Office of the Revisor of Statutes

Administrative Rules

TITLE: Adopted Permanent Rules Relating to Expedited Licensing for Veterans and Housekeeping Updates

AGENCY: Board of Accountancy

MINNESOTA RULES: Chapter 1105

FILED
JAN 2016
(MN) SECRETARY OF STATE

RULE APPROVED
OFFICE OF ADMINISTRATIVE HEARINGS
November 4, 2015
DATE

ADMINSTRATIVE LAW JUDGE.

The attached rules are approved for filing with the Secretary of State.

Cindy K. Maxwell
Sheree Speer
Senior Assistant Revisor

161927

Board of Accountancy

Adopted Permanent Rules Relating to Expedited Licensing for Veterans and Housekeeping Updates

1105.0100 DEFINITIONS.

[For text of subps 1 to 11b, see M.R.]

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

[For text of subps 13 to 17, see M.R.]

1105.2540 TEMPORARY MILITARY CERTIFICATE.

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

A. military status:

(1) active duty military member;

(2) spouse of an active duty military member; or

(3) confirmation of an honorable or general discharge status within the two years preceding the date of temporary military certificate application;

B. verification of current licensure or certification in another state; and

C. a current criminal background study.

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

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

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

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

1105.3100 CONTINUING PROFESSIONAL EDUCATION PROGRAMS.

Subpart 1. **Regular qualifications.** A program qualifies as acceptable continuing professional education for purposes of this chapter and Minnesota Statutes, section 326A.04, subdivision 4, if it is a program of learning that contributes to the growth in the professional knowledge and professional competence of a licensee. The program must meet the minimum standards of quality of development, presentation, measurement,

and reporting of credits in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA or such other standards acceptable to the board. Except to the extent permitted in subpart 2, program sponsors qualifying under this chapter must be members of NASBA's CPE registry. Group programs designed with interaction between an instructor or facilitator and other participants that are sponsored or presented by the entities in items A to E are not subject to NASBA's CPE Registry requirement:

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

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

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

[For text of subps 2 to 4, see M.R.]

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

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

1105.4000 APPLICATION FOR FIRM PERMIT.

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

D. The board shall not:

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

(2) renew the permit of a firm until a two-thirds majority of partners, ~~including the firm managing partner and the signer of the firm permit renewal application,~~ members, managers, as defined in Minnesota Statutes, section 326A.01, shareholders, directors, and officers who hold a certificate and whose principal place of business is in this state individually renew their certificates with an active status or hold nonexpired certificates with an active status issued under Minnesota Statutes, section 326A.04, covering the term of the firm permit to be renewed. If all of these individuals do not renew their certificates with an active status within 60 days of expiration, the board shall automatically revoke the permit of the firm.

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

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

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

1105.4300 PEER REVIEW AS CONDITION FOR RENEWAL OF PERMIT.

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

[For text of subitems (1) to (5), see M.R.]

(6) other functions necessary to carry out the peer review process.

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

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

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

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

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

[For text of subitem (5), see M.R.]

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

1105.4600 PEER REVIEW.

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

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

B. "Report acceptance body" or "administrating entity" means the organization that accepts the peer review report from the reviewer, reviews it, and determines what, if

any, action the firm shall take in order to bring the firm's practice up to the professional standards.

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

1105.4700 PEER REVIEW STANDARDS.

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

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

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

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

1105.4800 PEER REVIEW REQUIREMENTS.

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

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

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

1105.4900 EXEMPTION FROM PEER REVIEW REQUIREMENT.

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

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

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

1105.5100 FIRM PEER REVIEW REQUIREMENT.

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

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

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

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

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

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

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

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

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

1105.5200 QUALIFICATIONS OF REVIEWER.

The reviewer shall have the following minimum qualifications:

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

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

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

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

1105.5300 QUALIFICATIONS OF REPORT ACCEPTANCE BODIES.

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

D. The report acceptance bodies specified in item B shall provide to the Peer Review Oversight Committee established in part 1105.4300, item B, or to the board if so requested, by December 31 of each year the names of the licensees, who have undergone a peer review as required by part 1105.3600, and firms that have undergone a peer review during the year ending December 15 and had the letter specified in part 1105.5400, item A, subitem (2), issued by the report acceptance body. In addition, the report acceptance bodies specified in item B shall provide to the committee by June 30 of each year a written report of the procedures it uses to ensure that the continuing professional education it sponsors meets the applicable standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs.

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

1105.5400 REPORT TO BOARD.

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

(1) a copy of the report issued by the reviewer, including any response from the firm that addresses deficiencies or significant deficiencies contained in the report;

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

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

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

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

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

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

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

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

1105.5500 PRIVATE DATA.

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

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

1105.5600 GROUNDS FOR ENFORCEMENT ACTION.

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

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

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

[For text of subitems (1) to (6), see M.R.]

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

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

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

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

1105.7100 RAP FIRM APPLICATION.

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

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

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

1105.7400 PEER REVIEW AS CONDITION FOR RENEWAL OF PERMIT.

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

[For text of subitems (1) to (3), see M.R.]

(4) other functions necessary to carry out the peer review process.

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

1105.7800 CODE OF PROFESSIONAL CONDUCT.

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

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

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

REPEALER. Minnesota Rules, part 1105.1800, subpart 3, is repealed.