  
26.10 Each certificate holder shall file the form and pay the delinquency fee as required in  
26.11 part 1105.0600 if the ~~registration~~ renewal form is not received by prior to expiration  
26.12 on December 31 or postmarked by the United States Postal Service by that date. The  
26.13 certificate holder shall also inform the board of any address change within 30 days of the  
26.14 date of occurrence.

26.15 D. The certificates of persons who on January 1, 2003, have not met the  
26.16 experience required by Minnesota Statutes, section 326A.03, subdivision 5, must be  
26.17 revoked following ~~the procedures of Minnesota Statutes, chapter 14~~ section 326A.04,  
26.18 subdivision 11, if the experience is not obtained before July 1, 2006, or unless the person:

26.19 (1) submits to the board within the 90 days prior to July 1, 2006, a statement  
26.20 detailing experience of the type required by part 1105.2600 and Minnesota Statutes,  
26.21 section 326A.03, subdivision 6, paragraph (b), on a form provided by the board and in the  
26.22 amount required by Minnesota Statutes, section 326A.03, subdivision 5;

26.23 (2) submits a certificate renewal application with the statement required by  
26.24 subitem (1) requesting an inactive status; and

26.25 (3) pays the fee ~~specified~~ in part 1105.0600.

27.1 Once the experience is verified by the board and the application is approved, the  
 27.2 certificate shall have an inactive status effective as of July 1, 2006. Persons who have had  
 27.3 their certificates revoked or who have been notified by the board that ~~such~~ the action  
 27.4 is pending can file an application for initial certificate provided that the then-current  
 27.5 requirements specified in part 1105.3800, item F, subitem (2), have been satisfied. The  
 27.6 board shall use the grades achieved on the examination that was the basis for the certificate  
 27.7 held on January 1, 2003, for determining completion of the examination required by  
 27.8 Minnesota Statutes, section 326A.03, subdivision 4.

27.9 **1105.4000 APPLICATION FOR FIRM PERMIT.**

27.10 A. Applications by firms for initial issuance and for renewal of permits ~~pursuant~~  
 27.11 ~~to~~ under Minnesota Statutes, section 326A.05, must be made on a form provided by the  
 27.12 board and, in the case of applications for renewal, must be filed no later than December 31.  
 27.13 Applications are not considered filed until the applicable fee and all required documents  
 27.14 prescribed in this chapter are received. If an application for permit renewal is filed late,  
 27.15 it must also be accompanied by the delinquency fee prescribed in part 1105.0600. In  
 27.16 addition, the reinstatement fee prescribed in this chapter shall be paid if the renewal  
 27.17 is filed more than two years late.

27.18 B. A sole proprietor shall apply ~~simultaneously~~ for a ~~certificate or a renewal of a~~  
 27.19 ~~certificate and a firm permit, if such~~ when a permit is needed.

27.20 [For text of item C, see M.R.]

27.21 D. The board shall not issue a permit to a firm until all partners, members,  
 27.22 managers, shareholders, directors, and officers ~~resident~~ whose principal place of business  
 27.23 is in this state and holding who hold a certificate:

27.24 (1) for initial issuance of a permit, individually hold nonexpired certificates  
 27.25 with an active status issued under Minnesota Statutes, section 326A.04, covering the  
 27.26 term of the permit to be issued; or

28.1 (2) for renewal of a permit, individually renew their certificates with an  
28.2 active status ~~for the coming year~~ or hold nonexpired certificates with an active status issued  
28.3 under Minnesota Statutes, section 326A.04, covering the term of the permit to be issued.

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

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

28.9 **1105.4100 NOTIFICATION OF CHANGES BY FIRMS.**

28.10 A. A firm granted a permit ~~pursuant~~ according to Minnesota Statutes, section  
28.11 326A.05, shall file with the board a written notification of any of the following events  
28.12 concerning the practice of public accountancy within this state within 30 days after its  
28.13 occurrence:

28.14 (1) formation of a new firm;

28.15 (2) addition of a partner, member, manager, director, or shareholder who  
28.16 resides or practices in this state;

28.17 (3) retirement, withdrawal, or death of a partner, member, manager, director,  
28.18 or shareholder who resides or practices in this state;

28.19 (4) any change in the name of the firm;

28.20 (5) termination of the firm;

28.21 (6) change in the management of any branch office in this state;

28.22 (7) establishment of a new branch office or the closing or change of address  
28.23 of a branch office in this state; ~~and~~

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

29.1                   (9) the occurrence of any event or events that would cause the firm not to be  
29.2 in conformity with this chapter or the act.

29.3   [For text of item B, see M.R.]

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

29.8                   **1105.4150 HEADQUARTERS OF CLIENT.**

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

29.13   (1) the client has its headquarters, home office, or principal place of  
29.14 business located within this state;

29.15   (2) the client is a subsidiary or affiliate of another entity that does not have  
29.16 its headquarters in this state, but the client subsidiary or client affiliate does have its  
29.17 headquarters in this state and enters into an agreement with a CPA firm to provide attest  
29.18 services;

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

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

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

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

30.10 **1105.4200 APPLICATIONS FOR INITIAL ISSUANCE AND FOR RENEWAL**  
30.11 **OF PERMITS.**

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

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

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

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

31.1 (1) provides attest services ~~and issues attest reports;~~

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

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

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

31.14 **1105.4500 LICENSED PUBLIC ACCOUNTANTS.**

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

31.16 F. Persons granted a certificate under item A shall not change the person's  
31.17 certificate status from "exempt" to "active or inactive."

31.18 **1105.4600 QUALITY REVIEW.**

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

31.21 A. "Quality review" means ~~a~~ an independent study, appraisal, or review of one  
31.22 or more aspects of the attest or compilation professional work services of a person or firm  
31.23 as required by Minnesota Statutes, section 326A.05, subdivision 8, ~~by a reviewer who~~  
31.24 ~~meets the requirements of part 1105.5200.~~

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

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

32.8 **1105.4700 QUALITY REVIEW STANDARDS.**

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

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

32.19 [For text of item C, see M.R.]

32.20 **1105.4800 QUALITY REVIEW REQUIREMENTS.**

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

32.22 C. Firms holding a permit issued by the State Board of Accountancy of another  
32.23 state and that are required to apply for a permit in this state under Minnesota Statutes,  
32.24 section 326A.05, subdivision 1, paragraph (a), clause (4), shall submit with its application

33.1 the material required by part 1105.5400, item A, covering the quality review of its public  
33.2 and nonpublic company attest and compilation client practice.

33.3 **1105.5000 QUALITY REVIEW CYCLE FOR FIRMS.**

33.4 [For text of subpart 1, see M.R.]

33.5 Subp. 2. [See repealer.]

33.6 Subp. 3. **Firms that are subject to quality review after December 31, 2002.** Firms  
33.7 that become subject to the quality review program after December 31, 2002, for the first  
33.8 time shall determine their cycles ~~in accordance with~~ according to part 1105.5100.

33.9 [For text of subp 4, see M.R.]

33.10 **1105.5100 FIRM QUALITY REVIEW REQUIREMENT FOR FIRMS NEWLY**  
33.11 **SUBJECT TO REQUIREMENT ON OR AFTER JANUARY 1, 2003.**

33.12 As a condition to renewal of a firm permit, a new firm shall undergo a quality review  
33.13 during the first ~~full~~ year after it becomes subject to the requirements for quality review,  
33.14 and shall report the material ~~specified~~ in part 1105.5400 to the board no later than 15  
33.15 months after the end of the first ~~full~~ year after becoming subject to the requirement.

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

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

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

33.21 B. A new partnership, corporation, LLC, or LLP in which the constituent firms  
33.22 were already ~~scheduled for~~ in a quality review cycle. The quality review of the new firm  
33.23 must be conducted in the latest of the constituent firms' cycles.

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

34.1 **1105.5200 QUALIFICATIONS OF REVIEWER.**

34.2 The reviewer shall have the following minimum qualifications:

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

34.4 G. have ~~attended a quality review seminar, the contents of which prepare the~~  
34.5 ~~reviewer~~ the expertise, experience, and qualifications to conduct a quality review.

34.6 **1105.5400 REPORT TO BOARD.**

34.7 A. Within 30 days of receipt of the letter described in subitem (2), but no later  
34.8 than the date ~~specified~~ in part 1105.5000, each firm shall submit, or have submitted on its  
34.9 behalf, the following material to the board:

34.10 (1) a copy of the report issued by the reviewer, including any ~~letters of~~  
34.11 ~~comment and responses~~ response from the firm that addresses deficiencies or significant  
34.12 deficiencies contained in the report;

34.13 (2) the final letter of acceptance from the report acceptance body; and

34.14 (3) any agreements to correct deficiencies that have been entered into  
34.15 between the firm and the report acceptance body.

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

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

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

34.24 Except as specified in part 1105.4800, ~~item B~~, a written report, including any  
34.25 responses by the firm attached to the report, on all inspections conducted by the Public

35.1 Company Accounting Oversight Board submitted within 30 days of receipt to the board  
35.2 shall meet the requirements of this part.

35.3 Nothing in this part requires a firm to submit the Public Company Accounting  
35.4 Oversight Board inspections report to the board, providing a quality review encompassing  
35.5 the firm's public company attest client practice has been conducted and submitted to the  
35.6 board ~~in accordance with~~ according to parts 1105.4600 to 1105.5500 or ~~in accordance~~  
35.7 ~~with~~ according to standards adopted by the AICPA or the Public Company Accounting  
35.8 Oversight Board within the previous three years. Prior to January 1, 2008, the board may  
35.9 waive the requirement for a report on the firm's public company attest client practice  
35.10 if a report on the review of such practice is not received by the firm from the Public  
35.11 Company Accounting Oversight Board.

35.12 [For text of item B, see M.R.]

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

35.17 (1) pass;

35.18 (2) pass with deficiencies; or

35.19 (3) fail.

35.20 **1105.5600 GROUNDS FOR ENFORCEMENT ACTION.**

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

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

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

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

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

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

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

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

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

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

37.8 (7) failure to comply with the applicable quality review requirements set  
37.9 out in this chapter and Minnesota Statutes, sections 326A.04 and 326A.05, subdivision  
37.10 8; ~~and~~ or

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

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

37.17 (1) adjudication as mentally incompetent;

37.18 (2) fiscal dishonesty of any kind;

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

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

37.23 (5) willfully failing to file a report or record required by state or federal law;  
37.24 willfully impeding or obstructing the filing of a report or record, or inducing another

38.1 person to impede or obstruct a filing by another; and the making or filing of a report or  
38.2 record which one knows to be false; and

38.3 (6) incompetence, including:

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

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

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

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

38.23 Subp. 2. Failing to file a report. A finding, adjudication, consent order, or  
38.24 conviction by a federal or state court, agency, or regulatory authority, or the Public  
38.25 Company Accounting Oversight Board that a licensee has willfully failed to file a required

39.1 report or record specified in subpart 1, item D, subitem (5), is prima facie evidence of a  
39.2 violation of this part.

39.3 **1105.5900 NOTICES OF HEARING OR CONFERENCE.**

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

39.5 B. When the ~~complaint and~~ notice of ~~hearing or~~ conference ~~are~~ is served  
39.6 pursuant to Minnesota Statutes, section 326A.08, ~~they~~ it must be accompanied by:

39.7 ~~(1) a copy of the board's rules under this part; and~~

39.8 ~~(2) a copy of Minnesota Statutes, section 326A.08.~~

39.9 C. The investigation ~~and,~~ 2 hearing<sub>2</sub> or conference may result in the discovery of  
39.10 additional violations. The additional violations do not need to be specifically identified in  
39.11 the notice issued in item A.

39.12 **1105.6200 ACTION BY BOARD.**

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

39.14 C. In considering an application under part 1105.6100, the board may consider  
39.15 all activities of the applicant since the disciplinary penalty from which relief is sought  
39.16 was imposed, the offense for which the applicant was disciplined, the applicant's activities  
39.17 during the time the certificate, registration, privileges under Minnesota Statutes, section  
39.18 326A.14, or permit was in good standing, the applicant's rehabilitative efforts, restitution  
39.19 to damaged parties in the matter for which the penalty was imposed, ~~and~~ the applicant's  
39.20 general reputation for truth and professional probity, and factors described in part  
39.21 1105.2450.

39.22 [For text of item D, see M.R.]

39.23 **1105.6300 MISLEADING CPA FIRM NAMES.**

40.1 A CPA firm name is misleading within the meaning of Minnesota Statutes, section  
40.2 326A.10, paragraph (h), if, among other things, the CPA firm name:

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

40.4 C. includes the name of a person who is not a CPA if the title "CPAs" is included  
40.5 in as part of the firm name.

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

40.10 **1105.6400 FICTITIOUS FIRM NAMES.**

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

40.15 A firm name is considered false or misleading if:

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

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

40.19 [For text of items L and M, see M.R.]

40.20 **1105.6550 DEFINITION OF VALID CERTIFICATE, LICENSE, PERMIT, ~~AND~~**  
40.21 **REGISTRATION, AND OF GOOD STANDING.**

40.22 A. "Valid certificate;" or "valid license," as used in Minnesota Statutes, section  
40.23 326A.10 or 326A.14, is an unexpired certificate that has a certificate status of "active" as  
40.24 defined in part 1105.2500. This definition does not limit the use of the CPA designation by  
40.25 those persons who comply with parts 1105.3300 and 1105.3900.

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

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

41.5 **1105.6600 REGISTERED ACCOUNTING PRACTITIONER.**

41.6 The designation of "registered accounting practitioner" shall be issued by the board  
41.7 ~~after June 30, 2003~~, to persons of good moral character who have made application on a  
41.8 form provided by the board and who:

- 41.9 A. have met the education requirement ~~specified~~ in part 1105.6700;
- 41.10 B. have met the RAP examination requirement ~~specified~~ in part 1105.6800;
- 41.11 C. have met the experience requirement ~~specified~~ in part 1105.6900;
- 41.12 D. have submitted documentation, which can be verified by the board, to  
41.13 support items A to C; and
- 41.14 E. have paid the fee ~~specified~~ in part 1105.0600.

41.15 **1105.7000 RENEWAL OF REGISTRATION.**

41.16 A. The registration of a registered accounting practitioner expires on December  
41.17 31 each year and must be renewed annually before December 31 on a form provided by  
41.18 the board for ~~such~~ that purpose. The fee ~~specified~~ in part 1105.0600 must be paid. If an  
41.19 application for renewal is filed late, it shall also be accompanied by the delinquency fee  
41.20 ~~prescribed~~ in part 1105.0600. In addition, the reinstatement fee ~~prescribed~~ in this chapter  
41.21 must be paid if the renewal is filed more than two years late.

41.22 B. A registrant seeking renewal shall show that the registrant has completed no  
41.23 less than 90 hours of continuing professional education complying with the standards  
41.24 ~~specified~~ in part 1105.3100 during the three-year period preceding renewal with a

42.1 minimum of 20 hours in each year. At least four hours of the 90 hours shall be in  
42.2 accounting ethics or business ethics. A program in ethics includes topics such as ethical  
42.3 reasoning, state-specific statutes and rules, and standards of professional conduct,  
42.4 including those of other applicable regulatory bodies. A registrant's initial three-year  
42.5 period starts on January 1 following the date the individual is initially registered by the  
42.6 board.

42.7 C. Failure to report continuing professional education, failure to obtain CPE  
42.8 required by this part, reporting an amount less than that required, or fraudulently reporting  
42.9 continuing professional education is a basis for disciplinary action ~~as specified in~~ under  
42.10 Minnesota Statutes, section 326A.08. A registrant not in compliance with this part on June  
42.11 30 of each year shall be subject to the requirements of part 1105.3000, item G.

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

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

#### 42.18 **1105.7200 NOTIFICATION OF CHANGES BY RAP FIRMS.**

42.19 A. A RAP firm registered under this chapter shall file with the board a written  
42.20 notification of any of the following events concerning its practice within this state within  
42.21 30 days after its occurrence:

- 42.22 (1) formation of a new RAP firm;
- 42.23 (2) addition of a partner, member, manager, director, or shareholder;
- 42.24 (3) retirement, withdrawal, or death of a partner, member, manager,  
42.25 director, or shareholder;

43.1 [For text of subitems (4) to (8), see M.R.]

43.2 B. In the event of any changes in legal form of a RAP firm, the new firm  
43.3 shall, within 30 days of the change, file an application for an initial RAP firm permit ~~in~~  
43.4 ~~accordance with~~ according to this chapter and pay the fee required by this chapter.

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

43.8 **1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM**  
43.9 **NAMES.**

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

43.11 B. A RAP firm name is misleading if, among other things, the RAP firm name:

43.12 [For text of subitems (1) and (2), see M.R.]

43.13 (3) includes the name of a person who is not a RAP if the title "RAP" is  
43.14 included ~~in~~ as part of the firm name.

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

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

43.23 A firm name is considered false or misleading if:

43.24 [For text of subitems (1) to (10), see M.R.]

44.1 (11) the name of a firm that is a sole proprietorship fails to contain the ~~name~~  
44.2 surname of the sole proprietor;

44.3 [For text of subitems (12) and (13), see M.R.]

44.4 **1105.7500 COMPILATION REPORTS.**

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

44.6 B. The form of the compilation report that can be issued is ~~specified~~ in part  
44.7 1105.6500, items B and C.

44.8 C. Registrants must comply with Statements on Standards for Accounting and  
44.9 Review Services issued by the American Institute of Certified Public Accountants when  
44.10 performing compilation services except as specified in part 1105.6500, item C. ~~Such~~  
44.11 The statements are ~~contained~~ in AICPA Professional Standards, Volume 2, published  
44.12 by the American Institute of Certified Public Accountants (~~June 1, 2002~~), which ~~is~~ are  
44.13 incorporated by reference. ~~This publication is subject to frequent change and is available~~  
44.14 ~~through the State Law Library.~~

44.15 **1105.7800 CODE OF PROFESSIONAL CONDUCT.**

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

44.17 B. Failure to report continuing professional education or falsely reporting  
44.18 continuing professional education required by parts 1105.3000 and 1105.7000 is an act  
44.19 discreditable to the profession and is basis for disciplinary action ~~specified in~~ under  
44.20 Minnesota Statutes, section 326A.08.

44.21 C. Failure to report quality reviews required by parts 1105.4000 and 1105.7100  
44.22 or seeking an exemption when one is not warranted, is an act discreditable to the  
44.23 profession and is a basis for disciplinary action ~~specified in~~ under Minnesota Statutes,  
44.24 section 326A.08.

45.1 D. Failure to file an application, registration, renewal, or other document or form  
45.2 required to be filed with the board pursuant to this chapter, the act, or any other statutes or  
45.3 rule is an act discreditable to the profession and is basis for disciplinary action ~~specified in~~  
45.4 under Minnesota Statutes, section 326A.08.

45.5 E. Persons and firms subject to ~~the provisions of~~ the Sarbanes-Oxley Act of  
45.6 2002, Public Law 107-204, shall comply with that act and related published rules. Failure  
45.7 to do so is an act discreditable to the profession and is basis for disciplinary action  
45.8 ~~specified in~~ under Minnesota Statutes, section 326A.08.

45.9 F. Persons and firms performing audit or attest services ~~in accordance with~~  
45.10 according to government auditing standards issued by the Comptroller General of the  
45.11 United States or auditing or related professional practice standards issued by the Public  
45.12 Company Accounting Oversight Board, which documents are incorporated by reference,  
45.13 shall comply with those standards. Failure to do so is an act discreditable to the profession  
45.14 and is basis for disciplinary action ~~specified in~~ under Minnesota Statutes, section 326A.08.

45.15 [For text of item G, see M.R.]

45.16 H. (1) ~~No~~ A licensee, registrant, certificate holder, or applicant may not directly  
45.17 or indirectly take any action to fraudulently influence, coerce, manipulate, or mislead any  
45.18 certified public accounting firm, the state auditor, or the legislative auditor engaged in the  
45.19 performance of an audit of financial statements if that person knew or was unreasonable  
45.20 in not knowing that the action could, if successful, result in rendering the financial  
45.21 statements materially misleading. Engaging in ~~such~~ these acts is an act discreditable to  
45.22 the profession and is a basis for disciplinary action ~~specified in~~ under Minnesota Statutes,  
45.23 section 326A.08.

45.24 [For text of subitem (2), see M.R.]

45.25 I. A licensee shall not render services that do not follow the standards, as  
45.26 applicable under the circumstances and at the time the services are provided, specified

46.1 in the documents in part 1105.0250. In addition to these applicable standards, and to the  
46.2 extent other provisions of this chapter and Minnesota Statutes do not modify or conflict  
46.3 with them, a licensee shall follow standards issued by other professional or governmental  
46.4 bodies including international standards setting bodies with which a licensee is required  
46.5 by law, regulation, or the terms of engagement to comply.

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

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

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

46.14 (c) an examination of prospective financial information.

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

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

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

46.25 K. (1) A licensee shall not:

47.1 (a) perform for a contingent fee any professional services for, or  
47.2 receive any fee from a client for whom the licensee or the licensee's firm performs:

47.3 i. an audit or review of a financial statement;

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

47.7 iii. an examination of prospective financial information; or

47.8 (b) prepare an original or amended tax return or claim for a tax refund  
47.9 for a contingent fee for any client.

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

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

47.20 **1105.7850 RETENTION AND CONTENT OF AUDIT DOCUMENTATION.**

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

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

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

48.13 [For text of item D, see M.R.]

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

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

48.18 **1105.7900 SUBSTANTIAL EQUIVALENCY.**

48.19 A. ~~In accordance with~~ Under Minnesota Statutes, section 326A.04, subdivision  
48.20 3, paragraph (b), an individual rendering professional services in this state whose  
48.21 principal place of business will be in this state is required to have a certificate issued  
48.22 under Minnesota Statutes, section 326A.04.

48.23 B. ~~In accordance with~~ Upon meeting the qualifications in Minnesota Statutes,  
48.24 section 326A.14, subdivision 1, paragraph (a) or (b), an individual rendering professional  
48.25 services in this state whose principal place of business is not in this state ~~is required to~~

49.1 ~~notify the board as specified in this part~~ is granted practice privileges equivalent to the  
49.2 licensees of this state without the need to obtain a license.

49.3 C. ~~Individuals seeking practice privileges under Minnesota Statutes, section~~  
49.4 ~~326A.14, shall complete an application in the form provided by the board and pay the fee~~  
49.5 ~~required by part 1105.0600. The practice privilege granted shall expire one year after~~  
49.6 ~~it is effective or shall immediately expire if the certificate or license under which the~~  
49.7 ~~privilege was granted is no longer "valid" as defined in part 1105.6550.~~ For purposes of  
49.8 the act and this chapter, an individual shall, at any time, only designate a single state as the  
49.9 individual's principal place of business. Residents of this state who provide professional  
49.10 services in this state at an office location in this state shall be considered to have their  
49.11 principal place of business in this state.

49.12 D. ~~The application must be received by the board within 15 days after the~~  
49.13 ~~individual knowingly becomes subject to the laws of this state by:~~ Individuals required  
49.14 by Minnesota Statutes, section 326A.14, subdivision 1, paragraph (b), to obtain a  
49.15 verification that their individual qualifications are substantially equivalent to the licensure  
49.16 requirements of Minnesota Statutes, section 326A.03, subdivisions 2, 4, and 6, shall  
49.17 obtain the verification from the NASBA National Qualification Appraisal Service prior to  
49.18 rendering professional services in this state. Documentation supporting this verification  
49.19 must be maintained by the individual for a minimum period of six years and must be  
49.20 submitted to the board upon request.

49.21 ~~(1) accepting an engagement or assignment to render professional services~~  
49.22 ~~in this state; or~~

49.23 ~~(2) rendering professional services in this state.~~

49.24 E. ~~Practice privileges of individuals who have a certificate or license, for which~~  
49.25 ~~the holder of the certificate has met the CPE requirement of this chapter, are effective~~  
49.26 ~~as follows:~~

50.1 ~~(1) if the certificate or license is issued by a state which is in substantial~~  
50.2 ~~equivalence with the act, the practice privilege is effective upon application and payment~~  
50.3 ~~of the fee; and~~

50.4 ~~(2) if the certificate or license is issued by a state which is determined~~  
50.5 ~~by the board not to be in substantial equivalence with the act, the practice privilege is~~  
50.6 ~~effective after the board verifies that the individual's qualifications are substantially~~  
50.7 ~~equivalent to the act.~~

50.8 ~~F. Notice must be filed with the board within 30 days after an individual changes~~  
50.9 ~~the individual's principal place of business or within 30 days after the license has been~~  
50.10 ~~denied, revoked, or suspended in any jurisdiction.~~

50.11 ~~G. Nonresident individuals are not considered to have entered this state for~~  
50.12 ~~purposes of Minnesota Statutes, section 326A.14, and notice is not required under~~  
50.13 ~~Minnesota Statutes, section 326A.14, if the individual's contact with this state is limited to~~  
50.14 ~~any of the following activities:~~

50.15 ~~(1) teaching either a college or continuing professional education course;~~

50.16 ~~(2) delivering a lecture;~~

50.17 ~~(3) moderating a panel discussion; or~~

50.18 ~~(4) rendering professional services to the individual's employer or firm or~~  
50.19 ~~to persons employed by the individual's employer or firm, including affiliated, parent, or~~  
50.20 ~~subsidiary entities, provided the services are not rendered for the employer's or firm's~~  
50.21 ~~clients.~~

50.22 ~~H. An individual entering into an engagement to provide professional services~~  
50.23 ~~via a Web site pursuant to Minnesota Statutes, section 326A.14, shall disclose, via the~~  
50.24 ~~Web site, the individual's principal state of licensure, license number, and address.~~

51.1 ~~I. Notwithstanding the requirements of item D, an individual whose principal~~  
51.2 ~~place of business is not in this state and who has a valid certificate or license as a certified~~  
51.3 ~~public accountant from any state and who enters this state to render professional services~~  
51.4 ~~for a period of time not to exceed 20 hours in a one-year period need not notify the board.~~

51.5 **REPEALER.** Minnesota Rules, parts 1105.0100, subpart 17; 1105.2000, subpart 3;  
51.6 1105.4250; 1105.5000, subpart 2; and 1105.7600, are repealed.

51.7 **INSTRUCTION TO REVISOR.** In Minnesota Rules, part 1105.5800, change the  
51.8 reference to part 1105.4300 to 1105.5400.