



THE MINNESOTA BOARD OF ACCOUNTANCY

BOARD MEMORANDUM

March 2, 2017

TO: All Board Members
Christopher Kaisershot, Assistant Attorney General

FROM: Gregory S. Steiner, CPA, Board Chair

SUBJECT: March 2, 2017, BOARD MEETING MINUTES
9:25 AM
GOLDEN RULE BUILDING, Suite 295 (2nd floor)

The Board held its regularly scheduled meeting on the above-mentioned date, time and location.

- 1) **CALL TO ORDER**
Attendance:
Gregory S. Steiner, CPA, Board Chair (Absent)
Sharon A. Jensen, CPA
Christopher Omdahl, CPA
Lance Radziej, CPA
Charles Selcer, CPA
Scott Van Binsbergen, Public Member
Michael M. Vekich, CPA
Alan J. Wilensky, Public Member

OTHERS:
Doreen Frost, Executive Director
Andrea Barker, Rules Coordinator
Sara Datko, Complaint Specialist
Emma Hoche-Mathews, Complaint Specialist
Kay Weiss, Communications Specialist

GUESTS:

Linda Wedul, Minnesota Society of Certified Public Accountants (MNCPA)
Geno Fragnito, Minnesota Society of Certified Public Accountants (MNCPA)
Bryan Mowry, Minnesota Association of Public Accountants (MAPA)

- 2) APPROVAL OF THE JANUARY 19, 2017, BOARD MEETING MINUTES
 - A) **MSP: To Approve the January 19, 2017, meeting minutes.**

- 3) COMPLAINT COMMITTEE REPORT (Michael M. Vekich, Committee Chair)
The Complaint Committee requests a closed session to deal with disciplinary matters.
 - A) **MSP: To Close session to address enforcement actions under Minnesota Statutes 214 (2016).**
 - B) **MSP: To Reopen the meeting.** The Board issued the following Orders:
 - 1) In the Matter of Kendra G. Melnyk DBA Melnyk & Melnyk, CPAs, the Board issued a Stipulation and Consent Order.
 - 2) In the Matter of Kenneth Francis Landherr, the Board issued a Stipulation and Consent Order and Order to Reinstate.
 - 3) In the Matter of Joel Ben Oraw, the Board issued a Stipulation and Consent Order and Order to Reinstate.
 - 4) Automatic Revocations. Pursuant to Minnesota Statutes 326A.04, subdivision 11 (2016), the CPA certificates of persons who have failed to renew their certificates for a period of more than two years shall be automatically revoked. IT IS HEREBY ORDERED that Respondents' CPA certificates in the State of Minnesota are automatically REVOKED effective March 2, 2017.

23356 Katie Ann Lorenson
06530 John Christopher Lose
27906 Kyle Garret Lottman
07698 John Louis Lotzer
14167 WilliamEdward Lowry
15149 Yueh-Mei Lu
24537 WilliamThomas Luckow
14386 V. Francis Luikart II
08048 Steven Philip Lundquist
19383 Sonja Ditscheit Lundy
21847 Gregory Thomas Lydon
06587 Ruth Inez Ruschke Lye
16684 Jason John Lynch

11071 Stephen Walter Maas
21380 Pia Nilusha Mackedanz
09972 Tobias Christopher Madden
16172 Ann Michelle Madsen
12550 Richard Edward Magnuson
10217 Janet Lynn Mahoney
05122 James J. Maiser
05794 James Joseph Malecha
06548 Karen Mills Malmsten
05321 Richard Paul Mann
17973 James Roger Manthe
26655 John Thomas Marrin
17296 Visvaldas John Masiulis

25557 Rebecca Lynn Massman	25261 Daniel Paul Mohr
06911 George J Masteller	17985 Stacey Lea Moll
19177 Darren Lee Mathweg	22820 Sharon Mary Monaghan
04337 Peter Charles Maurer	10096 Beth Ann Monsrud
21542 William F Mausbach	19649 Quinn Michael Montgomery
17788 Jason Edward Max	09130 Karla Mae Mork
24404 Jennifer DuCray Max	15315 Kathleen Kalthoff Morrow
19631 Timothy J Mayclin	27242 Krista Marie Morse
04448 Richard D Mayer	19721 Jacqueline Marie Morton
10384 Edward Scott McArthur	Danz
04002 Michael Dennis McCarty	04217 John W Morton Jr
16931 Thomas James McConnell	17125 Frederick Moses
18318 William David McDonald	10227 Nevene Mostafa Mosharrafa
02197 Dennis D McGill	25778 Kaitlin Marie Moss
C1703 David L McGraw	15376 Sherri Lynne Moyle
23512 Kelly Kathryn McHugh	10718 Keith Edward Muckenhirn
10495 Susan Briggs McLean	09134 Paul Joseph Mullaney
09934 Megan Tully McManus	17857 Pamela Mattila Mulvihill
27547 Jeffrey James McPherson	04265 Michael James Myers
06678 Thomas Patrick McQueen Jr	26181 Christine Ann Myers
08902 Jeffrey Mark Meacham	26663 Kathleen Elizabeth Nance
21001 Dianne Cheryl Mealer	12575 Stephen Alan Neaman
17845 Susan Ellen Meier	07314 Mark James Neeb
C1444 Charles J Meister	12997 Douglas Edward Neeser
18795 Michelle Marie Meixell	06246 Daryl Edward Nelson
25639 Lindsey Jo Mellgren	08448 James Lynn Nelson
20658 Alicia Lee Merrick	10240 Kristi Elliott Nelson
16755 Daniel Thomas Meyer	21676 Gladys Gertrude Nelson
24687 Lindsey Marie Meyer	23613 Jessica A Nelson
12565 Walter Phillip Michels	25430 Allison Nicole Nelson
22985 Scott Donald Miller	26747 Randy Allen Nelson
27123 Alexis Ann Miller	C1704 John R Nelson
C1234 George F Minehart	18902 Steven Gary Nemitz
10711 Kinney George Misterek	21173 Chad Michael Ness
09128 Russell Floyd Mohawk	

MP: To Approve and Adopt committee recommendations.

- 4) EXECUTIVE COMMITTEE REPORT (Sharon Jensen, reporting)
- A) CPE Delinquency Fees – Discussed.
 - B) Rulemaking Docket provided to the legislature – Discussed.
 - C) Regional Director Focus Questions from NASBA – Discussed.
 - D) Online Initial Application Demo – Andrea Barker demoed a new web-based process for accepting online initial license applications. The full Board will see a demo after further work is done. Creating an online application program is an initiative of the Board’s Strategic Plan.
- 5) EXECUTIVE DIRECTOR’S REPORT (Doreen Frost, Executive Director)
- A) Budget and Revenue Reports – Discussed. The Board has prepared documents for the Legislature as part of the state budget review process. The House committee has indicated the Board will not be called to appear. The Executive Director is waiting to hear when the Senate committee will place the Board on its agenda.
 - B) Staffing update – A new Office Administrative Staff person is in the process of being hired. This individual will help with reception, file digitization, initial applications, and other duties.
 - C) Open appointments – Debra Thompson has resigned. The position has been posted.
 - D) Renewal Statistics - percentage renewed:
 - CPAs – 94.61%
 - RAP – 85.71%
 - CPA Firms – 91.12%
 - Sole Proprietor Firms – 94.72%
 - RAP Firms – 89.47%Two firms will be receiving a final notice regarding auto-revocation under MN Rule 1105.4000.D.2. Revocation orders will be prepared by the Complaint Committee for a motion at the April Board meeting.
- 6) EXAMINATION & CREDENTIALING COMMITTEE MEETING REPORT
(Charles Selcer, Committee Chair)
- A) Approved the applications of 61 Minnesota candidates, 9 transfer candidates, and 14 reciprocal candidates. One petition for waiver was denied.

MP: To Approve and Adopt Committee recommendations.

- 7) CONTINUING PROFESSIONAL EDUCATION COMMITTEE REPORT
(Lance Radziej, Committee Chair)
- A) Approved 4 petitions for waiver and denied 5.
 - B) Reviewed the NASBA CPE Model Rules.
- MP: To Approve and Adopt Committee recommendations.**
- 8) FIRM CREDENTIALING COMMITTEE REPORT
(Christopher Omdahl, Committee Chair)
- A) Approved 3 Minnesota CPA firm permits and denied one.
 - B) Approved 6 foreign CPA firm permits.
 - C) Approved 3 name change requests.
 - D) Denied one DBA request.
 - E) Accepted 50 peer reviews; referred 3 to staff.
- MP: To Approve and Adopt Committee recommendations.**
- 9) UNFINISHED BUSINESS
- A) AICPA Proposed Evolution of Peer Review Administration – Board members should send any comments to Doreen Frost by March 31. Those comments will be given to Sharon Jensen and Greg Steiner, who will prepare a draft response for review by the full Board at the April meeting.
 - B) Revisor’s Draft of Rules and SONAR (**ATTACH. 9B**). Andrea Barker went through additional recommended Rule changes that strengthen the SONAR.
Authorizing Resolution to Publish Dual Notice of the Rules as Amended – Discussed.
MSP: To approve the Authorizing Resolution.
 - C) Firm Revocations (S. Datko) – See item D under the Executive Director’s Report
- 10) NEW BUSINESS
- A) Budget Data – See item A under the Executive Director’s Report.
 - B) Department of Revenue Paid Preparers Legislation – Contains modifications to the language regarding the exchange of information required between the Department and the Board. Discussed.
 - C) Affirmative Action Plan (previously sent by email). Discussed.
 - D) New Licensees Report.
MSP: To approve New Licenses Report.
 - E) Department of Revenue Reporting Revocations – Discussed. Complaint Specialist Sara Datko handles the reporting of revocations to the DOR.

11) PUBLIC COMMENT

- A) Geno Fragnito (MNCPA) noted the society is following the use of the term "audit" in bills before the legislature. Since audit in the context of finance already has a precise definition and consequences under the law, the MNCPA is working to educate legislators on that definition to avoid conflicts in statute that would not serve the public interest.

12) ADJOURNED: 10:40 a.m.

Next meeting is Thursday, April 20, 2017, at 9:00 am.



Michael M. Vekich, Secretary/Treasurer

Changes to the 1/10/2017 Revisor's Draft of Rules

M.R. 1105.3000 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS

E. Failure to report CPE, failure to obtain CPE required by this part, reporting of an amount less than the that required, or fraudulently reporting CPE is a basis for disciplinary action under Minnesota Statutes, section 326A.08. A licensee not in compliance with this part ~~on June 30 of each year~~ shall be assessed a late processing fee of \$50 for the first month, or partial month, of noncompliance and \$25 per month, or partial month, of noncompliance thereafter until the date the licensee is in compliance with this part and provides documentation of compliance in writing to the board. ~~The maximum late processing fee is \$925.~~

Rationale: Noncompliance begins on June 30 when referring to obtaining CPE but it begins on December 31 when referring to failure to report.

There is no longer a need to cap the late processing fee. Licensees are required to renew their license and report CPE every year. We will not have licensees forgetting to report their CPE in nonrenewal years and having to pay large CPE late fees.

M.R. 1105.4100 NOTIFICATION OF CHANGES BY FIRMS

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

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

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

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

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

Rationale: The term "offering" implies that a firm needs to notify the Board when it solicits or enters into an engagement. The AICPA standards require a peer review within 18 months of the report date. Requiring a firm to notify the Board within 30 days of the report date of attest or compilation services will allow the Board to assign a peer review due date of 18 months after the report date and monitor the firm for compliance with the rule.

M.R. 1105.4900 EXEMPTION FROM PEER REVIEW REQUIREMENT

A firm is exempt from the peer review requirement specified in part 1105.4000 if it annually represents to the board that it has not issued attest or compilation reports, that

it does not intend to engage in such practices during the following year, and that it shall immediately notify the board in writing if it engages in such practices.

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

If a firm under exemption notifies the board that it has issued attest or compilation reports, it must undergo a peer review during the first full year after within 12 months of its initial acceptance of an engagement, The peer review is due 18 months from the report date of the initial engagement, or sooner at the request of the firm.

Rationale: The AICPA standards require a peer review to be completed within 18 months of the report date of the initial engagement subject to peer review. The modifications to this rule coincide with the AICPA standards, which are incorporated in the Board rules by reference.

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 within 12 months of becoming subject to the requirements for peer review; and
- (2) ~~Report~~ Submit the material in part 1105.5400 to the board no later than ~~45-six~~ 18 months after from the ~~end of the first year~~ report date of the initial engagement.

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

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

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

Rationale: The modifications coincide with the AICPA standards of completing a peer review within 18 months of the report date of the initial engagement and every 3 years after that.

Minnesota Board of Accountancy

STATEMENT OF NEED AND REASONABLENESS

Proposed Amendments to Rules Governing Fees, Education, Peer Review and Housekeeping Updates, Minnesota Rules, 1105.0100, 1105.0250, 1105.0900, 1105.1200, 1105.1400, 1105.1500, 1105.2400, 1105.2500, 1105.2540, 1105.2600, 1105.2900, 1105.3000, 1105.3100, 1105.4000, 1105.4600, 1105.4700, 1105.4900, 1105.5100, 1105.5600, 1105.6300, 1105.7100, 1105.7450, 1105.7500, 1105.7800, 1105.7850;

Proposed Repeal of Obsolete Rules, Minnesota Rules, parts 1105.0100, subpart 9e; 1105.0200, subpart 3; and 1105.5700.

Revisor's ID Number R-04392

INTRODUCTION

The nature of the proposed rules of the Board of Accountancy ("Board") is to amend its current rules that generally pertain to all licensees and firms. The proposed rules will reduce fees, clarify the education requirements for initial certificates, and align peer review and continuing professional education requirements with the national standards.

The proposed rules will reduce fees for licensees by eliminating the fee for verification of examination or licensure.

Modifications to the education rules clarify the requirements for examination and licensure, including defining an accredited degree and the coursework required to meet the education requirement. Minnesota is one of few remaining states with "levels" of accreditation for accounting, resulting in significant confusion for applicants. The proposed rules will remove the "levels" and define the types of accreditation.

The rules regarding peer review will align with the American Institute of Public Accountants (AICPA) standards. The AICPA standards require a peer review within 18 months of the issuance of the first report subject to peer review while the Board's current rules allow 27 months. The proposed rules will require a peer review within 18 months.

In August 2016, the AICPA and the National Association of State Boards of Accountancy (NASBA) released an updated Statement on Standards for Continuing Professional Education (CPE Standards). The new CPE Standards allow learners to engage in both blended learning programs and nano learning programs. The Board's rule update will allow its licensees to take advantage of these new methods of gaining continuing education. The Board's rules will also incorporate by reference the NASBA Fields of Study and update its definition of personal development for purposes of continuing professional education.

Finally, the proposed rules include amendments that are housekeeping in nature. These housekeeping modifications do not make any substantive changes to the requirements for licensure or renewal, but rather remove obsolete or duplicative language and clarify confusing language. The housekeeping modifications also include updating the dates of documents incorporated by reference.

ALTERNATIVE FORMAT

Upon request, this information is available in an alternative format, such as large print, braille, or audio. To make a request, contact Andrea Barker at the Board of Accountancy, 85 E. 7th Place, Suite 125, St.

Paul, MN 55101, 651-757-1511, Fax: 651-282-2644, and email: andrea.barker@state.mn.us. TTY users may call the Board at (800) 627-3529.

STATUTORY AUTHORITY

This rulemaking is an amendment of rules for which the Legislature has not revised the statutory authority and so Minnesota Statutes, section 14.125, does not apply.

The Board's statutory authority to adopt the rules is stated in Minnesota Statutes section 326A.02, subdivision 5, which provides:

326A.02 STATE BOARD OF ACCOUNTANCY

Subd. 5. **Rules.** The board may adopt rules governing its administration and enforcement of this chapter and the conduct of licensees and persons registered under section 326A.06, paragraph (b), including:

- (1) rules governing the board's meetings and the conduct of its business;
- (2) rules of procedure governing the conduct of investigations and hearings and discipline by the board;
- (3) rules specifying the educational and experience qualifications required for the issuance of certificates and the continuing professional education required for renewal of certificates;
- (4) rules of professional conduct directed to controlling the quality and probity of services by licensees, and dealing among other things with independence, integrity, and objectivity; competence and technical standards; and responsibilities to the public and to clients;
- (5) rules governing the professional standards applicable to licensees including adoption of the standards specified in section 326A.01, subdivision 2, and as developed for general application by recognized national accountancy organizations such as the American Institute of Certified Public Accountants or the Public Company Accounting Oversight Board;
- (6) rules governing the manner and circumstances of use of the titles "certified public accountant," "CPA," "registered accounting practitioner," and "RAP";
- (7) rules regarding peer review that may be required to be performed under provisions of this chapter;
- (8) rules on substantial equivalence to implement section 326A.14;
- (9) rules regarding the conduct of the certified public accountant examination;
- (10) rules regarding the issuance and renewals of certificates, permits, and registrations;
- (11) rules regarding transition provisions to implement this chapter;
- (12) rules specifying the educational and experience qualifications for registration, rules of professional conduct, rules regarding peer review, rules governing standards for providing services, and rules regarding the conduct and content of examination for those persons registered under section 326A.06, paragraph (b);
- (13) rules regarding fees for examinations, certificate issuance and renewal, firm permits, registrations under section 326A.06, paragraph (b), notifications made under section 326A.14, and late processing fees; and
- (14) upon any change to this chapter, if the board determines a change in Minnesota Rules is required, the board may initiate the expedited process under section 14.389 up to one year after the effective date of the change to this chapter.

Under these statutes, the Board has the necessary statutory authority to adopt the proposed rules.

BACKGROUND INFORMATION

Fees: In 2013, the legislature raised initial license and renewal fees for certified public accountants for the first time in over 40 years. This increase in fees renders it unnecessary to continue charging a \$20 fee for verification of a licensee's credentials each time an individual applies for a new license in another jurisdiction. Eliminating the fee for verification will increase the speed in which an applicant can obtain a license in another jurisdiction. The applicant will be able to request the verification electronically rather than having to send the verification request and fee payment by U.S. Mail. The increase in license fees offsets the reduction in the Board's revenue from eliminating the verification fee.

Education: The Board's current rules defining accreditation are extremely confusing for those attempting to become licensed CPAs in the state. Minnesota is one of a few jurisdictions that defines its education requirement based on "levels" of accreditation. In reality, there are three *types* of accreditation pertinent to accounting education.

Institutions of higher education seek accreditation through two types of accrediting agencies, institutional and specialized. The Board's rules currently attempt to categorize schools with an institutional accreditation as "level one" and programs that have specialized accreditation as either "level two" or "level three." Accrediting bodies do not indicate a "level" of accreditation for a particular school or program, so individuals are not able to look up their school and find out what its "level" is. Individuals must infer the "level" by determining whether the school itself or a program or a college within the school is accredited then translate the type of accreditation into a "level" to fit with the Board's rules.

The modified rules will clearly identify the different types of accreditation and describe the education requirements for each type. The actual education requirements remain the same; they will just be easier to understand.

Peer Review: The Board's current rules regarding peer review are different than the national Peer Review Standards (Peer Review Standards) published by the American Institute of Certified Public Accountants (AICPA). The Peer Review Standards require firms to undergo and submit a peer review within 18 months of issuing their first attest or compilation report. The Board's current rules require the firm to submit the peer review 15 months after the end of the first year in which the firm issues their first attest or compilation report. The peer review is due 27 months after the issuance of the first report which is a full 9 months longer than the national standard. The modifications to the rules will reduce the timeframe allowed for a peer review to 18 months, matching the national standard and increasing protection of the public by more quickly identifying firms that fail their peer review.

Continuing Professional Education: The AICPA and the National Association of State Boards of Accountancy (NASBA) adopted updated national standards for continuing professional education (CPE Standards) in August 2016. The CPE Standards provide a framework for the development, presentation, measurement and reporting for CPE programs. The Board's rules incorporate the CPE Standards by reference; however, the Board delineates certain portions of the CPE Standards in its rules.

Modifications to the Board's rules will update the various definitions of the different types of programs to match the CPE Standards. Additionally, the rules will include two new instructional delivery methods for CPE: nano learning and blended learning. Finally, the rules will incorporate the NASBA Fields of Study document by reference into the Board's rules. The NASBA Fields of Study defines the different subject

areas for continuing professional education. The CPE Standards refers to the Fields of Study document, but the Board's rules have not historically incorporated this document.

Housekeeping: Non-substantive changes to the Board's rules include updating definitions to match national standards, updating the revision dates for documents incorporated by reference, correcting references to obsolete or incorrect statutes and rules, clarifying confusing language and repealing obsolete rules.

REGULATORY ANALYSIS

“(1) a description of the classes of persons who probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule”

The classes of persons affected by and benefiting from the proposed modifications to the rules include:

- **Fee Reduction:** All licensees and exam candidates requesting verification of their credentials;
- **Clarified Education Requirement:** All individuals with a desire to obtain a license in Minnesota as a Certified Public Accountant;
- **Peer Review:** The public, through faster identification of firms with failed peer reviews and firms by aligning the requirements to the national standards;
- **Continuing Professional Education:** All licensees who are required to obtain continuing professional education to renew their license; and
- **Housekeeping:** All applicants, licensees, firms and the public.

A line item in the Board's budget covers the cost of the rulemaking. The Board does not anticipate an increase in the cost to comply with or enforce these rules.

“(2) the probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues”

The probable costs to the Board include the costs associated with rulemaking in general and a small decrease in state revenue resulting from the modification to fees. The Board collects an average of \$2,247 per year for verifying the examination or licensure status of its licensees. Therefore, the Board expects a reduction of approximately \$2,300 per year to state revenue.

However, in 2013, the legislature raised license fees for the first time in over 40 years. The additional revenue from the increased license fees offsets the loss in revenue from the elimination of verification fees.

The Board does not anticipate an increase or decrease in the cost of enforcing the rules. It also does not anticipate any probable costs to any other agency because the Board is the only entity charged with the implementing and enforcing the proposed rules.

“(3) a determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule”

The purpose of the proposed rule modifications is to clarify and update existing language. Rule writing is the only method that exists to achieve these goals.

“(4) a description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule”

The rules serve to protect the public health, safety and welfare by ensuring that licensees meet the education, examination, experience, continuing education and peer review requirements. Administrative rules are the only method available to the Board to define and enforce the requirements.

“(5) the probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals”

Probable costs of complying with the different categories of the proposed rules are as follows:

- **Fees:** Certain licensees and certificate holders will benefit from a small reduction in fees. Individuals who need verification of their examination or licensure status will no longer have to pay the administrative fee and will be able to submit their request electronically reducing the time it takes to request a verification. The Board will be able to receive and process the request in a more efficient manner. The modifications to fees will not affect other governmental units or businesses.
- **Education:** Modifications to the education rules are not substantive. The changes clarify existing requirements so there will be no additional costs to individuals, governmental units or business to comply with the rules.
- **Peer Review:** The changes to the peer review rules align the requirements to the national standards. Firms are already required to obtain a peer review and there is no additional cost to comply. These rules will not affect other governmental units or individuals.
- **Continuing Professional Education:** Individuals are already required to obtain continuing professional education to renew their license. Changes to the CPE rules will not increase the number of CPE hours required, but rather give individuals additional options to meet the requirements. The rules will not increase the cost to comply with the CPE requirements for individuals and do not affect other governmental units or businesses.
- **Housekeeping:** Housekeeping modifications are non-substantive and do not have any increase in cost to comply with them.

“(6) the probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories of affected parties, such as separate classes of government units, businesses, or individuals”

The consequences of not adopting the proposed rules are:

1. Licensees continue to pay fees for verification of their credentials;
2. Education requirements remain confusing to applicants and require additional work and research on their part to determine whether they will meet the requirements;
3. Peer review rules remain different than national standards; firms have an additional nine months to submit peer review documentation, but the Board is unaware of the substandard work or failed peer review for those additional nine months which can potentially harm the public;
4. Licensees are not able to take advantage of new methods for the delivery of continuing professional education programs;

5. Definitions remain out-of-sync with national standards for continuing education;
6. Documents incorporated by reference remain out of date and out-of-sync with national standards; and
7. Obsolete, unnecessary, confusing or duplicative language remains in the rules.

“(7) an assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference”

No relationship exists between these rules and federal regulations.

“(8) an assessment of the cumulative effect of the rule with other federal and state regulations related to the specific purpose of the rule. . . . ‘[C]umulative effect’ means the impact that results from incremental impact of the proposed rule in addition to other rules, regardless of what state or federal agency has adopted the other rules. Cumulative effects can result from individually minor but collectively significant rules adopted over a period of time.”

Neither federal regulations nor other Minnesota state laws address the areas covered in the proposed rules. This consideration is not applicable for these rules.

PERFORMANCE-BASED RULES

To safeguard life, health and property, and promote the public welfare, the Board provides reasonable assurance that persons practicing public accounting are competent, ethical practitioners qualified through education, examination and experience. Additionally, as an official licensing entity, the Board is charged with implementing those statutes and rules which specifically regulate the practice of accounting.

The proposed rule amendments embodied in this Statement of Need and Reasonableness emphasize superior achievement in meeting the Board’s regulatory objectives with maximum flexibility for the regulated party and the Board in meeting those goals. The Board has identified language that is outdated for applicants, licensees, certificate holders, firms and the public. It is critical that the Board identifies actual or potential areas of confusion on the path to licensure or renewal within its jurisdiction in order to meet its obligations to the public and regulated parties. To do otherwise creates difficulties for all interested parties – the public, members of the regulated profession, and the Board. The housekeeping updates ensure that the Board’s rules remain clear and current.

The proposed amendments to the education requirements clarify confusing and outdated language. Defining the different types of accreditation in terms that the Board and applicants can verify allows students to make informed decisions about which colleges and universities offer coursework and degree programs that lead to licensure as a CPA. The Board can easily review applications for examination or licensure and determine whether a particular degree program is accredited. Currently, the Board must rely on the National Association of State Boards of Accountancy (NASBA) to determine which applicants meet the educational requirements. Following adoption of these rules, applicants will be able to apply directly to the Board both to sit for the examination and for initial licensure rather than to NASBA for the exam and the Board for licensure.

The proposed amendments to the continuing education requirements allow licensees to take advantage of new continuing education program delivery methods, nano learning and blended learning, to complete their continuing education requirements. Licensees must complete 120 hours of continuing education on a rolling three-year period. Allowing licensees to complete the hours in smaller increments (nano learning) and in a variety of methods offers licensees maximum flexibility in completing their requirements. Proposed modifications to the rules regarding late processing fees for noncompliance with the continuing education requirements clarify when late fees are assessed and offer incentive for licensees to comply with the requirements. Compliance with the requirements protects the public

health, safety and welfare by ensuring that practitioners are engaging in learning opportunities to enhance and expand their knowledge of the practice of public accounting.

The proposed amendments to the peer review requirements align with the national standards. This allows firms to follow one set of deadlines (i.e. 18 months after the report date of the initial engagement) to comply with peer review requirements. Multiple deadlines for multiple jurisdictions creates confusion and inconsistency and creates opportunity for firms to unintentionally not comply with the rules.

ADDITIONAL NOTICE

This Additional Notice Plan was reviewed by the Office of Administrative Hearings and approved in a letter dated _____ by Administrative Law Judge _____.

The Board will mail copies of the Dual Notice of Intent to Adopt and the proposed rule changes to the Minnesota Association of Public Accountants ("MAPA"), a professional organization including Certified Public Accountant members.

The Board will mail copies of the Dual Notice of Intent to Adopt and the proposed rule changes to the Minnesota Society of Certified Public Accountants ("MNCPA"), a professional organization including Certified Public Accountant members.

The Board will mail copies of the Dual Notice of Intent to Adopt and the proposed rule changes to the National Association of State Boards of Accountancy ("NASBA"), the national council representing Certified Public Accountants regulated by this Board.

The Board will mail copies of the Dual Notice of Intent to Adopt and the proposed rule changes to the American Institute of Certified Public Accountants ("AICPA"), a national professional organization for Certified Public Accountants.

The Board will mail copies of the Dual Notice of Intent to Adopt and the proposed rule changes to the National Association of Black Accountants, Inc. ("NABA, Inc."), a national professional association including Certified Public Accountant members.

The Board will mail copies of the Dual Notice of Intent to Adopt and the proposed rule changes to the colleges and universities offering degree programs in accounting in Minnesota:

- Academy College
- Alexandria Technical and Community College
- Anoka Technical College
- Anoka-Ramsey Community College
- Argosy University
- Augsburg College
- Bemidji State
- Bethel University
- Capella University
- Central Lakes College
- Century College
- College of St. Benedict / St. John's University
- College of St. Scholastica
- Concordia College – Moorhead
- Concordia University – St. Paul
- Crown College

- Dakota County Technical College
- DeVry University / Keller Graduate School of Management
- Globe University / Minnesota School of Business
- Gustavus Adolphus College
- Hamline University
- Hennepin Technical College
- Hibbing Community College
- Inver Hills Community College
- Itasca Community College
- ITT Technical Institute
- Lake Superior College
- Metropolitan State University
- Minneapolis Business College
- Minneapolis Community and Technical College
- Minnesota State College – Southeast Technical
- Minnesota State Community and Technical College (Detroit Lakes, Fergus Falls, Moorhead and Wadena locations)
- Minnesota State University – Mankato
- Minnesota State University – Moorhead
- Minnesota West Community and Technical College
- National American University
- Normandale Community College
- North Central University
- North Hennepin Community College
- Northland Community and Technical College
- Northwest Technical College
- Pine Technical and Community College
- Rainy River Community College
- Rasmussen College
- Ridgewater College
- Riverland Community College
- Rochester Community and Technical College
- St. Cloud State University
- St. Cloud Technical and Community College
- St. Mary's University of Minnesota
- Saint Paul College
- South Central College
- Southwest Minnesota State University
- St. Catherine University
- University of Minnesota – Crookston
- University of Minnesota – Duluth
- University of Minnesota – Morris
- University of Minnesota – Twin Cities
- University of Northwestern – St. Paul
- University of Phoenix
- University of St. Thomas
- Walden University
- Winona State University

The Board will post the Notice of Hearing and the proposed rule change on the Board's website.

The Board will mail to all current certificate holders a postcard notification of the proposed rule changes with the website address where recipients will find the Dual Notice of Intent to Adopt, the official language of the proposed rule and the SONAR.

The Board will mail to all current firm permit holders a postcard notification of the proposed rule changes with the website address where recipients will find the Dual Notice of Intent to Adopt, the official language of the proposed rule and the SONAR.

Our Notice Plan also includes giving notice required by statute. We will mail the proposed rules and Notice of Hearing to everyone who has registered to be on the Board's rulemaking mailing list under Minnesota Statutes, section 14.14, subdivision 1a. We will also give notice to the Legislature per Minnesota Statutes, section 14.116.

Our Notice Plan did not include notifying the Commissioner of Agriculture because the rules do not affect farming operations per Minnesota Statutes, section 14.111.

Our Notice Plan does not include notifying the Council on Affairs of Chicano/Latino People because the rules do not have a primary effect on Chicano/Latino people per Minnesota Statutes, section 3.922.

CONSULTATION WITH MMB ON LOCAL GOVERNMENT IMPACT

As required by Minnesota Statutes, section 14.131, the Board will consult with Minnesota Management and Budget (MMB). We will do this by sending MMB copies of the documents that we send to the Governor's Office for review and approval on the same day we send them to the Governor's office. We will do this before publishing the Notice of Intent to Adopt. The documents will include the Governor's Office Proposed Rule and SONAR Form; the proposed rules; and the SONAR. The Board will submit a copy of the cover correspondence and any response received from Minnesota Management and Budget to OAH at the hearing or with the documents it submits for ALJ review.

DETERMINATION ABOUT RULES REQUIRING LOCAL IMPLEMENTATION

As required by Minnesota Statutes, section 14.128, subdivision 1, the Board has considered whether these proposed rules will require a local government to adopt or amend any ordinance or other regulation in order to comply with these rules. The Board has determined that they do not because the rules pertain to individuals and firms applying for licensure or certification by this Board and to individuals and firms already licensed or certified by this Board. Compliance with the rules falls on these individuals and firms. Enforcement of the rules falls solely on the Board.

COST OF COMPLYING FOR SMALL BUSINESS OR CITY

Agency Determination of Cost

As required by Minnesota Statutes, section 14.127, the Board has considered whether the cost of complying with the proposed rules in the first year after the rules take effect will exceed \$25,000 for any small business or small city. The Board has determined that the cost of complying with the proposed rules in the first year after the rules take effect will not exceed \$25,000 for any small business or small city.

The Board has made this determination based on the probable costs of complying with the proposed rule, as described in the Regulatory Analysis section on pages 4-6 of this SONAR.

LIST OF WITNESSES

If these rules go to a public hearing, the Board may have the following potential witnesses for testimony in support of the need for and reasonableness of the rules:

Mr. Gregory Steiner, CPA, Chair
Ms. Sharon Jensen, CPA, Vice Chair
Mr. Michael M. Vekich, CPA
Mr. Chris Omdahl, CPA
Mr. Charles Selcer, CPA
Mr. Lance Radziej, CPA
Mr. Scott Van Binsbergen, Public Member
Mr. Alan Wilensky, Public Member

RULE-BY-RULE ANALYSIS

M.R. 1105.0100 DEFINITIONS

The Board incorporates by reference into its rules the *Statement on Standards for Continuing Professional Education (CPE) Programs*, a document published by the American Institute of Certified Public Accountants (AICPA). The definitions for different types of CPE programs and delivery methods are included in the *Statement on Standards* as well as the Board's rules. In order to avoid confusion for licensees, it is important that the definitions in the Board's rules match the definitions in the national standards. The following definitions have been added to or modified in the Board's rules in order to match the definitions in the *Statement on Standards for CPE*:

- **Subpart 4a:** Asynchronous - a new definition for the term which is used in other definitions describing types of CPE programs
- **Subpart 4b:** Blended learning – a new definition for one of the new types of CPE programs available to licensees
- **Subpart 9a:** Group Internet-based program – an updated definition for a type of CPE program in which licensees may engage
- **Subpart 9b:** Group live program – an updated definition for a type of CPE program in which licensees may engage
- **Subpart 10a:** Nano-learning program – a new definition for one of the new types of CPE programs available to licensees
- **Subpart 16a:** Self-study program – an updated definition for a type of CPE program in which licensees may engage
- **Subpart 18:** Synchronous - a new definition for the term which is used in other definitions describing types of CPE programs

Additionally, this rule package includes updates for two non-CPE-related definitions. These two definitions are redundant with statutory definitions of the same terms, therefore it is unnecessary to restate the definitions in rule:

- **Subpart 9f:** Licensee – MN Statutes, section 326A.01, subdivision 9, defines the term "licensee" so there is no need to redefine it in rule. The current language references individuals with practice privileges under Minnesota Statutes, section 326A.14 and specifies that these

individuals are considered “licensees” for purposes of parts 1105.1200, 1105.5600, 1105.5800 and 1105.7800. However, M.R. 1105.5600 and 1105.5800 specifically includes the language “individuals with practice privileges” in its list of groups. For clarity and consistency, the proposed rules include that phrase in the list of groups in M.R. 1105.1200 and 1105.7800 and are addressed later in this rule-by-rule analysis.

- **Subpart 12:** Peer review –The first sentence of the current rule unnecessarily restates the definition of peer review as found in MN Statutes, section 326A.01, subdivision 12. The second sentence of the current rule does not belong in the definition of peer review because it is describing which person or persons must conduct the review, not what a peer review is. M.R. 1105.5200 describes the required qualifications of the reviewer; therefore, this sentence is redundant with M.R. 1105.5200. The proposed rule for the definition of peer review simply refers readers to the statutory definition.

M.R. 1105.0250 INCORPORATIONS BY REFERENCE

There are hundreds of national standards for the public accounting profession developed by several different organizations. Certified Public Accountants (CPAs) universally accept these standards as the best practices for public accounting. It is not feasible to include every standard into the Board’s rules; therefore, the Board incorporates certain documents by reference. The organizations update these documents as the industry grows and changes.

- **Item A** – For clarity, item A will not list the publication dates for each of the documents incorporated by reference. Rather, the rule item incorporating each individual document will list the publication date, making it easier for the reader to determine the publication date for each document without having to refer back to item A.
- **Item B** – The AICPA combines ten documents, including the Code of Professional Conduct and several different Statements and Standards, into a single publication entitled “AICPA Professional Standards.” The documents are also available individually. The proposed rule for item B incorporates each of the ten documents, including their most recent publication or effective date, as well as the combined publication entitled, “AICPA Standards.” The remaining changes to this item are clerical.
- **Item C** – The Board’s current rules incorporate the AICPA Professional Standards, Volumes 1 and 2; however, these documents are obsolete. The AICPA no longer publishes two volumes, but rather one publication entitled “AICPA Standards,” which item B incorporates into this package.

The proposed rules incorporate the NASBA Fields of Study document as the new item C. The rules have not historically incorporated this document, however, the AICPA *Statement on Standards for CPE* and the Board’s updated definition of “personal development” refer to it. Since licensees must rely on the definitions in the Fields of Study, the Board must incorporate it into its rules.

- **Item D** – The updated rules reference the most recent edition of the PCAOB Standards and Related Rules document.
- **Item E** – Rule modifications include updating the name of the “United States General Accounting Office” to the “United States Government Accountability Office” and updating the Government Auditing Standards document to its most recent revision.
- **Item F** – The Board’s current rules incorporate the NASBA Model Code of Conduct. However, it is not appropriate to adopt a model code because, as the document name implies, it is simply

an example of language that a state Board could incorporate into its own administrative rules. Additionally, the Board already incorporates the AICPA Code of Professional Conduct into its rules. The Board cannot incorporate two different codes governing the same topic into its rules.

- **Items G and H** – Rule modifications include re-codifying these items as items F and G and updating the names and publication dates of the documents.

M.R. 1105.0900 VERIFICATION AND TRANSFER OF GRADE FEES

As discussed in the Background Information and Regulatory Analysis sections of this SONAR, the legislature recently increased license and renewal fees. The increase in fees covers the costs associated with processing verifications of examination and licensure. Additionally, since many of the Board's records are electronic and it can submit many of the verifications to other Boards electronically, it takes significantly less staff time to complete a verification. The proposed rules eliminate the \$20 administrative fee to process verifications and the requirement to include a self-addressed stamped envelope with the verification request.

M.R. 1105.1200 COMMUNICATIONS

The proposed rules include two modifications to this part.

First, to add the phrase "or individual with practice privileges under Minnesota Statutes section 326A.14" to the groups listed in the rule. This ensures that it is clear that individuals practicing public accounting in this state under the Substantial Equivalency statute are subject to these rules even though they do not specifically hold a Minnesota license. Minnesota Statute 326A.14 subjects these individuals to all of the Board's statutes and rules, but specifically adding the language to this part ensures that anyone reading these rules can easily conclude that these individuals are, indeed, subject to the rules.

Second, to eliminate the requirement that communications to the Board be addressed to "Executive Director, Board of Accountancy." The rule is unnecessary and is not enforceable. The Board is certainly not going to return correspondence to a sender who did not address the envelope to the Executive Director.

M.R. 1105.1400 SEMESTER HOUR; ACCREDITATION; CREDIT FOR COURSES

Subpart 2: Rather than defining accreditation in "levels," the modified rules define and explain three types of accreditation. The type of accreditation, (institution, school or program), determines which of the education requirements specified in M.R. 1105.1500 the applicant must complete.

- **Item A:** All applicants for licensure as a CPA must obtain their education from an accredited institution. The United States Department of Education recognizes and lists national and regional accrediting agencies for postsecondary institutions in the United States and its territories. National accreditation associations focus on certain types of colleges such as trade and technical institutions or religious colleges such as seminaries and bible colleges, which are not relevant to accounting education. Regional accreditation agencies accredit degree-granting colleges and universities. It validates the quality of an institution as a whole and evaluates multiple aspects of an institution ranging from its academic offerings, governance and administration, mission, finances, and resources.

The Board's proposed rules continue to require that the institution be accredited by one of six regional accrediting agencies. The recognized regional accrediting agencies that accredit institutions offering degree programs in accounting are:

- the Middle States Commission on Higher Education;
- the North Central Association of Colleges and Schools, The Higher Learning Commission;
- the New England Association of Schools and Colleges, Commission on Institutions of Higher Education;
- the Northwest Commission on Colleges and Universities;
- the Southern Association of Colleges and Schools, Commission on Colleges; and
- the Western Association of Schools and Colleges, Senior Colleges and University Commission.

By specifically listing the regional accrediting agencies within the rule, applicants can easily determine which accrediting agency applies to their region and find out whether their school is accredited by one of these agencies.

- **Item B:** Once a college or university earns institutional accreditation, it can take accreditation a step further and seek “specialized” or “professional” accreditation for each of its disciplines. Relative to accounting, a business school within an accredited institution may obtain specialized accreditation. There are two national accrediting agencies which accredit schools of business: the Accreditation Council for Business Schools and Programs (AABSP) or the Association to Advance Collegiate Schools of Business (AACSB), formerly known as the American Assembly of Collegiate Schools of Business.

The proposed rules state that a business school must be accredited by one of these two national accrediting agencies.

- **Item C:** Finally, in addition to accreditations described in items A and B, an accounting program or department may be accredited. Such accounting program or department must be accredited by the AACSB or the ACBSP.

The remaining language for the current items A, B and C is unnecessary. By definition, an accredited institution, business school, accounting program or department must meet a stringent set of standards in order to gain each type of accreditation. There is no need to spell this out in rule. Additionally, M.R. 1105.1500 describes the specific education requirements for each applicant dependent on the type of accreditation of the institution, school or program so there is no need to state those requirements in this rule part.

Subparts 3, 4 and 5: The proposed language in these subparts clarifies that the applicant must have an accredited baccalaureate or graduate degree. Many institutions that offer associate’s degrees are accredited by one of the regional accrediting agencies. A student graduating with an Associate’s degree in accounting from one of these institutions is technically graduating from an accredited educational institution as required in the rule. However, Minnesota Statutes require an applicant hold a minimum of a bachelor’s degree for licensure as a CPA. The modified language offers clarity.

M.R. 1105.1500 EDUCATION REQUIREMENTS

This rule describes the various ways an individual can meet the education requirement. The proposed rules eliminate the “levels” of accreditation and replace the language with specific descriptions of what meets the requirement. The actual requirements are not changing, only the description.

- **Item A:** The “level three accreditation” described in the Board’s current rules means that the applicant obtained a graduate degree from an accredited accounting program or department within an accredited business school. AACSB and ACBSP are the only two accrediting bodies

for business or accounting degrees. Therefore, the proposed rules state that an individual with a graduate degree from an AACSB or ACBSP-accredited accounting program or department within an AACSB or ACBSP-accredited business school meets the education requirements.

- **Item B:** The “level two accreditation” described in the Board’s current rules means that the business school or college of business from which the applicant obtained their degree is accredited. Again, AACSB and ACBSP are the only two accrediting bodies for business or accounting degrees. Therefore, the proposed rules for item B state the requirements for an individual with a graduate degree from a business school or college of business that is accredited by AACSB or ACBSP. Because the actual accounting program or department within the business school is not accredited, the transcripts for individuals within this category must specifically show completion of a minimum 24 semester hours in accounting at the undergraduate level (or 15 semester hours at the graduate level) including courses in financial accounting, auditing, taxation and management accounting.

The current rules state that the 24 semester hours in accounting must include “coverage of, but not necessarily separate courses in” four specific subjects – financial accounting, auditing, taxation and management accounting. It is extremely subjective to state that courses must have “coverage of” certain topics. One course that touches on the four topics is not equivalent to four separate courses going in depth on each topic. Nearly all accounting students take separate classes in financial accounting, auditing, taxation and management accounting. Therefore, the proposed rules simply state that the required semester hours must include courses in those four topic areas. The rare student who does not complete separate courses in those four topics has a statutory process by which they may request a waiver of the rule from the Board.

- **Item C:** This item is similar to item B except the applicant has a baccalaureate degree from an accredited business school or college of business rather than a graduate degree. In this instance, the applicant’s transcripts must show completion of 24 semester hours in accounting, including courses in financial accounting, auditing, taxation, and management accounting and an additional 24 semester hours in business-related or accounting courses. Other modifications to this rule item are the same as those described in item B.
- **Item D:** The “level one accreditation” described in the Board’s current rules means that the educational institution is accredited. Neither the business school or accounting program within the business school have additional accreditation beyond the institution’s accreditation. In this scenario, the applicant’s transcripts must show completion of 24 semester hours of accounting at the upper division or graduate level, including courses in in financial accounting, auditing, taxation, and management accounting.

The proposed rule clarifies the meaning of “upper division or graduate level” by modifying the language to say “intermediate or advanced level.” The current rule defines “upper division” as junior or senior level. It also says that in accounting, that would be all courses beyond the elementary level. The two sentences contradict each other because courses “beyond the elementary level” could be coursework taken in a student’s sophomore year, or perhaps even late in freshman year. Graduate level is defined as courses that apply toward an advanced degree. The proposed definition of “intermediate or advanced level” coursework encompasses all coursework taken beyond the introductory level, including coursework taken during freshman or sophomore year and coursework taken as a graduate student.

M.R. 1105.2400 EMERGENCY EXAMINATION PROCEDURES

The reference to Minnesota Statutes, section 326A.04, paragraph (b), clauses (14) and (15) is incomplete. The updated reference will specify subdivision 5 of section 326A.04.

M.R. 1105.2500 APPLICATIONS FOR CERTIFICATES

The Board's approved record retention schedule states that incomplete applications can be destroyed after three years. The proposed language states that applicants who do not supply all required supporting documentation with three years, rather than four, must submit a new application. This change aligns with the Board's record retention schedule.

M.R. 1105.2540 TEMPORARY MILITARY CERTIFICATE

Subpart 1 states that an applicant must submit payment of the license fee as specified in Minnesota Statutes, section 326A.04, subdivision 5 when applying for a temporary military certificate. However, the statute specifies a "fee" not a "license fee." The proposed rule aligns with the statute.

M.R. 1105.2600 EXPERIENCE REQUIRED FOR INITIAL CERTIFICATE

In the current rule language, item E narrows the statutory definition of a "licensee" to an individual who holds a "valid certificate" or an unexpired certificate with a status of "inactive" for two rule parts – M.R. 1105.2600 and M.R. 1105.2800. These two rules describe the experience requirement for initial certification. When all three rules are taken in context, we find that the intent of item E is to insure that an individual verifying an applicant's experience has an unexpired CPA certificate with a status of "active" or "inactive" (i.e. the verifier's license is in good standing).

Since Minnesota Statutes section 326A.01, subdivision 9 already defines the term "licensee," the proposed language eliminates the narrowed definition of the term in item E and incorporates the intent into item B of this rule part.

The proposed language clarifies that the applicant's experience must be verified by a licensee who holds a "valid certificate" as defined in part 1105.6550, item A or an unexpired certificate that has a certificate status of "inactive" and that experience gained in another state must be verified by a CPA with an unexpired certificate, license or registration in that state.

The requirements are not changing, however by incorporating the licensure requirements of the verifier into item B, the reader does not have to read multiple rule parts to figure out who can verify their experience.

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

- **Item B:** The chart showing the educational requirements for initial certification in the current rule is duplicative. Meeting the requirement in row one (24 credits in upper division or graduate level courses in financial accounting, auditing, taxation, and management accounting) is the same as meeting the requirement in M.R. 1105.1500, subpart 1, item D. After the applicant has met that requirement, they can take the CPA exam. Before obtaining their initial certificate, they must complete the remainder of the 150 required credits, including 24 credits in business-related subjects or accounting.

The proposed language for item B incorporates the table into the requirement and makes it clear that the 150 semester hours includes the coursework required by part 1105.1500, subpart 1, item D and the 24 semester hours in business-related subjects or accounting.

- **Item D:** The proposed rules clarify that the courses an individual takes to meet the 150-semester hour requirement must be nonduplicative (i.e. a student cannot take the same course

at two different schools and claim credit for both). Item D also contains a list of accounting-related subjects and a list of business-related subjects. The current language in item D requires that the 150-semester hour requirement cover “some or all” of the subjects in the lists. “Some or all” is subjective. The proposed rules state that the courses must cover one or more of the subjects.

In subitem (1), the accounting-related subjects, the proposed rules clarify that “ethics” in this list is accounting ethics. The proposed rules for subitem (2), the business-related subjects, clarify that the “ethics” in this list is business ethics. Additionally, the proposed rules contain two more business-related subjects: marketing and data analytics. Business degree programs commonly offer these two subjects as electives. The subject of data analytics is becoming especially relevant in the field of accounting as the use of technology in audits grows.

M.R. 1105.3000 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS

The continuing professional education (CPE) requirements in items A to D of this rule are not changing. A licensee must complete the required CPE by June 30 each year and report the required CPE to the Board by December 31 each year.

The current language in item E states that a licensee not in compliance with [M.R. 1105.3000] on June 30 of each year shall be assessed late processing fees for each month or partial month of noncompliance. Given that a licensee has two different deadlines related to CPE (the June 30 completion date and the December 31 reporting date), the date that late processing fees are assessed can be interpreted in a couple of ways.

It is clear that a licensee who does not complete the required continuing education by June 30 is out of compliance with the rule and shall be assessed the late processing fees beginning on July 1. In the literal interpretation of the rule, a licensee who *completes* the CPE by June 30, but does not report the CPE by December 31, was technically in compliance with the rule on June 30. It is not until the following June 30 that the rule can be applied and that we “know” that the licensee is out of compliance with the deadline for reporting. In reality, the licensee is out of compliance with the reporting requirement on December 31 and the intent of the rule is to assess a late processing fee for reporting CPE after the deadline. The literal interpretation of the rule as currently written allows a licensee a six-month grace period to report the CPE before fees are assessed (as long as the CPE was *completed* on time) giving the licensee no incentive to report on time.

For example, John completes his CPE by June 30, 2016. On June 30, 2016, he is in compliance with M.R. 1105.3000 as required by part E. He does not report his hours by December 31, 2016, however, part E states that a licensee not in compliance with this part *on June 30* shall be assessed a late processing fee. On June 30, 2016, John was in compliance with the rule because he had completed his CPE. Therefore, if he reports his CPE any time between January 1 and June 30, 2017, he would not be charged a late processing fee because he was in compliance with the rule on June 30, 2016. If he does not report his hours in that time frame, on June 30, 2017, item E of the rule is again applied and we “know” that he is not in compliance with the reporting requirement. In reality, on December 31, 2016, we know that he was out of compliance with the reporting deadline, but the rule does not say that a licensee out of compliance on December 31 shall be assessed a late reporting fee. It is not until after June 30, 2017, that we can assess the fee. If he reports his hours in July 2017, he would be charged the late processing fees for January through July because now we “know” he was out of compliance with the reporting deadline of December 31, 2016, and January 2017 was the first month of noncompliance. His fees for reporting in July 2017 would be \$200 (\$50 for January and \$25 for each month or partial month after that). The fees would continue to accrue each month until he is in compliance.

The intent of the rule is to deter a licensee from not complying with the CPE requirements. By allowing a “grace period” to report the hours with no penalty, there is not an incentive for the licensee to report the hours on time. The proposed language removes the phrase “on June 30 each year” so that the rule says “A licensee not in compliance with this part shall be assessed a late processing fee...”

A licensee not in compliance with the June 30 completion date would be assessed the late processing fee beginning on July 1. A licensee who completes the hours by June 30 but does not report them by December 31 would be charged the late processing fee on January 1, the date they are out of compliance. By removing the phrase, the rules deter a licensee from becoming out of compliance with the CPE requirements. They must complete the hours by June 30 and report the hours by December 31 or they will be charged late processing fees.

M.R. 1105.3100 CONTINUING PROFESSIONAL EDUCATION PROGRAMS

Subpart 2: The Board incorporates the Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*) into its rules. The *Standards* are published jointly by National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) and provide a framework for the development, presentation, measurement and reporting of CPE programs.

In July and August, 2016, at their respective Board of Director’s meetings, NASBA and AICPA approved revisions to the *Standards*. The new *Standards* include two additional instructional delivery methods – nano learning and blended learning (definitions of these terms are included under modifications to M.R. 1105.0200). According to the *Standards*, licensees will be able to claim one-fifth (0.2) CPE credit for nano learning programs and one-fifth credit for programs using other delivery methods after a minimum amount of credit for the program has been awarded.

The Board’s proposed rules incorporate these two programs into its list of learning activities that are eligible for CPE credit. The addition of blended learning and nano learning meets the marketplace demand for greater flexibility and increased CPE options.

Subpart 4, item D: The Statement on Standards for Continuing Professional Education Programs refers to the NASBA Fields of Study document which describes technical and non-technical learning activities that qualify for Continuing Professional Education. Rather than create its own definitions for the different fields of study, the Board’s proposed rules incorporate by reference the nationally recognized NASBA Fields of Study document.

In a previous revision of the NASBA Fields of Study, the definition of personal development was removed. At that time, the Board added the definition to its rules because the Board specifically limits the number of hours a licensee can claim for continuing education in the area of personal development.

The newest revision of the NASBA Fields of Study includes a new definition for personal development that differs from the Board’s definition. This creates confusion among licensees and CPE providers who rely on the NASBA Fields of Study definitions for their coursework. The NASBA Fields of Study has separate definitions for “communication and marketing” and “personal development” whereas the Board’s definition combined the two. The Board’s proposed rule continues to limit the hours a licensee may claim for communications, marketing and personal development while incorporating by reference the document defining the fields of study.

M.R. 1105.4000 APPLICATION FOR FIRM PERMIT.

- **Item A:** Similar to incomplete applications for individual certificates covered by M.R. 1105.2500, the proposed modifications to this rule allow the Board to destroy applications for firm permits

that remain incomplete for three years. After three years of inactivity, it is unlikely that the firm intends to obtain a permit from the Board and therefore is unnecessary for the Board to keep the documents it had received.

M.R. 1105.4100 NOTIFICATION OF CHANGES BY FIRMS

Item A, subitem (8) requires a firm to notify the Board within 30 days of its initial offering of attest or compilation services in this state. The term “offering” can be difficult to interpret and enforce. A firm could be “offering” these services: (1) at the time it solicits an engagement, (2) when it enters into an agreement or (3) when it actually performs the service. The Board’s rules require peer review of firms performing attest or compilation services and needs to know which firms are performing these services in order to ensure that the firm is in compliance with the peer review requirements. It is hard to calculate the due date of the peer review if “offering” services can be interpreted in multiple ways. Additionally, if a firm solicits the engagement, notifies the Board that it is “offering” services, then does not get selected for the contract, the Board’s records indicate that the firm is offering services and will require a peer review prior to renewal of the firm’s permit. If the firm is not actually performing the services, there is no need for a peer review.

The proposed language clarifies that the firm must notify the Board within 30 days of the initial report date of attest or compilation services. If a firm issues a report, it is clear that they are offering attest or compilation services and is subject to the peer review requirement. The Board can easily calculate the due date of the peer review and inform the firm of the due date based on the report date of the service.

M.R. 1105.4600 PEER REVIEW

Minnesota Statutes, section 326A.01, subdivision 12 defines “Peer Review.” There is no reason for a rule to restate the statutory definition in slightly different terms, therefore, the Board’s proposed rules simply reference the statutory definition.

M.R. 1105.4700 PEER REVIEW STANDARDS

The AICPA no longer publishes the AICPA Professional Standards by volume. The proposed rules eliminate “Volume 2” from the reference to the AICPA Professional Standards.

M.R. 1105.4900 EXEMPTION FROM PEER REVIEW REQUIREMENT

M.R. 1105.4100, as proposed, requires a firm to notify the Board within 30 days of the report date of initial attest or compilation services. The proposed language in this rule part makes it clear that a firm under exemption who notifies the Board that it has issued attest or compilation reports must undergo a peer review.

It also clarifies the due date of the peer review. The current language states that the firm must undergo a peer review during the first full year after its initial acceptance of an engagement. The “first full year after” could be interpreted in multiple ways:

1. The firm accepts an engagement in February, so they must complete a peer review by the following February (within 12 months of accepting the engagement).
2. The firm accepts an engagement in February and the firm’s year ends on June 30. They must complete a peer review during the first full year after accepting the engagement, so by June 30 of the following year (16 months after accepting the engagement).
3. The firm accepts an engagement in February and their year ends on December 31. They must complete a peer review during the first full year after accepting the engagement, so by December 31 of the following year (22 months after accepting the engagement).

By modifying the language and stating that the peer review is due 18 months from the report date of the initial engagement, the due date is clear to all parties. Additionally, the AICPA *Standards for Performing and Reporting on Peer Reviews*, incorporated by reference into the Board's rules, requires a peer review within 18 months of the issuance of the first report subject to peer review. The Board's proposed rules align with the national standards.

M.R. 1105.5100 FIRM PEER REVIEW REQUIREMENT

Similar to the proposed language in 1105.4900, the Board's proposed language for this rule part aligns with the national standards and clarifies that a new firm must submit the peer review material to the Board no later than 18 months from the report date of the initial engagement.

The proposed language also clarifies that a firm must undergo a peer review every three years after the due date of the initial peer review.

M.R. 1105.5600 GROUNDS FOR ENFORCEMENT ACTION

Subpart 1, Item E: The groups listed in subpart 1 include individuals with privileges under Minnesota Statutes, section 326A.14. The proposed rules add "individual with practice privileges under Minnesota Statutes section 326A.14" to two sentences in order to fully mirror the list of groups identified in subpart 1.

Additionally, the proposed language clarifies that "a person specified in Minnesota Statutes, section 326A.05, subdivision 3, paragraph (c)" is a nonlicensee owner. By stating "nonlicensee owner" rather than "person specified in" the rules are clear and readers do not have to go to another rule just to figure out who a "person specified in" is.

M.R. 1105.6300 MISLEADING CPA FIRM NAMES

Item C contains an incorrect reference to Minnesota Statutes, section 326.05. The proposed language correctly references the statute as section 326A.05.

M.R. 1105.7100 RAP FIRM APPLICATION

- **Item A:** The rationale for the change to this rule is the same as the rationale for the corresponding rule for firm permits under M.R. 1105.4000.

M.R. 1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM NAMES

Item C contains an incorrect reference to Minnesota Statutes, section 326.05. The proposed language correctly references the statute as section 326A.05.

M.R. 1105.7500 COMPILATION REPORTS

Item C: The current language contains two redundant sentences. The proposed language simplifies the current language by combining the two sentences.

M.R. 1105.7800 CODE OF PROFESSIONAL CONDUCT

According to Minnesota Statutes, section 326A.14, an individual with practice privileges under the statute is subject to the personal and subject matter jurisdiction and disciplinary authority of the board

and must comply with the board's statutes and rules. In Minnesota Statutes, section 326A.14, an individual with practice privileges is referred to as a "licensee;" however, these individuals are not specifically defined as a "licensee" under Minnesota Statutes, section 326A.01. The proposed language adds "or individual with practice privileges under Minnesota Statutes, section 326A.14" to several sentences in items I, J and K of this rule to make it perfectly clear that these individuals are subject to the Code of Professional Conduct.

M.R. 1105.7850 RETENTION AND CONTENT OF AUDIT DOCUMENTATION

- **Item A:** The AICPA no longer publishes the AICPA Professional Standards by volume. The proposed rules eliminate "Volume 1" from the reference to the AICPA Professional Standards.

REPEALERS

M.R. 1105.0100, subpart 9e: Internet-based program – this definition is obsolete since it was removed from the *Statement on Standards for Continuing Professional Education Programs* and "Group Internet-based program" was redefined.

M.R. 1105.0200, subpart 3: The Board's statutes and rules speak for themselves. The Board members and staff do not give oral opinions or interpretations of the statutes and rules. Therefore, this rule part is obsolete.

M.R. 1105.5700: This rule package repeals this rule because it is unnecessary for a licensee or registrant whose certificate, permit or registration is suspended or revoked to return the physical, paper certificate to the Board office.

CONCLUSION

Based on the foregoing, the proposed rules are both needed and reasonable.

Date

Doreen Frost
Executive Director

1.1 **Board of Accountancy**

1.2 **Proposed Permanent Rules Regarding Fees, Peer Reviews, Education, and**
1.3 **Housekeeping Updates**

1.4 **1105.0100 DEFINITIONS.**

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

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

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

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

1.11 Subp. 9a. **Group Internet-based program.** "Group Internet-based program" means
1.12 an educational process designed to permit a participant to learn a given subject through
1.13 interaction with an instructor and other participants by using the Internet. individual
1.14 participation in synchronous learning with real-time interaction of an instructor or subject
1.15 matter expert and built-in process for attendance and interactivity.

1.16 Subp. 9b. **Group live program.** "Group live program" means an educational
1.17 process designed to permit a participant to learn a given subject through interaction with
1.18 an instructor and other participants in a classroom or conference setting. synchronous
1.19 learning in a group environment with real-time interaction of an instructor or subject matter
1.20 expert that provides the required elements of attendance monitoring and engagement.

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

1.22 Subp. 9e. [See repealer.]

1.23 Subp. 9f. **Licensee.** In addition to the definition "Licensee" has the meaning given in
1.24 Minnesota Statutes, section 326A.01, subdivision 9, a "licensee" for purposes of parts
1.25 1105.1200, 1105.5600, 1105.5800, and 1105.7800, and Minnesota Statutes, sections

2.1 ~~326A.08, 326A.10, and 326A.13, can also be a person issued a certificate as a certified~~
2.2 ~~public accountant under the law of any other state who is rendering services in this state~~
2.3 ~~according to Minnesota Statutes, section 326A.04 or 326A.14, or an entity issued a permit~~
2.4 ~~as a CPA firm under the law of any other state who is rendering services in this state~~
2.5 ~~according to Minnesota Statutes, section 326A.05.~~

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

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

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

2.15 ~~Subp. 12. **Peer review.** "Peer review" means an independent study, appraisal, or~~
2.16 ~~review of one or more aspects of the attest or compilation professional services of a licensee~~
2.17 ~~that issues attest or compilation reports, or the professional work of a person registered~~
2.18 ~~under Minnesota Statutes, section 326A.06, paragraph (b). The reviews must be conducted~~
2.19 ~~according to standards approved by the board as specified in this chapter by a person or~~
2.20 ~~persons who hold certificates with an active status and who are not affiliated with the~~
2.21 ~~licensee or CPA firm being reviewed or by reviewers approved by the board as specified in~~
2.22 ~~this chapter has the meaning given in Minnesota Statutes, section 326A.01, subdivision 12.~~

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

2.24 Subp. 16a. **Self-study program.** "Self-study program" means an educational process
2.25 designed to teach a participant a given subject without involvement of an instructor program
2.26 completed individually without the assistance or interaction of a real time instructor.

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

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

3.4 **1105.0250 INCORPORATION BY REFERENCE.**

3.5 A. For purposes of this chapter, the documents ~~dated June 1, 2007, in item~~
3.6 ~~B; the documents dated June 1, 2007, in item C; the document as of December 2007~~
3.7 ~~and copyrighted 2008 in item D; the July 2007 revision of the document in item E; the~~
3.8 ~~document dated October 2006, in item F; the document dated June 1, 2007, in item G;~~
3.9 ~~and the document dated June 30, 2007, in item H; in items B to F~~ are incorporated by
3.10 reference to the extent other provisions of this chapter and Minnesota Statutes do not
3.11 modify or conflict with the provisions of the documents, in which case the provisions of
3.12 this chapter and Minnesota Statutes shall prevail. They can be found at the State Law
3.13 Library and are subject to frequent change.

3.14 B. ~~The following documents~~ AICPA Code of Conduct and other statements
3.15 and standards identified in this item are published by ~~and available from~~ the American
3.16 Institute of Certified Public Accountants as "AICPA Professional Standards." The
3.17 documents are available from AICPA, 1211 Avenue of the Americas, New York, NY
3.18 10036; www.aicpa.org;

3.19 (1) AICPA Code of Professional Conduct, effective December 15, 2014;

3.20 (2) Statements on Quality Control Standards 8, copyright 2015;

3.21 (3) Standards for Performing and Reporting on Peer Reviews, copyright
3.22 2015; and

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

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

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

4.4 (6) Statements on Standards for Attestation Engagements, dated June
4.5 1, 2015;

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

4.8 (8) Consulting Services Standards, revised January 2015;

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

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

4.11 ~~C. The following documents are published by and available from the American~~
4.12 ~~Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY~~
4.13 ~~10036:~~

4.14 ~~(1) AICPA Professional Standards, Volume 1; and~~

4.15 ~~(2) AICPA Professional Standards, Volume 2.~~

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

4.20 D. The following document is published by and available from the American
4.21 Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY
4.22 10036: PCAOB Standards and Related Rules, 2016 edition.

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

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

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

5.9 ~~H. G.~~ The following document is published by the Governmental Accounting
5.10 Standards Board, Norwalk, CT: ~~Codification of Governmental Accounting and Financial~~
5.11 ~~Reporting Standards~~ Government Accounting Standards Board Codification, dated June
5.12 30, 2015.

5.13 **1105.0900 VERIFICATION AND TRANSFER OF GRADE FEES.**

5.14 Requests for verification of data on examinees, certificate holders, registrants, or
5.15 licensees, and requests for transfer of grades, must be made in writing ~~and accompanied~~
5.16 ~~by a \$20 administrative processing fee and a self-addressed stamped envelope.~~

5.17 **1105.1200 COMMUNICATIONS.**

5.18 An applicant, licensee, ~~or~~ registrant, or individual with practice privileges under
5.19 Minnesota Statutes, section 326A.14, 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, or individual with practice
5.23 privileges under Minnesota Statutes, section 326A.14, shall appear before the board,
5.24 committees of the board, or the attorney general on behalf of the board when requested to
5.25 do so and provide copies of all pertinent records, including handwriting samples, to assist
5.26 the board in its deliberations. ~~Communications must be addressed to "Executive Director;~~

6.1 ~~Board of Accountancy."~~ An applicant, licensee, ~~or registrant,~~ or individual with practice
6.2 privileges under Minnesota Statutes, section 326A.14, shall sign an authorization letter
6.3 giving the board access to information relating to a board investigation that is held by any
6.4 federal, state, or other local government agency, or professional organization, the subject
6.5 matter of which pertains to conduct as described in Minnesota Statutes, section 326A.08,
6.6 subdivision 5, paragraph (a), clause (10), when requested to do so by the board or by the
6.7 attorney general on behalf of the board.

6.8 **1105.1400 SEMESTER HOUR; ACCREDITATION; CREDIT FOR COURSES.**

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

6.10 Subp. 2. **Definition; accreditation.** As used in this chapter, "accreditation" refers to
6.11 the process of quality control of the education process. There are three different ~~levels~~
6.12 types of accreditation referred to in this chapter and the degree to which the board relies
6.13 on accreditation differs according to the ~~level at which the degree-granting institution is~~
6.14 ~~accredited~~ type of accreditation. The three ~~levels~~ types of accreditation are described in
6.15 items A to C.

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

7.1 B. ~~Level two accreditation, The A business school, is granted to a business~~
7.2 ~~school or college of business that has been within an accredited educational institution~~
7.3 ~~must be accredited by a national accreditation agency listed with the United States~~
7.4 ~~Department of Education, such as the American Assembly of Collegiate Schools of~~
7.5 ~~Business the Association to Advance Collegiate Schools of Business (AACSB), following~~
7.6 ~~a specific and comprehensive review of its faculty, resources, and curricula. In evaluating~~
7.7 ~~a candidate's credentials, the board shall rely on this accreditation as evidence that the~~
7.8 ~~institution's business school has met minimum overall standards of quality for such~~
7.9 ~~schools or the Accreditation Council for Business Schools and Programs (ACBSP).~~

7.10 C. ~~Level three accreditation, The An accounting program or department, is~~
7.11 ~~granted to an accounting program or department that has been within an AACSB- or~~
7.12 ~~ACBSP-accredited business school must be accredited by a national accreditation agency~~
7.13 ~~listed with the United States Department of Education, such as the AACSB or ACBSP.~~
7.14 ~~Accounting programs or departments accredited in this manner have met standards~~
7.15 ~~substantially higher and much more specific than those required for level one or level two~~
7.16 ~~accreditation. For level three accreditation, the accounting program or department must~~
7.17 ~~meet a stringent set of standards that address faculty credentials, student quality, physical~~
7.18 ~~facilities, and curricula. Graduates who submit transcripts from accredited accounting~~
7.19 ~~programs shall be deemed to have met the board's specific accounting and business course~~
7.20 ~~requirements.~~

7.21 Subp. 3. **Institution accredited when degree is granted.** A candidate is considered
7.22 as graduating from an accredited educational institution if, at the time the educational
7.23 institution grants the applicant's baccalaureate or graduate degree, it is accredited at the
7.24 ~~appropriate level as outlined in according to~~ this chapter.

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

8.1 was received, but is so accredited at the time the application is filed with the board, the
8.2 institution is considered to be accredited for the purpose of subpart 3, if it:

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

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

8.5 If an applicant's baccalaureate or graduate degree was received at an accredited
8.6 educational institution pursuant to subpart 3 or 4, but ~~the educational program that was~~
8.7 coursework used to qualify the applicant as an accounting major included courses taken
8.8 at ~~nonaccredited~~ other institutions, ~~either before or after graduation~~, the courses are
8.9 considered to have been taken at the accredited institution from which the applicant's
8.10 degree was received, if the accredited institution either:

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

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

8.13 **1105.1500 EDUCATION REQUIREMENTS.**

8.14 Subpart 1. **Education requirements.** For purposes of Minnesota Statutes, section
8.15 326A.03, subdivision 3, an applicant is considered to have met the education requirement
8.16 if the applicant has met any one of the following conditions:

8.17 A. earned a graduate degree with a concentration in accounting from an
8.18 accounting program or department within an AACSB- or ACBSP-accredited business
8.19 school that is accredited (~~level three accreditation~~) by ~~an accrediting agency listed with the~~
8.20 ~~United States Department of Education~~ AACSB or ACBSP;

8.21 B. earned a graduate degree from a business school or college of business
8.22 that is accredited (~~level two accreditation~~) by ~~an accrediting agency recognized by the~~
8.23 ~~board~~ AACSB or ACBSP and completed at least 24 semester hours in accounting at
8.24 the undergraduate level or 15 semester hours at the graduate level, or an equivalent
8.25 combination thereof, including ~~coverage of, but not necessarily separate courses in, the~~

9.1 ~~subject of the following required courses:~~ financial accounting, auditing, taxation, and
9.2 management accounting;

9.3 C. earned a baccalaureate degree from a business school or college of business
9.4 that is accredited (~~level two accreditation~~) by an ~~accrediting agency listed with the United~~
9.5 ~~States Department of Education~~ AACSB or ACBSP and completed at least 24 semester
9.6 hours in accounting at the undergraduate or graduate level, including ~~coverage of, but~~
9.7 ~~not necessarily separate courses in, the subjects of the following required courses:~~
9.8 financial accounting, auditing, taxation, and management accounting; and completed at
9.9 least an additional 24 semester hours in business-related or accounting courses at the
9.10 undergraduate or graduate level; or

9.11 D. earned a baccalaureate or higher degree from an ~~accredited~~ educational
9.12 institution (~~level one accreditation~~) accredited by one or more of the regional accrediting
9.13 agencies described in part 1105.1400, subpart 2, item A, that included or is supplemented
9.14 by at least 24 semester hours of accounting at the ~~upper division or graduate~~ intermediate
9.15 or advanced level, including ~~coverage of, but not necessarily separate courses in, the~~
9.16 ~~subjects of the following required courses:~~ financial accounting, auditing, taxation, and
9.17 management accounting ~~that is earned at an accredited educational institution. Upper~~
9.18 ~~division is normally defined as junior or senior level. In accounting, this would be all~~
9.19 ~~courses taken beyond the elementary level. Graduate level is defined as courses that apply~~
9.20 ~~towards an advanced degree offered by an accredited educational institution offering~~
9.21 ~~bachelor's and graduate degrees in business or accounting.~~ Intermediate or advanced level
9.22 coursework includes courses taken beyond the introductory level.

9.23 Subp. 2. [Repealed, 38 SR 1367]

9.24 **1105.2400 EMERGENCY EXAMINATION PROCEDURES.**

9.25 When circumstances exist making it impossible for the board or examination
9.26 administrator to conduct the examination at the time, date, or place scheduled or make it

10.1 impossible for a majority of examination candidates to attend the examination at the time,
10.2 date, or place scheduled, the board shall waive parts 1105.1600, subpart 3; 1105.1700; and
10.3 1105.2000, subpart 2; and Minnesota Statutes, section 326A.04, subdivision 5, paragraph
10.4 (b), clauses (14) and (15), to avoid hardship on examination candidates affected. The
10.5 circumstances include notice to the board of the unavailability of the examination site
10.6 with insufficient time to give notice to examination candidates; weather emergencies as
10.7 declared by the governor, the governor's designees, or those state officials empowered to
10.8 close public highways; civil disturbances; natural disasters; and other causes that affect
10.9 the board's or examination administrator's ability to fairly administer the examination.

10.10 **1105.2500 APPLICATIONS FOR CERTIFICATES.**

10.11 A. Applications for initial certificates and for renewal of certificates pursuant to
10.12 the act must be made on a form provided by the board and, in the case of applications
10.13 for renewal, must be filed no later than the expiration date set by the act or this chapter.
10.14 Applications are not considered filed until the board receives the fully completed
10.15 application, the applicable fee prescribed in Minnesota Statutes, section 326A.04, and
10.16 the following supporting documentation:

10.17 (1) for initial certificates, evidence of completion of the education,
10.18 examination, and experience requirements in part 1105.3800, items A, E, F, G, and H; and

10.19 (2) for renewal certificates, evidence of completion of continuing education
10.20 requirements described in item B.

10.21 Applicants who do not supply all required supporting documents and applicable fees
10.22 for an initial certificate within ~~four~~ three years of the date the application was received
10.23 by the board shall submit a new application with the required fee. If an application for
10.24 renewal is filed late, it must also be accompanied by the delinquency fee prescribed in
10.25 Minnesota Statutes, section 326A.04. In addition, the reinstatement fee prescribed in
10.26 Minnesota Statutes, section 326A.04, must be paid if the renewal is filed more than two

11.1 years late. The application for renewal must be submitted on a form provided by the
11.2 board by December 31 of each year.

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

11.4 **1105.2540 TEMPORARY MILITARY CERTIFICATE.**

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

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

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

11.11 **1105.2600 EXPERIENCE REQUIRED FOR INITIAL CERTIFICATE.**

11.12 The experience required to be demonstrated for issuance of an initial certificate
11.13 pursuant to Minnesota Statutes, section 326A.03, subdivision 6, must comply with items
11.14 A to E D.

11.15 A. Experience consists of providing any type of services or advice using
11.16 accounting, attest, compilation, management advisory, financial advisory, tax, or
11.17 consulting skills.

11.18 B. The applicant's experience must be verified to the board by a licensee as
11.19 ~~defined in the act or from another state.~~ who, at the date of verification, holds a "valid
11.20 certificate" as defined in part 1105.6550, item A, or an unexpired certificate that has a
11.21 certificate status of "inactive." Experience gained in another state must be verified by a
11.22 certified public accountant with an unexpired certificate, license, or registration in that
11.23 state. Acceptable experience includes employment in industry, government, academia, or
11.24 public practice. The board shall consider such factors as the complexity and diversity of
11.25 the work appropriate for an applicant receiving an initial certificate.

12.1 C. Experience as an auditor in the Office of the Legislative Auditor or State
12.2 Auditor, as verified by a licensee, is acceptable experience.

12.3 D. One year of experience consists of full- or part-time employment that
12.4 extends over a period of no less than one year and no more than three years and includes
12.5 no fewer than 2,000 hours of performance of services described in item A.

12.6 E. ~~A "licensee," as used in this part and part 1105.2800, is an individual who~~
12.7 ~~holds, at the date of verification, a "valid certificate" as defined in part 1105.6550, item A,~~
12.8 ~~or an unexpired certificate that has a certificate status of "inactive."~~

12.9 **1105.2900 EDUCATION REQUIRED FOR INITIAL CERTIFICATION ON OR**
12.10 **AFTER JULY 1, 2006.**

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

12.12 B. Applicants who meet the requirements of part 1105.1500, subpart 1, item D,
12.13 and have in total at least 150 semester hours from an accredited educational institution
12.14 are presumed to have completed the educational requirements of Minnesota Statutes,
12.15 section 326A.03, subdivision 6, if the 150 hours completed include at least the following:
12.16 coursework required by part 1105.1500, subpart 1, item D, and a minimum of 24 semester
12.17 hours in intermediate, advanced, or graduate-level courses in business-related subjects
12.18 or accounting.

12.19	Subject Matter	Semester Hours
12.20	Upper division or graduate-level courses in financial accounting,	
12.21	auditing, taxation, and management accounting	24
12.22	Undergraduate or graduate-level courses in business-related	
12.23	subjects or accounting (not including elementary-level accounting	
12.24	courses or courses used to satisfy the previous 24-hour requirement	
12.25	in this item)	24

13.1 C. The 48-semester hour requirement in item B may not include more than six
13.2 hours for internships or life experience.

13.3 D. The 150-semester hour requirement in items A and B must be nonduplicative
13.4 and cover some or all one or more of the following subjects:

13.5 (1) accounting-related subjects:

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

13.7 (l) accounting ethics; and

13.8 (2) business-related subjects:

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

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

13.11 (j) business ethics;

13.12 (k) marketing; and

13.13 (l) data analytics.

13.14 **1105.3000 CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS.**

13.15 The requirements of continuing professional education in items A to G apply pursuant
13.16 to Minnesota Statutes, section 326A.04, subdivision 4.

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

13.18 E. Failure to report CPE, failure to obtain CPE required by this part, reporting of
13.19 an amount less than that required, or fraudulently reporting CPE is a basis for disciplinary
13.20 action under Minnesota Statutes, section 326A.08. A licensee not in compliance with
13.21 this part on June 30 of each year shall be assessed a late processing fee of \$50 for the
13.22 first month, or partial month, of noncompliance and \$25 per month, or partial month,
13.23 of noncompliance thereafter until the date the licensee is in compliance with this part

14.1 and provides documentation of compliance in writing to the board. The maximum late
14.2 processing fee is \$925.

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

14.4 **1105.3100 CONTINUING PROFESSIONAL EDUCATION PROGRAMS.**

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

14.6 Subp. 2. **Other qualifications.** The board shall accept programs that, in the
14.7 determination of the board, contribute to the growth of the professional knowledge and
14.8 competence of the licensee even if the programs do not meet the specific requirements of
14.9 subpart 1 if the licensee shows that the programs contribute to the licensee's professional
14.10 knowledge and professional competence. All self-study programs and program sponsors
14.11 must be approved by NASBA and listed on NASBA's CPE Registry. The following
14.12 learning activities are eligible for CPE credit as specified in the Statement on Standards
14.13 for Continuing Professional Education (CPE) Programs jointly approved by NASBA
14.14 and AICPA:

14.15 A. group live programs;

14.16 B. group Internet-based programs;

14.17 C. blended learning programs;

14.18 D. nano-learning programs;

14.19 ~~E.~~ E. independent study;

14.20 ~~F.~~ F. authoring articles, books, or CPE courses for publication; and

14.21 ~~G.~~ G. preparation time and presentation of courses or seminars.

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

14.23 Subp. 4. **CPE hour limitations.** The following hour limitations apply during the
14.24 rolling three-year CPE period:

- 15.1 A. a maximum of 60 hours may be claimed for presenting or instructing
15.2 qualifying courses or seminars;
- 15.3 B. a maximum of 60 hours may be claimed for authoring articles, books, or
15.4 CPE courses for publication;
- 15.5 C. at least 24 hours must be obtained from attending instructor-led programs;
- 15.6 D. a maximum of 24 hours may be obtained from programs in the subject ~~area~~
15.7 areas of communications and marketing and personal development as defined as a field of
15.8 study that covers such skills as communications, managing the group process, dealing
15.9 effectively with others, interviewing, counseling, and career planning in the NASBA
15.10 Fields of Study and incorporated by reference; and
- 15.11 E. at least 72 hours must be obtained through programs meeting the registry
15.12 requirements under subpart 1.

15.13 **1105.3500 INTERNATIONAL RECIPROcity.**

15.14 [For text of subps 1 to 3, see M.R.]

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

15.21 [For text of subps 5 to 8, see M.R.]

15.22 **1105.4000 APPLICATION FOR FIRM PERMIT.**

15.23 A. Applications by firms for initial issuance and for renewal of permits under
15.24 Minnesota Statutes, section 326A.05, must be made on a form provided by the board and, in
15.25 the case of applications for renewal, must be filed no later than December 31. Applications

16.1 are not considered filed until the applicable fee prescribed in Minnesota Statutes, section
16.2 326A.04, and all required documents prescribed in this chapter are received. Applicants
16.3 who do not supply all required supporting documents and applicable fees for initial issuance
16.4 of a permit within ~~four~~ three years of the date the application was received by the board
16.5 shall submit a new application with the required fee. If an application for permit renewal
16.6 is filed late, it must also be accompanied by the delinquency fee prescribed in Minnesota
16.7 Statutes, section 326A.04. In addition, the reinstatement fee prescribed in Minnesota
16.8 Statutes, section 326A.04, shall be paid if the renewal is filed more than two years late.

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

16.10 **1105.4600 PEER REVIEW.**

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

16.13 A. "~~Peer review~~" ~~means an independent study, appraisal, or review of one or~~
16.14 ~~more aspects of the attest or compilation professional services of a person or firm as~~
16.15 ~~required by Minnesota Statutes, section 326A.05, subdivision 8~~ has the meaning given
16.16 in Minnesota Statutes, section 326A.01, subdivision 12.

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

16.18 **1105.4700 PEER REVIEW STANDARDS.**

16.19 A. For purposes of parts 1105.4600 to 1105.5500, Standards for Performing
16.20 and Reporting on Peer Reviews (Standards) and Statements on Quality Control Standards
16.21 (Statements) that are contained in AICPA Professional Standards, ~~Volume 2,~~ are
16.22 incorporated by reference.

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

17.1 **1105.4900 EXEMPTION FROM PEER REVIEW REQUIREMENT.**

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

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

17.9 If a firm under exemption notifies the board that it has issued attest or compilation
17.10 reports, it must undergo a peer review ~~during the first full year after~~ within 12 months of
17.11 its initial acceptance of an engagement, or sooner at the request of the firm.

17.12 **1105.5100 FIRM PEER REVIEW REQUIREMENT.**

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

17.14 (1) undergo a peer review ~~during the first year after it becomes~~ within 12
17.15 months of becoming subject to the requirements for peer review; and

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

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

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

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

17.23 **1105.5600 GROUNDS FOR ENFORCEMENT ACTION.**

17.24 Subpart 1. **Grounds for disciplinary action.** The grounds for revocation and
17.25 suspension of certificates, registrations, and permits, and other disciplinary action against

18.1 licensees, certificate holders, applicants, and individuals with privileges under Minnesota
18.2 Statutes, section 326A.14, are specified in Minnesota Statutes, section 326A.08. In
18.3 addition, the grounds include the following particular grounds for disciplinary action:

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

18.5 E. A licensee, applicant, certificate holder, registrant, individual with practice
18.6 privileges under Minnesota Statutes, section 326A.14, or ~~person specified in~~ nonlicensee
18.7 owner under Minnesota Statutes, section 326A.05, subdivision 3, paragraph (c), who is
18.8 subject to the actions, or has engaged in activities, described in Minnesota Statutes, section
18.9 326A.08, subdivision 5, paragraph (a), clause (6) or (7) or has been convicted of, has
18.10 pled guilty or nolo contendere to, or has been sentenced as a result of the commission of
18.11 a felony or crime, an element of which is dishonesty or fraud, shall, within 30 days of
18.12 being subject to or engaging in such actions or activities, notify the board in writing and
18.13 provide the details of the activities. The notification may be used as a basis for initiating
18.14 an investigation against the licensee, applicant, certificate holder, registrant, individual
18.15 with practice privileges under Minnesota Statutes, section 326A.14, or ~~person specified in~~
18.16 nonlicensee owner under Minnesota Statutes, section 326A.05, subdivision 3, paragraph
18.17 (c), the results of which could result in disciplinary action specified in Minnesota Statutes,
18.18 section 326A.08.

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

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

18.21 **1105.6300 MISLEADING CPA FIRM NAMES.**

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

18.23 C. The following types of CPA firm names are not misleading and are
18.24 permissible so long as they do not violate Minnesota Statutes, section ~~326.05~~ 326A.05:

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

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

19.2 **1105.7100 RAP FIRM APPLICATION.**

19.3 A. Applications by RAP firms for initial issuance and for renewal of RAP firm
19.4 permit must be made on a form provided by the board and, in the case of applications
19.5 for renewal, shall be filed no later than December 31. Applications are not considered
19.6 filed until the applicable fee prescribed in Minnesota Statutes, section 326A.04, and all
19.7 required documents prescribed in this chapter are received. Applicants who do not supply
19.8 all required supporting documents and applicable fees for initial issuance of a RAP firm
19.9 permit within ~~four~~ three years of the date the application was received by the board shall
19.10 submit a new application with the required fee. If an application for permit renewal is
19.11 filed late, it must also be accompanied by the delinquency fee prescribed in Minnesota
19.12 Statutes, section 326A.04. In addition, the reinstatement fee prescribed in Minnesota
19.13 Statutes, section 326A.04, shall be paid if the renewal is filed more than two years late.

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

19.15 **1105.7450 MISLEADING RAP FIRM NAMES AND FICTITIOUS RAP FIRM**
19.16 **NAMES.**

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

19.18 C. The following types of RAP firm names are not misleading and are
19.19 permissible so long as they do not violate Minnesota Statutes, section ~~326.05~~ 326A.05:

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

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

19.22 **1105.7500 COMPILATION REPORTS.**

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

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

20.1 incorporated by reference when performing compilation services except as specified in
20.2 part 1105.6500, item C. ~~The statements are in AICPA Professional Standards, Volume~~
20.3 ~~2, published by the American Institute of Certified Public Accountants, which are~~
20.4 ~~incorporated by reference.~~

20.5 **1105.7800 CODE OF PROFESSIONAL CONDUCT.**

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

20.7 I. A licensee or individual with practice privileges under Minnesota Statutes,
20.8 section 326A.14, shall not render services that do not follow the standards, as applicable
20.9 under the circumstances and at the time the services are provided, specified in the
20.10 documents in part 1105.0250. In addition to these applicable standards, and to the extent
20.11 other provisions of this chapter and Minnesota Statutes do not modify or conflict with
20.12 them, a licensee or individual with practice privileges under Minnesota Statutes, section
20.13 326A.14, shall follow standards issued by other professional or governmental bodies
20.14 including international standards setting bodies with which a licensee is required by law,
20.15 regulation, or the terms of engagement to comply.

20.16 J. (1) A licensee or individual with practice privileges under Minnesota
20.17 Statutes, section 326A.14, shall not for a commission recommend or refer to a client any
20.18 product or service, or for a commission recommend or refer any product or service to be
20.19 supplied by a client, or receive a commission, when the licensee or individual with practice
20.20 privileges under Minnesota Statutes, section 326A.14, also performs for that client:

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

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

20.25 (c) an examination of prospective financial information.

21.1 This prohibition applies during the period in which the licensee is or individual with
21.2 practice privileges under Minnesota Statutes, section 326A.14, engaged to perform any
21.3 of the services listed under this item and the period covered by any historical financial
21.4 statements involved in these services.

21.5 (2) A licensee or individual with practice privileges under Minnesota
21.6 Statutes, section 326A.14, who is not prohibited by this item from performing services
21.7 for or receiving a commission and who is paid or expects to be paid a commission shall
21.8 disclose that fact to any person or entity to whom the licensee or individual with practice
21.9 privileges under Minnesota Statutes, section 326A.14, recommends or refers a product or
21.10 service to which the commission relates.

21.11 (3) Any licensee or individual with practice privileges under Minnesota
21.12 Statutes, section 326A.14, who accepts a referral fee for recommending or referring any
21.13 service of a licensee or individual with practice privileges under Minnesota Statutes,
21.14 section 326A.14, to any person or entity or who pays a referral fee to obtain a client shall
21.15 disclose any acceptance or payment to the client.

21.16 K. (1) A licensee or individual with practice privileges under Minnesota
21.17 Statutes, section 326A.14, shall not:

21.18 (a) perform for a contingent fee any professional services for, or receive
21.19 any fee from a client for whom the licensee ~~or~~, the licensee's firm, or an individual with
21.20 practice privileges under Minnesota Statutes, section 326A.14, performs:

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

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

21.25 iii. an examination of prospective financial information; or

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

22.3 (2) The prohibition in subitem (1) applies during the period in which the
22.4 licensee or individual with practice privileges under Minnesota Statutes, section 326A.14,
22.5 is engaged to perform any of the services listed in this item and the period covered by any
22.6 historical financial statements involved in any listed services.

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

22.14 **1105.7850 RETENTION AND CONTENT OF AUDIT DOCUMENTATION.**

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

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

22.21 **REPEALER.** Minnesota Rules, parts 1105.0100, subpart 9e; 1105.0200, subpart 3; and
22.22 1105.5700, are repealed.