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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 2811**

February 12, 2008

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The bill was read for the first time and referred to the Committee on Commerce and Labor

February 21, 2008

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on Public Safety and Civil Justice

1.1 A bill for an act  
1.2 relating to occupations and professions; modifying provisions governing the  
1.3 Board of Accountancy; amending Minnesota Statutes 2006, sections 326A.01,  
1.4 subdivisions 2, 12, 17, by adding a subdivision; 326A.02, subdivisions 1, 3, 4,  
1.5 5, 6, by adding a subdivision; 326A.03; 326A.04; 326A.05, subdivisions 1, 2,  
1.6 3, 4; 326A.06; 326A.07; 326A.08, subdivisions 2, 4, 5, 6, 7, 8, 9; 326A.10;  
1.7 326A.12; 326A.13; 326A.14; repealing Minnesota Statutes 2006, section  
1.8 326A.05, subdivision 9.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. Minnesota Statutes 2006, section 326A.01, subdivision 2, is amended to  
1.11 read:

1.12 Subd. 2. **Attest.** "Attest" means to provide the following financial statement  
1.13 services:

1.14 (1) an audit or other engagement performed in accordance with the Statements on  
1.15 Auditing Standards (SAS);

1.16 (2) a review of a financial statement performed in accordance with the Statements on  
1.17 Standards for Accounting and Review Services (SSARS); ~~and~~

1.18 (3) an examination of prospective financial information performed in accordance  
1.19 with the Statements on Standards for Attestation Engagements (SSAE); and

1.20 (4) any engagement performed in accordance with auditing and related standards of  
1.21 the Public Company Accounting Oversight Board.

1.22 Sec. 2. Minnesota Statutes 2006, section 326A.01, subdivision 12, is amended to read:

1.23 Subd. 12. **Peer review.** "Peer review" means ~~a~~ an independent study, appraisal, or  
1.24 review of one or more aspects of the professional work of a ~~certificate holder or CPA firm~~  
1.25 licensee that performs issues attest or compilation services reports, or the professional

2.1 work of a person registered under section 326A.06, paragraph (b), by ~~a person or persons~~  
2.2 ~~who hold certificates and who are not affiliated with the certificate holder, CPA firm, or~~  
2.3 ~~person being reviewed~~ persons who are not affiliated with the licensee being reviewed.

2.4 Sec. 3. Minnesota Statutes 2006, section 326A.01, is amended by adding a subdivision  
2.5 to read:

2.6 Subd. 13a. **Principal place of business.** "Principal place of business" means the  
2.7 office location designated by the licensee for purposes of substantial equivalency and  
2.8 reciprocity in this state and in other states.

2.9 Sec. 4. Minnesota Statutes 2006, section 326A.01, subdivision 17, is amended to read:

2.10 Subd. 17. **Substantial equivalency.** "Substantial equivalency" is a determination  
2.11 ~~under section 326A.14~~ by the Board of Accountancy or its designee that the education,  
2.12 examination, and experience requirements contained in the statutes and administrative  
2.13 rules of another jurisdiction are comparable to, or exceed the education requirements  
2.14 in section 326A.03, subdivisions 3 and 6, paragraph (a), examination` requirements in  
2.15 section 326A.03, subdivision 4, paragraph (a), and experience requirements contained in  
2.16 ~~this chapter~~ section 326A.03, subdivision 6, paragraph (b), or that an individual CPA's  
2.17 education, examination, and experience qualifications are comparable to or exceed  
2.18 the education, examination, and experience requirements ~~contained in this chapter~~  
2.19 subdivision. For purposes of ascertaining substantial equivalency under the provisions of  
2.20 this chapter, the board shall take into account the qualifications of the individual without  
2.21 regard to the sequence in which experience, education, or examination were attained.

2.22 Sec. 5. Minnesota Statutes 2006, section 326A.02, subdivision 1, is amended to read:

2.23 Subdivision 1. **Board.** A Board of Accountancy is created to carry out the purposes  
2.24 and enforce the provisions of this chapter. It consists of nine citizens of this state appointed  
2.25 by the governor. Two must be public members as defined by section 214.02, and seven  
2.26 must be certified public accountants under the provisions of this chapter. Effective  
2.27 January 1, 2003, no fewer than five of the certified public accountants must be owners or  
2.28 employees of a CPA firm that holds a current permit and provides professional services at  
2.29 the time of appointment and reappointment. ~~At least~~ No fewer than two board members,  
2.30 who may be any of the seven certified public accountants, at the time of appointment and  
2.31 reappointment must be owners or employees of a CPA firm that:

2.32 (1) holds a current permit;

2.33 (2) provides professional services; and

3.1 (3) consists of ten or fewer certified public accountants.

3.2 Sec. 6. Minnesota Statutes 2006, section 326A.02, subdivision 3, is amended to read:

3.3 Subd. 3. **Officers; proceedings.** The board shall elect one of its number as chair,  
3.4 another as vice-chair, and another as secretary and treasurer. The officers shall hold their  
3.5 respective offices for a term of one year and until their successors are elected. The  
3.6 affirmative vote of a majority of the qualified members of the board, or a majority of a  
3.7 quorum of the board at any meeting duly called, is considered the action of the board.  
3.8 The board shall meet at such times and places as may be fixed by the board. Meetings  
3.9 of the board are subject to chapter 13D. A majority of the board members then in office  
3.10 constitutes a quorum at any meeting duly called. ~~The board shall have a seal, which~~  
3.11 ~~must be judicially noticed.~~ The board shall retain or arrange for the retention of all  
3.12 applications and all documents under oath that are filed with the board and also records of  
3.13 its proceedings, and it shall maintain a registry of the names and addresses of all licensees  
3.14 and registrants under this chapter. In any proceeding in court, civil or criminal, arising  
3.15 out of or founded upon any provision of this chapter, copies of records of the proceeding  
3.16 certified as true copies ~~under the seal of the boards~~ by the board chair or executive director  
3.17 shall be admissible in evidence as tending to prove the contents of the records.

3.18 Sec. 7. Minnesota Statutes 2006, section 326A.02, subdivision 4, is amended to read:

3.19 Subd. 4. **Powers.** The powers and duties of the board shall be as provided in this  
3.20 chapter or as otherwise provided by law. The board, or the complaint committee if  
3.21 authorized by the board, may issue subpoenas to compel the attendance of witnesses and  
3.22 the production of documents, to administer oaths, to take testimony, to cooperate with the  
3.23 appropriate state, federal, foreign regulatory, or law enforcement authorities ~~in other states~~  
3.24 in investigation and enforcement concerning violations of this chapter and comparable  
3.25 acts of other states, and to receive evidence concerning all matters within the scope of this  
3.26 chapter. In case of disobedience of a subpoena, the board may invoke the aid of any court  
3.27 in requiring the attendance and testimony of witnesses and the production of documentary  
3.28 evidence. The board, its members, and its agents are immune from personal liability for  
3.29 actions taken in good faith in the discharge of the board's responsibilities, and the state  
3.30 shall hold the board, its members, and its agents harmless from all costs, damages, and  
3.31 attorneys fees arising from claims and suits against them with respect to matters to which  
3.32 such immunity applies. The board shall enforce the ~~standard of general education, the~~  
3.33 ~~standard of special education in the science and art of accounting, and the standard of~~

4.1 ~~good character and general experience~~ laws relating to the practice of public accounting,  
4.2 as prescribed in this chapter and rules adopted by the board.

4.3 Sec. 8. Minnesota Statutes 2006, section 326A.02, subdivision 5, is amended to read:

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

4.7 (1) rules governing the board's meetings and the conduct of its business;

4.8 (2) rules of procedure governing the conduct of investigations and hearings and  
4.9 discipline by the board;

4.10 (3) rules specifying the educational and experience qualifications required for the  
4.11 issuance of certificates and the continuing professional education required for renewal  
4.12 of certificates;

4.13 (4) rules of professional conduct directed to controlling the quality and probity  
4.14 of services by licensees, and dealing among other things with independence, integrity,  
4.15 and objectivity; competence and technical standards; and responsibilities to the public  
4.16 and to clients;

4.17 (5) rules governing the professional standards applicable to licensees including  
4.18 adoption of the ~~statements on~~ standards specified in section 326A.01, subdivision 2, and  
4.19 as developed for general application by recognized national accountancy organizations  
4.20 such as the American Institute of Certified Public Accountants or the Public Company  
4.21 Accounting Oversight Board;

4.22 (6) rules governing the manner and circumstances of use of the titles "certified public  
4.23 accountant," "CPA," "registered accounting practitioner," and "RAP";

4.24 (7) rules regarding peer review that may be required to be performed under  
4.25 provisions of this chapter;

4.26 (8) rules on substantial equivalence to implement section 326A.14;

4.27 (9) rules regarding the conduct of the certified public accountant examination;

4.28 (10) rules regarding the issuance and renewals of certificates, permits, and  
4.29 registrations;

4.30 (11) rules regarding transition provisions to implement this chapter;

4.31 (12) rules specifying the educational and experience qualifications for registration,  
4.32 rules of professional conduct, rules regarding peer review, rules governing standards for  
4.33 providing services, and rules regarding the conduct and content of examination for those  
4.34 persons registered under section 326A.06, paragraph (b); ~~and~~

5.1 (13) rules regarding fees for examinations, certificate issuance and renewal, firm  
5.2 permits, registrations under section 326A.06, paragraph (b), notifications made under  
5.3 section 326A.14, and late processing fees; and

5.4 (14) upon any change to this chapter, if the board determines a change in Minnesota  
5.5 Rules is required, the board may initiate the expedited process under section 14.389 up to  
5.6 one year after the effective date of the change to this chapter.

5.7 Sec. 9. Minnesota Statutes 2006, section 326A.02, subdivision 6, is amended to read:

5.8 Subd. 6. **Complaint committee.** The board shall establish a complaint committee  
5.9 to investigate, mediate, or initiate administrative or legal proceedings on behalf of the  
5.10 board with respect to complaints filed with or information received by the board alleging  
5.11 or indicating violations of this chapter or rules adopted by the board. The complaint  
5.12 committee shall consist of three members of the board.

5.13 Sec. 10. Minnesota Statutes 2006, section 326A.02, is amended by adding a  
5.14 subdivision to read:

5.15 Subd. 8. **Executive director.** The board shall appoint an executive director to  
5.16 assist the board in performing its duties.

5.17 Sec. 11. Minnesota Statutes 2006, section 326A.03, is amended to read:

5.18 **326A.03 CERTIFIED PUBLIC ACCOUNTANT QUALIFICATIONS.**

5.19 Subdivision 1. **Qualifications.** The certificate of certified public accountant shall  
5.20 be granted to persons of good moral character who meet the education, experience, and  
5.21 examination requirements of this section and rules adopted under it and who apply  
5.22 under section 326A.04.

5.23 Good moral character for purposes of this ~~section~~ chapter means the propensity to  
5.24 provide professional services in a fair, honest, and trustworthy manner and a lack of  
5.25 a history of dishonest or felonious acts. The board may refuse to grant a certificate on  
5.26 the ground of failure to satisfy this requirement only if there is a substantial connection  
5.27 between the lack of good moral character of the applicant and the professional  
5.28 responsibilities of a licensee and if the finding by the board of lack of good moral  
5.29 character is supported by clear and convincing evidence. When an applicant is found to  
5.30 be unqualified for a certificate because of a lack of good moral character, the board shall  
5.31 furnish the applicant a statement containing the findings of the board, a complete record  
5.32 of the evidence upon which the determination was based, and a notice of the applicant's  
5.33 right of appeal.

6.1 Subd. 2. **Examination before July 1, 2006; required education and experience.**

6.2 Until July 1, 2006, the examination must be administered by the board only to a candidate  
6.3 who:

6.4 (1) holds a master's degree with a major in accounting from a college or university  
6.5 that is fully accredited by a recognized accrediting agency listed with the United States  
6.6 Department of Education;

6.7 (2) holds a baccalaureate degree, with a major in accounting, from a college or  
6.8 university that is fully accredited by a recognized accrediting agency listed with the  
6.9 United States Department of Education or who has in the opinion of the board at least  
6.10 an equivalent education;

6.11 (3) holds a baccalaureate degree from a college or university that is fully accredited  
6.12 by a recognized accrediting agency listed with the United States Department of Education,  
6.13 or who has in the opinion of the board at least an equivalent education, provided that at  
6.14 least one year of experience of the type specified in subdivision 8 has been completed;

6.15 (4) provides evidence of having completed two or more years of study with a passing  
6.16 grade average or above from a college, university, technical college, or a Minnesota  
6.17 licensed private school that is fully accredited by a recognized accrediting agency listed  
6.18 with the United States Department of Education, or who has in the opinion of the board  
6.19 at least an equivalent education, provided that at least three years experience of the type  
6.20 specified in subdivision 8 has been completed; or

6.21 (5) holds a diploma as a graduate of an accredited high school, or who has in the  
6.22 opinion of the board at least an equivalent education, provided that at least five years  
6.23 experience of the type specified in subdivision 8 has been completed.

6.24 Subd. 3. **Examination on or after July 1, 2006; required education.** On or after  
6.25 July 1, 2006, the examination must be administered by the board only to a candidate who  
6.26 has a baccalaureate or higher degree, with a major in accounting or a major in business  
6.27 with accounting emphasis, or an equivalent education, from a college or university  
6.28 that is fully accredited by a recognized accrediting agency listed with the United States  
6.29 Department of Education or an equivalent accrediting association.

6.30 **Subd. 3a. Early examination.** Notwithstanding any contrary provision in this  
6.31 section, the board may adopt rules to permit a person under certain circumstances:

6.32 (1) to apply for the examination within 180 days prior to the person's anticipated  
6.33 completion of the education requirements; and

6.34 (2) to take all or a part of the examination within 90 days of the anticipated  
6.35 completion of the education requirements. No credit shall be given for any part of the

7.1 examination taken before completion of the education requirements in subdivision 3  
7.2 unless:

7.3 (i) the education requirements in subdivision 3 and adopted rule requirements are  
7.4 met within 120 days after taking any part of the examination; and

7.5 (ii) documentation of completion of education requirements is received by the board  
7.6 within 150 days of the person taking any part of the examination.

7.7 Subd. 4. **Examination requirements.** (a) The examination required to be passed  
7.8 as a condition for the granting of a certificate must be held as often as convenient, in the  
7.9 opinion of the board, and must test the applicant's knowledge of the subjects of accounting  
7.10 and auditing, and other related subjects that the board may specify by rule, including but  
7.11 not limited to business law and taxation. The time for holding the examination must be  
7.12 determined by the board and may be changed from time to time. The board shall prescribe  
7.13 by rule the methods of applying for and conducting the examination, including methods  
7.14 for grading and determining a passing grade required of an applicant for a certificate.  
7.15 However, the board shall to the extent possible ensure that the examination itself, grading  
7.16 of the examination, and the passing grades, are uniform with those applicable in all other  
7.17 states. The board may make such use of all or any part of the Uniform Certified Public  
7.18 Accountant Examination and Advisory Grading Service of the American Institute of  
7.19 Certified Public Accountants and may contract with third parties to perform administrative  
7.20 services with respect to the examination that it considers appropriate to assist it in  
7.21 performing its duties under this paragraph.

7.22 (b) The board may charge, or provide for a third party administering the examination  
7.23 to charge, each applicant a fee.

7.24 Subd. 5. **Certificate before July 1, 2006; required experience.** Until July 1, 2006,  
7.25 ~~those persons~~ a person who ~~have~~ has passed the examination required by this section and  
7.26 who ~~meet~~ meets all other requirements for a certificate, including payment of required  
7.27 fees, must be granted ~~certificates~~ a certificate as a certified public ~~accountants~~ accountant,  
7.28 providing that ~~they have~~ the person has completed the following experience requirements  
7.29 of the type specified in subdivision 8 in addition to any experience already required in  
7.30 subdivision 2:

7.31 (1) for those whose educational qualifications meet the requirements of subdivision  
7.32 2, clause (1), the experience requirement is one year;

7.33 (2) for those whose educational qualifications meet the requirements of subdivision  
7.34 2, clause (2), the experience requirement is two years;

7.35 (3) for those whose educational and experience qualifications meet the requirements  
7.36 of subdivision 2, clause (3), the additional required experience is two years;

8.1 (4) for those whose educational and experience qualifications meet the requirements  
8.2 of subdivision 2, clause (4), the additional required experience is two years; and

8.3 (5) for those whose educational and experience qualifications meet the requirements  
8.4 of subdivision 2, clause (5), the additional required experience is one year.

8.5 Subd. 6. **Certificate on or after July 1, 2006; required education and experience.**

8.6 (a) On or after July 1, 2006, ~~those persons~~ a person who ~~have~~ has passed the examination  
8.7 required in this section must be granted ~~certificates~~ a certificate as a certified public  
8.8 ~~accountants~~ accountant provided ~~they certify~~: (1) the person certifies to the board that  
8.9 ~~they have~~ the person has completed at least 150 semester or 225 quarter hours at a college  
8.10 or university that is fully accredited by a recognized accrediting agency listed with the  
8.11 United States Department of Education, or an equivalent accrediting association, and  
8.12 ~~have~~ has completed at least one year of experience of the type specified in paragraph (b);  
8.13 (2) the board verifies the certifications; and (3) the person complies with requirements  
8.14 for initial issuance of the certificate as a certified public accountant as prescribed by  
8.15 the board by rule.

8.16 (b) An applicant for initial issuance of a certificate under this subdivision shall  
8.17 show that the applicant has had one year of experience. Acceptable experience  
8.18 includes providing any type of service or advice involving the use of accounting, attest,  
8.19 compilation, management advisory, financial advisory, tax, or consulting skills, as verified  
8.20 by a licensee and meeting requirements prescribed by the board by rule. Acceptable  
8.21 experience may be gained through employment in government, industry, academia, or  
8.22 public practice. Experience as an auditor in the Office of the Legislative Auditor or State  
8.23 Auditor, as verified by a licensee, shall be acceptable experience.

8.24 Subd. 7. **Equivalent education criteria.** The board, in consultation with the  
8.25 University of Minnesota, the Minnesota State Colleges and Universities, private colleges,  
8.26 and private career schools regulated under chapter 141, shall establish criteria to assess  
8.27 equivalent education for purposes of subdivision 3.

8.28 Subd. 8. **Qualifying experience until July 1, 2006.** Until July 1, 2006, qualifying  
8.29 experience includes public accounting experience:

8.30 (1) as a staff employee of a certified public accountant, or a firm;

8.31 (2) as an auditor in the Office of the Legislative Auditor or State Auditor, or as an  
8.32 auditor or examiner with any other agency of government, if the experience, in the opinion  
8.33 of the board, is equally comprehensive and diversified;

8.34 (3) as a self-employed public accountant or as a partner in a firm; or

8.35 (4) in any combination of the foregoing capacities.

9.1 Sec. 12. Minnesota Statutes 2006, section 326A.04, is amended to read:

9.2 **326A.04 CERTIFICATE ~~ISSUED OR RENEWED~~ ISSUANCE AND**  
 9.3 **RENEWAL; COMPETENCY STANDARD.**

9.4 Subdivision 1. **Eligibility.** The board shall grant or renew certificates to ~~persons~~  
 9.5 a person of good moral character who ~~make~~ makes an application and ~~demonstrate:~~  
 9.6 ~~(1) demonstrates~~ that their the person's qualifications, including where applicable the  
 9.7 qualifications prescribed by section 326A.03, are in accordance with this section; ~~or and~~  
 9.8 rules adopted by the board.

9.9 ~~(2) that they are eligible under the substantial equivalency standard in section~~  
 9.10 ~~326A.14, subdivision 1, paragraph (b), which requires licensure for those certified public~~  
 9.11 ~~accountants who establish their principal places of business in another state.~~ The holder of  
 9.12 a certificate issued under this section may only provide attest services in a CPA firm that  
 9.13 holds a permit issued under section 326A.05.

9.14 Subd. 2. **Timing.** (a) Certificates must be initially issued and renewed for periods  
 9.15 of not more than ~~one year~~ three years but in any event must expire on ~~the~~ December 31  
 9.16 ~~following issuance or renewal in the year prescribed by the board by rule.~~ Applications for  
 9.17 certificates must be made in the form, and in the case of applications for renewal between  
 9.18 the dates, specified by the board in rule. The board shall grant or deny an application no  
 9.19 later than 90 days after the application is filed in proper form. If the applicant seeks the  
 9.20 opportunity to show that issuance or renewal of a certificate was mistakenly denied, or if  
 9.21 the board is unable to determine whether it should be granted or denied, the board may  
 9.22 issue to the applicant a provisional certificate that expires 90 days after its issuance, or  
 9.23 when the board determines whether or not to issue or renew the certificate for which  
 9.24 application was made, whichever occurs first.

9.25 (b) Certificate holders who do not provide professional services and do not use the  
 9.26 certified public accountant designation in any manner are not required to renew their  
 9.27 certificates provided they have notified the board as provided in board rule and comply  
 9.28 with the requirements for nonrenewal as specified in board rule.

9.29 (c) Applications for renewal of a certificate that are complete and timely filed with  
 9.30 the board and are not granted or denied by the board before January 1 are renewed on a  
 9.31 provisional basis as of January 1 and for 90 days thereafter, or until the board grants or  
 9.32 denies the renewal of the certificate, whichever occurs first, provided the licensee meets  
 9.33 the requirements in this chapter and rules adopted by the board.

9.34 Subd. 3. **Residents of other states.** (a) With regard to ~~applicants~~ an applicant  
 9.35 who do must obtain a certificate in this state because the applicant does not qualify ~~for~~  
 9.36 reciprocity under the substantial equivalency standard in section 326A.14, subdivision

10.1 1, ~~paragraph (b)~~; the board shall issue a certificate to a holder of a certificate, license, or  
10.2 permit issued by another state upon a showing that:

10.3 (1) the applicant passed the examination required for issuance of ~~the applicant's a~~  
10.4 ~~certificate with grades that would have been passing grades at the time~~ in this state;

10.5 (2) the applicant had four years of experience ~~outside of this state~~ of the type  
10.6 described in section 326A.03, subdivision 6, paragraph (b), if application is made on or  
10.7 after July 1, 2006, or section 326A.03, subdivision 8, if application is made before July  
10.8 1, 2006; or the applicant meets equivalent requirements prescribed by the board by rule,  
10.9 after passing the examination upon which the applicant's certificate was based and within  
10.10 the ten years immediately preceding the application; ~~and~~

10.11 (3) if the applicant's certificate, license, or permit was issued more than four years  
10.12 prior to the application for issuance of an initial certificate under this subdivision, that the  
10.13 applicant has fulfilled the requirements of continuing professional education that would  
10.14 have been applicable under subdivision 4-; and

10.15 (4) the applicant has met the qualifications prescribed by the board by rule.

10.16 (b) ~~As an alternative to the requirements of paragraph (a)~~; A certificate holder  
10.17 licensed by another state who establishes a principal place of business in this state shall  
10.18 request the issuance of a certificate from the board prior to establishing the principal place  
10.19 of business. The board shall issue a certificate to the person if the person's individual  
10.20 certified public accountant qualifications, upon verification, are substantially equivalent  
10.21 to the certified public accountant licensure requirements of this chapter or the person  
10.22 meets equivalent requirements as the board prescribes by rule. Residents of this state  
10.23 who provide professional services in this state at an office location in this state shall be  
10.24 considered to have their principal place of business in this state.

10.25 Subd. 4. **Program of learning.** ~~For renewal of a certificate under this section,~~

10.26 Each licensee shall participate in a program of learning designed to maintain professional  
10.27 competency. The program of learning must comply with rules adopted by the board.

10.28 The board may by rule create an exception to this requirement for licensees who do not  
10.29 perform or offer to perform for the public one or more kinds of services involving the use  
10.30 of accounting or auditing skills, including issuance of reports on financial statements or of  
10.31 one or more kinds of management advisory, financial advisory or consulting services, or  
10.32 the preparation of tax returns or the furnishing of advice on tax matters. A licensee granted  
10.33 such an exception by the board must place the word "inactive" adjacent to the CPA title  
10.34 on any business card, letterhead, or any other document or device, with the exception of  
10.35 the licensee's certificate on which the CPA title appears.

11.1 Subd. 5. **Fee.** The board shall charge a fee for each application for initial issuance or  
 11.2 renewal of a certificate under this section.

11.3 Subd. 6. **Other state licenses.** ~~Applicants~~ An applicant for initial issuance or  
 11.4 renewal of ~~certificates~~ a certificate under this section shall ~~in their applications~~ list in  
 11.5 the application all states in which ~~they have~~ the applicant has applied for or ~~hold~~ holds  
 11.6 certificates, licenses, or permits, and list any past denial, revocation, or suspension of a  
 11.7 certificate, license, or permit. Each holder of or applicant for a certificate under this section  
 11.8 shall notify the board in writing, within 30 days after its occurrence, of any issuance,  
 11.9 denial, revocation, or suspension of a certificate, license, or permit by another state.

11.10 Subd. 7. **Certificates issued by foreign countries.** The board shall issue a  
 11.11 certificate to a holder of a ~~substantially~~ generally equivalent foreign country designation,  
 11.12 provided that:

11.13 (1) the foreign authority that granted the designation makes similar provision to  
 11.14 allow a person who holds a valid certificate issued by this state to obtain the foreign  
 11.15 authority's comparable designation;

11.16 (2) the foreign designation:

11.17 (i) was duly issued by a foreign authority that regulates the practice of public  
 11.18 accountancy and the foreign designation has not expired or been revoked or suspended;

11.19 (ii) entitles the holder to issue reports upon financial statements; and

11.20 (iii) was issued upon the basis of educational, examination, and experience  
 11.21 requirements established by the foreign authority or by law; and

11.22 (3) the applicant:

11.23 (i) received the designation, based on educational and examination standards  
 11.24 ~~substantially~~ generally equivalent to those in effect in this state, at the time the foreign  
 11.25 designation was granted;

11.26 (ii) has, within the ten years immediately preceding the application, completed an  
 11.27 experience requirement that is ~~substantially~~ generally equivalent to the requirement in  
 11.28 section 326A.03, subdivision 6, paragraph (b), if application is made on or after July 1,  
 11.29 2006, or section 326A.03, subdivision 8, if application is made before July 1, 2006, in  
 11.30 the jurisdiction that granted the foreign designation; completed four years of professional  
 11.31 experience in this state; or met equivalent requirements prescribed by the board by  
 11.32 rule; and

11.33 (iii) passed a uniform qualifying examination in national standards and an  
 11.34 examination on the laws, regulations, and code of ethical conduct in effect in this state  
 11.35 ~~acceptable to~~ as the board prescribes by rule.

12.1 Subd. 8. **Other jurisdictions in which foreign applicant is licensed.** An applicant  
 12.2 under subdivision 7 shall list in the application ~~list~~ all jurisdictions, foreign and domestic,  
 12.3 in which the applicant has applied for or holds a designation to practice public accountancy.  
 12.4 Each holder of a certificate issued under subdivision 7 shall notify the board in writing,  
 12.5 within 30 days after its occurrence, of any issuance, denial, revocation, or suspension of a  
 12.6 designation or commencement of a disciplinary or enforcement action by any jurisdiction.

12.7 Subd. 9. **Application by foreign certificate holder.** The board has the sole  
 12.8 authority to interpret the application of the provisions of subdivisions 7 and 8.

12.9 Subd. 10. **Peer review.** The board shall by rule require as a condition for renewal  
 12.10 of a certificate under this section by any certificate holder who performs compilation  
 12.11 services for the public other than through a CPA firm, that the individual undergo, no more  
 12.12 frequently than once every three years, a peer review conducted in a manner specified  
 12.13 by the board in rule. The review shall include verification that the individual has met the  
 12.14 competency requirements set out in professional standards for the services described in  
 12.15 this subdivision as set forth by rule.

12.16 Subd. 11. **Automatic revocation.** ~~The certificates~~ certificate of persons a person  
 12.17 ~~who fail~~ fails to renew ~~their certificates~~ a certificate for more than two years after  
 12.18 expiration or the certificate of a person who had not reported required experience to the  
 12.19 board by January 1, 2003, and who fails to report the required experience under Minnesota  
 12.20 Rules shall be automatically revoked by order of the board. The orders may be issued by  
 12.21 the board without following the procedures of chapter 14, provided the board notifies each  
 12.22 ~~such~~ affected person by mail at the person's last known address on file with the board at  
 12.23 least three days prior to the issuance of any ~~such~~ order. No notice is required if the last  
 12.24 communication sent by the board to a licensee was returned to the board by the United  
 12.25 States Postal Service as undeliverable and with no forwarding address. Certificates ~~so~~  
 12.26 revoked by the board may be reinstated, if at all, under section 326A.09. This subdivision  
 12.27 does not apply to certified public accountants who have notified the board, according to  
 12.28 requirements prescribed by board rule, that they will not use the CPA designation in any  
 12.29 manner and will not provide professional services.

12.30 Subd. 12. **Professional ethics examination.** The board shall adopt rules  
 12.31 establishing requirements for a professional ethics examination which must be completed  
 12.32 before an initial certificate is issued under this section.

12.33 Sec. 13. Minnesota Statutes 2006, section 326A.05, subdivision 1, is amended to read:

12.34 Subdivision 1. **General.** The board shall grant or renew permits to practice as a CPA  
 12.35 firm to entities that make application and demonstrate their qualifications in accordance

13.1 with this section. ~~A firm must hold a permit issued under this section in order to provide~~  
13.2 ~~attest services or to use the title "CPAs" or "CPA firm."~~

13.3 (a) The following must hold a permit issued under this section:

13.4 (1) any firm with an office in this state performing attest services as defined in  
13.5 section 326A.01, subdivision 2;

13.6 (2) to the extent required by section 326A.10, paragraph (k), any firm with an office  
13.7 in this state performing compilation services as defined in section 326A.01, subdivision 6;

13.8 (3) any firm with an office in this state that uses the title "CPA" or "CPA firm"; or

13.9 (4) any firm that does not have an office in this state but performs attest services  
13.10 as described in section 326A.01, subdivision 2, paragraph (1), (3), or (4), for a client  
13.11 having its headquarters in this state.

13.12 (b) A firm possessing a valid permit from another state which does not have an office  
13.13 in this state may perform services described in section 326A.01, subdivision 2, clause (2),  
13.14 or subdivision 6, for a client having its headquarters in this state and may use the title  
13.15 "CPA" or "CPA firm" without a permit issued under this section only if:

13.16 (1) it has the qualifications described in subdivision 3, paragraph (b);

13.17 (2) as a condition to the renewal of the firm's permit issued by the other state, that  
13.18 state requires a peer review which contains the requirements equivalent to subdivision 8,  
13.19 paragraphs (a) and (e); and

13.20 (3) it performs the services through an individual who has been granted practice  
13.21 privileges under section 326A.14.

13.22 (c) A firm possessing a valid permit from another state that does not have an office  
13.23 in this state and which is not subject to the requirements of paragraph (a), clause (4), or  
13.24 (b), may perform other professional services while using the title "CPA" or "CPA firm" in  
13.25 this state without a permit issued under this section only if the firm:

13.26 (1) has the qualifications described in subdivision 3, paragraph (b);

13.27 (2) performs the services through an individual who has been granted practice  
13.28 privileges under section 326A.14; and

13.29 (3) can lawfully perform the services in the state where the individuals with practice  
13.30 privileges have their principal place of business.

13.31 Sec. 14. Minnesota Statutes 2006, section 326A.05, subdivision 2, is amended to read:

13.32 Subd. 2. **Timing.** (a) Permits must be initially issued and renewed for periods of  
13.33 not more than one year but in any event must expire on December 31 following issuance  
13.34 or renewal. Applications for permits shall be made in the form, and in the case of  
13.35 applications for renewal between the dates, as the board specifies in rule. The board shall

14.1 grant or deny an application no later than 90 days after the application is filed in proper  
14.2 form. If the applicant seeks the opportunity to show that issuance or renewal of a permit  
14.3 was mistakenly denied or if the board is not able to determine whether it should be granted  
14.4 or denied, the board may issue to the applicant a provisional permit, which expires 90  
14.5 days after its issuance, or when the board determines whether or not to issue or renew the  
14.6 permit for which application was made, whichever occurs first.

14.7 (b) Applications for renewal of a permit that are complete and timely filed with the  
14.8 board and are not granted or denied by the board before January 1 are renewed on a  
14.9 provisional basis as of January 1 and for 90 days thereafter, or until the board grants  
14.10 or denies the permit, whichever occurs first, provided the licensee meets the renewal  
14.11 requirements in this chapter and rules adopted by the board.

14.12 Sec. 15. Minnesota Statutes 2006, section 326A.05, subdivision 3, is amended to read:

14.13 Subd. 3. **Qualifications.** (a) An applicant for initial issuance or renewal of a permit  
14.14 to practice under this section shall comply with the requirements in this subdivision.

14.15 (b) Notwithstanding chapter 319B or any other provision of law, a simple majority  
14.16 of the ownership of the firm, in terms of financial interests and voting rights of all partners,  
14.17 officers, shareholders, members, or managers, must belong to holders of certificates who  
14.18 are licensed in some state, and the partners, officers, shareholders, members, or managers,  
14.19 whose principal place of business is in this state, and who perform professional services in  
14.20 this state, must hold valid certificates issued under section 326A.04 or the corresponding  
14.21 provision of prior law. Although firms may include nonlicensee owners, the firm and  
14.22 its ownership must comply with rules adopted by the board. The firm shall register all  
14.23 nonlicensee owners with the state board as set forth by rule. An individual who has been  
14.24 granted practice privileges under section 326A.14 and who performs services for which  
14.25 a firm permit is required under section 326A.14, subdivision 1, paragraph (d), is not  
14.26 required to obtain a certificate from the board under section 326A.04.

14.27 (c) A CPA firm may include nonlicensee owners provided that:

14.28 (1) the firm designates a licensee of this state, or in the case of a firm that must  
14.29 have a permit according to section 326A.14, subdivision 1, paragraph (d), a licensee of  
14.30 another state who meets the requirements in section 326A.14, subdivision 1, paragraph  
14.31 (a) or (b), who is responsible for the proper registration of the firm and identifies that  
14.32 individual to the board;

14.33 (2) all nonlicensee owners are persons of good moral character and are active  
14.34 individual participants in the CPA firm or affiliated entities; and

14.35 (3) the firm complies with other requirements imposed by the board in rule.

15.1 (d) An individual licensee and any individual granted practice privileges under  
15.2 section 326A.14 who is responsible for supervising attest or compilation services and  
15.3 signs or authorizes someone to sign the accountant's report on the financial statements  
15.4 on behalf of the firm, shall meet the competency requirements set out in the professional  
15.5 standards for such services.

15.6 (e) An individual licensee and any individual granted practice privileges under  
15.7 section 326A.14 who signs or authorizes someone to sign the accountants' report on  
15.8 the financial statements on behalf of the firm shall meet the competency requirement of  
15.9 paragraph (d).

15.10 Sec. 16. Minnesota Statutes 2006, section 326A.05, subdivision 4, is amended to read:

15.11 Subd. 4. **Initial issuance or renewal.** An applicant for initial issuance or renewal of  
15.12 a permit to practice under this section shall register each office of the firm within this state  
15.13 with the board and ~~to~~ show that all attest and compilation services rendered in this state  
15.14 are under the charge of a person holding a valid certificate, ~~or the corresponding provision~~  
15.15 ~~of prior law~~ issued by this state or another state.

15.16 Sec. 17. Minnesota Statutes 2006, section 326A.06, is amended to read:

15.17 **~~326A.06 ACCOUNTING PRACTITIONER; REGISTRATION;~~**  
15.18 **~~CERTIFICATE~~ LPA'S AND ACCOUNTING PRACTITIONERS.**

15.19 (a) All licensed public accountants (LPAs) who are actively licensed by the state  
15.20 board on December 31, 2002, shall be issued a certified public accountant certificate.  
15.21 LPAs are those accountants who were eligible for licensure on July 1, 1979, under the  
15.22 law in effect on that date and who were issued a license as a licensed public accountant  
15.23 by the board at that time.

15.24 (b) ~~By July 1, 2004,~~ The board shall implement a voluntary registration of  
15.25 accounting practitioners. The board shall prescribe by rule the limitations of practice,  
15.26 educational preparation, examination, registration, fees, peer review, and continuing  
15.27 education requirements for the registration. The board shall consult with the University of  
15.28 Minnesota, the Minnesota State Colleges and Universities, the Minnesota Association of  
15.29 Private Postsecondary Schools, the Private College Council, the Minnesota Association  
15.30 of Public Accountants, and other organizations as appropriate in the implementation  
15.31 of this section.

15.32 Sec. 18. Minnesota Statutes 2006, section 326A.07, is amended to read:

15.33 **326A.07 APPOINTMENT OF SECRETARY OF STATE AS AGENT.**

16.1 Application by a person or a firm not a resident of this state for a certificate  
16.2 issued under section 326A.04 or a permit issued under section 326A.05 shall constitute  
16.3 appointment of the secretary of state as the applicant's agent upon whom process may be  
16.4 served in any action or proceeding against the applicant arising out of any transaction  
16.5 or operation connected with or incidental to services performed by the applicant while  
16.6 ~~a licensee~~ within this state.

16.7 Sec. 19. Minnesota Statutes 2006, section 326A.08, subdivision 2, is amended to read:

16.8 Subd. 2. **Hearings conducted under chapter 14.** Except as otherwise described  
16.9 in this section, all hearings shall be conducted in accordance with chapter 14.  
16.10 Notwithstanding any contrary provision, hearings conducted according to chapter 14  
16.11 related to disciplinary action are private data until the board issues its final order in the  
16.12 matter.

16.13 Sec. 20. Minnesota Statutes 2006, section 326A.08, subdivision 4, is amended to read:

16.14 Subd. 4. **Cease and desist orders.** (a) The board, or the complaint committee if  
16.15 authorized by the board, may issue and have served upon a certificate holder, a permit  
16.16 holder, a registration holder, a person with practice privileges granted under section  
16.17 326A.14, a person who has previously been subject to a disciplinary order by the board,  
16.18 or an unlicensed firm or person an order requiring the person or firm to cease and desist  
16.19 from the act or practice constituting a violation of the statute, rule, or order. The order  
16.20 must be calculated to give reasonable notice of the rights of the person or firm to request a  
16.21 hearing and must state the reasons for the entry of the order. No order may be issued until  
16.22 an investigation of the facts has been conducted pursuant to section 214.10.

16.23 (b) Service of the order is effective when the order is served on the person, firm, or  
16.24 counsel of record personally, or by certified mail to the most recent address provided to  
16.25 the board for the person, firm, or counsel of record.

16.26 (c) Unless otherwise agreed by the board, or the complaint committee if authorized  
16.27 by the board, and the person or firm requesting the hearing, the hearing must be held no  
16.28 later than 30 days after the request for the hearing is received by the board.

16.29 (d) The administrative law judge shall issue a report within 30 days of the close of  
16.30 the contested case hearing record, notwithstanding Minnesota Rules, part 1400.8100,  
16.31 subpart 3. Within 30 days after receiving the report and any exceptions to it, the board  
16.32 shall issue a further order vacating, modifying, or making permanent the cease and desist  
16.33 orders as the facts require.

17.1 (e) If no hearing is requested within 30 days of service of the order, the order  
17.2 becomes final and remains in effect until it is modified or vacated by the board.

17.3 (f) If the person or firm to whom a cease and desist order is issued fails to appear at  
17.4 the hearing after being duly notified, the person or firm is in default and the proceeding  
17.5 may be determined against that person or firm upon consideration of the cease and desist  
17.6 order, the allegations of which may be considered to be true.

17.7 (g) In lieu of or in addition to the order provided in paragraph (a), the board may  
17.8 require the person or firm to provide to the board a true and complete list of the person's  
17.9 or firm's clientele so that they can, if deemed necessary, be notified of the board's action.  
17.10 Failure to do so, or to provide an incomplete or inaccurate list, is an act discreditable.

17.11 Sec. 21. Minnesota Statutes 2006, section 326A.08, subdivision 5, is amended to read:

17.12 Subd. 5. **Actions against persons or firms.** (a) The board may, by order, deny,  
17.13 refuse to renew, suspend, temporarily suspend, or revoke the application, or practice  
17.14 privileges, registration or certificate of a person or firm; censure or reprimand the person  
17.15 or firm; prohibit the person or firm from preparing tax returns or reporting on financial  
17.16 statements; limit the scope of practice of any licensee; limit privileges under section  
17.17 326A.14; refuse to permit a person to sit for examination; or refuse to release the person's  
17.18 examination grades if the board finds that the order is in the public interest and that, based  
17.19 on a preponderance of the evidence presented, the person or firm:

17.20 (1) has violated a statute, rule, or order that the board has issued or is empowered  
17.21 to enforce;

17.22 (2) has engaged in conduct or acts that are fraudulent, deceptive, or dishonest  
17.23 whether or not the conduct or acts relate to performing or offering to perform professional  
17.24 services, providing that the fraudulent, deceptive, or dishonest conduct or acts reflect  
17.25 adversely on the person's or firm's ability or fitness to provide professional services;

17.26 (3) has engaged in conduct or acts that are negligent or otherwise in violation of  
17.27 the standards established by board rule, where the conduct or acts relate to providing  
17.28 professional services, including in the filing or failure to file the licensee's income tax  
17.29 returns;

17.30 (4) has been convicted of, has pled guilty or nolo contendere to, or has been  
17.31 sentenced as a result of the commission of a felony or crime, an element of which is  
17.32 dishonesty or fraud; has been shown to have or admitted to having engaged in acts or  
17.33 practices tending to show that the person or firm is incompetent; or has engaged in conduct  
17.34 reflecting adversely on the person's or firm's ability or fitness to provide professional  
17.35 services, whether or not a plea was entered or withheld;

18.1 (5) employed fraud or deception in obtaining a certificate, permit, registration,  
18.2 practice privileges, renewal, or reinstatement or in passing all or a portion of the  
18.3 examination;

18.4 (6) has had the person's or firm's permit, registration, practice privileges, certificate,  
18.5 right to examine, or other similar authority revoked, suspended, canceled, limited, or not  
18.6 renewed for cause, or has committed unprofessional acts for which the person or firm was  
18.7 otherwise disciplined or sanctioned, including, but not limited to, being ordered to or  
18.8 agreeing to cease and desist from prescribed conduct, in any state or any foreign country;

18.9 (7) has had the person's or firm's right to practice before any federal, state, ~~or~~  
18.10 other government agency, or Public Company Accounting Oversight Board revoked,  
18.11 suspended, canceled, limited, or not renewed for cause, or has committed unprofessional  
18.12 acts for which the person or firm was otherwise disciplined or sanctioned, including, but  
18.13 not limited to, being ordered to or agreeing to cease and desist from prescribed conduct;

18.14 (8) failed to meet any requirement for the issuance or renewal of the person's or  
18.15 firm's certificate, registration or permit, or for practice privileges;

18.16 (9) with respect to temporary suspension orders, has committed an act, engaged in  
18.17 conduct, or committed practices that may result or may have resulted, in the opinion of the  
18.18 board or the complaint committee if authorized by the board, in an immediate threat to  
18.19 the public; ~~or~~

18.20 (10) has engaged in any conduct reflecting adversely upon the person's or firm's  
18.21 fitness to perform services while a licensee, individual granted privileges under section  
18.22 326A.14, or a person registered under section 326A.06, paragraph (b);<sub>2</sub>

18.23 (11) has, prior to a voluntary surrender of a certificate or permit to the board,  
18.24 engaged in conduct which at any time resulted in the discipline or sanction described in  
18.25 clause (6) or (7); or

18.26 (12) has been convicted of, has pled guilty or nolo contendere to, or has been  
18.27 sentenced as a result of the commission of a felony or misdemeanor involving moral  
18.28 turpitude.

18.29 (b) In lieu of or in addition to any remedy provided in paragraph (a), the board,  
18.30 or the complaint committee if authorized by the board, may require, as a condition of  
18.31 continued possession of a certificate, a registration, or practice privileges, termination  
18.32 of suspension, reinstatement of permit, registration of a person or firm or of practice  
18.33 privileges under section 326A.14, a certificate, an examination, or release of examination  
18.34 grades, that the person or firm:

18.35 (1) submit to a peer review of the person's or firm's ability, skills, or quality of work,  
18.36 conducted in a fashion and by persons, entity, or entities as required by the board; and

19.1 (2) complete to the satisfaction of the board continuing professional education  
19.2 courses specified by the board.

19.3 (c) Service of the order is effective if the order is served on the person, firm, or  
19.4 counsel of record personally or by certified mail to the most recent address provided to  
19.5 the board for the person, firm, or counsel of record. The order shall state the reasons  
19.6 for the entry of the order.

19.7 (d) All hearings required by this subdivision must be conducted in accordance  
19.8 with chapter 14 except with respect to temporary suspension orders as provided for in  
19.9 subdivision 6.

19.10 (e) In addition to the remedies authorized by this subdivision, the board, or the  
19.11 complaint committee if authorized by the board, may enter into an agreement with the  
19.12 person or firm for corrective action and may unilaterally issue a warning to a person or  
19.13 firm.

19.14 (f) The board shall not use agreements for corrective action or warnings in any  
19.15 situation where the person or firm has been convicted of or pled guilty or nolo contendere  
19.16 to a felony or crime and the felony or crime is the basis of the board's action against the  
19.17 person or firm, where the conduct of the person or firm indicates a pattern of related  
19.18 violations of paragraph (a) or the rules of the board, or where the board concludes that  
19.19 the conduct of the person or firm will not be deterred other than by disciplinary action  
19.20 under this subdivision or subdivision 4 or 6.

19.21 (g) Agreements for corrective action may be used by the board, or the complaint  
19.22 committee if authorized by the board, where the violation committed by the person or firm  
19.23 does not warrant disciplinary action pursuant to this subdivision or subdivision 4 or 6, but  
19.24 where the board, or the complaint committee if authorized by the board, determines that  
19.25 corrective action is required to prevent further such violations and to otherwise protect  
19.26 the public. Warnings may be used by the board, or the complaint committee if authorized  
19.27 by the board, where the violation of the person or firm is de minimus, does not warrant  
19.28 disciplinary action under this subdivision or subdivision 4 or 6, and does not require  
19.29 corrective action to protect the public.

19.30 (h) Agreements for corrective action must not be considered disciplinary action  
19.31 against the person's or firm's application, permit, registration or certificate, or practice  
19.32 privileges under section 326A.14. However, agreements for corrective action are public  
19.33 data. Warnings must not be considered disciplinary action against the person's or firm's  
19.34 application, permit, registration, or certificate or person's practice privileges and are  
19.35 private data.

20.1 Sec. 22. Minnesota Statutes 2006, section 326A.08, subdivision 6, is amended to read:

20.2 Subd. 6. **Temporary suspension order provisions.** (a) When the board, or the  
20.3 complaint committee if authorized by the board, issues a temporary suspension order, the  
20.4 suspension is in effect upon service of a written order on the person, firm, or counsel of  
20.5 record as provided in subdivision 4, paragraph (b), specifying the statute, rule, or order  
20.6 violated. The order remains in effect until the board issues a final order in the matter after  
20.7 a hearing or upon agreement between the board and the person or firm.

20.8 (b) The order may prohibit the person or firm from providing professional services  
20.9 in whole or in part, as the facts may require, and may condition the end of such suspension  
20.10 on compliance with a statute, rule, or order that the board has issued or is empowered  
20.11 to enforce.

20.12 (c) The order must set forth the rights to hearing contained in this section and must  
20.13 state the reasons for the entry of order.

20.14 (d) Within ten days after service of the order, the person or firm may request a  
20.15 hearing in writing. The board shall hold a hearing before its own members within five  
20.16 working days of a receipt of a request for hearing or within five working days of receipt of  
20.17 a request for hearing on the sole issue of whether there is a reasonable basis to continue,  
20.18 modify, or lift the temporary suspension. This hearing is not subject to chapter 14.  
20.19 Evidence presented by the board or the person or firm shall be in affidavit form only. The  
20.20 person, firm, or counsel of record may appear for oral argument.

20.21 (e) Within five working days after the hearing, the board shall issue its order and,  
20.22 if the suspension is continued, schedule a contested case hearing within 30 days after  
20.23 issuance of the order. The administrative law judge shall issue a report within 30 days  
20.24 after closing of the contested case hearing record, notwithstanding the provisions of  
20.25 Minnesota Rules, part 1400.8100, subpart 3. The board shall issue a final order within 30  
20.26 days after receipt of that report.

20.27 Sec. 23. Minnesota Statutes 2006, section 326A.08, subdivision 7, is amended to read:

20.28 Subd. 7. **Violation; penalties; costs of proceeding.** (a) The board may impose a  
20.29 civil penalty not to exceed \$2,000 per violation upon a person or a firm that violates an  
20.30 order, statute, or rule that the board has issued or is empowered to enforce.

20.31 (b) The board may, in addition, impose a fee to reimburse the board for all or  
20.32 part of the cost of the proceedings, including reasonable investigative costs, resulting  
20.33 in disciplinary or corrective action authorized by this section, the imposition of civil  
20.34 penalties, or the issuance of a cease and desist order. The fee may be imposed when the  
20.35 board shows that the position of the person or firm that violates a statute, rule, or order

21.1 that the board has issued or is empowered to enforce is not substantially justified, unless  
21.2 special circumstances make an award unjust, notwithstanding the provisions of Minnesota  
21.3 Rules, part 1400.8401. The costs include, but are not limited to, the amount paid by the  
21.4 board for services from the office of administrative hearings, attorney and reasonable  
21.5 investigative fees, court reporters, witnesses, reproduction of records, board members' per  
21.6 diem compensation, board staff time, and expense incurred by board members and staff.

21.7 ~~(c) All hearings required by this subdivision must be conducted in accordance with~~  
21.8 ~~chapter 14.~~

21.9 Sec. 24. Minnesota Statutes 2006, section 326A.08, subdivision 8, is amended to read:

21.10 Subd. 8. **Other persons and entities subject to discipline.** Any person or entity  
21.11 who prepares or reports on financial statements or schedules for a client for a fee is subject  
21.12 to this section and the practice of the person or entity may be disciplined by the ~~boards~~  
21.13 board as provided for in this section. The board may discipline a person or entity based on  
21.14 violations of this chapter, the board's rules, or misrepresentations made by the person or  
21.15 entity regarding the work the person or entity performed.

21.16 Sec. 25. Minnesota Statutes 2006, section 326A.08, subdivision 9, is amended to read:

21.17 Subd. 9. **Notification of other states.** In any case where the board renders a  
21.18 decision imposing discipline against a person or firm, the board shall examine its records  
21.19 to determine whether the person or firm holds a certificate or a permit in any other state. If  
21.20 so, the board shall notify the board of accountancy of the other state of its decision, by  
21.21 mail or by other reasonable means, within 45 days of the decision becoming final.

21.22 Sec. 26. Minnesota Statutes 2006, section 326A.10, is amended to read:

21.23 **326A.10 UNLAWFUL ACTS.**

21.24 (a) Only a licensee and individuals who have been granted practice privileges  
21.25 under section 326A.14 may issue a report on financial statements of any person, firm,  
21.26 organization, or governmental unit that results from providing attest services, or offer to  
21.27 render or render any attest service. Only a certified public accountant, an individual who  
21.28 has been granted practice privileges under section 326A.14, a CPA firm, or, to the extent  
21.29 permitted by board rule, a person registered under section 326A.06, paragraph (b), may  
21.30 issue a report on financial statements of any person, firm, organization, or governmental  
21.31 unit that results from providing compilation services or offer to render or render any  
21.32 compilation service. These restrictions do not prohibit any act of a public official or  
21.33 public employee in the performance of that person's duties or prohibit the performance

22.1 by any nonlicensee of other services involving the use of accounting skills, including  
22.2 the preparation of tax returns, management advisory services, and the preparation of  
22.3 financial statements without the issuance of reports on them. Nonlicensees may prepare  
22.4 financial statements and issue nonattest transmittals or information on them which do not  
22.5 purport to be in compliance with the Statements on Standards for Accounting and Review  
22.6 Services (SSARS). Nonlicensees registered under section 326A.06, paragraph (b), may,  
22.7 to the extent permitted by board rule, prepare financial statements and issue nonattest  
22.8 transmittals or information on them.

22.9 (b) Licensees and individuals who have been granted practice privileges under  
22.10 section 326A.14 performing attest or compilation services must provide those services in  
22.11 accordance with professional standards. To the extent permitted by board rule, registered  
22.12 accounting practitioners performing compilation services must provide those services in  
22.13 accordance with standards specified in board rule.

22.14 (c) A person who does not hold a valid certificate issued under section 326A.04  
22.15 or a practice privilege granted under section 326A.14 shall not use or assume the title  
22.16 "certified public accountant," the abbreviation "CPA," or any other title, designation,  
22.17 words, letters, abbreviation, sign, card, or device tending to indicate that the person is a  
22.18 certified public accountant.

22.19 (d) A firm shall not provide attest services or assume or use the title "certified public  
22.20 accountants," the abbreviation "CPAs," or any other title, designation, words, letters,  
22.21 abbreviation, sign, card, or device tending to indicate that the firm is a CPA firm unless (1)  
22.22 ~~the firm holds a valid permit issued under~~ has complied with section 326A.05, and (2)  
22.23 ownership of the firm is in accordance with this chapter and rules adopted by the board.

22.24 (e) A person or firm that does not hold a valid certificate or permit issued under  
22.25 section 326A.04 or 326A.05 or has not otherwise complied with section 326A.04 or  
22.26 326A.05 as required in this chapter shall not assume or use the title "certified accountant,"  
22.27 "chartered accountant," "enrolled accountant," "licensed accountant," "registered  
22.28 accountant," "accredited accountant," "accounting practitioner," "public accountant,"  
22.29 "licensed public accountant," or any other title or designation likely to be confused  
22.30 with the title "certified public accountant," or use any of the abbreviations "CA," "LA,"  
22.31 "RA," "AA," "PA," "AP," "LPA," or similar abbreviation likely to be confused with the  
22.32 abbreviation "CPA." The title "enrolled agent" or "EA" may only be used by individuals  
22.33 so designated by the Internal Revenue Service.

22.34 (f) Persons registered under section 326A.06, paragraph (b), may use the title  
22.35 "registered accounting practitioner" or the abbreviation "RAP." A person who does not

23.1 hold a valid registration under section 326A.06, paragraph (b), shall not assume or use  
23.2 such title or abbreviation.

23.3 (g) Except to the extent permitted in paragraph (a), nonlicensees may not use  
23.4 language in any statement relating to the financial affairs of a person or entity that is  
23.5 conventionally used by licensees in reports on financial statements. In this regard, the  
23.6 board shall issue by rule safe harbor language that nonlicensees may use in connection  
23.7 with such financial information. A person or firm that does not hold a valid certificate or  
23.8 permit, or a registration issued under section 326A.04, 326A.05, or 326A.06, paragraph  
23.9 (b), or has not otherwise complied with section 326A.04 or 326A.05 as required in this  
23.10 chapter shall not assume or use any title or designation that includes the word "accountant"  
23.11 or "accounting" in connection with any other language, including the language of a report,  
23.12 that implies that the person or firm holds such a certificate, permit, or registration or has  
23.13 special competence as an accountant. A person or firm that does not hold a valid certificate  
23.14 or permit issued under section 326A.04 or 326A.05 or has not otherwise complied with  
23.15 section 326A.04 or 326A.05 as required in this chapter shall not assume or use any title  
23.16 or designation that includes the word "auditor" in connection with any other language,  
23.17 including the language of a report, that implies that the person or firm holds such a  
23.18 certificate or permit or has special competence as an auditor. However, this paragraph  
23.19 does not prohibit any officer, partner, member, manager, or employee of any firm or  
23.20 organization from affixing that person's own signature to any statement in reference to the  
23.21 financial affairs of such firm or organization with any wording designating the position,  
23.22 title, or office that the person holds, nor prohibit any act of a public official or employee in  
23.23 the performance of the person's duties as such.

23.24 (h) No person holding a certificate or registration or firm holding a permit under  
23.25 this chapter shall use a professional or firm name or designation that is misleading about  
23.26 the legal form of the firm, or about the persons who are partners, officers, members,  
23.27 managers, or shareholders of the firm, or about any other matter. However, names of one  
23.28 or more former partners, members, managers, or shareholders may be included in the  
23.29 name of a firm or its successor.

23.30 (i) Paragraphs (a) to (h) do not apply to a person or firm holding a certification,  
23.31 designation, degree, or license granted in a foreign country entitling the holder to engage  
23.32 in the practice of public accountancy or its equivalent in that country, if:

23.33 (1) the activities of the person or firm in this state are limited to the provision of  
23.34 professional services to persons or firms who are residents of, governments of, or business  
23.35 entities of the country in which the person holds the entitlement;

24.1 (2) the person or firm performs no attest or compilation services and issues no reports  
24.2 with respect to the financial statements of any other persons, firms, or governmental  
24.3 units in this state; and

24.4 (3) the person or firm does not use in this state any title or designation other than  
24.5 the one under which the person practices in the foreign country, followed by a translation  
24.6 of the title or designation into English, if it is in a different language, and by the name  
24.7 of the country.

24.8 (j) No holder of a certificate issued under section 326A.04 may perform attest  
24.9 services through any business form that does not hold a valid permit issued under section  
24.10 326A.05.

24.11 (k) No individual licensee may issue a report in standard form upon a compilation  
24.12 of financial information through any form of business that does not hold a valid permit  
24.13 issued under section 326A.05, unless the report discloses the name of the business through  
24.14 which the individual is issuing the report, and the individual:

24.15 (1) signs the compilation report identifying the individual as a certified public  
24.16 accountant;

24.17 (2) meets the competency requirement provided in applicable standards; and

24.18 (3) undergoes no less frequently than once every three years, a peer review  
24.19 conducted in a manner specified by the board in rule, and the review includes verification  
24.20 that the individual has met the competency requirements set out in professional standards  
24.21 for such services.

24.22 (l) No person registered under section 326A.06, paragraph (b), may issue a report  
24.23 in standard form upon a compilation of financial information unless the board by rule  
24.24 permits the report and the person:

24.25 (1) signs the compilation report identifying the individual as a registered accounting  
24.26 practitioner;

24.27 (2) meets the competency requirements in board rule; and

24.28 (3) undergoes no less frequently than once every three years a peer review conducted  
24.29 in a manner specified by the board in rule, and the review includes verification that the  
24.30 individual has met the competency requirements in board rule.

24.31 (m) Nothing in this section prohibits a practicing attorney or firm of attorneys from  
24.32 preparing or presenting records or documents customarily prepared by an attorney or firm  
24.33 of attorneys in connection with the attorney's professional work in the practice of law.

24.34 (n) ~~Notwithstanding other provisions of this section, persons preparing unaudited~~  
24.35 ~~financial statements under corresponding provisions of prior law shall be permitted to~~  
24.36 ~~perform compilation services until six months after the board adopts rules under section~~

25.1 ~~326A.06~~. The board shall adopt rules that place limitations on receipt by a licensee or a  
 25.2 person who holds a registration under section 326A.06, paragraph (b), of:

25.3 (1) contingent fees for professional services performed; and

25.4 (2) commissions or referral fees for recommending or referring to a client any  
 25.5 product or service.

25.6 (o) Anything in this section to the contrary notwithstanding, it shall not be a violation  
 25.7 of this section for a firm not holding a valid permit under section 326A.05 and not having  
 25.8 an office in this state to provide its professional services in this state so long as it complies  
 25.9 with the applicable requirements of section 326A.05, subdivision 1.

25.10 Sec. 27. Minnesota Statutes 2006, section 326A.12, is amended to read:

25.11 **326A.12 CONFIDENTIAL COMMUNICATIONS.**

25.12 (a) Except by permission of the client for whom a licensee performs services  
 25.13 or the heirs, successors, or personal representatives of the client, a licensee shall not  
 25.14 voluntarily disclose information communicated to the licensee by the client relating to  
 25.15 and in connection with services rendered to the client by the licensee. Nothing in this  
 25.16 section may be construed to prohibit:

25.17 (1) the disclosure of information required to be disclosed by the standards of the  
 25.18 public accounting profession in reporting on the examination of financial statements; or

25.19 (2) disclosures in court proceedings, in investigations or proceedings under section  
 25.20 326A.08, in ethical investigations conducted by private professional organizations, in the  
 25.21 course of peer reviews, to other persons active in the organization performing services for  
 25.22 that client on a need-to-know basis, or to persons in the entity who need this information  
 25.23 for the sole purpose of assuring quality control.

25.24 (b) This section also applies to persons registered under section 326A.06, paragraph  
 25.25 (b), and to persons granted a practice privilege under section 326A.14.

25.26 Sec. 28. Minnesota Statutes 2006, section 326A.13, is amended to read:

25.27 **326A.13 WORKING PAPERS; CLIENTS' RECORDS.**

25.28 (a) Subject to the provisions of section 326A.12, all statements, records, schedules,  
 25.29 working papers, and memoranda made by a licensee or a partner, shareholder, officer,  
 25.30 director, member, manager, or employee of a licensee, incident to, or in the course of,  
 25.31 rendering services to a client while a licensee, except the reports submitted by the licensee  
 25.32 to the client and except for records that are part of the client's records, remain the property  
 25.33 of the licensee in the absence of an express agreement between the licensee and the  
 25.34 client to the contrary. No statement, record, schedule, working paper, or memorandum

26.1 may be sold, transferred, or bequeathed, without the consent of the client or the client's  
26.2 personal representative or assignee, to anyone other than one or more surviving partners,  
26.3 stockholders, members or new partners, new stockholders, new members of the licensee,  
26.4 or any combined or merged firm or successor in interest to the licensee. Nothing in this  
26.5 section may be construed as prohibiting any temporary transfer of workpapers or other  
26.6 material necessary in the course of carrying out peer reviews or as otherwise interfering  
26.7 with the disclosure of information pursuant to section 326A.12.

26.8 (b) A licensee shall furnish to a client or former client, upon request and reasonable  
26.9 notice:

26.10 (1) a copy of the licensee's working papers, to the extent that the working papers  
26.11 include records that would ordinarily constitute part of the client's records and are not  
26.12 otherwise available to the client; and

26.13 (2) any accounting or other records belonging to, or obtained from or on behalf of,  
26.14 the client that the licensee removed from the client's premises or received for the client's  
26.15 account. The licensee may make and retain copies of such documents of the client when  
26.16 they form the basis for work done by the licensee.

26.17 (c) Nothing in this section requires a licensee to keep any work paper beyond the  
26.18 period prescribed in any other applicable statute.

26.19 (d) This section also applies to persons registered under section 326A.06, paragraph  
26.20 (b), and to persons granted a practice privilege under section 326A.14.

26.21 Sec. 29. Minnesota Statutes 2006, section 326A.14, is amended to read:

26.22 **326A.14 SUBSTANTIAL EQUIVALENCY.**

26.23 Subdivision 1. **Requirements.** (a) An individual whose principal place of business  
26.24 is not in this state and who ~~has~~ holds a valid ~~certificate or license~~ in good standing as  
26.25 a certified public accountant from any state which, upon verification, is in substantial  
26.26 equivalence with the certified public accountant licensure requirements of ~~this chapter~~  
26.27 section 326A.03, subdivisions 3, 4, and 6, shall be presumed to have qualifications  
26.28 substantially equivalent to this state's requirements and shall have all the privileges of  
26.29 ~~certificate holders and licensees of this state without the need to obtain a certificate~~  
26.30 or permit license. ~~However, such individuals shall notify the board of their intent to~~  
26.31 ~~enter the state under this provision as provided for in board rule and pay the required~~  
26.32 fee. Notwithstanding any contrary provision of this chapter, an individual who offers  
26.33 or renders professional services, whether in person, by mail, telephone, or electronic  
26.34 means, under this paragraph: (1) shall be granted practice privileges in this state; (2) is

27.1 subject to the requirements in paragraph (c); and (3) is not required to provide any notice  
27.2 or other submission.

27.3 (b) An individual whose principal place of business is not in this state and who ~~has~~  
27.4 holds a valid certificate or license in good standing as a certified public accountant from  
27.5 any state whose certified public accountant licensure qualifications, upon verification,  
27.6 are not substantially equivalent with the licensure requirements of ~~this chapter~~ section  
27.7 326A.03, subdivisions 3, 4, and 6, shall be presumed to have qualifications substantially  
27.8 equivalent to this state's requirements and shall have all the privileges of ~~certificate~~  
27.9 ~~holders and~~ licensees of this state without the need to obtain a ~~certificate or permit~~ license  
27.10 if the individual obtains verification, as specified in board rule, that the individual's  
27.11 qualifications are substantially equivalent to the licensure requirements of ~~this chapter~~  
27.12 section 326A.03, subdivisions 3, 4, and 6. ~~Such individuals shall notify the board of their~~  
27.13 ~~intent to enter the state under this provision as provided for in board rule and pay the~~  
27.14 ~~required fee.~~ For purposes of this paragraph, any individual who passed the Uniform CPA  
27.15 Examination and holds a valid license issued by any other state prior to January 1, 2009, is  
27.16 exempt from the education requirement in section 326A.03, subdivision 6, paragraph (a),  
27.17 provided the individual meets the education requirement in section 326A.03, subdivision  
27.18 3. Notwithstanding any contrary provision of this chapter, an individual who offers or  
27.19 renders professional services, whether in person, by mail, telephone, or electronic means,  
27.20 under this paragraph: (1) shall, after the verification specified by adopted rules, be granted  
27.21 practice privileges in this state; (2) is subject to the requirements in paragraph (c); and (3)  
27.22 is not required to provide any notice or other submission.

27.23 (c) ~~Any~~ An individual licensee of another state exercising the privilege afforded  
27.24 under this section ~~consents~~ and the firm which employs that licensee are deemed to have  
27.25 consented, as a condition of the grant of this privilege:

27.26 (1) to the personal and subject matter jurisdiction and disciplinary authority of  
27.27 the board;

27.28 (2) to comply with this chapter and the board's rules; ~~and~~

27.29 (3) to the appointment of the state board that issued the license as the licensee's  
27.30 agent upon whom process may be served in any action or proceeding by this board  
27.31 against the licensee; ~~and~~

27.32 (4) to cease offering or rendering professional services in this state individually and  
27.33 on behalf of a firm in the event the license issued by the state of the individual's principal  
27.34 place of business is no longer valid or in good standing.

27.35 (d) An individual who has been granted practice privileges under this section who  
27.36 performs attest services as defined in section 326A.01, subdivision 2, clause (1), (3), or

28.1 (4), for any entity with its headquarters in this state, may only do so through a firm which  
28.2 has obtained a permit under section 326A.05.

28.3 Subd. 2. **Use of title in another state.** A licensee of this state offering or rendering  
28.4 services or using the CPA title in another state is subject to the same disciplinary action in  
28.5 this state for which the licensee would be subject to discipline for an act committed in the  
28.6 other state. The board shall investigate any complaint made by the board of accountancy  
28.7 of another state.

28.8 Sec. 30. **REPEALER.**

28.9 Minnesota Statutes 2006, section 326A.05, subdivision 9, is repealed.

28.10 Sec. 31. **EFFECTIVE DATE.**

28.11 Sections 1 to 30 are effective the day following final enactment.