

Elgin, Chair
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HSB 90

STATE GOVERNMENT,

HOUSE FILE SR / MR 451

BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON METCALF)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act regulating the practice of accounting, establishing fees,
2 providing penalties, and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 542D.1 TITLE.

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

4 Sec. 2. NEW SECTION. 542D.2 LEGISLATIVE INTENT.

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

1 competence of the persons using such titles be prohibited.

2 Sec. 3. NEW SECTION. 542D.3 DEFINITIONS.

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

5 1. "Attest" or "attest service" means providing any of the
6 following services:

7 a. An audit or other engagement to be performed in
8 accordance with the statements on auditing standards.

9 b. A review of a financial statement to be performed in
10 accordance with the statements on standards for accounting and
11 review services.

12 c. An examination of prospective financial information to
13 be performed in accordance with the statements on standards
14 for attestation engagements. For purposes of this subsection,
15 the statements on standards for attestation engagements means
16 those standards adopted by the board, by rule, by reference to
17 the standards developed for general application by the
18 American institute of certified public accountants, or other
19 recognized national accountancy organization.

20 2. "Board" means the Iowa accountancy examining board
21 established under section 542D.4 or its predecessor under
22 prior law.

23 3. "Certificate" means a certificate as a certified public
24 accountant issued under section 542D.6 or 542D.19, or a
25 certificate issued under corresponding prior law.

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

29 5. "Certified public accounting firm" means a sole
30 proprietorship, a corporation, a partnership, a limited
31 liability company, or any other form of organization issued a
32 permit to practice as a firm of certified public accountants
33 under section 542D.7.

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

1 service.

2 7. "Commission" means a brokerage or other participation
3 fee. "Commission" does not include a contingent fee.

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

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

19 10. "License" means a certificate issued under section
20 542D.6 or 542D.19, a permit issued under section 542D.7, or a
21 license issued under section 542D.8; or a certificate, permit,
22 or license issued under corresponding prior law.

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

28 a. Records financial transactions in books of record.

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

31 c. Makes trial balances from books of record.

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

34 e. Prepares financial statements, schedules, or reports.

35 f. Devises and installs systems or methods of bookkeeping,

1 internal controls of financial data, or the recording of
2 financial data.

3 g. Prepares compilations.

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

8 12. "Licensed public accounting firm" means a sole
9 proprietorship, a corporation, a partnership, a limited
10 liability company, or any other form of organization issued a
11 permit to practice as a firm of licensed public accountants
12 under section 542D.8.

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

14 14. "Manager" means a manager of a limited liability
15 company.

16 15. "Member" means a member of a limited liability
17 company.

18 16. "Peer review" means a study, appraisal, or review of
19 one or more aspects of the professional work of a licensee or
20 firm that performs attest or compilation services, by a
21 licensed person or persons who are not affiliated with the
22 licensee or firm being reviewed. "Peer review" does not
23 include a peer review conducted pursuant to chapter 272C in
24 connection with a disciplinary investigation.

25 17. "Peer review records" means a file, report, or other
26 information relating to the professional competence of an
27 applicant in the possession of a peer review team, or
28 information concerning the peer review developed by a peer
29 review team in the possession of an applicant.

30 18. "Peer review team" means a person or organization
31 participating in the peer review function, but does not
32 include the board.

33 19. "Permit" means a permit to practice as either a
34 certified public accounting firm issued under section 542D.7
35 or licensed public accounting firm under section 542D.8 or

1 under corresponding provisions of prior law.

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

16 21. "Report", when used with reference to financial
17 statements, means a report, opinion, or other form of a
18 writing that states or implies assurance as to the reliability
19 of any financial statements and that includes or is
20 accompanied by a statement or implication that the person or
21 firm issuing the report has special knowledge or competence in
22 accounting or auditing. Such statement or implication of
23 special knowledge or competence may arise from use by the
24 issuer of the report of names or titles indicating that the
25 person or firm is an accountant or auditor, or from the
26 language of the report itself. "Report" includes any form of
27 language which disclaims an opinion when such form of language
28 is conventionally understood to imply a positive assurance as
29 to the reliability of the financial statements referred to or
30 special knowledge or competence on the part of the person or
31 firm issuing the language, and any other form of language that
32 is conventionally understood to imply such assurance or such
33 special knowledge or competence.

34 22. "State" means a state of the United States, the
35 District of Columbia, Puerto Rico, the United States Virgin

1 Islands, or Guam.

2 23. "Substantial equivalency" is a determination by the
3 board that the education, examination, and experience
4 requirements contained in the statutes and administrative
5 rules of another jurisdiction are comparable to, or exceed,
6 the education, examination, and experience requirements
7 contained in this chapter or that an individual licensee's
8 education, examination, and experience qualifications are
9 comparable to or exceed the education, examination, and
10 experience requirements contained in this chapter.

11 Sec. 4. NEW SECTION. 542D.4 IOWA ACCOUNTANCY EXAMINING
12 BOARD.

13 1. An Iowa accountancy examining board is created within
14 the professional licensing and regulation division of the
15 department of commerce to administer and enforce this chapter.
16 The board shall consist of eight members, appointed by the
17 governor and subject to senate confirmation, all of whom shall
18 be residents of this state. Five of the eight members shall
19 be holders of certificates issued under section 542D.6, one
20 member shall be the holder of a license issued under section
21 542D.8, and two shall not be certified public accountants or
22 licensed public accountants and shall represent the general
23 public. Not fewer than three of the holders of certificates
24 issued under section 542D.6 shall also be qualified to
25 supervise attest services as provided in section 542D.7. A
26 certified or licensed member of the board shall be actively
27 engaged in practice as a certified public accountant or as a
28 licensed public accountant and shall have been so engaged for
29 five years preceding appointment, the last two of which shall
30 have been in this state. Professional associations or
31 societies composed of certified public accountants or licensed
32 public accountants may recommend the names of potential board
33 members to the governor. However, the governor is not bound
34 by the recommendations. A board member is not required to be
35 a member of any professional association or society composed

1 of certified public accountants or licensed public
2 accountants. The term of each member of the board shall be
3 three years, as designated by the governor, and appointments
4 to the board are subject to the requirements of sections
5 69.16, 69.16A, and 69.19. Members of the board appointed and
6 serving pursuant to chapter 542C, Code 2001, on the effective
7 date of this Act shall serve out the terms for which they were
8 appointed. Vacancies occurring during a term shall be filled
9 by appointment by the governor for the unexpired term. Upon
10 the expiration of the member's term of office, a member shall
11 continue to serve until a successor shall have been appointed
12 and taken office. The public members of the board shall be
13 allowed to participate in administrative, clerical, or
14 ministerial functions incident to giving the examinations, but
15 shall not determine the content or determine the correctness
16 of the answers. The licensed public accountant member shall
17 not determine the content of the certified public accountant
18 examination or determine the correctness of the answers. Any
19 member of the board whose certificate under section 542D.6 or
20 license under section 542D.8 is revoked or suspended shall
21 automatically cease to be a member of the board, and the
22 governor may, after a hearing, remove any member of the board
23 for neglect of duty or other just cause. A person who has
24 served three successive complete terms shall not be eligible
25 for reappointment, but appointment to fill an unexpired term
26 shall not be considered a complete term for this purpose.

27 2. The board shall elect annually from among its members a
28 chairperson and such other officers as the board may determine
29 to be appropriate. The board shall meet at such times and
30 places as may be fixed by the board. A majority of the board
31 members in office shall constitute a quorum at any meeting.
32 The board shall maintain a registry of the names and addresses
33 of all licensees and permittees under this chapter.

34 3. Members of the board are entitled to receive a per diem
35 as specified in section 7E.6 for each day spent on performance

1 of duties as members and shall be reimbursed for all actual
2 and necessary expenses incurred in the performance of duties
3 as members.

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

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

18 a. Criminal history or prior misconduct of the applicant.

19 b. Information relating to the contents of the
20 examination.

21 c. Information relating to the examination results other
22 than final score except for information about the results of
23 the examination given to the person examined.

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

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

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

1 of the public.

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

17 9. The board shall adopt rules pursuant to chapter 17A
18 governing the administration and enforcement of this chapter
19 and the conduct of licensees and permittees. Rules adopted
20 shall include, but not be limited to, the following:

21 a. Rules governing the board's meetings and the conduct of
22 its business.

23 b. Rules of procedure governing the conduct of
24 investigations and hearings by the board.

25 c. Rules specifying the educational and experience
26 qualifications required for the issuance of a certificate
27 under section 542D.6 and the continuing professional education
28 required for renewal of a certificate under section 542D.6.

29 d. Rules specifying the educational and experience
30 qualifications required for the issuance of a license under
31 section 542D.8 and the continuing professional education
32 required for renewal of a license under section 542D.8.

33 e. Rules of professional conduct directed to control the
34 quality and probity of services provided by a licensee, and,
35 among other areas, pertaining to a licensee's independence,

1 integrity, and objectivity; competence and technical
2 standards; responsibilities to the public; and
3 responsibilities to a client.

4 f. Rules relating to the propriety of opinions on
5 financial statements by a certified public accountant who is
6 not independent.

7 g. Rules relating to actions discreditable to the practice
8 as a certified public accountant or licensed public
9 accountant.

10 h. Rules relating to professional confidences between a
11 certified public accountant or licensed public accountant and
12 a client.

13 i. Rules governing technical competence and the expression
14 of opinions on financial statements.

15 j. Rules governing the failure to disclose a material fact
16 known to the certified public accountant or licensed public
17 accountant.

18 k. Rules relating to a material misstatement known to the
19 certified public accountant or licensed public accountant.

20 l. Rules governing negligent conduct in an examination or
21 in making a report on an examination.

22 m. Rules governing failure to direct attention to any
23 material departure from generally accepted accounting
24 principles.

25 n. Rules governing the professional standards applicable
26 to a licensee.

27 o. Rules governing the manner and circumstances of use of
28 the titles "certified public accountant" and "CPA".

29 p. Rules governing the manner and circumstances of use of
30 the titles "accounting practitioner" and "AP", and "licensed
31 public accountant" and "LPA".

32 q. Rules regarding peer review that may be required to be
33 performed under this chapter.

34 r. Rules on substantial equivalency under section 542D.19.

35 s. Such other rules as the board deems necessary or

1 appropriate for administering this chapter, including, but not
2 limited to, rules establishing fees and rules of professional
3 conduct, pertaining to corporations or limited liability
4 companies practicing accounting, which the board deems
5 consistent with or required by the public welfare. The board
6 may adopt rules governing the style, name, and title of
7 corporations and limited liability companies and governing the
8 affiliation of corporations and limited liability companies
9 with other organizations.

10 Sec. 5. NEW SECTION. 542D.5 QUALIFICATIONS FOR A
11 CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT.

12 1. A certificate as a certified public accountant may be
13 granted to a person of good moral character who makes
14 application pursuant to section 542D.6 and who satisfies the
15 education, experience, and examination requirements of this
16 section and rules adopted pursuant to this section.

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

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

35 4. A person who makes a false statement of material fact

1 on an application for a certificate, or who causes to be
 2 submitted, or has been a party to preparing or submitting a
 3 false application for a certificate, may be denied a
 4 certificate by the board on the grounds of the false statement
 5 or submission. A certificate holder found to have made such a
 6 false statement or who has caused to be submitted, or was a
 7 party to preparing or submitting any false application for a
 8 certificate, may have the holder's certificate suspended or
 9 revoked by the board on the grounds of the false statement or
 10 submission.

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

17 6. The board, when considering the denial or revocation of
 18 a certificate pursuant to subsections 2 through 5, shall
 19 consider the nature of the offense; any aggravating or
 20 extenuating circumstances which are documented; the time
 21 lapsed since the revocation, conduct, or conviction; the
 22 rehabilitation, treatment, or restitution performed by the
 23 applicant or certificate holder; and any other factors the
 24 board deems relevant. Character references may be required,
 25 but shall not be obtained from certified public accountants.
 26 An applicant shall not be denied a certificate because of age,
 27 citizenship, race, religion, marital status, or national
 28 origin, although the application may require citizenship
 29 information.

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

1 or what the board determines to be substantially equivalent.

2 8. An applicant must pass an examination which shall be
3 offered at least twice per year and which shall test the
4 applicant's knowledge of the subjects of accounting and
5 auditing, and such other related subjects as the board may
6 specify by rule, including but not limited to business law and
7 taxation. The examination shall be held at a time determined
8 by the board and may be changed from time to time. The board
9 shall prescribe by rule the methods of applying for and
10 conducting the examination, including methods for grading and
11 determining a passing grade required of an applicant for a
12 certificate. However, the board, to the extent possible,
13 shall ensure the examination, grading of the examination, and
14 the passing grades are uniform with those applicable in all
15 other states. The board may make such use of all or any part
16 of a nationally recognized uniform certified public accountant
17 examination and advisory grading service, and may contract
18 with third parties to perform such administrative services
19 with respect to the examination as it deems appropriate to
20 perform the duties of the board with respect to examination.
21 Except as otherwise provided under this section, a person who
22 has partially passed the examination required by this
23 subsection by passing one or more subjects prior to December
24 31, 2000, has until December 31, 2003, to successfully
25 complete the examination process and qualify for a certificate
26 under the educational requirements in effect prior to December
27 31, 2000.

28 9. The board may admit to the examination a candidate who
29 will complete the educational requirements for a baccalaureate
30 degree with a concentration in accounting or what the board
31 determines by rule to be substantially equivalent to a
32 concentration in accounting within one hundred twenty days
33 immediately following the date of the examination or who has
34 completed those requirements. However, the board shall not
35 report the results of the examination until the candidate has

1 met the educational requirements for a baccalaureate degree
2 and shall not issue the certificate until the candidate has
3 fully satisfied the requirements of subsection 7.

4 10. Applicants who fail the examination once shall be
5 allowed to take the examination again at a time determined by
6 the board. Applicants who fail the examination twice shall be
7 allowed to take the examination again at the discretion of the
8 board. The board may by rule prescribe the terms and
9 conditions under which a candidate who passes two or more
10 subjects of the examination conducted in this state or by the
11 licensing authority of another state may be reexamined in only
12 the failed subjects and receive credit for the passed
13 subjects. An applicant who has failed the examination may
14 request in writing information from the board concerning the
15 applicant's examination grade and subject areas or questions
16 which the applicant failed to answer correctly, except that if
17 the board administers a uniform, standardized examination, the
18 board shall only be required to provide the examination grade
19 and such other information concerning the applicant's
20 examination results which are available to the board.

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

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

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

1 Sec. 6. NEW SECTION. 542D.6 ISSUANCE AND RENEWAL OF
2 CERTIFICATES -- MAINTENANCE OF COMPETENCY.

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

6 (1) That the person's qualifications, including where
7 applicable the qualifications prescribed by section 542D.5,
8 satisfy the requirements of this section, or that the person
9 holds a certificate issued under prior law.

10 (2) That the person holds in good standing a certificate
11 or license to practice as a certified public accountant in
12 another state or equivalent designation from a foreign
13 country, and is eligible under the substantial equivalency or
14 other provisions of section 542D.19.

15 b. The holder of a certificate issued under this section
16 shall only provide attest services in a certified public
17 accounting firm that is issued a permit under section 542D.7.

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

27 3. A certificate holder, for renewal of a certificate
28 under this section, shall participate in a program of learning
29 designed to maintain professional competency. Such program of
30 learning must comply with rules adopted by the board. The
31 board, by rule, may grant an exception to this requirement for
32 a certificate holder who does not perform or offer to perform
33 for the public one or more kinds of services involving the use
34 of accounting or auditing skills, including issuance of
35 reports on financial statements or the use of one or more

1 kinds of management advisory, financial advisory, or
 2 consulting services, or the preparation of tax returns or the
 3 furnishing of advice on tax matters. A certificate holder
 4 entitled to an exception by rule of the board shall place the
 5 word "inactive" adjacent to the holder's certified public
 6 accountant title on any business card, letterhead, or other
 7 document or device, with the exception of the certificate
 8 holder's certified public accountant certificate, on which the
 9 certificate holder's certified public accountant title
 10 appears.

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

14 5. An applicant for initial issuance or renewal of a
 15 certificate shall list in the application all states in which
 16 the applicant has applied for or holds a certificate, license,
 17 or permit and list any past denial, revocation, or suspension
 18 of a certificate, license, or permit. A holder of or
 19 applicant for a certificate under this section shall notify
 20 the board in writing, within thirty days after its occurrence,
 21 of any issuance, denial, revocation, or suspension of a
 22 certificate, license, or permit by another state.

23 6. The board, by rule, shall require as a condition for
 24 renewal of a certificate under this section, by any
 25 certificate holder who performs compilation services for the
 26 public other than through a certified public accounting firm,
 27 that such individual undergo, no more frequently than once
 28 every three years, a peer review conducted in such manner as
 29 the board shall by rule specify, and such review shall include
 30 verification that such individual has met the competency
 31 requirements set out in professional standards for such
 32 services.

33 Sec. 7. NEW SECTION. 542D.7 FIRM PERMITS TO PRACTICE --
 34 ATTEST EXPERIENCE AND PEER REVIEW.

35 1. The board shall issue or renew a permit to practice to

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

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

23 3. a. An applicant for initial issuance or renewal of a
24 permit to practice as a firm must show that notwithstanding
25 any other provision of law, a simple majority of the ownership
26 of the firm, in terms of financial interests and voting rights
27 of all partners, officers, shareholders, members, and managers
28 belongs to holders of a certificate issued by a state, and
29 that such partners, officers, shareholders, members, and
30 managers, who perform professional services in this state or
31 for clients in this state, hold a certificate issued under
32 section 542D.6 or 542D.19.

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

35 (1) Such firm designates a licensee who is responsible for

1 the proper registration of the firm, and identifies that
2 individual to the board.

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

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

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

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

17 4. An applicant for initial issuance or renewal of a
18 permit to practice as a certified public accounting firm is
19 required to register each office of the firm within this state
20 with the board and to show that all attest and compilation
21 services rendered in this state are under the charge of a
22 person holding a valid certificate issued under section 542D.6
23 or 542D.19.

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

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

35 a. A change in the identity of a partner, officer,

1 shareholder, member, or manager who performs professional
2 services in this state or for clients in this state.

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

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

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

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

18 8. The board, by rule, shall require as a condition to
19 renewal of a permit to practice as a certified public
20 accounting firm, that an applicant undergo, no more frequently
21 than once every three years, a peer review conducted in such
22 manner as the board specifies. The review shall include a
23 verification that any individual in the firm who is
24 responsible for supervising attest and compilation services
25 and who signs or authorizes someone to sign the accountant's
26 report on a financial statement on behalf of the firm meets
27 the competency requirements set forth in the professional
28 standards for such services.

29 Such rules shall include reasonable provision for
30 compliance by an applicant showing that the applicant, within
31 the preceding three years, has undergone a peer review that is
32 a satisfactory equivalent to the peer review required under
33 this subsection. An applicant's completion of a peer review
34 program endorsed or supported by the American institute of
35 certified public accountants, or other substantially similar

1 review as determined by the board, satisfies the requirements
2 of this subsection.

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

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

16 b. Reasons of health.

17 c. Military service.

18 d. Instances of hardship.

19 e. Other good cause as determined by the board.

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

35 11. A person is not liable as a result of an act,

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

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

8 Sec. 8. NEW SECTION. 542D.8 QUALIFICATIONS FOR AND
9 ISSUANCE OF A LICENSE AS A LICENSED PUBLIC ACCOUNTANT --
10 RENEWAL OF LICENSE -- FIRM REGISTRATION -- PEER REVIEW.

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

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

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

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

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

35 (3) The applicant submits evidence of at least five years

1 of continuous experience engaged in performing any of the
2 services delineated in section 542D.1, subsection 11, on a
3 full-time basis.

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

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

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

17 5. If an applicant has partially passed an examination
18 given in another state determined by the board to be
19 substantially equivalent to the examination required by this
20 state and meets eligibility requirements that the board finds
21 to be substantially equivalent to those prescribed by this
22 state, the results of the other state's examination shall be
23 accepted as though given in this state.

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

29 7. An applicant who fails the examination once shall be
30 allowed to take the examination at the next scheduled time.
31 Thereafter, the applicant shall be allowed to take the
32 examination at the discretion of the board. An applicant who
33 passes a portion of the examination shall have the right to be
34 reexamined in the remaining subjects at a future examination,
35 and if the applicant passes the remaining subjects, the

1 applicant shall be considered to have passed the entire
2 examination. An applicant who fails the examination may
3 request in writing information from the board concerning the
4 applicant's examination grade and subject areas or questions
5 which the applicant failed to answer correctly, except that if
6 the board administers a uniform, standardized examination, the
7 board shall only be required to provide the examination grade
8 and such other information concerning the applicant's
9 examination results which is available to the board.

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

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

29 b. A licensee, for renewal of a license under this
30 section, shall participate in a program of learning designed
31 to maintain professional competency. Such program of learning
32 must comply with rules adopted by the board. The board, by
33 rule, may grant an exception to this requirement for a
34 licensee who does not perform or offer to perform for the
35 public one or more kinds of services involving the use of

1 accounting or auditing skills, including issuance of reports
 2 on financial statements or the use of one or more kinds of
 3 management advisory, financial advisory, or consulting
 4 services, or the preparation of tax returns or the furnishing
 5 of advice on tax matters. A licensee entitled to an exception
 6 by rule of the board shall place the word "inactive" adjacent
 7 to the licensee's licensed public accountant title on any
 8 business card, letterhead, or other document or device, with
 9 the exception of the licensee's licensed public accountant
 10 license, on which the licensee's licensed public accountant
 11 title appears.

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

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

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

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

29 12. The board shall issue or renew a permit to practice as
 30 a licensed public accounting firm to a person that makes
 31 application and demonstrates the qualification set forth in
 32 this section or to a licensed public accounting firm
 33 originally registered in another state that provides evidence
 34 that the qualifications met in the other state are
 35 substantially equivalent to those required by this section. A

1 firm must hold a permit issued under this section in order to
2 use the title "LPA" or "Licensed Public Accountants" in a firm
3 name.

4 a. An applicant for initial issuance or renewal of a
5 permit to practice as a firm under this section must show that
6 notwithstanding any other provision of law, a simple majority
7 of the ownership of the firm, in terms of financial interests
8 and voting rights of all partners, officers, shareholders,
9 members, and managers belongs to the holders of a certificate
10 or license issued by a state, and that such partners,
11 officers, shareholders, members, and managers, who perform
12 professional services in this state or for clients in this
13 state, hold a certificate issued under section 542D.6 or a
14 license issued under section 542D.8.

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

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

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

22 (3) Such firm complies with other requirements as
23 established by the board by rule.

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

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

35 13. An applicant for initial issuance or renewal of a

1 permit to practice as a licensed public accounting firm is
 2 required to register each office of the firm within this state
 3 with the board and to show that all compilation services
 4 rendered in this state are under the charge of a person
 5 holding a valid certificate issued under section 542D.6 or
 6 542D.19, or a license issued under section 542D.8.

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

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

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

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

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

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

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

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

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

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

32 b. Reasons of health.

33 c. Military service.

34 d. Instances of hardship.

35 e. Other good cause as determined by the board.

1 19. Peer review records are privileged and confidential,
2 and are not subject to discovery, subpoena, or other means of
3 legal compulsion. Peer review records are not admissible in
4 evidence in a judicial, administrative, or arbitration
5 proceeding. Information or documents discoverable from
6 sources other than a peer review team do not become
7 nondiscoverable from such other sources because they are made
8 available to or are in the possession of a peer review team.
9 Information or documents publicly available from the national
10 society of accountants relating to quality or peer review are
11 not privileged or confidential under this subsection. A
12 person or organization participating in the peer review
13 process shall not testify as to the findings, recommendations,
14 evaluations, or opinions of a peer review team in a judicial,
15 administrative, or arbitration proceeding.

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

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

24 Sec. 9. NEW SECTION. 542D.9 APPOINTMENT OF SECRETARY OF
25 STATE AS AGENT.

26 Application for a certificate under section 542D.6, a
27 license under section 542D.8, a permit to practice under
28 section 542D.7, or a certificate under section 542D.19 by a
29 person or a firm not a resident of this state constitutes
30 appointment of the secretary of state as the applicant's agent
31 upon whom process may be served in any action or proceeding
32 against the applicant arising out of a transaction or
33 operation connected with or incidental to services performed
34 by the applicant while a licensee within this state.

35 Sec. 10. NEW SECTION. 542D.10 ENFORCEMENT AGAINST A

1 HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.

2 1. After notice and hearing pursuant to section 542D.11,
3 the board may revoke, suspend for a period of time not to
4 exceed two years, or refuse to renew a license; reprimand,
5 censure, or limit the scope of practice of any licensee;
6 impose an administrative penalty not to exceed one thousand
7 dollars per violation; or place any licensee on probation; all
8 with or without terms, conditions, and in combinations of
9 remedies, for any one or more of the following reasons:

10 a. Fraud or deceit in obtaining a license, which may also
11 result in permanent revocation of the license.

12 b. Dishonesty, fraud, or gross negligence in the practice
13 of public accounting.

14 c. Engaging in any activity prohibited under section
15 542D.13 or permitting persons under the licensee's supervision
16 to do so.

17 d. Violation of a rule of professional conduct adopted by
18 the board under the authority granted by this chapter.

19 e. Conviction of a felony under the laws of any state of
20 the United States.

21 f. Conviction of any crime, any element of which is
22 dishonesty or fraud as provided in section 542D.5, subsection
23 2, under the laws of any state of the United States.

24 g. Cancellation, revocation, suspension, or refusal to
25 renew the authority to practice as a certified public
26 accountant, licensed public accountant, or accounting
27 practitioner, or the acceptance of the voluntary surrender of
28 a license to practice as a certified public accountant,
29 licensed public accountant, or accounting practitioner to
30 conclude a pending disciplinary action, by any other state or
31 foreign authority for any cause other than failure to pay
32 appropriate fees in the other jurisdiction.

33 h. Suspension or revocation of the right to practice
34 before any state or federal agency.

35 i. Conduct discreditable to the public accounting

1 profession.

2 j. Violation of section 272C.10.

3 2. Multiple violations arising from the same factual
4 circumstances or from different factual circumstances
5 containing a common error shall be considered as a single
6 violation for the purpose of imposition of an administrative
7 penalty.

8 3. In lieu of or in addition to any remedy specifically
9 provided in subsection 1, the board may require a licensee to
10 satisfy a peer review or desk review process on such terms as
11 the board may specify, satisfactorily complete a continuing
12 education program, or such additional remedies as the board
13 may specify by rule.

14 Sec. 11. NEW SECTION. 542D.11 INVESTIGATIONS AND
15 HEARINGS.

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

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

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

6 4. The board may issue subpoenas in any proceeding to
7 compel witnesses to testify and to produce documentary
8 evidence on behalf of the board and shall issue such subpoenas
9 upon the application of the accused, pursuant to section
10 17A.13, subsection 1, and section 272C.6, subsection 3.

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

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

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

20 Sec. 12. NEW SECTION. 542D.12 REINSTATEMENT.

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

28 2. The board is vested with discretionary authority to
29 specify by rule the manner in which such applications shall be
30 made, the times within which they shall be made, the
31 circumstances in which a hearing will be held, and the grounds
32 upon which such applications will be decided. The rules shall
33 provide at a minimum that the burden is on the licensee to
34 produce evidence that the basis for revocation, suspension,
35 restriction, refusal to renew, or voluntarily surrender no

1 longer exists and that it will be in the public interest for
2 the board to grant the application on such terms and
3 conditions as the board deems desirable.

4 Sec. 13. NEW SECTION. 542D.13 UNLAWFUL ACTS.

5 1. Only a certified public accountant may issue a report
6 on financial statements of a person, firm, organization, or
7 governmental unit, or offer to render or render any attest
8 service. Only a certified public accountant or licensed
9 public accountant may render compilation services. This
10 restriction does not prohibit such acts by a public official
11 or public employee in the performance of that person's duties;
12 or prohibit the performance by any nonlicensee of other
13 services involving the use of accounting skills, including the
14 preparation of tax returns, management advisory services, and
15 the preparation of financial statements without the issuance
16 of reports on such financial statements. A nonlicensee may
17 prepare financial statements and issue nonattest transmittals
18 or information on such statements or transmittals which do not
19 purport to be in compliance with the statements on standards
20 for accounting and review services.

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

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

29 4. A firm shall not provide attest services or assume or
30 use the title "certified public accountants" or the
31 abbreviation "CPAs" or any other title, designation, words,
32 letters, abbreviation, sign, card, or device tending to
33 indicate that such firm is a certified public accounting firm
34 unless the firm holds a permit issued under section 542D.7 and
35 ownership of the firm satisfies the requirements of this

1 chapter and rules adopted by the board.

2 5. A person shall not assume or use the title "licensed
3 public accountant" or the abbreviation "LPA" or any other
4 title, designation, words, letters, abbreviation, sign, card,
5 or device tending to indicate that such person is a licensed
6 public accountant unless that person holds a license issued
7 under section 542D.8.

8 6. A firm not holding a permit issued under section 542D.8
9 shall not provide compilation services or assume or use the
10 title "licensed public accountant", the abbreviation "LPA", or
11 any other title, designation, words, letters, abbreviation,
12 sign, card, or device tending to indicate that such firm is
13 composed of licensed public accountants.

14 7. A person or firm not holding a certificate, permit, or
15 license issued under section 542D.6, 542D.7, 542D.8, or
16 542D.19 shall not assume or use the title "certified
17 accountant", "chartered accountant", "enrolled accountant",
18 "licensed accountant", "registered accountant", "accredited
19 accountant", or any other title or designation likely to be
20 confused with the title "certified public accountant" or
21 "licensed public accountant", or use any of the abbreviations
22 "CA", "LA", "RA", "AA", or similar abbreviation likely to be
23 confused with the abbreviation "CPA" or "LPA". The title
24 "enrolled agent" or "EA" may be used by individuals so
25 designated by the Internal Revenue Service. Nothing in this
26 section shall restrict truthful advertising of a bona fide
27 credential or title which in context is not deceptive or
28 misleading to the public.

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

35 9. A person or firm not holding a certificate, permit, or

1 license issued under section 542D.6, 542D.7, 542D.8, or
 2 542D.19 shall not assume or use any title or designation that
 3 includes the word "accountant", "auditor", or "accounting", in
 4 connection with any other language that implies that such
 5 person or firm holds such a certificate, permit, or license or
 6 has special competence as an accountant or auditor. However,
 7 this subsection does not prohibit an officer, partner, member,
 8 manager, or employee of a firm or organization from affixing
 9 that person's own signature to a statement in reference to the
 10 financial affairs of such firm or organization with wording
 11 which designates the position, title, or office that the
 12 person holds, or prohibit any act of a public official or
 13 employee in the performance of such person's duties. This
 14 subsection does not prohibit the use of the title or
 15 designation "accountant" by persons other than those holding a
 16 certificate or license under this chapter.

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

25 11. This section does not apply to a person or firm
 26 holding a certification, designation, degree, or license
 27 granted in a foreign country entitling the holder to engage in
 28 the practice of public accountancy or its equivalent in such
 29 country, whose activities in this state are limited to
 30 providing professional services to a person or firm who is a
 31 resident of, government of, or business entity of the country
 32 in which the person holds such entitlement, who does not
 33 perform attest or compilation services, and who does not issue
 34 reports with respect to the financial statements of any other
 35 person, firm, or governmental unit in this state, and who does

1 not use in this state any title or designation other than the
2 one under which the person practices in such country, followed
3 by a translation of such title or designation into the English
4 language, if it is in a different language, and by the name of
5 such country.

6 12. A holder of a certificate issued under section 542D.6
7 or 542D.19 shall not perform attest services in a firm that
8 does not hold a permit issued under section 542D.7.

9 13. An individual licensee shall not issue a report in
10 standard form upon a compilation of financial information
11 through any form of business that does not hold a permit
12 issued under section 542D.7 unless the report discloses the
13 name of the business through which the individual is issuing
14 the report and the individual licensee does all of the
15 following:

16 a. Signs the compilation report identifying the individual
17 as a certified public accountant or licensed public
18 accountant.

19 b. Meets competency requirements provided in applicable
20 standards.

21 c. Undergoes, no less frequently than once every three
22 years, a peer review conducted in a manner as specified by the
23 board. The review shall include verification that such
24 individual has met the competency requirements set out in
25 professional standards for such services.

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

30 15. a. A licensee shall not for a commission recommend or
31 refer a client to any product or service, or for a commission
32 recommend or refer another person to any product or service to
33 be supplied by a client, or receive a commission, when the
34 licensee also performs for that client any of the following:

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

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

5 (3) An examination of prospective financial information.

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

11 b. A licensee who is not prohibited by this section from
12 performing services for or receiving a commission and who is
13 paid or expects to be paid a commission shall disclose that
14 fact to any person or entity to whom the licensee recommends
15 or refers a product or service to which the commission
16 relates.

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

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

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

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

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

30 (c) An examination of prospective financial information.

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

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

1 involved in such listed services.

2 c. For purposes of this subsection, a contingent fee is a
3 fee established for the performance of a service pursuant to
4 an arrangement in which a fee will not be charged unless a
5 specified finding or result is attained, or in which the
6 amount of the fee is otherwise dependent upon the finding or
7 result of such service. A fee shall not be considered as
8 being a contingent fee if fixed by a court or other public
9 authority, or, in a tax matter, if determined based on the
10 results of a judicial proceeding or the findings of a
11 governmental agency. A licensee's fee may vary depending on
12 the complexity of the services rendered.

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

18 Sec. 14. NEW SECTION. 542D.14 INJUNCTION AGAINST
19 UNLAWFUL ACTS, CIVIL PENALTIES, AND CONSENT AGREEMENTS.

20 1. If, as a result of an investigation under section
21 542D.11 or otherwise, the board believes that a person or firm
22 has engaged, or is about to engage, in an act or practice
23 which constitutes or will constitute a violation of section
24 542D.13, the board may make application to the district court
25 for an order enjoining such act or practice. Upon a showing
26 by the board that such person or firm has engaged, or is about
27 to engage, in any such act or practice, an injunction,
28 restraining order, or other order as may be appropriate shall
29 be granted by the court.

30 2. In addition to a criminal penalty provided for in
31 section 542D.15, the board may issue an order to require
32 compliance with section 542D.13 and may impose a civil penalty
33 not to exceed one thousand dollars for each offense upon a
34 person who is not a licensee under this chapter and who
35 engages in conduct prohibited by section 542D.13. Each day of

1 a continued violation constitutes a separate offense.

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

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

6 b. The circumstances leading to the violation.

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

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

11 e. The interest of the public.

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

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

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

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

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

35 9. The board, in its discretion and in lieu of prosecuting

1 a first offense under this section, may enter into a consent
2 agreement with a violator, or with a person guilty of aiding
3 or abetting a violator, which acknowledges the violation and
4 the violator's agreement to refrain from any further
5 violations.

6 Sec. 15. NEW SECTION. 542D.15 CRIMINAL PENALTIES.

7 1. A person who violates a provision of section 542D.13 is
8 guilty of a serious misdemeanor.

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

16 3. If, after an investigation under section 542D.11 or
17 otherwise, the board has reason to believe that a person or
18 firm has knowingly engaged in an act or practice that
19 constitutes a violation subject to subsection 1, the board may
20 submit its information to the attorney general of any state,
21 or other appropriate law enforcement official, who, in such
22 official's discretion, may initiate an appropriate criminal
23 proceeding.

24 Sec. 16. NEW SECTION. 542D.16 SINGLE ACT EVIDENCE OF
25 PRACTICE.

26 In an action brought under section 542D.14 or 542D.15,
27 evidence of the commission of a single act prohibited by this
28 chapter is sufficient to justify a penalty, injunction,
29 restraining order, or conviction, without evidence of a
30 general course of conduct.

31 Sec. 17. NEW SECTION. 542D.17 CONFIDENTIAL
32 COMMUNICATIONS.

33 A licensee shall not voluntarily disclose information
34 communicated to the licensee by a client relating to and in
35 connection with services rendered to the client by the

1 licensee, except with the permission of the client, or an
 2 heir, successor, or personal representative of the client.
 3 Such information is deemed to be confidential. However, this
 4 section shall not be construed as prohibiting the disclosure
 5 of information required to be disclosed by the standards of
 6 the public accounting profession in reporting on the
 7 examination of financial statements or as prohibiting
 8 disclosures in a court proceeding, in an investigation or
 9 proceeding under this chapter or chapter 272C, in an ethical
 10 investigation conducted by a private professional
 11 organization, in the course of a peer review, to another
 12 person active in the licensee's firm performing services for
 13 that client on a need-to-know basis, to persons associated
 14 with the investigative entity who need this information for
 15 the sole purpose of assuring quality control, or as otherwise
 16 required by law.

17 This section does not preclude a licensee from filing a
 18 complaint with, or responding to an inquiry made by, the
 19 board, a taxing authority or law enforcement authority of this
 20 state, or a licensing or similar authority of another state or
 21 the United States.

22 Sec. 18. NEW SECTION. 542D.18 LICENSEES' WORKING PAPERS
 23 -- CLIENTS' RECORDS.

24 1. Subject to section 542D.17, all statements, records,
 25 schedules, working papers, and memoranda made by a licensee or
 26 a partner, shareholder, officer, director, member, manager, or
 27 employee of a licensee, incident to, or in the course of,
 28 rendering services to a client, except reports submitted by
 29 the licensee to the client and except for records that are
 30 part of the client's records, are the property of the licensee
 31 in the absence of an express agreement between the licensee
 32 and the client to the contrary. Such statement, record,
 33 schedule, working paper, or memorandum shall not be sold,
 34 transferred, or bequeathed, without the consent of the client
 35 or the client's personal representative or assignee, to anyone

1 other than a surviving partner, stockholder, or member of the
2 licensee, or any combined or merged firm or successor in
3 interest to the licensee. This section shall not be construed
4 as prohibiting a temporary transfer of working papers or other
5 material necessary in the course of carrying out peer reviews
6 or as otherwise interfering with the disclosure of information
7 pursuant to section 542D.17.

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

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

14 b. Accounting or other records belonging to, or obtained
15 from or on behalf of, the client that the licensee removed
16 from the client's premises or received for the client's
17 account. The licensee may make and retain copies of such
18 documents of the client when they form the basis for work done
19 by the licensee.

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

23 Sec. 19. NEW SECTION. 542D.19 SUBSTANTIAL EQUIVALENCY.

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

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

34 b. The applicant's individual qualifications are
35 substantially equivalent to those required by section 542D.5.

1 c. The applicant satisfies all of the following:

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

5 (2) The applicant has at least four years of experience
6 within the ten years immediately preceding the application
7 which occurred after passing the examination upon which the
8 applicant's certificate or license was based and which in the
9 board's opinion is substantially equivalent to that required
10 by section 542D.5, subsection 12; and,

11 (3) If the applicant's certificate or license was issued
12 more than four years prior to the filing of the application in
13 this state, the applicant has fulfilled the continuing
14 professional education requirements described in section
15 542D.6, subsection 3.

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

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

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

31 b. The foreign designation satisfies all of the following:

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

35 (2) The designation entitles the holder to issue reports

1 on financial statements.

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

5 c. The applicant satisfies all of the following:

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

10 (2) The applicant satisfies an experience requirement,
11 substantially equivalent to the requirement set out in section
12 542D.5, subsection 12, in the jurisdiction which issued the
13 foreign designation or has completed four years of
14 professional experience in this state; or meets equivalent
15 requirements prescribed by the board by rule, within the ten
16 years immediately preceding the application.

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

20 (4) The applicant shall list in the application all
21 jurisdictions, foreign and domestic, in which the applicant
22 has applied for or holds a designation to practice public
23 accountancy. A holder of a certificate issued under this
24 section shall notify the board in writing, within thirty days
25 after its occurrence, of any issuance, denial, revocation, or
26 suspension of a designation or commencement of a disciplinary
27 or enforcement action by any jurisdiction.

28 4. An applicant under this section shall comply with all
29 applicable provisions of section 542D.5, subsections 1 through
30 6, and section 542D.6.

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

34 Sec. 20. Section 15E.208, subsection 5, paragraph d,
35 subparagraph (4), Code 2001, is amended to read as follows:

1 (4) The manner of oversight required by the department or
 2 the auditor of state. The articles must provide that the
 3 corporation shall submit a report to the governor, the general
 4 assembly, and the department. The report shall provide a
 5 description of the corporation's activities and a summary of
 6 its finances, including financial awards. The report shall be
 7 submitted not later than January 10 of each year. The
 8 articles shall provide that an audit of the corporation must
 9 be conducted each year for the preceding year by a certified
 10 public accountant licensed pursuant to chapter 542E 542D. The
 11 auditor of state may audit the books and accounts of the
 12 corporation at any time. The results of the annual audit and
 13 any audit for the current year conducted by the auditor of
 14 state shall be included as part of the report.

15 Sec. 21. Section 99D.20, Code 2001, is amended to read as
 16 follows:

17 99D.20 AUDIT OF LICENSEE OPERATIONS.

18 Within ninety days after the end of each race meet, the
 19 licensee shall transmit to the commission an audit of the
 20 financial transactions and condition of the licensee's
 21 operations conducted under this chapter. Additionally, within
 22 ninety days after the end of the licensee's fiscal year, the
 23 licensee shall transmit to the commission an audit of the
 24 financial transactions and condition of the licensee's total
 25 operations. All audits shall be conducted by certified public
 26 accountants registered in the state of Iowa under chapter 542E
 27 542D.

28 Sec. 22. Section 99F.13, Code 2001, is amended to read as
 29 follows:

30 99F.13 ANNUAL AUDIT OF LICENSEE OPERATIONS.

31 Within ninety days after the end of the licensee's fiscal
 32 year, the licensee shall transmit to the commission an audit
 33 of the financial transactions and condition of the licensee's
 34 total operations. All audits shall be conducted by certified
 35 public accountants registered or licensed in the state of Iowa

1 under chapter ~~542E~~ 542D.

2 Sec. 23. Section 203.16, subsection 7, Code 2001, is
3 amended to read as follows:

4 7. Where released at the request of the Iowa board-of
5 accountancy examining board for licensee review and discipline
6 in accordance with chapters 272C and ~~542E~~ 542D and subject to
7 the confidentiality requirements of section 272C.6.

8 Sec. 24. Section 203C.24, subsection 7, Code 2001, is
9 amended to read as follows:

10 7. Where released at the request of the Iowa board-of
11 accountancy examining board for licensee review and discipline
12 in accordance with chapters 272C and ~~542E~~ 542D and subject to
13 the confidentiality requirements of section 272C.6.

14 Sec. 25. Section 272C.1, subsection 6, paragraph c, Code
15 2001, is amended to read as follows:

16 c. The Iowa accountancy examining board, created pursuant
17 to chapter ~~542E~~ 542D.

18 Sec. 26. Section 272C.3, subsection 2, paragraph a, Code
19 2001, is amended to read as follows:

20 a. Revoke a license, or suspend a license either until
21 further order of the board or for a specified period, upon any
22 of the grounds specified in section 147.55, 148.6, 148B.7,
23 152.10, 153.34, 154A.24, 169.13, 542B.21, ~~542E-21~~ 542D.10,
24 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, 155,
25 507B or 522, as applicable, or upon any other grounds
26 specifically provided for in this chapter for revocation of
27 the license of a licensee subject to the jurisdiction of that
28 board, or upon failure of the licensee to comply with a
29 decision of the board imposing licensee discipline;

30 Sec. 27. Section 272C.4, subsection 6, Code 2001, is
31 amended to read as follows:

32 6. Define by rule acts or omissions which are grounds for
33 revocation or suspension of a license under section 147.55,
34 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13, 455B.191,
35 542B.21, ~~542E-21~~ 542D.10, 543B.29, 544A.13, 544B.15, or

1 602.3203 or chapter 151, 155, 507B or 522, as applicable, and
 2 to define by rule acts or omissions which constitute
 3 negligence, careless acts or omissions within the meaning of
 4 section 272C.3, subsection 2, paragraph "b", which licensees
 5 are required to report to the board pursuant to section
 6 272C.9, subsection 2;

7 Sec. 28. Section 272C.5, subsection 2, paragraph c, Code
 8 2001, is amended to read as follows:

9 c. Shall state whether the procedures are an alternative
 10 to or an addition to the procedures stated in sections 147.58
 11 through 147.71, 148.6 through 148.9, 152.10 and 152.11, 153.23
 12 through 153.30, 153.33, and 154A.23, 542B.22, 542E-23 542D.11,
 13 543B.35, 543B.36, 544B.16.

14 Sec. 29. Section 272C.6, subsection 6, unnumbered
 15 paragraph 1, Code 2001, is amended to read as follows:

16 A board created pursuant to chapter 147, 154A, 155, 169,
 17 542B, 542E 542D, 543B, 543D, 544A, or 544B may charge a fee
 18 not to exceed seventy-five dollars for conducting a
 19 disciplinary hearing pursuant to this chapter which results in
 20 disciplinary action taken against the licensee by the board,
 21 and in addition to the fee, may recover from a licensee the
 22 costs for the following procedures and associated personnel:

23 Sec. 30. Section 272C.9, subsection 2, Code 2001, is
 24 amended to read as follows:

25 2. A licensee has a continuing duty to report to the
 26 licensing board by whom the person is licensed those acts or
 27 omissions specified by rule of the board pursuant to section
 28 272C.4, subsection 6, when committed by another person
 29 licensed by the same licensing board. This subsection does
 30 not apply to licensees under chapter 542E 542D when the
 31 observations are a result of participation in programs of
 32 practice review, peer review and quality review conducted by
 33 professional organizations of certified public accountants,
 34 for educational purposes and approved by the accountancy
 35 examining board.

1 Sec. 31. Section 502.102, subsection 11, paragraph c,
2 subparagraphs (3) and (4), Code 2001, are amended to read as
3 follows:

4 (3) An attorney licensed to practice law in this state, a
5 certified public accountant licensed pursuant to chapter 542E
6 542D, a professional engineer licensed pursuant to chapter
7 542B, or a certified teacher, if the person's performance of
8 these services is solely incidental to the practice of the
9 person's profession.

10 (4) An attorney licensed to practice law in this state or
11 a certified public accountant licensed pursuant to chapter
12 542E 542D who does not do any of the following:

13 Sec. 32. Section 522.1, subsection 2, Code 2001, is
14 amended to read as follows:

15 2. A certified public accountant licensed pursuant to
16 chapter 542E 542D.

17 Sec. 33. Section 546.10, subsection 1, paragraph b, Code
18 2001, is amended to read as follows:

19 b. The Iowa accountancy examining board created pursuant
20 to chapter 542E 542D.

21 Sec. 34. Section 546.10, subsection 5, Code 2001, is
22 amended to read as follows:

23 5. Fees collected under chapters 542B, 542E 542D, 543B,
24 543D, 544A, and 544B shall be paid to the treasurer of state
25 and credited to the general fund of the state. All expenses
26 required in the discharge of the duties and responsibilities
27 imposed upon the professional licensing division of the
28 department of commerce, the administrator, and the licensing
29 boards by the laws of this state shall be paid from moneys
30 appropriated by the general assembly for those purposes. All
31 fees deposited into the general fund of the state, as provided
32 in this subsection, shall be subject to the requirements of
33 section 8.60.

34 Sec. 35. Section 669.14, subsection 11, unnumbered
35 paragraph 1, Code 2001, is amended to read as follows:

1 Any claim for financial loss based upon an act or omission
 2 in financial regulation, including but not limited to
 3 examinations, inspections, audits, or other financial
 4 oversight responsibilities, pursuant to chapters 87, 203,
 5 203A, 203C, 203D, 421B, 486, 487, and 490 through 553,
 6 excluding chapters 540A, 542B, 542E 542D, 543B, 543C, 543D,
 7 544A, and 544B.

8 Sec. 36. Chapter 542C, Code 2001, is repealed, effective
 9 July 1, 2002. However, this Act shall not be construed to
 10 invalidate or affect any action taken or any proceeding
 11 instituted under any law in effect prior to the effective date
 12 of this Act.

13 Sec. 37. CONSTRUCTION. This Act shall be construed to
 14 fully recognize a certificate, license, or permit issued
 15 pursuant to chapter 542C prior to July 1, 2002, as though
 16 issued under this Act.

17 Sec. 38. EFFECTIVE DATE. This Act takes effect July 1,
 18 2002.

19 EXPLANATION

20 This bill creates a new Code chapter 542D, which
 21 establishes certification, permitting, and licensure
 22 requirements for accounting professionals in this state. The
 23 bill repeals existing requirements contained in current Code
 24 chapter 542C. The bill is based on model legislation
 25 developed jointly by the American institute of certified
 26 public accountants and the national association of state
 27 boards of accountancy.

28 New Code section 542D.1 sets forth the title of the new
 29 Code chapter as the "Iowa Accountancy Act of 2001".

30 New Code section 542D.2 sets forth a statement of
 31 legislative intent which is to promote the reliability of
 32 information that is used for guidance in financial
 33 transactions or for accounting for or assessing the financial
 34 status or performance of commercial, noncommercial, and
 35 governmental enterprises.

1 New Code section 542D.3 establishes the definitions of
2 terms used in the Code chapter.

3 New Code section 542D.4 establishes the accountancy
4 examining board in a manner similar to current Code chapter
5 542C.

6 New Code section 542D.5 sets forth the qualifications
7 required to be met to be issued a certificate as a certified
8 public accountant. The Code section requires that an
9 applicant be of good moral character and meet established
10 education, experience, and examination requirements.

11 New Code section 542D.6 establishes the process of
12 application for an initial certificate as a certified public
13 accountant, as well as for renewal and reciprocal issuance of
14 certificates. This section requires that a licensee shall
15 participate in a program of professional education designed to
16 ensure continuing competence.

17 New Code section 542D.7 provides for the issuance of
18 permits to practice as a certified public accounting firm or
19 licensed public accounting firm upon submission of an
20 application and demonstration of the requirements established
21 in the new Code section. A person or firm holding a permit to
22 practice issued by this state prior to July 1, 2002, is
23 decreed to have met the requirements of this section.

24 New Code section 542D.8 sets forth the qualifications to be
25 met in order to be issued a license as a licensed public
26 accountant. This Code section establishes the process of
27 application for the initial license, as well as license
28 renewal. The Code section provides that a person holding a
29 license as an accounting practitioner issued by this state
30 prior to July 1, 2002, is deemed to have met the requirements
31 of the Code section.

32 New Code section 542D.9 establishes that an application for
33 a certificate, permit, or license to practice by a person or a
34 firm not a resident of the state constitutes appointment of
35 the secretary of state as the applicant's agent upon whom

1 process may be served in any action or proceeding against the
2 applicant arising out of any transaction or operation
3 connected with or incidental to services performed by the
4 applicant within this state.

5 New Code section 542D.10 provides for enforcement of the
6 Code chapter. The Code section identifies those acts of an
7 individual that may result in revocation, suspension, or other
8 limitation of the individual's certificate, permit, license,
9 or privileges under the Code chapter. The Code section also
10 provides for an administrative penalty not to exceed \$1,000.

11 New Code section 542D.11 provides for the investigations
12 and hearings procedures associated with complaints and
13 violations under the new Code section.

14 New Code section 542D.12 provides for the reinstatement of
15 a license which has been suspended, revoked, or restricted.

16 New Code section 542D.13 provides for the use of titles and
17 the scope of services that a licensee, firm, or nonlicensee
18 may perform under the new Code chapter. This Code section
19 also provides for the regulation of commission-based services
20 and contingent fee services. Prohibited acts are delineated.

21 New Code section 542D.14 grants authority to the
22 accountancy examining board to obtain injunctive relief from a
23 court if the board finds that any person or firm has engaged,
24 or is about to engage, in any acts or practices which will
25 constitute a violation of the new Code chapter. The new Code
26 section also provides for the levying of civil penalties and
27 the issuance of consent orders.

28 New Code section 542D.15 establishes a criminal penalty for
29 a violation of new Code section 542D.13, relating to unlawful
30 acts. A person who commits such violation is guilty of a
31 serious misdemeanor.

32 New Code section 542D.16 provides that in any action
33 brought to enforce the chapter, evidence of the commission of
34 a single prohibited act is sufficient to justify a penalty,
35 injunction, restraining order, or conviction, without evidence

1 of a general course of conduct.

2 New Code section 542D.17 defines the confidentiality of
3 client communications to accountants. The new Code section
4 establishes certain instances where such communications may be
5 disclosed.

6 New Code section 542D.18 provides for the retention and
7 management of client records.

8 New Code section 542D.19 provides for reciprocity and
9 discipline for certificate and license holders and permitted
10 firms from states whose accountancy statutes are substantially
11 equivalent to the requirements of this new Code chapter.

12 Sections 20 through 35 of the bill make conforming changes
13 relating to the repeal of Code chapter 542C and the creation
14 of Code chapter 542D in this bill.

15 Section 36 of the bill provides for the repeal of existing
16 Code chapter 542C, relating to the regulation of public
17 accountancy, which was originally enacted in 1974.

18 Section 37 of the bill provides for the bill's
19 construction.

20 Section 38 of the bill provides that the bill takes effect
21 on July 1, 2002.

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FEB 28 2001

HOUSE FILE 451
BY COMMITTEE ON STATE GOVERNMENT

Place On Calendar

(SUCCESSOR TO HSB 90)

Passed House, (p. 706) Date 3/13/01 Passed Senate, (p. 107) Date 4-9-01
Vote: Ayes 95 Nays 0 Vote: Ayes 46 Nays 0
Approved April 19, 2001

A BILL FOR

1 An Act regulating the practice of accounting, establishing fees,
2 providing penalties, and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HF-451

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1 Section 1. NEW SECTION. 542D.1 TITLE.

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

4 Sec. 2. NEW SECTION. 542D.2 LEGISLATIVE INTENT.

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

1 competence of the persons using such titles be prohibited.

2 Sec. 3. NEW SECTION. 542D.3 DEFINITIONS.

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

5 1. "Attest" or "attest service" means providing any of the
6 following services:

7 a. An audit or other engagement to be performed in
8 accordance with the statements on auditing standards.

9 b. A review of a financial statement to be performed in
10 accordance with the statements on standards for accounting and
11 review services.

12 c. An examination of prospective financial information to
13 be performed in accordance with the statements on standards
14 for attestation engagements. For purposes of this subsection,
15 the statements on standards for attestation engagements means
16 those standards adopted by the board, by rule, by reference to
17 the standards developed for general application by the
18 American institute of certified public accountants, or other
19 recognized national accountancy organization.

20 2. "Board" means the Iowa accountancy examining board
21 established under section 542D.4 or its predecessor under
22 prior law.

23 3. "Certificate" means a certificate as a certified public
24 accountant issued under section 542D.6 or 542D.19, or a
25 certificate issued under corresponding prior law.

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

29 5. "Certified public accounting firm" means a sole
30 proprietorship, a corporation, a partnership, a limited
31 liability company, or any other form of organization issued a
32 permit to practice as a firm of certified public accountants
33 under section 542D.7.

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

1 service.

2 7. "Commission" means a brokerage or other participation
3 fee. "Commission" does not include a contingent fee.

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

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

19 10. "License" means a certificate issued under section
20 542D.6 or 542D.19, a permit issued under section 542D.7, or a
21 license issued under section 542D.8; or a certificate, permit,
22 or license issued under corresponding prior law.

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

28 a. Records financial transactions in books of record.

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

31 c. Makes trial balances from books of record.

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

34 e. Prepares financial statements, schedules, or reports.

35 f. Devises and installs systems or methods of bookkeeping,

1 internal controls of financial data, or the recording of
2 financial data.

3 g. Prepares compilations.

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

8 12. "Licensed public accounting firm" means a sole
9 proprietorship, a corporation, a partnership, a limited
10 liability company, or any other form of organization issued a
11 permit to practice as a firm of licensed public accountants
12 under section 542D.8.

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

14 14. "Manager" means a manager of a limited liability
15 company.

16 15. "Member" means a member of a limited liability
17 company.

18 16. "Peer review" means a study, appraisal, or review of
19 one or more aspects of the professional work of a licensee or
20 firm that performs attest or compilation services, by a
21 licensed person or persons who are not affiliated with the
22 licensee or firm being reviewed. "Peer review" does not
23 include a peer review conducted pursuant to chapter 272C in
24 connection with a disciplinary investigation.

25 17. "Peer review records" means a file, report, or other
26 information relating to the professional competence of an
27 applicant in the possession of a peer review team, or
28 information concerning the peer review developed by a peer
29 review team in the possession of an applicant.

30 18. "Peer review team" means a person or organization
31 participating in the peer review function, but does not
32 include the board.

33 19. "Permit" means a permit to practice as either a
34 certified public accounting firm issued under section 542D.7
35 or licensed public accounting firm under section 542D.8 or

1 under corresponding provisions of prior law.

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

16 21. "Report", when used with reference to financial
17 statements, means a report, opinion, or other form of a
18 writing that states or implies assurance as to the reliability
19 of any financial statements and that includes or is
20 accompanied by a statement or implication that the person or
21 firm issuing the report has special knowledge or competence in
22 accounting or auditing. Such statement or implication of
23 special knowledge or competence may arise from use by the
24 issuer of the report of names or titles indicating that the
25 person or firm is an accountant or auditor, or from the
26 language of the report itself. "Report" includes any form of
27 language which disclaims an opinion when such form of language
28 is conventionally understood to imply a positive assurance as
29 to the reliability of the financial statements referred to or
30 special knowledge or competence on the part of the person or
31 firm issuing the language, and any other form of language that
32 is conventionally understood to imply such assurance or such
33 special knowledge or competence.

34 22. "State" means a state of the United States, the
35 District of Columbia, Puerto Rico, the United States Virgin

1 Islands, or Guam.

2 23. "Substantial equivalency" is a determination by the
3 board that the education, examination, and experience
4 requirements contained in the statutes and administrative
5 rules of another jurisdiction are comparable to, or exceed,
6 the education, examination, and experience requirements
7 contained in this chapter or that an individual licensee's
8 education, examination, and experience qualifications are
9 comparable to or exceed the education, examination, and
10 experience requirements contained in this chapter.

11 Sec. 4. NEW SECTION. 542D.4 IOWA ACCOUNTANCY EXAMINING
12 BOARD.

13 1. An Iowa accountancy examining board is created within
14 the professional licensing and regulation division of the
15 department of commerce to administer and enforce this chapter.
16 The board shall consist of eight members, appointed by the
17 governor and subject to senate confirmation, all of whom shall
18 be residents of this state. Five of the eight members shall
19 be holders of certificates issued under section 542D.6, one
20 member shall be the holder of a license issued under section
21 542D.8, and two shall not be certified public accountants or
22 licensed public accountants and shall represent the general
23 public. Not fewer than three of the holders of certificates
24 issued under section 542D.6 shall also be qualified to
25 supervise attest services as provided in section 542D.7. A
26 certified or licensed member of the board shall be actively
27 engaged in practice as a certified public accountant or as a
28 licensed public accountant and shall have been so engaged for
29 five years preceding appointment, the last two of which shall
30 have been in this state. Professional associations or
31 societies composed of certified public accountants or licensed
32 public accountants may recommend the names of potential board
33 members to the governor. However, the governor is not bound
34 by the recommendations. A board member is not required to be
35 a member of any professional association or society composed

1 of certified public accountants or licensed public
2 accountants. The term of each member of the board shall be
3 three years, as designated by the governor, and appointments
4 to the board are subject to the requirements of sections
5 69.16, 69.16A, and 69.19. Members of the board appointed and
6 serving pursuant to chapter 542C, Code 2001, on the effective
7 date of this Act shall serve out the terms for which they were
8 appointed. Vacancies occurring during a term shall be filled
9 by appointment by the governor for the unexpired term. Upon
10 the expiration of the member's term of office, a member shall
11 continue to serve until a successor shall have been appointed
12 and taken office. The public members of the board shall be
13 allowed to participate in administrative, clerical, or
14 ministerial functions incident to giving the examinations, but
15 shall not determine the content or determine the correctness
16 of the answers. The licensed public accountant member shall
17 not determine the content of the certified public accountant
18 examination or determine the correctness of the answers. Any
19 member of the board whose certificate under section 542D.6 or
20 license under section 542D.8 is revoked or suspended shall
21 automatically cease to be a member of the board, and the
22 governor may, after a hearing, remove any member of the board
23 for neglect of duty or other just cause. A person who has
24 served three successive complete terms shall not be eligible
25 for reappointment, but appointment to fill an unexpired term
26 shall not be considered a complete term for this purpose.

27 2. The board shall elect annually from among its members a
28 chairperson and such other officers as the board may determine
29 to be appropriate. The board shall meet at such times and
30 places as may be fixed by the board. A majority of the board
31 members in office shall constitute a quorum at any meeting.
32 The board shall maintain a registry of the names and addresses
33 of all licensees and permittees under this chapter.

34 3. Members of the board are entitled to receive a per diem
35 as specified in section 7E.6 for each day spent on performance

1 of duties as members and shall be reimbursed for all actual
2 and necessary expenses incurred in the performance of duties
3 as members.

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

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

18 a. Criminal history or prior misconduct of the applicant.

19 b. Information relating to the contents of the
20 examination.

21 c. Information relating to the examination results other
22 than final score except for information about the results of
23 the examination given to the person examined.

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

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

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

1 of the public.

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

17 9. The board shall adopt rules pursuant to chapter 17A
18 governing the administration and enforcement of this chapter
19 and the conduct of licensees and permittees. Rules adopted
20 shall include, but not be limited to, the following:

21 a. Rules governing the board's meetings and the conduct of
22 its business.

23 b. Rules of procedure governing the conduct of
24 investigations and hearings by the board.

25 c. Rules specifying the educational and experience
26 qualifications required for the issuance of a certificate
27 under section 542D.6 and the continuing professional education
28 required for renewal of a certificate under section 542D.6.

29 d. Rules specifying the educational and experience
30 qualifications required for the issuance of a license under
31 section 542D.8 and the continuing professional education
32 required for renewal of a license under section 542D.8.

33 e. Rules of professional conduct directed to control the
34 quality and probity of services provided by a licensee, and,
35 among other areas, pertaining to a licensee's independence,

1 integrity, and objectivity; competence and technical
2 standards; responsibilities to the public; and
3 responsibilities to a client.

4 f. Rules relating to the propriety of opinions on
5 financial statements by a certified public accountant who is
6 not independent.

7 g. Rules relating to actions discreditable to the practice
8 as a certified public accountant or licensed public
9 accountant.

10 h. Rules relating to professional confidences between a
11 certified public accountant or licensed public accountant and
12 a client.

13 i. Rules governing technical competence and the expression
14 of opinions on financial statements.

15 j. Rules governing the failure to disclose a material fact
16 known to the certified public accountant or licensed public
17 accountant.

18 k. Rules relating to a material misstatement known to the
19 certified public accountant or licensed public accountant.

20 l. Rules governing negligent conduct in an examination or
21 in making a report on an examination.

22 m. Rules governing failure to direct attention to any
23 material departure from generally accepted accounting
24 principles.

25 n. Rules governing the professional standards applicable
26 to a licensee.

27 o. Rules governing the manner and circumstances of use of
28 the titles "certified public accountant" and "CPA".

29 p. Rules governing the manner and circumstances of use of
30 the titles "accounting practitioner" and "AP", and "licensed
31 public accountant" and "LPA".

32 q. Rules regarding peer review that may be required to be
33 performed under this chapter.

34 r. Rules on substantial equivalency under section 542D.19.

35 s. Such other rules as the board deems necessary or

1 appropriate for administering this chapter, including, but not
2 limited to, rules establishing fees and rules of professional
3 conduct, pertaining to corporations or limited liability
4 companies practicing accounting, which the board deems
5 consistent with or required by the public welfare. The board
6 may adopt rules governing the style, name, and title of
7 corporations and limited liability companies and governing the
8 affiliation of corporations and limited liability companies
9 with other organizations.

10 Sec. 5. NEW SECTION. 542D.5 QUALIFICATIONS FOR A
11 CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT.

12 1. A certificate as a certified public accountant may be
13 granted to a person of good moral character who makes
14 application pursuant to section 542D.6 and who satisfies the
15 education, experience, and examination requirements of this
16 section and rules adopted pursuant to this section.

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

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

35 4. A person who makes a false statement of material fact

1 on an application for a certificate, or who causes to be
2 submitted, or has been a party to preparing or submitting a
3 false application for a certificate, may be denied a
4 certificate by the board on the grounds of the false statement
5 or submission. A certificate holder found to have made such a
6 false statement or who has caused to be submitted, or was a
7 party to preparing or submitting any false application for a
8 certificate, may have the holder's certificate suspended or
9 revoked by the board on the grounds of the false statement or
10 submission.

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

17 6. The board, when considering the denial or revocation of
18 a certificate pursuant to subsections 2 through 5, shall
19 consider the nature of the offense; any aggravating or
20 extenuating circumstances which are documented; the time
21 lapsed since the revocation, conduct, or conviction; the
22 rehabilitation, treatment, or restitution performed by the
23 applicant or certificate holder; and any other factors the
24 board deems relevant. Character references may be required,
25 but shall not be obtained from certified public accountants.
26 An applicant shall not be denied a certificate because of age,
27 citizenship, race, religion, marital status, or national
28 origin, although the application may require citizenship
29 information.

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

1 or what the board determines to be substantially equivalent.

2 8. An applicant must pass an examination which shall be
3 offered at least twice per year and which shall test the
4 applicant's knowledge of the subjects of accounting and
5 auditing, and such other related subjects as the board may
6 specify by rule, including but not limited to business law and
7 taxation. The examination shall be held at a time determined
8 by the board and may be changed from time to time. The board
9 shall prescribe by rule the methods of applying for and
10 conducting the examination, including methods for grading and
11 determining a passing grade required of an applicant for a
12 certificate. However, the board, to the extent possible,
13 shall ensure the examination, grading of the examination, and
14 the passing grades are uniform with those applicable in all
15 other states. The board may make such use of all or any part
16 of a nationally recognized uniform certified public accountant
17 examination and advisory grading service, and may contract
18 with third parties to perform such administrative services
19 with respect to the examination as it deems appropriate to
20 perform the duties of the board with respect to examination.
21 Except as otherwise provided under this section, a person who
22 has partially passed the examination required by this
23 subsection by passing one or more subjects prior to December
24 31, 2000, has until December 31, 2003, to successfully
25 complete the examination process and qualify for a certificate
26 under the educational requirements in effect prior to December
27 31, 2000.

28 9. The board may admit to the examination a candidate who
29 will complete the educational requirements for a baccalaureate
30 degree with a concentration in accounting or what the board
31 determines by rule to be substantially equivalent to a
32 concentration in accounting within one hundred twenty days
33 immediately following the date of the examination or who has
34 completed those requirements. However, the board shall not
35 report the results of the examination until the candidate has

1 met the educational requirements for a baccalaureate degree
2 and shall not issue the certificate until the candidate has
3 fully satisfied the requirements of subsection 7.

4 10. Applicants who fail the examination once shall be
5 allowed to take the examination again at a time determined by
6 the board. Applicants who fail the examination twice shall be
7 allowed to take the examination again at the discretion of the
8 board. The board may by rule prescribe the terms and
9 conditions under which a candidate who passes two or more
10 subjects of the examination conducted in this state or by the
11 licensing authority of another state may be reexamined in only
12 the failed subjects and receive credit for the passed
13 subjects. An applicant who has failed the examination may
14 request in writing information from the board concerning the
15 applicant's examination grade and subject areas or questions
16 which the applicant failed to answer correctly, except that if
17 the board administers a uniform, standardized examination, the
18 board shall only be required to provide the examination grade
19 and such other information concerning the applicant's
20 examination results which are available to the board.

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

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

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

1 Sec. 6. NEW SECTION. 542D.6 ISSUANCE AND RENEWAL OF
2 CERTIFICATES -- MAINTENANCE OF COMPETENCY.

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

6 (1) That the person's qualifications, including where
7 applicable the qualifications prescribed by section 542D.5,
8 satisfy the requirements of this section, or that the person
9 holds a certificate issued under prior law.

10 (2) That the person holds in good standing a certificate
11 or license to practice as a certified public accountant in
12 another state or equivalent designation from a foreign
13 country, and is eligible under the substantial equivalency or
14 other provisions of section 542D.19.

15 b. The holder of a certificate issued under this section
16 shall only provide attest services in a certified public
17 accounting firm that is issued a permit under section 542D.7.

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

27 3. A certificate holder, for renewal of a certificate
28 under this section, shall participate in a program of learning
29 designed to maintain professional competency. Such program of
30 learning must comply with rules adopted by the board. The
31 board, by rule, may grant an exception to this requirement for
32 a certificate holder who does not perform or offer to perform
33 for the public one or more kinds of services involving the use
34 of accounting or auditing skills, including issuance of
35 reports on financial statements or the use of one or more

1 kinds of management advisory, financial advisory, or
2 consulting services, or the preparation of tax returns or the
3 furnishing of advice on tax matters. A certificate holder
4 entitled to an exception by rule of the board shall place the
5 word "inactive" adjacent to the holder's certified public
6 accountant title on any business card, letterhead, or other
7 document or device, with the exception of the certificate
8 holder's certified public accountant certificate, on which the
9 certificate holder's certified public accountant title
10 appears.

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

14 5. An applicant for initial issuance or renewal of a
15 certificate shall list in the application all states in which
16 the applicant has applied for or holds a certificate, license,
17 or permit and list any past denial, revocation, or suspension
18 of a certificate, license, or permit. A holder of or
19 applicant for a certificate under this section shall notify
20 the board in writing, within thirty days after its occurrence,
21 of any issuance, denial, revocation, or suspension of a
22 certificate, license, or permit by another state.

23 6. The board, by rule, shall require as a condition for
24 renewal of a certificate under this section, by any
25 certificate holder who performs compilation services for the
26 public other than through a certified public accounting firm,
27 that such individual undergo, no more frequently than once
28 every three years, a peer review conducted in such manner as
29 the board shall by rule specify, and such review shall include
30 verification that such individual has met the competency
31 requirements set out in professional standards for such
32 services.

33 Sec. 7. NEW SECTION. 542D.7 FIRM PERMITS TO PRACTICE --
34 ATTEST EXPERIENCE AND PEER REVIEW.

35 1. The board shall issue or renew a permit to practice to

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

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

23 3. a. An applicant for initial issuance or renewal of a
24 permit to practice as a firm must show that notwithstanding
25 any other provision of law, a simple majority of the ownership
26 of the firm, in terms of financial interests and voting rights
27 of all partners, officers, shareholders, members, and managers
28 belongs to holders of a certificate issued by a state, and
29 that such partners, officers, shareholders, members, and
30 managers, who perform professional services in this state or
31 for clients in this state, hold a certificate issued under
32 section 542D.6 or 542D.19.

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

35 (1) Such firm designates a licensee who is responsible for

1 the proper registration of the firm, and identifies that
2 individual to the board.

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

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

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

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

17 4. An applicant for initial issuance or renewal of a
18 permit to practice as a certified public accounting firm is
19 required to register each office of the firm within this state
20 with the board and to show that all attest and compilation
21 services rendered in this state are under the charge of a
22 person holding a valid certificate issued under section 542D.6
23 or 542D.19.

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

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

35 a. A change in the identity of a partner, officer,

1 shareholder, member, or manager who performs professional
2 services in this state or for clients in this state.

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

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

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

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

18 8. The board, by rule, shall require as a condition to
19 renewal of a permit to practice as a certified public
20 accounting firm, that an applicant undergo, no more frequently
21 than once every three years, a peer review conducted in such
22 manner as the board specifies. The review shall include a
23 verification that any individual in the firm who is
24 responsible for supervising attest and compilation services
25 and who signs or authorizes someone to sign the accountant's
26 report on a financial statement on behalf of the firm meets
27 the competency requirements set forth in the professional
28 standards for such services.

29 Such rules shall include reasonable provision for
30 compliance by an applicant showing that the applicant, within
31 the preceding three years, has undergone a peer review that is
32 a satisfactory equivalent to the peer review required under
33 this subsection. An applicant's completion of a peer review
34 program endorsed or supported by the American institute of
35 certified public accountants, or other substantially similar

1 review as determined by the board, satisfies the requirements
2 of this subsection.

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

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

16 b. Reasons of health.

17 c. Military service.

18 d. Instances of hardship.

19 e. Other good cause as determined by the board.

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

35 11. A person is not liable as a result of an act,

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

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

8 Sec. 8. NEW SECTION. 542D.8 QUALIFICATIONS FOR AND
9 ISSUANCE OF A LICENSE AS A LICENSED PUBLIC ACCOUNTANT --
10 RENEWAL OF LICENSE -- FIRM REGISTRATION -- PEER REVIEW.

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

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

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

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

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

35 (3) The applicant submits evidence of at least five years

1 of continuous experience engaged in performing any of the
2 services delineated in section 542D.3, subsection 11, on a
3 full-time basis.

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

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

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

17 5. If an applicant has partially passed an examination
18 given in another state determined by the board to be
19 substantially equivalent to the examination required by this
20 state and meets eligibility requirements that the board finds
21 to be substantially equivalent to those prescribed by this
22 state, the results of the other state's examination shall be
23 accepted as though given in this state.

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

29 7. An applicant who fails the examination once shall be
30 allowed to take the examination at the next scheduled time.
31 Thereafter, the applicant shall be allowed to take the
32 examination at the discretion of the board. An applicant who
33 passes a portion of the examination shall have the right to be
34 reexamined in the remaining subjects at a future examination,
35 and if the applicant passes the remaining subjects, the

1 applicant shall be considered to have passed the entire
2 examination. An applicant who fails the examination may
3 request in writing information from the board concerning the
4 applicant's examination grade and subject areas or questions
5 which the applicant failed to answer correctly, except that if
6 the board administers a uniform, standardized examination, the
7 board shall only be required to provide the examination grade
8 and such other information concerning the applicant's
9 examination results which is available to the board.

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

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

29 b. A licensee, for renewal of a license under this
30 section, shall participate in a program of learning designed
31 to maintain professional competency. Such program of learning
32 must comply with rules adopted by the board. The board, by
33 rule, may grant an exception to this requirement for a
34 licensee who does not perform or offer to perform for the
35 public one or more kinds of services involving the use of

1 accounting or auditing skills, including issuance of reports
2 on financial statements or the use of one or more kinds of
3 management advisory, financial advisory, or consulting
4 services, or the preparation of tax returns or the furnishing
5 of advice on tax matters. A licensee entitled to an exception
6 by rule of the board shall place the word "inactive" adjacent
7 to the licensee's licensed public accountant title on any
8 business card, letterhead, or other document or device, with
9 the exception of the licensee's licensed public accountant
10 license, on which the licensee's licensed public accountant
11 title appears.

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

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

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

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

29 12. The board shall issue or renew a permit to practice as
30 a licensed public accounting firm to a person that makes
31 application and demonstrates the qualification set forth in
32 this section or to a licensed public accounting firm
33 originally registered in another state that provides evidence
34 that the qualifications met in the other state are
35 substantially equivalent to those required by this section. A

1 firm must hold a permit issued under this section in order to
2 use the title "LPA" or "Licensed Public Accountants" in a firm
3 name.

4 a. An applicant for initial issuance or renewal of a
5 permit to practice as a firm under this section must show that
6 notwithstanding any other provision of law, a simple majority
7 of the ownership of the firm, in terms of financial interests
8 and voting rights of all partners, officers, shareholders,
9 members, and managers belongs to the holders of a certificate
10 or license issued by a state, and that such partners,
11 officers, shareholders, members, and managers, who perform
12 professional services in this state or for clients in this
13 state, hold a certificate issued under section 542D.6 or a
14 license issued under section 542D.8.

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

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

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

22 (3) Such firm complies with other requirements as
23 established by the board by rule.

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

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

35 13. An applicant for initial issuance or renewal of a

1 permit to practice as a licensed public accounting firm is
2 required to register each office of the firm within this state
3 with the board and to show that all compilation services
4 rendered in this state are under the charge of a person
5 holding a valid certificate issued under section 542D.6 or
6 542D.19, or a license issued under section 542D.8.

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

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

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

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

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

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

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

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

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

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

32 b. Reasons of health.

33 c. Military service.

34 d. Instances of hardship.

35 e. Other good cause as determined by the board.

1 19. Peer review records are privileged and confidential,
2 and are not subject to discovery, subpoena, or other means of
3 legal compulsion. Peer review records are not admissible in
4 evidence in a judicial, administrative, or arbitration
5 proceeding. Information or documents discoverable from
6 sources other than a peer review team do not become
7 nondiscoverable from such other sources because they are made
8 available to or are in the possession of a peer review team.
9 Information or documents publicly available from the national
10 society of accountants relating to quality or peer review are
11 not privileged or confidential under this subsection. A
12 person or organization participating in the peer review
13 process shall not testify as to the findings, recommendations,
14 evaluations, or opinions of a peer review team in a judicial,
15 administrative, or arbitration proceeding.

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

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

24 Sec. 9. NEW SECTION. 542D.9 APPOINTMENT OF SECRETARY OF
25 STATE AS AGENT.

26 Application for a certificate under section 542D.6, a
27 license under section 542D.8, a permit to practice under
28 section 542D.7, or a certificate under section 542D.19 by a
29 person or a firm not a resident of this state constitutes
30 appointment of the secretary of state as the applicant's agent
31 upon whom process may be served in any action or proceeding
32 against the applicant arising out of a transaction or
33 operation connected with or incidental to services performed
34 by the applicant while a licensee within this state.

35 Sec. 10. NEW SECTION. 542D.10 ENFORCEMENT AGAINST A

1 HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.

2 1. After notice and hearing pursuant to section 542D.11,
3 the board may revoke, suspend for a period of time not to
4 exceed two years, or refuse to renew a license; reprimand,
5 censure, or limit the scope of practice of any licensee;
6 impose an administrative penalty not to exceed one thousand
7 dollars per violation; or place any licensee on probation; all
8 with or without terms, conditions, and in combinations of
9 remedies, for any one or more of the following reasons:

10 a. Fraud or deceit in obtaining a license, which may also
11 result in permanent revocation of the license.

12 b. Dishonesty, fraud, or gross negligence in the practice
13 of public accounting.

14 c. Engaging in any activity prohibited under section
15 542D.13 or permitting persons under the licensee's supervision
16 to do so.

17 d. Violation of a rule of professional conduct adopted by
18 the board under the authority granted by this chapter.

19 e. Conviction of a felony under the laws of any state of
20 the United States.

21 f. Conviction of any crime, any element of which is
22 dishonesty or fraud as provided in section 542D.5, subsection
23 2, under the laws of any state of the United States.

24 g. Cancellation, revocation, suspension, or refusal to
25 renew the authority to practice as a certified public
26 accountant, licensed public accountant, or accounting
27 practitioner, or the acceptance of the voluntary surrender of
28 a license to practice as a certified public accountant,
29 licensed public accountant, or accounting practitioner to
30 conclude a pending disciplinary action, by any other state or
31 foreign authority for any cause other than failure to pay
32 appropriate fees in the other jurisdiction.

33 h. Suspension or revocation of the right to practice
34 before any state or federal agency.

35 i. Conduct discreditable to the public accounting

1 profession.

2 j. Violation of section 272C.10.

3 2. Multiple violations arising from the same factual
4 circumstances or from different factual circumstances
5 containing a common error shall be considered as a single
6 violation for the purpose of imposition of an administrative
7 penalty.

8 3. In lieu of or in addition to any remedy specifically
9 provided in subsection 1, the board may require a licensee to
10 satisfy a peer review or desk review process on such terms as
11 the board may specify, satisfactorily complete a continuing
12 education program, or such additional remedies as the board
13 may specify by rule.

14 Sec. 11. NEW SECTION. 542D.11 INVESTIGATIONS AND
15 HEARINGS.

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

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

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

6 4. The board may issue subpoenas in any proceeding to
7 compel witnesses to testify and to produce documentary
8 evidence on behalf of the board and shall issue such subpoenas
9 upon the application of the accused, pursuant to section
10 17A.13, subsection 1, and section 272C.6, subsection 3.

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

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

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

20 Sec. 12. NEW SECTION. 542D.12 REINSTATEMENT.

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

28 2. The board is vested with discretionary authority to
29 specify by rule the manner in which such applications shall be
30 made, the times within which they shall be made, the
31 circumstances in which a hearing will be held, and the grounds
32 upon which such applications will be decided. The rules shall
33 provide at a minimum that the burden is on the licensee to
34 produce evidence that the basis for revocation, suspension,
35 restriction, refusal to renew, or voluntarily surrender no

1 longer exists and that it will be in the public interest for
2 the board to grant the application on such terms and
3 conditions as the board deems desirable.

4 Sec. 13. NEW SECTION. 542D.13 UNLAWFUL ACTS.

5 1. Only a certified public accountant may issue a report
6 on financial statements of a person, firm, organization, or
7 governmental unit, or offer to render or render any attest
8 service. Only a certified public accountant or licensed
9 public accountant may render compilation services. This
10 restriction does not prohibit such acts by a public official
11 or public employee in the performance of that person's duties;
12 or prohibit the performance by any nonlicensee of other
13 services involving the use of accounting skills, including the
14 preparation of tax returns, management advisory services, and
15 the preparation of financial statements without the issuance
16 of reports on such financial statements. A nonlicensee may
17 prepare financial statements and issue nonattest transmittals
18 or information on such statements or transmittals which do not
19 purport to be in compliance with the statements on standards
20 for accounting and review services.

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

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

29 4. A firm shall not provide attest services or assume or
30 use the title "certified public accountants" or the
31 abbreviation "CPAs" or any other title, designation, words,
32 letters, abbreviation, sign, card, or device tending to
33 indicate that such firm is a certified public accounting firm
34 unless the firm holds a permit issued under section 542D.7 and
35 ownership of the firm satisfies the requirements of this

1 chapter and rules adopted by the board.

2 5. A person shall not assume or use the title "licensed
3 public accountant" or the abbreviation "LPA" or any other
4 title, designation, words, letters, abbreviation, sign, card,
5 or device tending to indicate that such person is a licensed
6 public accountant unless that person holds a license issued
7 under section 542D.8.

8 6. A firm not holding a permit issued under section 542D.8
9 shall not provide compilation services or assume or use the
10 title "licensed public accountant", the abbreviation "LPA", or
11 any other title, designation, words, letters, abbreviation,
12 sign, card, or device tending to indicate that such firm is
13 composed of licensed public accountants.

14 7. A person or firm not holding a certificate, permit, or
15 license issued under section 542D.6, 542D.7, 542D.8, or
16 542D.19 shall not assume or use the title "certified
17 accountant", "chartered accountant", "enrolled accountant",
18 "licensed accountant", "registered accountant", "accredited
19 accountant", or any other title or designation likely to be
20 confused with the title "certified public accountant" or
21 "licensed public accountant", or use any of the abbreviations
22 "CA", "LA", "RA", "AA", or similar abbreviation likely to be
23 confused with the abbreviation "CPA" or "LPA". The title
24 "enrolled agent" or "EA" may be used by individuals so
25 designated by the Internal Revenue Service. Nothing in this
26 section shall restrict truthful advertising of a bona fide
27 credential or title which in context is not deceptive or
28 misleading to the public.

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

35 9. A person or firm not holding a certificate, permit, or

1 license issued under section 542D.6, 542D.7, 542D.8, or
2 542D.19 shall not assume or use any title or designation that
3 includes the word "accountant", "auditor", or "accounting", in
4 connection with any other language that implies that such
5 person or firm holds such a certificate, permit, or license or
6 has special competence as an accountant or auditor. However,
7 this subsection does not prohibit an officer, partner, member,
8 manager, or employee of a firm or organization from affixing
9 that person's own signature to a statement in reference to the
10 financial affairs of such firm or organization with wording
11 which designates the position, title, or office that the
12 person holds, or prohibit any act of a public official or
13 employee in the performance of such person's duties. This
14 subsection does not prohibit the use of the title or
15 designation "accountant" by persons other than those holding a
16 certificate or license under this chapter.

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

25 11. This section does not apply to a person or firm
26 holding a certification, designation, degree, or license
27 granted in a foreign country entitling the holder to engage in
28 the practice of public accountancy or its equivalent in such
29 country, whose activities in this state are limited to
30 providing professional services to a person or firm who is a
31 resident of, government of, or business entity of the country
32 in which the person holds such entitlement, who does not
33 perform attest or compilation services, and who does not issue
34 reports with respect to the financial statements of any other
35 person, firm, or governmental unit in this state, and who does

1 not use in this state any title or designation other than the
2 one under which the person practices in such country, followed
3 by a translation of such title or designation into the English
4 language, if it is in a different language, and by the name of
5 such country.

6 12. A holder of a certificate issued under section 542D.6
7 or 542D.19 shall not perform attest services in a firm that
8 does not hold a permit issued under section 542D.7.

9 13. An individual licensee shall not issue a report in
10 standard form upon a compilation of financial information
11 through any form of business that does not hold a permit
12 issued under section 542D.7 unless the report discloses the
13 name of the business through which the individual is issuing
14 the report and the individual licensee does all of the
15 following:

16 a. Signs the compilation report identifying the individual
17 as a certified public accountant or licensed public
18 accountant.

19 b. Meets competency requirements provided in applicable
20 standards.

21 c. Undergoes, no less frequently than once every three
22 years, a peer review conducted in a manner as specified by the
23 board. The review shall include verification that such
24 individual has met the competency requirements set out in
25 professional standards for such services.

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

30 15. a. A licensee shall not for a commission recommend or
31 refer a client to any product or service, or for a commission
32 recommend or refer another person to any product or service to
33 be supplied by a client, or receive a commission, when the
34 licensee also performs for that client any of the following:

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

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

5 (3) An examination of prospective financial information.

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

11 b. A licensee who is not prohibited by this section from
12 performing services for or receiving a commission and who is
13 paid or expects to be paid a commission shall disclose that
14 fact to any person or entity to whom the licensee recommends
15 or refers a product or service to which the commission
16 relates.

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

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

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

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

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

30 (c) An examination of prospective financial information.

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

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

1 involved in such listed services.

2 c. For purposes of this subsection, a contingent fee is a
3 fee established for the performance of a service pursuant to
4 an arrangement in which a fee will not be charged unless a
5 specified finding or result is attained, or in which the
6 amount of the fee is otherwise dependent upon the finding or
7 result of such service. A fee shall not be considered as
8 being a contingent fee if fixed by a court or other public
9 authority, or, in a tax matter, if determined based on the
10 results of a judicial proceeding or the findings of a
11 governmental agency. A licensee's fee may vary depending on
12 the complexity of the services rendered.

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

18 Sec. 14. NEW SECTION. 542D.14 INJUNCTION AGAINST
19 UNLAWFUL ACTS, CIVIL PENALTIES, AND CONSENT AGREEMENTS.

20 1. If, as a result of an investigation under section
21 542D.11 or otherwise, the board believes that a person or firm
22 has engaged, or is about to engage, in an act or practice
23 which constitutes or will constitute a violation of section
24 542D.13, the board may make application to the district court
25 for an order enjoining such act or practice. Upon a showing
26 by the board that such person or firm has engaged, or is about
27 to engage, in any such act or practice, an injunction,
28 restraining order, or other order as may be appropriate shall
29 be granted by the court.

30 2. In addition to a criminal penalty provided for in
31 section 542D.15, the board may issue an order to require
32 compliance with section 542D.13 and may impose a civil penalty
33 not to exceed one thousand dollars for each offense upon a
34 person who is not a licensee under this chapter and who
35 engages in conduct prohibited by section 542D.13. Each day of

1 a continued violation constitutes a separate offense.

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

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

6 b. The circumstances leading to the violation.

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

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

11 e. The interest of the public.

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

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

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

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

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

35 9. The board, in its discretion and in lieu of prosecuting

1 a first offense under this section, may enter into a consent
2 agreement with a violator, or with a person guilty of aiding
3 or abetting a violator, which acknowledges the violation and
4 the violator's agreement to refrain from any further
5 violations.

6 Sec. 15. NEW SECTION. 542D.15 CRIMINAL PENALTIES.

7 1. A person who violates a provision of section 542D.13 is
8 guilty of a serious misdemeanor.

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

16 3. If, after an investigation under section 542D.11 or
17 otherwise, the board has reason to believe that a person or
18 firm has knowingly engaged in an act or practice that
19 constitutes a violation subject to subsection 1, the board may
20 submit its information to the attorney general of any state,
21 or other appropriate law enforcement official, who, in such
22 official's discretion, may initiate an appropriate criminal
23 proceeding.

24 Sec. 16. NEW SECTION. 542D.16 SINGLE ACT EVIDENCE OF
25 PRACTICE.

26 In an action brought under section 542D.14 or 542D.15,
27 evidence of the commission of a single act prohibited by this
28 chapter is sufficient to justify a penalty, injunction,
29 restraining order, or conviction, without evidence of a
30 general course of conduct.

31 Sec. 17. NEW SECTION. 542D.17 CONFIDENTIAL
32 COMMUNICATIONS.

33 A licensee shall not voluntarily disclose information
34 communicated to the licensee by a client relating to and in
35 connection with services rendered to the client by the

1 licensee, except with the permission of the client, or an
2 heir, successor, or personal representative of the client.
3 Such information is deemed to be confidential. However, this
4 section shall not be construed as prohibiting the disclosure
5 of information required to be disclosed by the standards of
6 the public accounting profession in reporting on the
7 examination of financial statements or as prohibiting
8 disclosures in a court proceeding, in an investigation or
9 proceeding under this chapter or chapter 272C, in an ethical
10 investigation conducted by a private professional
11 organization, in the course of a peer review, to another
12 person active in the licensee's firm performing services for
13 that client on a need-to-know basis, to persons associated
14 with the investigative entity who need this information for
15 the sole purpose of assuring quality control, or as otherwise
16 required by law.

17 This section does not preclude a licensee from filing a
18 complaint with, or responding to an inquiry made by, the
19 board, a taxing authority or law enforcement authority of this
20 state, or a licensing or similar authority of another state or
21 the United States.

22 Sec. 18. NEW SECTION. 542D.18 LICENSEES' WORKING PAPERS
23 -- CLIENTS' RECORDS.

24 1. Subject to section 542D.17, all statements, records,
25 schedules, working papers, and memoranda made by a licensee or
26 a partner, shareholder, officer, director, member, manager, or
27 employee of a licensee, incident to, or in the course of,
28 rendering services to a client, except reports submitted by
29 the licensee to the client and except for records that are
30 part of the client's records, are the property of the licensee
31 in the absence of an express agreement between the licensee
32 and the client to the contrary. Such statement, record,
33 schedule, working paper, or memorandum shall not be sold,
34 transferred, or bequeathed, without the consent of the client
35 or the client's personal representative or assignee, to anyone

1 other than a surviving partner, stockholder, or member of the
2 licensee, or any combined or merged firm or successor in
3 interest to the licensee. This section shall not be construed
4 as prohibiting a temporary transfer of working papers or other
5 material necessary in the course of carrying out peer reviews
6 or as otherwise interfering with the disclosure of information
7 pursuant to section 542D.17.

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

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

14 b. Accounting or other records belonging to, or obtained
15 from or on behalf of, the client that the licensee removed
16 from the client's premises or received for the client's
17 account. The licensee may make and retain copies of such
18 documents of the client when they form the basis for work done
19 by the licensee.

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

23 Sec. 19. NEW SECTION. 542D.19 SUBSTANTIAL EQUIVALENCY.

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

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

34 b. The applicant's individual qualifications are
35 substantially equivalent to those required by section 542D.5.

1 c. The applicant satisfies all of the following:

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

5 (2) The applicant has at least four years of experience
6 within the ten years immediately preceding the application
7 which occurred after passing the examination upon which the
8 applicant's certificate or license was based and which in the
9 board's opinion is substantially equivalent to that required
10 by section 542D.5, subsection 12; and,

11 (3) If the applicant's certificate or license was issued
12 more than four years prior to the filing of the application in
13 this state, the applicant has fulfilled the continuing
14 professional education requirements described in section
15 542D.6, subsection 3.

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

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

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

31 b. The foreign designation satisfies all of the following:

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

35 (2) The designation entitles the holder to issue reports

1 on financial statements.

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

5 c. The applicant satisfies all of the following:

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

10 (2) The applicant satisfies an experience requirement,
11 substantially equivalent to the requirement set out in section
12 542D.5, subsection 12, in the jurisdiction which issued the
13 foreign designation or has completed four years of
14 professional experience in this state; or meets equivalent
15 requirements prescribed by the board by rule, within the ten
16 years immediately preceding the application.

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

20 (4) The applicant shall list in the application all
21 jurisdictions, foreign and domestic, in which the applicant
22 has applied for or holds a designation to practice public
23 accountancy. A holder of a certificate issued under this
24 section shall notify the board in writing, within thirty days
25 after its occurrence, of any issuance, denial, revocation, or
26 suspension of a designation or commencement of a disciplinary
27 or enforcement action by any jurisdiction.

28 4. An applicant under this section shall comply with all
29 applicable provisions of section 542D.5, subsections 1 through
30 6, and section 542D.6.

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

34 Sec. 20. Section 15E.208, subsection 5, paragraph d,
35 subparagraph (4), Code 2001, is amended to read as follows:

1 (4) The manner of oversight required by the department or
2 the auditor of state. The articles must provide that the
3 corporation shall submit a report to the governor, the general
4 assembly, and the department. The report shall provide a
5 description of the corporation's activities and a summary of
6 its finances, including financial awards. The report shall be
7 submitted not later than January 10 of each year. The
8 articles shall provide that an audit of the corporation must
9 be conducted each year for the preceding year by a certified
10 public accountant licensed pursuant to chapter ~~542E~~ 542D. The
11 auditor of state may audit the books and accounts of the
12 corporation at any time. The results of the annual audit and
13 any audit for the current year conducted by the auditor of
14 state shall be included as part of the report.

15 Sec. 21. Section 99D.20, Code 2001, is amended to read as
16 follows:

17 99D.20 AUDIT OF LICENSEE OPERATIONS.

18 Within ninety days after the end of each race meet, the
19 licensee shall transmit to the commission an audit of the
20 financial transactions and condition of the licensee's
21 operations conducted under this chapter. Additionally, within
22 ninety days after the end of the licensee's fiscal year, the
23 licensee shall transmit to the commission an audit of the
24 financial transactions and condition of the licensee's total
25 operations. All audits shall be conducted by certified public
26 accountants registered in the state of Iowa under chapter ~~542E~~
27 542D.

28 Sec. 22. Section 99F.13, Code 2001, is amended to read as
29 follows:

30 99F.13 ANNUAL AUDIT OF LICENSEE OPERATIONS.

31 Within ninety days after the end of the licensee's fiscal
32 year, the licensee shall transmit to the commission an audit
33 of the financial transactions and condition of the licensee's
34 total operations. All audits shall be conducted by certified
35 public accountants registered or licensed in the state of Iowa

1 under chapter ~~542E~~ 542D.

2 Sec. 23. Section 203.16, subsection 7, Code 2001, is
3 amended to read as follows:

4 7. Where released at the request of the Iowa board-of
5 accountancy examining board for licensee review and discipline
6 in accordance with chapters 272C and ~~542E~~ 542D and subject to
7 the confidentiality requirements of section 272C.6.

8 Sec. 24. Section 203C.24, subsection 7, Code 2001, is
9 amended to read as follows:

10 7. Where released at the request of the Iowa board-of
11 accountancy examining board for licensee review and discipline
12 in accordance with chapters 272C and ~~542E~~ 542D and subject to
13 the confidentiality requirements of section 272C.6.

14 Sec. 25. Section 272C.1, subsection 6, paragraph c, Code
15 2001, is amended to read as follows:

16 c. The Iowa accountancy examining board, created pursuant
17 to chapter ~~542E~~ 542D.

18 Sec. 26. Section 272C.3, subsection 2, paragraph a, Code
19 2001, is amended to read as follows:

20 a. Revoke a license, or suspend a license either until
21 further order of the board or for a specified period, upon any
22 of the grounds specified in section 147.55, 148.6, 148B.7,
23 152.10, 153.34, 154A.24, 169.13, 542B.21, ~~542E-21~~ 542D.10,
24 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, 155,
25 507B or 522, as applicable, or upon any other grounds
26 specifically provided for in this chapter for revocation of
27 the license of a licensee subject to the jurisdiction of that
28 board, or upon failure of the licensee to comply with a
29 decision of the board imposing licensee discipline;

30 Sec. 27. Section 272C.4, subsection 6, Code 2001, is
31 amended to read as follows:

32 6. Define by rule acts or omissions which are grounds for
33 revocation or suspension of a license under section 147.55,
34 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13, 455B.191,
35 542B.21, ~~542E-21~~ 542D.10, 543B.29, 544A.13, 544B.15, or

1 602.3203 or chapter 151, 155, 507B or 522, as applicable, and
2 to define by rule acts or omissions which constitute
3 negligence, careless acts or omissions within the meaning of
4 section 272C.3, subsection 2, paragraph "b", which licensees
5 are required to report to the board pursuant to section
6 272C.9, subsection 2;

7 Sec. 28. Section 272C.5, subsection 2, paragraph c, Code
8 2001, is amended to read as follows:

9 c. Shall state whether the procedures are an alternative
10 to or an addition to the procedures stated in sections 147.58
11 through 147.71, 148.6 through 148.9, 152.10 and 152.11, 153.23
12 through 153.30, 153.33, and 154A.23, 542B.22, ~~542E.23~~ 542D.11,
13 543B.35, 543B.36, 544B.16.

14 Sec. 29. Section 272C.6, subsection 6, unnumbered
15 paragraph 1, Code 2001, is amended to read as follows:

16 A board created pursuant to chapter 147, 154A, 155, 169,
17 542B, ~~542E~~ 542D, 543B, 543D, 544A, or 544B may charge a fee
18 not to exceed seventy-five dollars for conducting a
19 disciplinary hearing pursuant to this chapter which results in
20 disciplinary action taken against the licensee by the board,
21 and in addition to the fee, may recover from a licensee the
22 costs for the following procedures and associated personnel:

23 Sec. 30. Section 272C.9, subsection 2, Code 2001, is
24 amended to read as follows:

25 2. A licensee has a continuing duty to report to the
26 licensing board by whom the person is licensed those acts or
27 omissions specified by rule of the board pursuant to section
28 272C.4, subsection 6, when committed by another person
29 licensed by the same licensing board. This subsection does
30 not apply to licensees under chapter ~~542E~~ 542D when the
31 observations are a result of participation in programs of
32 practice review, peer review and quality review conducted by
33 professional organizations of certified public accountants,
34 for educational purposes and approved by the accountancy
35 examining board.

1 Sec. 31. Section 502.102, subsection 11, paragraph c,
2 subparagraphs (3) and (4), Code 2001, are amended to read as
3 follows:

4 (3) An attorney licensed to practice law in this state, a
5 certified public accountant licensed pursuant to chapter ~~542E~~
6 542D, a professional engineer licensed pursuant to chapter
7 542B, or a certified teacher, if the person's performance of
8 these services is solely incidental to the practice of the
9 person's profession.

10 (4) An attorney licensed to practice law in this state or
11 a certified public accountant licensed pursuant to chapter
12 ~~542E~~ 542D who does not do any of the following:

13 Sec. 32. Section 522.1, subsection 2, Code 2001, is
14 amended to read as follows:

15 2. A certified public accountant licensed pursuant to
16 chapter ~~542E~~ 542D.

17 Sec. 33. Section 546.10, subsection 1, paragraph b, Code
18 2001, is amended to read as follows:

19 b. The Iowa accountancy examining board created pursuant
20 to chapter ~~542E~~ 542D.

21 Sec. 34. Section 546.10, subsection 5, Code 2001, is
22 amended to read as follows:

23 5. Fees collected under chapters 542B, ~~542E~~ 542D, 543B,
24 543D, 544A, and 544B shall be paid to the treasurer of state
25 and credited to the general fund of the state. All expenses
26 required in the discharge of the duties and responsibilities
27 imposed upon the professional licensing division of the
28 department of commerce, the administrator, and the licensing
29 boards by the laws of this state shall be paid from moneys
30 appropriated by the general assembly for those purposes. All
31 fees deposited into the general fund of the state, as provided
32 in this subsection, shall be subject to the requirements of
33 section 8.60.

34 Sec. 35. Section 669.14, subsection 11, unnumbered
35 paragraph 1, Code 2001, is amended to read as follows:

1 Any claim for financial loss based upon an act or omission
2 in financial regulation, including but not limited to
3 examinations, inspections, audits, or other financial
4 oversight responsibilities, pursuant to chapters 87, 203,
5 203A, 203C, 203D, 421B, 486, 487, and 490 through 553,
6 excluding chapters 540A, 542B, ~~542E~~ 542D, 543B, 543C, 543D,
7 544A, and 544B.

8 Sec. 36. Chapter 542C, Code 2001, is repealed, effective
9 July 1, 2002. However, this Act shall not be construed to
10 invalidate or affect any action taken or any proceeding
11 instituted under any law in effect prior to the effective date
12 of this Act.

13 Sec. 37. CONSTRUCTION. This Act shall be construed to
14 fully recognize a certificate, license, or permit issued
15 pursuant to chapter 542C prior to July 1, 2002, as though
16 issued under this Act.

17 Sec. 38. EFFECTIVE DATE. This Act takes effect July 1,
18 2002.

19 EXPLANATION

20 This bill creates a new Code chapter 542D, which
21 establishes certification, permitting, and licensure
22 requirements for accounting professionals in this state. The
23 bill repeals existing requirements contained in current Code
24 chapter 542C. The bill is based on model legislation
25 developed jointly by the American institute of certified
26 public accountants and the national association of state
27 boards of accountancy.

28 New Code section 542D.1 sets forth the title of the new
29 Code chapter as the "Iowa Accountancy Act of 2001".

30 New Code section 542D.2 sets forth a statement of
31 legislative intent which is to promote the reliability of
32 information that is used for guidance in financial
33 transactions or for accounting for or assessing the financial
34 status or performance of commercial, noncommercial, and
35 governmental enterprises.

1 New Code section 542D.3 establishes the definitions of
2 terms used in the Code chapter.

3 New Code section 542D.4 establishes the accountancy
4 examining board in a manner similar to current Code chapter
5 542C.

6 New Code section 542D.5 sets forth the qualifications
7 required to be met to be issued a certificate as a certified
8 public accountant. The Code section requires that an
9 applicant be of good moral character and meet established
10 education, experience, and examination requirements.

11 New Code section 542D.6 establishes the process of
12 application for an initial certificate as a certified public
13 accountant, as well as for renewal and reciprocal issuance of
14 certificates. This section requires that a licensee shall
15 participate in a program of professional education designed to
16 ensure continuing competence.

17 New Code section 542D.7 provides for the issuance of
18 permits to practice as a certified public accounting firm or
19 licensed public accounting firm upon submission of an
20 application and demonstration of the requirements established
21 in the new Code section. A person or firm holding a permit to
22 practice issued by this state prior to July 1, 2002, is
23 decreed to have met the requirements of this section.

24 New Code section 542D.8 sets forth the qualifications to be
25 met in order to be issued a license as a licensed public
26 accountant. This Code section establishes the process of
27 application for the initial license, as well as license
28 renewal. The Code section provides that a person holding a
29 license as an accounting practitioner issued by this state
30 prior to July 1, 2002, is deemed to have met the requirements
31 of the Code section.

32 New Code section 542D.9 establishes that an application for
33 a certificate, permit, or license to practice by a person or a
34 firm not a resident of the state constitutes appointment of
35 the secretary of state as the applicant's agent upon whom

1 process may be served in any action or proceeding against the
2 applicant arising out of any transaction or operation
3 connected with or incidental to services performed by the
4 applicant within this state.

5 New Code section 542D.10 provides for enforcement of the
6 Code chapter. The Code section identifies those acts of an
7 individual that may result in revocation, suspension, or other
8 limitation of the individual's certificate, permit, license,
9 or privileges under the Code chapter. The Code section also
10 provides for an administrative penalty not to exceed \$1,000.

11 New Code section 542D.11 provides for the investigations
12 and hearings procedures associated with complaints and
13 violations under the new Code section.

14 New Code section 542D.12 provides for the reinstatement of
15 a license which has been suspended, revoked, or restricted.

16 New Code section 542D.13 provides for the use of titles and
17 the scope of services that a licensee, firm, or nonlicensee
18 may perform under the new Code chapter. This Code section
19 also provides for the regulation of commission-based services
20 and contingent fee services. Prohibited acts are delineated.

21 New Code section 542D.14 grants authority to the
22 accountancy examining board to obtain injunctive relief from a
23 court if the board finds that any person or firm has engaged,
24 or is about to engage, in any acts or practices which will
25 constitute a violation of the new Code chapter. The new Code
26 section also provides for the levying of civil penalties and
27 the issuance of consent orders.

28 New Code section 542D.15 establishes a criminal penalty for
29 a violation of new Code section 542D.13, relating to unlawful
30 acts. A person who commits such violation is guilty of a
31 serious misdemeanor.

32 New Code section 542D.16 provides that in any action
33 brought to enforce the chapter, evidence of the commission of
34 a single prohibited act is sufficient to justify a penalty,
35 injunction, restraining order, or conviction, without evidence

1 of a general course of conduct.

2 New Code section 542D.17 defines the confidentiality of
3 client communications to accountants. The new Code section
4 establishes certain instances where such communications may be
5 disclosed.

6 New Code section 542D.18 provides for the retention and
7 management of client records.

8 New Code section 542D.19 provides for reciprocity and
9 discipline for certificate and license holders and permitted
10 firms from states whose accountancy statutes are substantially
11 equivalent to the requirements of this new Code chapter.

12 Sections 20 through 35 of the bill make conforming changes
13 relating to the repeal of Code chapter 542C and the creation
14 of Code chapter 542D in this bill.

15 Section 36 of the bill provides for the repeal of existing
16 Code chapter 542C, relating to the regulation of public
17 accountancy, which was originally enacted in 1974.

18 Section 37 of the bill provides for the bill's
19 construction.

20 Section 38 of the bill provides that the bill takes effect
21 on July 1, 2002.

22

23

HOUSE FILE 451

H-1171

1 Amend House File 451 as follows:

2 1. Page 37, by striking lines 13 through 17 and
3 inserting the following:

4 "d. A person engaged in the practice as a
5 certified public accountant or as a licensed public
6 accountant, or any member, employee, or nonlicensed
7 owner of a firm licensed under this chapter, shall not
8 engage either directly or indirectly in the practice
9 of law within the entities licensed under this
10 chapter."

By TREMMEL of Wapello

H-1171 FILED MARCH 5, 2001

Lost 3/13/01 (p.705)

HOUSE FILE 451**H-1203**

1 Amend House File 451 as follows:

2 1. Page 17, line 34, by inserting after the word
3 "following" the following: "occur".

4 2. Page 18, by inserting after line 4 the
5 following:

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

14 "() All nonlicensee owners comply with all
15 applicable rules of professional conduct adopted by
16 the board."

17 3. Page 25, by inserting after line 21 the
18 following:

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

27 "() All nonlicensee owners comply with all
28 applicable rules of professional conduct adopted by
29 the board."

30 4. Page 37, line 15, by inserting after the word
31 "member" the following: "or employee".

32 5. By renumbering as necessary.

W/O 3/13/01
By MILLAGE of Scott
ELGIN of Linn

H-1203 FILED MARCH 6, 2001

HOUSE FILE 451**H-1228**

1 Amend the amendment, H-1210, to House File 451 as
2 follows:

3 1. Page 1, line 16, by inserting after the word
4 "board" the following: ", and their own regulatory
5 authority".

6 2. Page 1, line 29, by inserting after the word
7 "board" the following: ", and their own regulatory
8 authority".

By TREMMEL of Wapello

H-1228 FILED MARCH 13, 2001

Adopted 3/13/01 (P. 705)

HOUSE FILE 451

H-1210

1 Amend House File 451 as follows:

2 1. Page 17, line 34, by inserting after the word
3 "following" the following: "occur".

4 2. Page 18, by inserting after line 4 the
5 following:

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

14 "() All nonlicensee owners comply with all
15 applicable rules of professional conduct adopted by
16 the board."

17 3. Page 25, by inserting after line 21 the
18 following:

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

27 "() All nonlicensee owners comply with all
28 applicable rules of professional conduct adopted by
29 the board."

30 4. Page 37, line 15, by inserting after the word
31 "member" the following: "or employee".

32 5. By renumbering as necessary.

By MILLAGE of Scott
ELGIN of Linn
TREMMELE of Wapello

H-1210 FILED MARCH 6, 2001

Adopted
3/13/01
(P. 705)

5- 3/28/01 Do Pass

HOUSE FILE 451
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 90)

(As Amended and Passed by the House March 13, 2001)

Passed House, Date _____ Passed Senate, Date ^(P.107) 4-9-01
Vote: Ayes _____ Nays _____ Vote: Ayes 46 Nays 0
Approved April 19, 2001

A BILL FOR

1 An Act regulating the practice of accounting, establishing fees,
2 providing penalties, and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

House Amendments _____

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1 Section 1. NEW SECTION. 542D.1 TITLE.

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

4 Sec. 2. NEW SECTION. 542D.2 LEGISLATIVE INTENT.

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

1 competence of the persons using such titles be prohibited.

2 Sec. 3. NEW SECTION. 542D.3 DEFINITIONS.

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

5 1. "Attest" or "attest service" means providing any of the
6 following services:

7 a. An audit or other engagement to be performed in
8 accordance with the statements on auditing standards.

9 b. A review of a financial statement to be performed in
10 accordance with the statements on standards for accounting and
11 review services.

12 c. An examination of prospective financial information to
13 be performed in accordance with the statements on standards
14 for attestation engagements. For purposes of this subsection,
15 the statements on standards for attestation engagements means
16 those standards adopted by the board, by rule, by reference to
17 the standards developed for general application by the
18 American institute of certified public accountants, or other
19 recognized national accountancy organization.

20 2. "Board" means the Iowa accountancy examining board
21 established under section 542D.4 or its predecessor under
22 prior law.

23 3. "Certificate" means a certificate as a certified public
24 accountant issued under section 542D.6 or 542D.19, or a
25 certificate issued under corresponding prior law.

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

29 5. "Certified public accounting firm" means a sole
30 proprietorship, a corporation, a partnership, a limited
31 liability company, or any other form of organization issued a
32 permit to practice as a firm of certified public accountants
33 under section 542D.7.

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

1 service.

2 7. "Commission" means a brokerage or other participation
3 fee. "Commission" does not include a contingent fee.

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

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

19 10. "License" means a certificate issued under section
20 542D.6 or 542D.19, a permit issued under section 542D.7, or a
21 license issued under section 542D.8; or a certificate, permit,
22 or license issued under corresponding prior law.

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

- 28 a. Records financial transactions in books of record.
- 29 b. Makes adjustments of financial transactions in books of
30 record.
- 31 c. Makes trial balances from books of record.
- 32 d. Prepares internal verification and analysis of books or
33 accounts of original entry.
- 34 e. Prepares financial statements, schedules, or reports.
- 35 f. Devises and installs systems or methods of bookkeeping,

1 internal controls of financial data, or the recording of
2 financial data.

3 g. Prepares compilations.

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

8 12. "Licensed public accounting firm" means a sole
9 proprietorship, a corporation, a partnership, a limited
10 liability company, or any other form of organization issued a
11 permit to practice as a firm of licensed public accountants
12 under section 542D.8.

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

14 14. "Manager" means a manager of a limited liability
15 company.

16 15. "Member" means a member of a limited liability
17 company.

18 16. "Peer review" means a study, appraisal, or review of
19 one or more aspects of the professional work of a licensee or
20 firm that performs attest or compilation services, by a
21 licensed person or persons who are not affiliated with the
22 licensee or firm being reviewed. "Peer review" does not
23 include a peer review conducted pursuant to chapter 272C in
24 connection with a disciplinary investigation.

25 17. "Peer review records" means a file, report, or other
26 information relating to the professional competence of an
27 applicant in the possession of a peer review team, or
28 information concerning the peer review developed by a peer
29 review team in the possession of an applicant.

30 18. "Peer review team" means a person or organization
31 participating in the peer review function, but does not
32 include the board.

33 19. "Permit" means a permit to practice as either a
34 certified public accounting firm issued under section 542D.7
35 or licensed public accounting firm under section 542D.8 or

1 under corresponding provisions of prior law.

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

16 21. "Report", when used with reference to financial
17 statements, means a report, opinion, or other form of a
18 writing that states or implies assurance as to the reliability
19 of any financial statements and that includes or is
20 accompanied by a statement or implication that the person or
21 firm issuing the report has special knowledge or competence in
22 accounting or auditing. Such statement or implication of
23 special knowledge or competence may arise from use by the
24 issuer of the report of names or titles indicating that the
25 person or firm is an accountant or auditor, or from the
26 language of the report itself. "Report" includes any form of
27 language which disclaims an opinion when such form of language
28 is conventionally understood to imply a positive assurance as
29 to the reliability of the financial statements referred to or
30 special knowledge or competence on the part of the person or
31 firm issuing the language, and any other form of language that
32 is conventionally understood to imply such assurance or such
33 special knowledge or competence.

34 22. "State" means a state of the United States, the
35 District of Columbia, Puerto Rico, the United States Virgin

1 Islands, or Guam.

2 23. "Substantial equivalency" is a determination by the
3 board that the education, examination, and experience
4 requirements contained in the statutes and administrative
5 rules of another jurisdiction are comparable to, or exceed,
6 the education, examination, and experience requirements
7 contained in this chapter or that an individual licensee's
8 education, examination, and experience qualifications are
9 comparable to or exceed the education, examination, and
10 experience requirements contained in this chapter.

11 Sec. 4. NEW SECTION. 542D.4 IOWA ACCOUNTANCY EXAMINING
12 BOARD.

13 1. An Iowa accountancy examining board is created within
14 the professional licensing and regulation division of the
15 department of commerce to administer and enforce this chapter.
16 The board shall consist of eight members, appointed by the
17 governor and subject to senate confirmation, all of whom shall
18 be residents of this state. Five of the eight members shall
19 be holders of certificates issued under section 542D.6, one
20 member shall be the holder of a license issued under section
21 542D.8, and two shall not be certified public accountants or
22 licensed public accountants and shall represent the general
23 public. Not fewer than three of the holders of certificates
24 issued under section 542D.6 shall also be qualified to
25 supervise attest services as provided in section 542D.7. A
26 certified or licensed member of the board shall be actively
27 engaged in practice as a certified public accountant or as a
28 licensed public accountant and shall have been so engaged for
29 five years preceding appointment, the last two of which shall
30 have been in this state. Professional associations or
31 societies composed of certified public accountants or licensed
32 public accountants may recommend the names of potential board
33 members to the governor. However, the governor is not bound
34 by the recommendations. A board member is not required to be
35 a member of any professional association or society composed

1 of certified public accountants or licensed public
2 accountants. The term of each member of the board shall be
3 three years, as designated by the governor, and appointments
4 to the board are subject to the requirements of sections
5 69.16, 69.16A, and 69.19. Members of the board appointed and
6 serving pursuant to chapter 542C, Code 2001, on the effective
7 date of this Act shall serve out the terms for which they were
8 appointed. Vacancies occurring during a term shall be filled
9 by appointment by the governor for the unexpired term. Upon
10 the expiration of the member's term of office, a member shall
11 continue to serve until a successor shall have been appointed
12 and taken office. The public members of the board shall be
13 allowed to participate in administrative, clerical, or
14 ministerial functions incident to giving the examinations, but
15 shall not determine the content or determine the correctness
16 of the answers. The licensed public accountant member shall
17 not determine the content of the certified public accountant
18 examination or determine the correctness of the answers. Any
19 member of the board whose certificate under section 542D.6 or
20 license under section 542D.8 is revoked or suspended shall
21 automatically cease to be a member of the board, and the
22 governor may, after a hearing, remove any member of the board
23 for neglect of duty or other just cause. A person who has
24 served three successive complete terms shall not be eligible
25 for reappointment, but appointment to fill an unexpired term
26 shall not be considered a complete term for this purpose.

27 2. The board shall elect annually from among its members a
28 chairperson and such other officers as the board may determine
29 to be appropriate. The board shall meet at such times and
30 places as may be fixed by the board. A majority of the board
31 members in office shall constitute a quorum at any meeting.
32 The board shall maintain a registry of the names and addresses
33 of all licensees and permittees under this chapter.

34 3. Members of the board are entitled to receive a per diem
35 as specified in section 7E.6 for each day spent on performance

1 of duties as members and shall be reimbursed for all actual
2 and necessary expenses incurred in the performance of duties
3 as members.

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

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

18 a. Criminal history or prior misconduct of the applicant.

19 b. Information relating to the contents of the
20 examination.

21 c. Information relating to the examination results other
22 than final score except for information about the results of
23 the examination given to the person examined.

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

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

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

1 of the public.

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

17 9. The board shall adopt rules pursuant to chapter 17A
18 governing the administration and enforcement of this chapter
19 and the conduct of licensees and permittees. Rules adopted
20 shall include, but not be limited to, the following:

21 a. Rules governing the board's meetings and the conduct of
22 its business.

23 b. Rules of procedure governing the conduct of
24 investigations and hearings by the board.

25 c. Rules specifying the educational and experience
26 qualifications required for the issuance of a certificate
27 under section 542D.6 and the continuing professional education
28 required for renewal of a certificate under section 542D.6.

29 d. Rules specifying the educational and experience
30 qualifications required for the issuance of a license under
31 section 542D.8 and the continuing professional education
32 required for renewal of a license under section 542D.8.

33 e. Rules of professional conduct directed to control the
34 quality and probity of services provided by a licensee, and,
35 among other areas, pertaining to a licensee's independence,

1 integrity, and objectivity; competence and technical
2 standards; responsibilities to the public; and
3 responsibilities to a client.

4 f. Rules relating to the propriety of opinions on
5 financial statements by a certified public accountant who is
6 not independent.

7 g. Rules relating to actions discreditable to the practice
8 as a certified public accountant or licensed public
9 accountant.

10 h. Rules relating to professional confidences between a
11 certified public accountant or licensed public accountant and
12 a client.

13 i. Rules governing technical competence and the expression
14 of opinions on financial statements.

15 j. Rules governing the failure to disclose a material fact
16 known to the certified public accountant or licensed public
17 accountant.

18 k. Rules relating to a material misstatement known to the
19 certified public accountant or licensed public accountant.

20 l. Rules governing negligent conduct in an examination or
21 in making a report on an examination.

22 m. Rules governing failure to direct attention to any
23 material departure from generally accepted accounting
24 principles.

25 n. Rules governing the professional standards applicable
26 to a licensee.

27 o. Rules governing the manner and circumstances of use of
28 the titles "certified public accountant" and "CPA".

29 p. Rules governing the manner and circumstances of use of
30 the titles "accounting practitioner" and "AP", and "licensed
31 public accountant" and "LPA".

32 q. Rules regarding peer review that may be required to be
33 performed under this chapter.

34 r. Rules on substantial equivalency under section 542D.19.

35 s. Such other rules as the board deems necessary or

1 appropriate for administering this chapter, including, but not
2 limited to, rules establishing fees and rules of professional
3 conduct, pertaining to corporations or limited liability
4 companies practicing accounting, which the board deems
5 consistent with or required by the public welfare. The board
6 may adopt rules governing the style, name, and title of
7 corporations and limited liability companies and governing the
8 affiliation of corporations and limited liability companies
9 with other organizations.

10 Sec. 5. NEW SECTION. 542D.5 QUALIFICATIONS FOR A
11 CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT.

12 1. A certificate as a certified public accountant may be
13 granted to a person of good moral character who makes
14 application pursuant to section 542D.6 and who satisfies the
15 education, experience, and examination requirements of this
16 section and rules adopted pursuant to this section.

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

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

35 4. A person who makes a false statement of material fact

1 on an application for a certificate, or who causes to be
2 submitted, or has been a party to preparing or submitting a
3 false application for a certificate, may be denied a
4 certificate by the board on the grounds of the false statement
5 or submission. A certificate holder found to have made such a
6 false statement or who has caused to be submitted, or was a
7 party to preparing or submitting any false application for a
8 certificate, may have the holder's certificate suspended or
9 revoked by the board on the grounds of the false statement or
10 submission.

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

17 6. The board, when considering the denial or revocation of
18 a certificate pursuant to subsections 2 through 5, shall
19 consider the nature of the offense; any aggravating or
20 extenuating circumstances which are documented; the time
21 lapsed since the revocation, conduct, or conviction; the
22 rehabilitation, treatment, or restitution performed by the
23 applicant or certificate holder; and any other factors the
24 board deems relevant. Character references may be required,
25 but shall not be obtained from certified public accountants.
26 An applicant shall not be denied a certificate because of age,
27 citizenship, race, religion, marital status, or national
28 origin, although the application may require citizenship
29 information.

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

1 or what the board determines to be substantially equivalent.
2 8. An applicant must pass an examination which shall be
3 offered at least twice per year and which shall test the
4 applicant's knowledge of the subjects of accounting and
5 auditing, and such other related subjects as the board may
6 specify by rule, including but not limited to business law and
7 taxation. The examination shall be held at a time determined
8 by the board and may be changed from time to time. The board
9 shall prescribe by rule the methods of applying for and
10 conducting the examination, including methods for grading and
11 determining a passing grade required of an applicant for a
12 certificate. However, the board, to the extent possible,
13 shall ensure the examination, grading of the examination, and
14 the passing grades are uniform with those applicable in all
15 other states. The board may make such use of all or any part
16 of a nationally recognized uniform certified public accountant
17 examination and advisory grading service, and may contract
18 with third parties to perform such administrative services
19 with respect to the examination as it deems appropriate to
20 perform the duties of the board with respect to examination.
21 Except as otherwise provided under this section, a person who
22 has partially passed the examination required by this
23 subsection by passing one or more subjects prior to December
24 31, 2000, has until December 31, 2003, to successfully
25 complete the examination process and qualify for a certificate
26 under the educational requirements in effect prior to December
27 31, 2000.
28 9. The board may admit to the examination a candidate who
29 will complete the educational requirements for a baccalaureate
30 degree with a concentration in accounting or what the board
31 determines by rule to be substantially equivalent to a
32 concentration in accounting within one hundred twenty days
33 immediately following the date of the examination or who has
34 completed those requirements. However, the board shall not
35 report the results of the examination until the candidate has

1 met the educational requirements for a baccalaureate degree
2 and shall not issue the certificate until the candidate has
3 fully satisfied the requirements of subsection 7.

4 10. Applicants who fail the examination once shall be
5 allowed to take the examination again at a time determined by
6 the board. Applicants who fail the examination twice shall be
7 allowed to take the examination again at the discretion of the
8 board. The board may by rule prescribe the terms and
9 conditions under which a candidate who passes two or more
10 subjects of the examination conducted in this state or by the
11 licensing authority of another state may be reexamined in only
12 the failed subjects and receive credit for the passed
13 subjects. An applicant who has failed the examination may
14 request in writing information from the board concerning the
15 applicant's examination grade and subject areas or questions
16 which the applicant failed to answer correctly, except that if
17 the board administers a uniform, standardized examination, the
18 board shall only be required to provide the examination grade
19 and such other information concerning the applicant's
20 examination results which are available to the board.

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

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

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

1 Sec. 6. NEW SECTION. 542D.6 ISSUANCE AND RENEWAL OF
2 CERTIFICATES -- MAINTENANCE OF COMPETENCY.

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

6 (1) That the person's qualifications, including where
7 applicable the qualifications prescribed by section 542D.5,
8 satisfy the requirements of this section, or that the person
9 holds a certificate issued under prior law.

10 (2) That the person holds in good standing a certificate
11 or license to practice as a certified public accountant in
12 another state or equivalent designation from a foreign
13 country, and is eligible under the substantial equivalency or
14 other provisions of section 542D.19.

15 b. The holder of a certificate issued under this section
16 shall only provide attest services in a certified public
17 accounting firm that is issued a permit under section 542D.7.

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

27 3. A certificate holder, for renewal of a certificate
28 under this section, shall participate in a program of learning
29 designed to maintain professional competency. Such program of
30 learning must comply with rules adopted by the board. The
31 board, by rule, may grant an exception to this requirement for
32 a certificate holder who does not perform or offer to perform
33 for the public one or more kinds of services involving the use
34 of accounting or auditing skills, including issuance of
35 reports on financial statements or the use of one or more

1 kinds of management advisory, financial advisory, or
2 consulting services, or the preparation of tax returns or the
3 furnishing of advice on tax matters. A certificate holder
4 entitled to an exception by rule of the board shall place the
5 word "inactive" adjacent to the holder's certified public
6 accountant title on any business card, letterhead, or other
7 document or device, with the exception of the certificate
8 holder's certified public accountant certificate, on which the
9 certificate holder's certified public accountant title
10 appears.

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

14 5. An applicant for initial issuance or renewal of a
15 certificate shall list in the application all states in which
16 the applicant has applied for or holds a certificate, license,
17 or permit and list any past denial, revocation, or suspension
18 of a certificate, license, or permit. A holder of or
19 applicant for a certificate under this section shall notify
20 the board in writing, within thirty days after its occurrence,
21 of any issuance, denial, revocation, or suspension of a
22 certificate, license, or permit by another state.

23 6. The board, by rule, shall require as a condition for
24 renewal of a certificate under this section, by any
25 certificate holder who performs compilation services for the
26 public other than through a certified public accounting firm,
27 that such individual undergo, no more frequently than once
28 every three years, a peer review conducted in such manner as
29 the board shall by rule specify, and such review shall include
30 verification that such individual has met the competency
31 requirements set out in professional standards for such
32 services.

33 Sec. 7. NEW SECTION. 542D.7 FIRM PERMITS TO PRACTICE --
34 ATTEST EXPERIENCE AND PEER REVIEW.

35 1. The board shall issue or renew a permit to practice to

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

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

23 3. a. An applicant for initial issuance or renewal of a
24 permit to practice as a firm must show that notwithstanding
25 any other provision of law, a simple majority of the ownership
26 of the firm, in terms of financial interests and voting rights
27 of all partners, officers, shareholders, members, and managers
28 belongs to holders of a certificate issued by a state, and
29 that such partners, officers, shareholders, members, and
30 managers, who perform professional services in this state or
31 for clients in this state, hold a certificate issued under
32 section 542D.6 or 542D.19.

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

35 (1) Such firm designates a licensee who is responsible for

1 the proper registration of the firm, and identifies that
2 individual to the board.

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

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

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

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

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

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

27 4. An applicant for initial issuance or renewal of a
28 permit to practice as a certified public accounting firm is
29 required to register each office of the firm within this state
30 with the board and to show that all attest and compilation
31 services rendered in this state are under the charge of a
32 person holding a valid certificate issued under section 542D.6
33 or 542D.19.

34 5. The board, by rule, shall establish and charge an
35 application fee for each application for initial issuance or

1 renewal of a permit.

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

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

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

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

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

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

28 8. The board, by rule, shall require as a condition to
29 renewal of a permit to practice as a certified public
30 accounting firm, that an applicant undergo, no more frequently
31 than once every three years, a peer review conducted in such
32 manner as the board specifies. The review shall include a
33 verification that any individual in the firm who is
34 responsible for supervising attest and compilation services
35 and who signs or authorizes someone to sign the accountant's

1 report on a financial statement on behalf of the firm meets
2 the competency requirements set forth in the professional
3 standards for such services.

4 Such rules shall include reasonable provision for
5 compliance by an applicant showing that the applicant, within
6 the preceding three years, has undergone a peer review that is
7 a satisfactory equivalent to the peer review required under
8 this subsection. An applicant's completion of a peer review
9 program endorsed or supported by the American institute of
10 certified public accountants, or other substantially similar
11 review as determined by the board, satisfies the requirements
12 of this subsection.

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

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

26 b. Reasons of health.

27 c. Military service.

28 d. Instances of hardship.

29 e. Other good cause as determined by the board.

30 10. Peer review records are privileged and confidential,
31 and are not subject to discovery, subpoena, or other means of
32 legal compulsion. Peer review records are not admissible in
33 evidence in a judicial, administrative, or arbitration
34 proceeding. Information or documents discoverable from
35 sources other than a peer review team do not become

1 nondiscoverable from such other sources because they are made
2 available to or are in the possession of a peer review team.
3 Information or documents publicly available from the American
4 institute of certified public accountants relating to quality
5 or peer review are not privileged or confidential under this
6 subsection. A person or organization participating in the
7 peer review process shall not testify as to the findings,
8 recommendations, evaluations, or opinions of a peer review
9 team in a judicial, administrative, or arbitration proceeding.

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

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

18 Sec. 8. NEW SECTION. 542D.8 QUALIFICATIONS FOR AND
19 ISSUANCE OF A LICENSE AS A LICENSED PUBLIC ACCOUNTANT --
20 RENEWAL OF LICENSE -- FIRM REGISTRATION -- PEER REVIEW.

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

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

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

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

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

10 (3) The applicant submits evidence of at least five years
11 of continuous experience engaged in performing any of the
12 services delineated in section 542D.3, subsection 11, on a
13 full-time basis.

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

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

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

27 5. If an applicant has partially passed an examination
28 given in another state determined by the board to be
29 substantially equivalent to the examination required by this
30 state and meets eligibility requirements that the board finds
31 to be substantially equivalent to those prescribed by this
32 state, the results of the other state's examination shall be
33 accepted as though given in this state.

34 6. An applicant who successfully passes all subjects in
35 which examined shall be issued a license as a licensed public

1 accountant by the board. The cost of the license shall be
2 based upon the administrative costs of the board and the costs
3 of issuing the license.

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

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

29 9. a. The licensed public accountant license shall expire
30 in multiyear intervals as determined by the board. The board
31 shall notify a person licensed under this chapter of the date
32 of expiration of the license and the amount of the fee
33 required for its renewal. The notice shall be mailed at least
34 one month in advance of the expiration date. A person who
35 fails to renew a license as a licensed public accountant by

1 the expiration date shall be allowed to do so within thirty
2 days following its expiration, but the board may assess a
3 reasonable penalty.

4 b. A licensee, for renewal of a license under this
5 section, shall participate in a program of learning designed
6 to maintain professional competency. Such program of learning
7 must comply with rules adopted by the board. The board, by
8 rule, may grant an exception to this requirement for a
9 licensee who does not perform or offer to perform for the
10 public one or more kinds of services involving the use of
11 accounting or auditing skills, including issuance of reports
12 on financial statements or the use of one or more kinds of
13 management advisory, financial advisory, or consulting
14 services, or the preparation of tax returns or the furnishing
15 of advice on tax matters. A licensee entitled to an exception
16 by rule of the board shall place the word "inactive" adjacent
17 to the licensee's licensed public accountant title on any
18 business card, letterhead, or other document or device, with
19 the exception of the licensee's licensed public accountant
20 license, on which the licensee's licensed public accountant
21 title appears.

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

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

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

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

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

14 a. An applicant for initial issuance or renewal of a
15 permit to practice as a firm under this section must show that
16 notwithstanding any other provision of law, a simple majority
17 of the ownership of the firm, in terms of financial interests
18 and voting rights of all partners, officers, shareholders,
19 members, and managers belongs to the holders of a certificate
20 or license issued by a state, and that such partners,
21 officers, shareholders, members, and managers, who perform
22 professional services in this state or for clients in this
23 state, hold a certificate issued under section 542D.6 or a
24 license issued under section 542D.8.

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

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

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

32 (3) All nonlicensee owners participate in a program of
33 learning designed to maintain professional competency in
34 compliance with rules adopted by the board which shall include
35 requiring compliance with requirements imposed by a regulatory

1 authority charged with regulation of a nonlicensee owner's
2 professional or occupational license which is relevant to the
3 firm's services.

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

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

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

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

20 13. An applicant for initial issuance or renewal of a
21 permit to practice as a licensed public accounting firm is
22 required to register each office of the firm within this state
23 with the board and to show that all compilation services
24 rendered in this state are under the charge of a person
25 holding a valid certificate issued under section 542D.6 or
26 542D.19, or a license issued under section 542D.8.

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

30 15. An applicant for initial issuance or renewal of a
31 permit shall list in the application all states in which the
32 applicant has applied for or holds a permit as a certified
33 public accountant or a licensed public accounting firm and
34 list any past denial, revocation, or suspension of a permit by
35 another state. A holder of or applicant for a permit shall

1 notify the board in writing within thirty days after an
2 occurrence of any of the following:

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

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

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

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

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

21 17. The board, by rule, shall require as a condition to
22 renewal of a permit to practice as a licensed public
23 accounting firm, that an applicant undergo, no more frequently
24 than once every three years, a peer review conducted in such
25 manner as the board specifies. The review shall include
26 verification that any individual in the firm who is
27 responsible for supervising compilation services and who signs
28 or authorizes someone to sign the accountant's report on a
29 financial statement on behalf of the firm meets the competency
30 requirements set forth in the professional standards for such
31 services. Such rules shall include reasonable provision for
32 compliance by an applicant showing that the applicant, within
33 the preceding three years, has undergone a peer review that is
34 a satisfactory equivalent to the peer review required under
35 this subsection. An applicant's completion of a peer review

1 program endorsed or supported by the national society of
2 accountants, or other substantially similar review as
3 determined by the board, satisfies the requirements of this
4 subsection.

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

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

17 b. Reasons of health.

18 c. Military service.

19 d. Instances of hardship.

20 e. Other good cause as determined by the board.

21 19. Peer review records are privileged and confidential,
22 and are not subject to discovery, subpoena, or other means of
23 legal compulsion. Peer review records are not admissible in
24 evidence in a judicial, administrative, or arbitration
25 proceeding. Information or documents discoverable from
26 sources other than a peer review team do not become
27 nondiscoverable from such other sources because they are made
28 available to or are in the possession of a peer review team.
29 Information or documents publicly available from the national
30 society of accountants relating to quality or peer review are
31 not privileged or confidential under this subsection. A
32 person or organization participating in the peer review
33 process shall not testify as to the findings, recommendations,
34 evaluations, or opinions of a peer review team in a judicial,
35 administrative, or arbitration proceeding.

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

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

9 Sec. 9. NEW SECTION. 542D.9 APPOINTMENT OF SECRETARY OF
10 STATE AS AGENT.

11 Application for a certificate under section 542D.6, a
12 license under section 542D.8, a permit to practice under
13 section 542D.7, or a certificate under section 542D.19 by a
14 person or a firm not a resident of this state constitutes
15 appointment of the secretary of state as the applicant's agent
16 upon whom process may be served in any action or proceeding
17 against the applicant arising out of a transaction or
18 operation connected with or incidental to services performed
19 by the applicant while a licensee within this state.

20 Sec. 10. NEW SECTION. 542D.10 ENFORCEMENT AGAINST A
21 HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.

22 1. After notice and hearing pursuant to section 542D.11,
23 the board may revoke, suspend for a period of time not to
24 exceed two years, or refuse to renew a license; reprimand,
25 censure, or limit the scope of practice of any licensee;
26 impose an administrative penalty not to exceed one thousand
27 dollars per violation; or place any licensee on probation; all
28 with or without terms, conditions, and in combinations of
29 remedies, for any one or more of the following reasons:

30 a. Fraud or deceit in obtaining a license, which may also
31 result in permanent revocation of the license.

32 b. Dishonesty, fraud, or gross negligence in the practice
33 of public accounting.

34 c. Engaging in any activity prohibited under section
35 542D.13 or permitting persons under the licensee's supervision

1 to do so.

2 d. Violation of a rule of professional conduct adopted by
3 the board under the authority granted by this chapter.

4 e. Conviction of a felony under the laws of any state of
5 the United States.

6 f. Conviction of any crime, any element of which is
7 dishonesty or fraud as provided in section 542D.5, subsection
8 2, under the laws of any state of the United States.

9 g. Cancellation, revocation, suspension, or refusal to
10 renew the authority to practice as a certified public
11 accountant, licensed public accountant, or accounting
12 practitioner, or the acceptance of the voluntary surrender of
13 a license to practice as a certified public accountant,
14 licensed public accountant, or accounting practitioner to
15 conclude a pending disciplinary action, by any other state or
16 foreign authority for any cause other than failure to pay
17 appropriate fees in the other jurisdiction.

18 h. Suspension or revocation of the right to practice
19 before any state or federal agency.

20 i. Conduct discreditable to the public accounting
21 profession.

22 j. Violation of section 272C.10.

23 2. Multiple violations arising from the same factual
24 circumstances or from different factual circumstances
25 containing a common error shall be considered as a single
26 violation for the purpose of imposition of an administrative
27 penalty.

28 3. In lieu of or in addition to any remedy specifically
29 provided in subsection 1, the board may require a licensee to
30 satisfy a peer review or desk review process on such terms as
31 the board may specify, satisfactorily complete a continuing
32 education program, or such additional remedies as the board
33 may specify by rule.

34 Sec. 11. NEW SECTION. 542D.11 INVESTIGATIONS AND
35 HEARINGS.

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

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

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

26 4. The board may issue subpoenas in any proceeding to
27 compel witnesses to testify and to produce documentary
28 evidence on behalf of the board and shall issue such subpoenas
29 upon the application of the accused, pursuant to section
30 17A.13, subsection 1, and section 272C.6, subsection 3.

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

33 6. The decision of the board shall be by a majority vote
34 of a quorum of the board. Licensee discipline shall only be
35 imposed upon the majority vote of the members of the board not

1 disqualified pursuant to section 17A.17, subsection 8, or
2 other applicable law.

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

5 Sec. 12. NEW SECTION. 542D.12 REINSTATEMENT.

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

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

24 Sec. 13. NEW SECTION. 542D.13 UNLAWFUL ACTS.

25 1. Only a certified public accountant may issue a report
26 on financial statements of a person, firm, organization, or
27 governmental unit, or offer to render or render any attest
28 service. Only a certified public accountant or licensed
29 public accountant may render compilation services. This
30 restriction does not prohibit such acts by a public official
31 or public employee in the performance of that person's duties;
32 or prohibit the performance by any nonlicensee of other
33 services involving the use of accounting skills, including the
34 preparation of tax returns, management advisory services, and
35 the preparation of financial statements without the issuance

1 of reports on such financial statements. A nonlicensee may
2 prepare financial statements and issue nonattest transmittals
3 or information on such statements or transmittals which do not
4 purport to be in compliance with the statements on standards
5 for accounting and review services.

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

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

14 4. A firm shall not provide attest services or assume or
15 use the title "certified public accountants" or the
16 abbreviation "CPAs" or any other title, designation, words,
17 letters, abbreviation, sign, card, or device tending to
18 indicate that such firm is a certified public accounting firm
19 unless the firm holds a permit issued under section 542D.7 and
20 ownership of the firm satisfies the requirements of this
21 chapter and rules adopted by the board.

22 5. A person shall not assume or use the title "licensed
23 public accountant" or the abbreviation "LPA" or any other
24 title, designation, words, letters, abbreviation, sign, card,
25 or device tending to indicate that such person is a licensed
26 public accountant unless that person holds a license issued
27 under section 542D.8.

28 6. A firm not holding a permit issued under section 542D.8
29 shall not provide compilation services or assume or use the
30 title "licensed public accountant", the abbreviation "LPA", or
31 any other title, designation, words, letters, abbreviation,
32 sign, card, or device tending to indicate that such firm is
33 composed of licensed public accountants.

34 7. A person or firm not holding a certificate, permit, or
35 license issued under section 542D.6, 542D.7, 542D.8, or

1 542D.19 shall not assume or use the title "certified
2 accountant", "chartered accountant", "enrolled accountant",
3 "licensed accountant", "registered accountant", "accredited
4 accountant", or any other title or designation likely to be
5 confused with the title "certified public accountant" or
6 "licensed public accountant", or use any of the abbreviations
7 "CA", "LA", "RA", "AA", or similar abbreviation likely to be
8 confused with the abbreviation "CPA" or "LPA". The title
9 "enrolled agent" or "EA" may be used by individuals so
10 designated by the Internal Revenue Service. Nothing in this
11 section shall restrict truthful advertising of a bona fide
12 credential or title which in context is not deceptive or
13 misleading to the public.

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

20 9. A person or firm not holding a certificate, permit, or
21 license issued under section 542D.6, 542D.7, 542D.8, or
22 542D.19 shall not assume or use any title or designation that
23 includes the word "accountant", "auditor", or "accounting", in
24 connection with any other language that implies that such
25 person or firm holds such a certificate, permit, or license or
26 has special competence as an accountant or auditor. However,
27 this subsection does not prohibit an officer, partner, member,
28 manager, or employee of a firm or organization from affixing
29 that person's own signature to a statement in reference to the
30 financial affairs of such firm or organization with wording
31 which designates the position, title, or office that the
32 person holds, or prohibit any act of a public official or
33 employee in the performance of such person's duties. This
34 subsection does not prohibit the use of the title or
35 designation "accountant" by persons other than those holding a

1 certificate or license under this chapter.

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

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

26 12. A holder of a certificate issued under section 542D.6
27 or 542D.19 shall not perform attest services in a firm that
28 does not hold a permit issued under section 542D.7.

29 13. An individual licensee shall not issue a report in
30 standard form upon a compilation of financial information
31 through any form of business that does not hold a permit
32 issued under section 542D.7 unless the report discloses the
33 name of the business through which the individual is issuing
34 the report and the individual licensee does all of the
35 following:

1 a. Signs the compilation report identifying the individual
2 as a certified public accountant or licensed public
3 accountant.

4 b. Meets competency requirements provided in applicable
5 standards.

6 c. Undergoes, no less frequently than once every three
7 years, a peer review conducted in a manner as specified by the
8 board. The review shall include verification that such
9 individual has met the competency requirements set out in
10 professional standards for such services.

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

15 15. a. A licensee shall not for a commission recommend or
16 refer a client to any product or service, or for a commission
17 recommend or refer another person to any product or service to
18 be supplied by a client, or receive a commission, when the
19 licensee also performs for that client any of the following:

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

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

25 (3) An examination of prospective financial information.

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

31 b. A licensee who is not prohibited by this section from
32 performing services for or receiving a commission and who is
33 paid or expects to be paid a commission shall disclose that
34 fact to any person or entity to whom the licensee recommends
35 or refers a product or service to which the commission

1 relates.

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

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

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

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

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

15 (c) An examination of prospective financial information.

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

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

22 c. For purposes of this subsection, a contingent fee is a
23 fee established for the performance of a service pursuant to
24 an arrangement in which a fee will not be charged unless a
25 specified finding or result is attained, or in which the
26 amount of the fee is otherwise dependent upon the finding or
27 result of such service. A fee shall not be considered as
28 being a contingent fee if fixed by a court or other public
29 authority, or, in a tax matter, if determined based on the
30 results of a judicial proceeding or the findings of a
31 governmental agency. A licensee's fee may vary depending on
32 the complexity of the services rendered.

33 d. Nothing contained in this chapter shall be construed to
34 authorize any person engaged in the practice as a certified
35 public accountant or licensed public accountant or any member

1 or employee of such firm to engage in the practice of law
2 individually or within entities licensed under this chapter.

3 Sec. 14. NEW SECTION. 542D.14 INJUNCTION AGAINST
4 UNLAWFUL ACTS, CIVIL PENALTIES, AND CONSENT AGREEMENTS.

5 1. If, as a result of an investigation under section
6 542D.11 or otherwise, the board believes that a person or firm
7 has engaged, or is about to engage, in an act or practice
8 which constitutes or will constitute a violation of section
9 542D.13, the board may make application to the district court
10 for an order enjoining such act or practice. Upon a showing
11 by the board that such person or firm has engaged, or is about
12 to engage, in any such act or practice, an injunction,
13 restraining order, or other order as may be appropriate shall
14 be granted by the court.

15 2. In addition to a criminal penalty provided for in
16 section 542D.15, the board may issue an order to require
17 compliance with section 542D.13 and may impose a civil penalty
18 not to exceed one thousand dollars for each offense upon a
19 person who is not a licensee under this chapter and who
20 engages in conduct prohibited by section 542D.13. Each day of
21 a continued violation constitutes a separate offense.

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

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

26 b. The circumstances leading to the violation.

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

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

31 e. The interest of the public.

32 4. The board, before issuing an order under this section,
33 shall provide the person written notice and the opportunity to
34 request a hearing. The hearing must be requested within
35 thirty days after receipt of the notice and shall be conducted

1 in the same manner as provided for disciplinary proceedings
2 involving a licensee under this chapter.

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

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

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

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

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

26 Sec. 15. NEW SECTION. 542D.15 CRIMINAL PENALTIES.

27 1. A person who violates a provision of section 542D.13 is
28 guilty of a serious misdemeanor.

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

1 3. If, after an investigation under section 542D.11 or
2 otherwise, the board has reason to believe that a person or
3 firm has knowingly engaged in an act or practice that
4 constitutes a violation subject to subsection 1, the board may
5 submit its information to the attorney general of any state,
6 or other appropriate law enforcement official, who, in such
7 official's discretion, may initiate an appropriate criminal
8 proceeding.

9 Sec. 16. NEW SECTION. 542D.16 SINGLE ACT EVIDENCE OF
10 PRACTICE.

11 In an action brought under section 542D.14 or 542D.15,
12 evidence of the commission of a single act prohibited by this
13 chapter is sufficient to justify a penalty, injunction,
14 restraining order, or conviction, without evidence of a
15 general course of conduct.

16 Sec. 17. NEW SECTION. 542D.17 CONFIDENTIAL
17 COMMUNICATIONS.

18 A licensee shall not voluntarily disclose information
19 communicated to the licensee by a client relating to and in
20 connection with services rendered to the client by the
21 licensee, except with the permission of the client, or an
22 heir, successor, or personal representative of the client.
23 Such information is deemed to be confidential. However, this
24 section shall not be construed as prohibiting the disclosure
25 of information required to be disclosed by the standards of
26 the public accounting profession in reporting on the
27 examination of financial statements or as prohibiting
28 disclosures in a court proceeding, in an investigation or
29 proceeding under this chapter or chapter 272C, in an ethical
30 investigation conducted by a private professional
31 organization, in the course of a peer review, to another
32 person active in the licensee's firm performing services for
33 that client on a need-to-know basis, to persons associated
34 with the investigative entity who need this information for
35 the sole purpose of assuring quality control, or as otherwise

1 required by law.

2 This section does not preclude a licensee from filing a
3 complaint with, or responding to an inquiry made by, the
4 board, a taxing authority or law enforcement authority of this
5 state, or a licensing or similar authority of another state or
6 the United States.

7 Sec. 18. NEW SECTION. 542D.18 LICENSEES' WORKING PAPERS
8 -- CLIENTS' RECORDS.

9 1. Subject to section 542D.17, all statements, records,
10 schedules, working papers, and memoranda made by a licensee or
11 a partner, shareholder, officer, director, member, manager, or
12 employee of a licensee, incident to, or in the course of,
13 rendering services to a client, except reports submitted by
14 the licensee to the client and except for records that are
15 part of the client's records, are the property of the licensee
16 in the absence of an express agreement between the licensee
17 and the client to the contrary. Such statement, record,
18 schedule, working paper, or memorandum shall not be sold,
19 transferred, or bequeathed, without the consent of the client
20 or the client's personal representative or assignee, to anyone
21 other than a surviving partner, stockholder, or member of the
22 licensee, or any combined or merged firm or successor in
23 interest to the licensee. This section shall not be construed
24 as prohibiting a temporary transfer of working papers or other
25 material necessary in the course of carrying out peer reviews
26 or as otherwise interfering with the disclosure of information
27 pursuant to section 542D.17.

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

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

34 b. Accounting or other records belonging to, or obtained
35 from or on behalf of, the client that the licensee removed

1 from the client's premises or received for the client's
2 account. The licensee may make and retain copies of such
3 documents of the client when they form the basis for work done
4 by the licensee.

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

8 Sec. 19. NEW SECTION. 542D.19 SUBSTANTIAL EQUIVALENCY.

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

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

19 b. The applicant's individual qualifications are
20 substantially equivalent to those required by section 542D.5.

21 c. The applicant satisfies all of the following:

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

25 (2) The applicant has at least four years of experience
26 within the ten years immediately preceding the application
27 which occurred after passing the examination upon which the
28 applicant's certificate or license was based and which in the
29 board's opinion is substantially equivalent to that required
30 by section 542D.5, subsection 12; and,

31 (3) If the applicant's certificate or license was issued
32 more than four years prior to the filing of the application in
33 this state, the applicant has fulfilled the continuing
34 professional education requirements described in section
35 542D.6, subsection 3.

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

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

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

16 b. The foreign designation satisfies all of the following:

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

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

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

25 c. The applicant satisfies all of the following:

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

30 (2) The applicant satisfies an experience requirement,
31 substantially equivalent to the requirement set out in section
32 542D.5, subsection 12, in the jurisdiction which issued the
33 foreign designation or has completed four years of
34 professional experience in this state; or meets equivalent
35 requirements prescribed by the board by rule, within the ten

1 years immediately preceding the application.

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

5 (4) The applicant shall list in the application all
6 jurisdictions, foreign and domestic, in which the applicant
7 has applied for or holds a designation to practice public
8 accountancy. A holder of a certificate issued under this
9 section shall notify the board in writing, within thirty days
10 after its occurrence, of any issuance, denial, revocation, or
11 suspension of a designation or commencement of a disciplinary
12 or enforcement action by any jurisdiction.

13 4. An applicant under this section shall comply with all
14 applicable provisions of section 542D.5, subsections 1 through
15 6, and section 542D.6.

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

19 Sec. 20. Section 15E.208, subsection 5, paragraph d,
20 subparagraph (4), Code 2001, is amended to read as follows:

21 (4) The manner of oversight required by the department or
22 the auditor of state. The articles must provide that the
23 corporation shall submit a report to the governor, the general
24 assembly, and the department. The report shall provide a
25 description of the corporation's activities and a summary of
26 its finances, including financial awards. The report shall be
27 submitted not later than January 10 of each year. The
28 articles shall provide that an audit of the corporation must
29 be conducted each year for the preceding year by a certified
30 public accountant licensed pursuant to chapter 542E 542D. The
31 auditor of state may audit the books and accounts of the
32 corporation at any time. The results of the annual audit and
33 any audit for the current year conducted by the auditor of
34 state shall be included as part of the report.

35 Sec. 21. Section 99D.20, Code 2001, is amended to read as

1 follows:

2 99D.20 AUDIT OF LICENSEE OPERATIONS.

3 Within ninety days after the end of each race meet, the
4 licensee shall transmit to the commission an audit of the
5 financial transactions and condition of the licensee's
6 operations conducted under this chapter. Additionally, within
7 ninety days after the end of the licensee's fiscal year, the
8 licensee shall transmit to the commission an audit of the
9 financial transactions and condition of the licensee's total
10 operations. All audits shall be conducted by certified public
11 accountants registered in the state of Iowa under chapter 542E
12 542D.

13 Sec. 22. Section 99F.13, Code 2001, is amended to read as
14 follows:

15 99F.13 ANNUAL AUDIT OF LICENSEE OPERATIONS.

16 Within ninety days after the end of the licensee's fiscal
17 year, the licensee shall transmit to the commission an audit
18 of the financial transactions and condition of the licensee's
19 total operations. All audits shall be conducted by certified
20 public accountants registered or licensed in the state of Iowa
21 under chapter 542E 542D.

22 Sec. 23. Section 203.16, subsection 7, Code 2001, is
23 amended to read as follows:

24 7. Where released at the request of the Iowa board-of
25 accountancy examining board for licensee review and discipline
26 in accordance with chapters 272C and 542E 542D and subject to
27 the confidentiality requirements of section 272C.6.

28 Sec. 24. Section 203C.24, subsection 7, Code 2001, is
29 amended to read as follows:

30 7. Where released at the request of the Iowa board-of
31 accountancy examining board for licensee review and discipline
32 in accordance with chapters 272C and 542E 542D and subject to
33 the confidentiality requirements of section 272C.6.

34 Sec. 25. Section 272C.1, subsection 6, paragraph c, Code
35 2001, is amended to read as follows:

1 c. The Iowa accountancy examining board, created pursuant
2 to chapter ~~542E~~ 542D.

3 Sec. 26. Section 272C.3, subsection 2, paragraph a, Code
4 2001, is amended to read as follows:

5 a. Revoke a license, or suspend a license either until
6 further order of the board or for a specified period, upon any
7 of the grounds specified in section 147.55, 148.6, 148B.7,
8 152.10, 153.34, 154A.24, 169.13, 542B.21, ~~542E-21~~ 542D.10,
9 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, 155,
10 507B or 522, as applicable, or upon any other grounds
11 specifically provided for in this chapter for revocation of
12 the license of a licensee subject to the jurisdiction of that
13 board, or upon failure of the licensee to comply with a
14 decision of the board imposing licensee discipline;

15 Sec. 27. Section 272C.4, subsection 6, Code 2001, is
16 amended to read as follows:

17 6. Define by rule acts or omissions which are grounds for
18 revocation or suspension of a license under section 147.55,
19 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13, 455B.191,
20 542B.21, ~~542E-21~~ 542D.10, 543B.29, 544A.13, 544B.15, or
21 602.3203 or chapter 151, 155, 507B or 522, as applicable, and
22 to define by rule acts or omissions which constitute
23 negligence, careless acts or omissions within the meaning of
24 section 272C.3, subsection 2, paragraph "b", which licensees
25 are required to report to the board pursuant to section
26 272C.9, subsection 2;

27 Sec. 28. Section 272C.5, subsection 2, paragraph c, Code
28 2001, is amended to read as follows:

29 c. Shall state whether the procedures are an alternative
30 to or an addition to the procedures stated in sections 147.58
31 through 147.71, 148.6 through 148.9, 152.10 and 152.11, 153.23
32 through 153.30, 153.33, and 154A.23, 542B.22, ~~542E-23~~ 542D.11,
33 543B.35, 543B.36, 544B.16.

34 Sec. 29. Section 272C.6, subsection 6, unnumbered
35 paragraph 1, Code 2001, is amended to read as follows:

1 A board created pursuant to chapter 147, 154A, 155, 169,
2 542B, 542E 542D, 543B, 543D, 544A, or 544B may charge a fee
3 not to exceed seventy-five dollars for conducting a
4 disciplinary hearing pursuant to this chapter which results in
5 disciplinary action taken against the licensee by the board,
6 and in addition to the fee, may recover from a licensee the
7 costs for the following procedures and associated personnel:

8 Sec. 30. Section 272C.9, subsection 2, Code 2001, is
9 amended to read as follows:

10 2. A licensee has a continuing duty to report to the
11 licensing board by whom the person is licensed those acts or
12 omissions specified by rule of the board pursuant to section
13 272C.4, subsection 6, when committed by another person
14 licensed by the same licensing board. This subsection does
15 not apply to licensees under chapter ~~542E~~ 542D when the
16 observations are a result of participation in programs of
17 practice review, peer review and quality review conducted by
18 professional organizations of certified public accountants,
19 for educational purposes and approved by the accountancy
20 examining board.

21 Sec. 31. Section 502.102, subsection 11, paragraph c,
22 subparagraphs (3) and (4), Code 2001, are amended to read as
23 follows:

24 (3) An attorney licensed to practice law in this state, a
25 certified public accountant licensed pursuant to chapter ~~542E~~
26 542D, a professional engineer licensed pursuant to chapter
27 542B, or a certified teacher, if the person's performance of
28 these services is solely incidental to the practice of the
29 person's profession.

30 (4) An attorney licensed to practice law in this state or
31 a certified public accountant licensed pursuant to chapter
32 ~~542E~~ 542D who does not do any of the following:

33 Sec. 32. Section 522.1, subsection 2, Code 2001, is
34 amended to read as follows:

35 2. A certified public accountant licensed pursuant to

1 chapter ~~542E~~ 542D.

2 Sec. 33. Section 546.10, subsection 1, paragraph b, Code
3 2001, is amended to read as follows:

4 b. The Iowa accountancy examining board created pursuant
5 to chapter ~~542E~~ 542D.

6 Sec. 34. Section 546.10, subsection 5, Code 2001, is
7 amended to read as follows:

8 5. Fees collected under chapters 542B, ~~542E~~ 542D, 543B,
9 543D, 544A, and 544B shall be paid to the treasurer of state
10 and credited to the general fund of the state. All expenses
11 required in the discharge of the duties and responsibilities
12 imposed upon the professional licensing division of the
13 department of commerce, the administrator, and the licensing
14 boards by the laws of this state shall be paid from moneys
15 appropriated by the general assembly for those purposes. All
16 fees deposited into the general fund of the state, as provided
17 in this subsection, shall be subject to the requirements of
18 section 8.60.

19 Sec. 35. Section 669.14, subsection 11, unnumbered
20 paragraph 1, Code 2001, is amended to read as follows:

21 Any claim for financial loss based upon an act or omission
22 in financial regulation, including but not limited to
23 examinations, inspections, audits, or other financial
24 oversight responsibilities, pursuant to chapters 87, 203,
25 203A, 203C, 203D, 421B, 486, 487, and 490 through 553,
26 excluding chapters 540A, 542B, ~~542E~~ 542D, 543B, 543C, 543D,
27 544A, and 544B.

28 Sec. 36. Chapter 542C, Code 2001, is repealed, effective
29 July 1, 2002. However, this Act shall not be construed to
30 invalidate or affect any action taken or any proceeding
31 instituted under any law in effect prior to the effective date
32 of this Act.

33 Sec. 37. CONSTRUCTION. This Act shall be construed to
34 fully recognize a certificate, license, or permit issued
35 pursuant to chapter 542C prior to July 1, 2002, as though

1 issued under this Act.

2 Sec. 38. EFFECTIVE DATE. This Act takes effect July 1,
3 2002.

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HOUSE FILE 451

AN ACT
REGULATING THE PRACTICE OF ACCOUNTING, ESTABLISHING FEES,
PROVIDING PENALTIES, AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 542D.1 TITLE.

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

Sec. 2. NEW SECTION. 542D.2 LEGISLATIVE INTENT.

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

permitted to represent themselves as having such special competence or to offer such assurance; that the conduct of persons licensed as having special competence in accountancy be regulated in all aspects of their professional work; that a public authority competent to prescribe and assess the qualifications and to regulate the conduct of licensees be established; and that the use of titles that have a capacity or tendency to deceive the public as to the status or competence of the persons using such titles be prohibited.

Sec. 3. NEW SECTION. 542D.3 DEFINITIONS.

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

1. "Attest" or "attest service" means providing any of the following services:
 - a. An audit or other engagement to be performed in accordance with the statements on auditing standards.
 - b. A review of a financial statement to be performed in accordance with the statements on standards for accounting and review services.
 - c. An examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements. For purposes of this subsection, the statements on standards for attestation engagements means those standards adopted by the board, by rule, by reference to the standards developed for general application by the American institute of certified public accountants, or other recognized national accountancy organization.
2. "Board" means the Iowa accountancy examining board established under section 542D.4 or its predecessor under prior law.
3. "Certificate" means a certificate as a certified public accountant issued under section 542D.6 or 542D.19, or a certificate issued under corresponding prior law.
4. "Certified public accountant" means a person licensed by the board who holds a certificate issued under this chapter or corresponding prior law.

5. "Certified public accounting firm" means a sole proprietorship, a corporation, a partnership, a limited liability company, or any other form of organization issued a permit to practice as a firm of certified public accountants under section 542D.7.

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

7. "Commission" means a brokerage or other participation fee. "Commission" does not include a contingent fee.

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

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

10. "License" means a certificate issued under section 542D.6 or 542D.19, a permit issued under section 542D.7, or a license issued under section 542D.8; or a certificate, permit, or license issued under corresponding prior law.

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

a. Records financial transactions in books of record.

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

c. Makes trial balances from books of record.

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

e. Prepares financial statements, schedules, or reports.

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

g. Prepares compilations.

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

12. "Licensed public accounting firm" means a sole proprietorship, a corporation, a partnership, a limited liability company, or any other form of organization issued a permit to practice as a firm of licensed public accountants under section 542D.8.

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

14. "Manager" means a manager of a limited liability company.

15. "Member" means a member of a limited liability company.

16. "Peer review" means a study, appraisal, or review of one or more aspects of the professional work of a licensee or firm that performs attest or compilation services, by a licensed person or persons who are not affiliated with the licensee or firm being reviewed. "Peer review" does not include a peer review conducted pursuant to chapter 272C in connection with a disciplinary investigation.

17. "Peer review records" means a file, report, or other information relating to the professional competence of an applicant in the possession of a peer review team, or information concerning the peer review developed by a peer review team in the possession of an applicant.

18. "Peer review team" means a person or organization participating in the peer review function, but does not include the board.

19. "Permit" means a permit to practice as either a certified public accounting firm issued under section 542D.7 or licensed public accounting firm under section 542D.8 or under corresponding provisions of prior law.

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

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

special knowledge or competence on the part of the person or firm issuing the language, and any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.

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

23. "Substantial equivalency" is a determination by the board that the education, examination, and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination, and experience requirements contained in this chapter or that an individual licensee's education, examination, and experience qualifications are comparable to or exceed the education, examination, and experience requirements contained in this chapter.

Sec. 4. NEW SECTION. 542D.4 IOWA ACCOUNTANCY EXAMINING BOARD.

1. An Iowa accountancy examining board is created within the professional licensing and regulation division of the department of commerce to administer and enforce this chapter. The board shall consist of eight members, appointed by the governor and subject to senate confirmation, all of whom shall be residents of this state. Five of the eight members shall be holders of certificates issued under section 542D.6, one member shall be the holder of a license issued under section 542D.8, and two shall not be certified public accountants or licensed public accountants and shall represent the general public. Not fewer than three of the holders of certificates issued under section 542D.6 shall also be qualified to supervise attest services as provided in section 542D.7. A certified or licensed member of the board shall be actively engaged in practice as a certified public accountant or as a licensed public accountant and shall have been so engaged for five years preceding appointment, the last two of which shall

have been in this state. Professional associations or societies composed of certified public accountants or licensed public accountants may recommend the names of potential board members to the governor. However, the governor is not bound by the recommendations. A board member is not required to be a member of any professional association or society composed of certified public accountants or licensed public accountants. The term of each member of the board shall be three years, as designated by the governor, and appointments to the board are subject to the requirements of sections 69.16, 69.16A, and 69.19. Members of the board appointed and serving pursuant to chapter 542C, Code 2001, on the effective date of this Act shall serve out the terms for which they were appointed. Vacancies occurring during a term shall be filled by appointment by the governor for the unexpired term. Upon the expiration of the member's term of office, a member shall continue to serve until a successor shall have been appointed and taken office. The public members of the board shall be allowed to participate in administrative, clerical, or ministerial functions incident to giving the examinations, but shall not determine the content or determine the correctness of the answers. The licensed public accountant member shall not determine the content of the certified public accountant examination or determine the correctness of the answers. Any member of the board whose certificate under section 542D.6 or license under section 542D.8 is revoked or suspended shall automatically cease to be a member of the board, and the governor may, after a hearing, remove any member of the board for neglect of duty or other just cause. A person who has served three successive complete terms shall not be eligible for reappointment, but appointment to fill an unexpired term shall not be considered a complete term for this purpose.

2. The board shall elect annually from among its members a chairperson and such other officers as the board may determine to be appropriate. The board shall meet at such times and

places as may be fixed by the board. A majority of the board members in office shall constitute a quorum at any meeting. The board shall maintain a registry of the names and addresses of all licensees and permittees under this chapter.

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

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

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

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

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

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

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

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

9. The board shall adopt rules pursuant to chapter 17A governing the administration and enforcement of this chapter and the conduct of licensees and permittees. Rules adopted shall include, but not be limited to, the following:

a. Rules governing the board's meetings and the conduct of its business.

b. Rules of procedure governing the conduct of investigations and hearings by the board.

c. Rules specifying the educational and experience qualifications required for the issuance of a certificate under section 542D.6 and the continuing professional education required for renewal of a certificate under section 542D.6.

d. Rules specifying the educational and experience qualifications required for the issuance of a license under section 542D.8 and the continuing professional education required for renewal of a license under section 542D.8.

e. Rules of professional conduct directed to control the quality and probity of services provided by a licensee, and, among other areas, pertaining to a licensee's independence, integrity, and objectivity; competence and technical standards; responsibilities to the public; and responsibilities to a client.

f. Rules relating to the propriety of opinions on financial statements by a certified public accountant who is not independent.

g. Rules relating to actions discreditable to the practice as a certified public accountant or licensed public accountant.

h. Rules relating to professional confidences between a certified public accountant or licensed public accountant and a client.

i. Rules governing technical competence and the expression of opinions on financial statements.

j. Rules governing the failure to disclose a material fact known to the certified public accountant or licensed public accountant.

k. Rules relating to a material misstatement known to the certified public accountant or licensed public accountant.

l. Rules governing negligent conduct in an examination or in making a report on an examination.

m. Rules governing failure to direct attention to any material departure from generally accepted accounting principles.

n. Rules governing the professional standards applicable to a licensee.

o. Rules governing the manner and circumstances of use of the titles "certified public accountant" and "CPA".

p. Rules governing the manner and circumstances of use of the titles "accounting practitioner" and "AP", and "licensed public accountant" and "LPA".

q. Rules regarding peer review that may be required to be performed under this chapter.

r. Rules on substantial equivalency under section 542D.19.

s. Such other rules as the board deems necessary or appropriate for administering this chapter, including, but not limited to, rules establishing fees and rules of professional conduct, pertaining to corporations or limited liability companies practicing accounting, which the board deems consistent with or required by the public welfare. The board may adopt rules governing the style, name, and title of corporations and limited liability companies and governing the affiliation of corporations and limited liability companies with other organizations.

Sec. 5. NEW SECTION. 542D.5 QUALIFICATIONS FOR A CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT.

1. A certificate as a certified public accountant may be granted to a person of good moral character who makes application pursuant to section 542D.6 and who satisfies the education, experience, and examination requirements of this section and rules adopted pursuant to this section.

2. An applicant for a certificate who has been convicted of forgery, embezzlement, obtaining money under false pretenses, theft, extortion, conspiracy to defraud, or other similar offense, or of any crime involving moral character or honesty, in a court of competent jurisdiction in this state, or another state, territory, or a district of the United States, or in a foreign jurisdiction, may be denied a certificate by the board on the grounds of the conviction. For purposes of this subsection, "conviction" means a conviction for an indictable offense and includes a guilty plea, deferred judgment from the time of entry of the deferred judgment until the time the defendant is discharged by the

court without entry of judgment, or other finding of guilt by a court of competent jurisdiction.

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

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

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

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

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

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

9. The board may admit to the examination a candidate who will complete the educational requirements for a baccalaureate

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

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

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

12. An applicant for initial issuance of a certificate must have no less than one year of experience. The experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills, as verified by a licensee, meeting requirements

prescribed by the board by rule. The experience is acceptable if it was gained through employment in government, industry, academia, or public practice.

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

Sec. 6. NEW SECTION. 542D.6 ISSUANCE AND RENEWAL OF CERTIFICATES -- MAINTENANCE OF COMPETENCY.

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

(1) That the person's qualifications, including where applicable the qualifications prescribed by section 542D.5, satisfy the requirements of this section, or that the person holds a certificate issued under prior law.

(2) That the person holds in good standing a certificate or license to practice as a certified public accountant in another state or equivalent designation from a foreign country, and is eligible under the substantial equivalency or other provisions of section 542D.19.

b. The holder of a certificate issued under this section shall only provide attest services in a certified public accounting firm that is issued a permit under section 542D.7.

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

3. A certificate holder, for renewal of a certificate under this section, shall participate in a program of learning designed to maintain professional competency. Such program of

learning must comply with rules adopted by the board. The board, by rule, may grant an exception to this requirement for a certificate holder who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or the use of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. A certificate holder entitled to an exception by rule of the board shall place the word "inactive" adjacent to the holder's certified public accountant title on any business card, letterhead, or other document or device, with the exception of the certificate holder's certified public accountant certificate, on which the certificate holder's certified public accountant title appears.

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

5. An applicant for initial issuance or renewal of a certificate shall list in the application all states in which the applicant has applied for or holds a certificate, license, or permit and list any past denial, revocation, or suspension of a certificate, license, or permit. A holder of or applicant for a certificate under this section shall notify the board in writing, within thirty days after its occurrence, of any issuance, denial, revocation, or suspension of a certificate, license, or permit by another state.

6. The board, by rule, shall require as a condition for renewal of a certificate under this section, by any certificate holder who performs compilation services for the public other than through a certified public accounting firm, that such individual undergo, no more frequently than once every three years, a peer review conducted in such manner as the board shall by rule specify, and such review shall include

verification that such individual has met the competency requirements set out in professional standards for such services.

Sec. 7. NEW SECTION. 542D.7 FIRM PERMITS TO PRACTICE -- ATTEST EXPERIENCE AND PEER REVIEW.

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

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

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

managers, who perform professional services in this state or for clients in this state, hold a certificate issued under section 542D.6 or 542D.19.

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

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

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

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

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

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

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

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

4. An applicant for initial issuance or renewal of a permit to practice as a certified public accounting firm is required to register each office of the firm within this state

with the board and to show that all attest and compilation services rendered in this state are under the charge of a person holding a valid certificate issued under section 542D.6 or 542D.19.

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

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

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

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

8. The board, by rule, shall require as a condition to renewal of a permit to practice as a certified public

accounting firm, that an applicant undergo, no more frequently than once every three years, a peer review conducted in such manner as the board specifies. The review shall include a verification that any individual in the firm who is responsible for supervising attest and compilation services and who signs or authorizes someone to sign the accountant's report on a financial statement on behalf of the firm meets the competency requirements set forth in the professional standards for such services.

Such rules shall include reasonable provision for compliance by an applicant showing that the applicant, within the preceding three years, has undergone a peer review that is a satisfactory equivalent to the peer review required under this subsection. An applicant's completion of a peer review program endorsed or supported by the American institute of certified public accountants, or other substantially similar review as determined by the board, satisfies the requirements of this subsection.

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

- a. The applicant does not engage in, and does not intend to engage in during the following year, financial reporting areas of practice, including but not limited to financial audits, compilations, and reviews. An applicant granted a waiver pursuant to this paragraph shall immediately notify the board if the applicant engages in such practice, and shall be subject to peer review.
- b. Reasons of health.
- c. Military service.
- d. Instances of hardship.
- e. Other good cause as determined by the board.

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

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

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

Sec. 8. NEW SECTION. 542D.8 QUALIFICATIONS FOR AND ISSUANCE OF A LICENSE AS A LICENSED PUBLIC ACCOUNTANT -- RENEWAL OF LICENSE -- FIRM REGISTRATION -- PEER REVIEW.

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

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

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

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

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

(3) The applicant submits evidence of at least five years of continuous experience engaged in performing any of the services delineated in section 542D.3, subsection 11, on a full-time basis.

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

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

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

5. If an applicant has partially passed an examination given in another state determined by the board to be

substantially equivalent to the examination required by this state and meets eligibility requirements that the board finds to be substantially equivalent to those prescribed by this state, the results of the other state's examination shall be accepted as though given in this state.

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

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

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

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

b. A licensee, for renewal of a license under this section, shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the board. The board, by rule, may grant an exception to this requirement for a licensee who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or the use of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. A licensee entitled to an exception by rule of the board shall place the word "inactive" adjacent to the licensee's licensed public accountant title on any business card, letterhead, or other document or device, with the exception of the licensee's licensed public accountant license, on which the licensee's licensed public accountant title appears.

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

a. The applicant holds a license as a licensed public accountant, an accounting practitioner, or similar title issued, after examination, by a state which extends by substantial equivalency privileges to a licensed public

accountant of this state, and who, at the time of issuance of the registration, possessed the basic qualifications set forth in subsection 1.

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

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

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

a. An applicant for initial issuance or renewal of a permit to practice as a firm under this section must show that notwithstanding any other provision of law, a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members, and managers belongs to the holders of a certificate or license issued by a state, and that such partners, officers, shareholders, members, and managers, who perform professional services in this state or for clients in this state, hold a certificate issued under section 542D.6 or a license issued under section 542D.8.

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

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

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

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

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

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

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

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

13. An applicant for initial issuance or renewal of a permit to practice as a licensed public accounting firm is required to register each office of the firm within this state with the board and to show that all compilation services rendered in this state are under the charge of a person holding a valid certificate issued under section 542D.6 or 542D.19, or a license issued under section 542D.8.

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

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

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

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

17. The board, by rule, shall require as a condition to renewal of a permit to practice as a licensed public accounting firm, that an applicant undergo, no more frequently than once every three years, a peer review conducted in such manner as the board specifies. The review shall include verification that any individual in the firm who is responsible for supervising compilation services and who signs or authorizes someone to sign the accountant's report on a financial statement on behalf of the firm meets the competency

requirements set forth in the professional standards for such services. Such rules shall include reasonable provision for compliance by an applicant showing that the applicant, within the preceding three years, has undergone a peer review that is a satisfactory equivalent to the peer review required under this subsection. An applicant's completion of a peer review program endorsed or supported by the national society of accountants, or other substantially similar review as determined by the board, satisfies the requirements of this subsection.

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

- a. The applicant does not engage in, and does not intend to engage in during the following year, financial reporting areas of practice, including but not limited to compilations. An applicant granted a waiver pursuant to this paragraph shall immediately notify the board if the applicant engages in such practice, and shall be subject to peer review.
- b. Reasons of health.
- c. Military service.
- d. Instances of hardship.
- e. Other good cause as determined by the board.

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

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

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

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

Sec. 9. NEW SECTION. 542D.9 APPOINTMENT OF SECRETARY OF STATE AS AGENT.

Application for a certificate under section 542D.6, a license under section 542D.8, a permit to practice under section 542D.7, or a certificate under section 542D.19 by a person or a firm not a resident of this state constitutes appointment of the secretary of state as the applicant's agent upon whom process may be served in any action or proceeding against the applicant arising out of a transaction or operation connected with or incidental to services performed by the applicant while a licensee within this state.

Sec. 10. NEW SECTION. 542D.10 ENFORCEMENT AGAINST A HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.

1. After notice and hearing pursuant to section 542D.11, the board may revoke, suspend for a period of time not to exceed two years, or refuse to renew a license; reprimand, censure, or limit the scope of practice of any licensee; impose an administrative penalty not to exceed one thousand dollars per violation; or place any licensee on probation; all with or without terms, conditions, and in combinations of remedies, for any one or more of the following reasons:

a. Fraud or deceit in obtaining a license, which may also result in permanent revocation of the license.

b. Dishonesty, fraud, or gross negligence in the practice of public accounting.

c. Engaging in any activity prohibited under section 542D.13 or permitting persons under the licensee's supervision to do so.

d. Violation of a rule of professional conduct adopted by the board under the authority granted by this chapter.

e. Conviction of a felony under the laws of any state of the United States.

f. Conviction of any crime, any element of which is dishonesty or fraud as provided in section 542D.5, subsection 2, under the laws of any state of the United States.

g. Cancellation, revocation, suspension, or refusal to renew the authority to practice as a certified public accountant, licensed public accountant, or accounting practitioner, or the acceptance of the voluntary surrender of a license to practice as a certified public accountant, licensed public accountant, or accounting practitioner to conclude a pending disciplinary action, by any other state or foreign authority for any cause other than failure to pay appropriate fees in the other jurisdiction.

h. Suspension or revocation of the right to practice before any state or federal agency.

i. Conduct discreditable to the public accounting profession.

j. Violation of section 272C.10.

2. Multiple violations arising from the same factual circumstances or from different factual circumstances containing a common error shall be considered as a single violation for the purpose of imposition of an administrative penalty.

3. In lieu of or in addition to any remedy specifically provided in subsection 1, the board may require a licensee to

satisfy a peer review or desk review process on such terms as the board may specify, satisfactorily complete a continuing education program, or such additional remedies as the board may specify by rule.

Sec. 11. NEW SECTION. 542D.11 INVESTIGATIONS AND HEARINGS.

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

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

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

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

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

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

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

Sec. 12. NEW SECTION. 542D.12 REINSTATEMENT.

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

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

Sec. 13. NEW SECTION. 542D.13 UNLAWFUL ACTS.

1. Only a certified public accountant may issue a report on financial statements of a person, firm, organization, or governmental unit, or offer to render or render any attest service. Only a certified public accountant or licensed public accountant may render compilation services. This restriction does not prohibit such acts by a public official

or public employee in the performance of that person's duties; or prohibit the performance by any nonlicensee of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports on such financial statements. A nonlicensee may prepare financial statements and issue nonattest transmittals or information on such statements or transmittals which do not purport to be in compliance with the statements on standards for accounting and review services.

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

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

4. A firm shall not provide attest services or assume or use the title "certified public accountants" or the abbreviation "CPAs" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is a certified public accounting firm unless the firm holds a permit issued under section 542D.7 and ownership of the firm satisfies the requirements of this chapter and rules adopted by the board.

5. A person shall not assume or use the title "licensed public accountant" or the abbreviation "LPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a licensed public accountant unless that person holds a license issued under section 542D.8.

6. A firm not holding a permit issued under section 542D.8 shall not provide compilation services or assume or use the title "licensed public accountant", the abbreviation "LPA", or

any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is composed of licensed public accountants.

7. A person or firm not holding a certificate, permit, or license issued under section 542D.6, 542D.7, 542D.8, or 542D.19 shall not assume or use the title "certified accountant", "chartered accountant", "enrolled accountant", "licensed accountant", "registered accountant", "accredited accountant", or any other title or designation likely to be confused with the title "certified public accountant" or "licensed public accountant", or use any of the abbreviations "CA", "LA", "RA", "AA", or similar abbreviation likely to be confused with the abbreviation "CPA" or "LPA". The title "enrolled agent" or "EA" may be used by individuals so designated by the Internal Revenue Service. Nothing in this section shall restrict truthful advertising of a bona fide credential or title which in context is not deceptive or misleading to the public.

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

9. A person or firm not holding a certificate, permit, or license issued under section 542D.6, 542D.7, 542D.8, or 542D.19 shall not assume or use any title or designation that includes the word "accountant", "auditor", or "accounting", in connection with any other language that implies that such person or firm holds such a certificate, permit, or license or has special competence as an accountant or auditor. However, this subsection does not prohibit an officer, partner, member, manager, or employee of a firm or organization from affixing that person's own signature to a statement in reference to the financial affairs of such firm or organization with wording

which designates the position, title, or office that the person holds, or prohibit any act of a public official or employee in the performance of such person's duties. This subsection does not prohibit the use of the title or designation "accountant" by persons other than those holding a certificate or license under this chapter.

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

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

12. A holder of a certificate issued under section 542D.6 or 542D.19 shall not perform attest services in a firm that does not hold a permit issued under section 542D.7.

13. An individual licensee shall not issue a report in standard form upon a compilation of financial information

through any form of business that does not hold a permit issued under section 542D.7 unless the report discloses the name of the business through which the individual is issuing the report and the individual licensee does all of the following:

a. Signs the compilation report identifying the individual as a certified public accountant or licensed public accountant.

b. Meets competency requirements provided in applicable standards.

c. Undergoes, no less frequently than once every three years, a peer review conducted in a manner as specified by the board. The review shall include verification that such individual has met the competency requirements set out in professional standards for such services.

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

15. a. A licensee shall not for a commission recommend or refer a client to any product or service, or for a commission recommend or refer another person to any product or service to be supplied by a client, or receive a commission, when the licensee also performs for that client any of the following:

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

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

(3) An examination of prospective financial information.

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

b. A licensee who is not prohibited by this section from performing services for or receiving a commission and who is paid or expects to be paid a commission shall disclose that fact to any person or entity to whom the licensee recommends or refers a product or service to which the commission relates.

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

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

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

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

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

(c) An examination of prospective financial information.

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

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

c. For purposes of this subsection, a contingent fee is a fee established for the performance of a service pursuant to an arrangement in which a fee will not be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. A fee shall not be considered as being a contingent fee if fixed by a court or other public authority, or, in a tax matter, if determined based on the results of a judicial proceeding or the findings of a

governmental agency. A licensee's fee may vary depending on the complexity of the services rendered.

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

Sec. 14. NEW SECTION. 542D.14 INJUNCTION AGAINST UNLAWFUL ACTS, CIVIL PENALTIES, AND CONSENT AGREEMENTS.

1. If, as a result of an investigation under section 542D.11 or otherwise, the board believes that a person or firm has engaged, or is about to engage, in an act or practice which constitutes or will constitute a violation of section 542D.13, the board may make application to the district court for an order enjoining such act or practice. Upon a showing by the board that such person or firm has engaged, or is about to engage, in any such act or practice, an injunction, restraining order, or other order as may be appropriate shall be granted by the court.

2. In addition to a criminal penalty provided for in section 542D.15, the board may issue an order to require compliance with section 542D.13 and may impose a civil penalty not to exceed one thousand dollars for each offense upon a person who is not a licensee under this chapter and who engages in conduct prohibited by section 542D.13. Each day of a continued violation constitutes a separate offense.

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

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

b. The circumstances leading to the violation.

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

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

e. The interest of the public.

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

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

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

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

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

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

Sec. 15. NEW SECTION. 542D.15 CRIMINAL PENALTIES.

1. A person who violates a provision of section 542D.13 is guilty of a serious misdemeanor.

2. If the board has reason to believe that a person has committed a violation subject to subsection 1, the board may certify the facts to the attorney general of this state, or to

the county attorney of the county where the person maintains a business office, who, in the attorney general's or county attorney's discretion, may initiate an appropriate criminal proceeding.

3. If, after an investigation under section 542D.11 or otherwise, the board has reason to believe that a person or firm has knowingly engaged in an act or practice that constitutes a violation subject to subsection 1, the board may submit its information to the attorney general of any state, or other appropriate law enforcement official, who, in such official's discretion, may initiate an appropriate criminal proceeding.

Sec. 16. NEW SECTION. 542D.16 SINGLE ACT EVIDENCE OF PRACTICE.

In an action brought under section 542D.14 or 542D.15, evidence of the commission of a single act prohibited by this chapter is sufficient to justify a penalty, injunction, restraining order, or conviction, without evidence of a general course of conduct.

Sec. 17. NEW SECTION. 542D.17 CONFIDENTIAL COMMUNICATIONS.

A licensee shall not voluntarily disclose information communicated to the licensee by a client relating to and in connection with services rendered to the client by the licensee, except with the permission of the client, or an heir, successor, or personal representative of the client. Such information is deemed to be confidential. However, this section shall not be construed as prohibiting the disclosure of information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements or as prohibiting disclosures in a court proceeding, in an investigation or proceeding under this chapter or chapter 272C, in an ethical investigation conducted by a private professional organization, in the course of a peer review, to another

person active in the licensee's firm performing services for that client on a need-to-know basis, to persons associated with the investigative entity who need this information for the sole purpose of assuring quality control, or as otherwise required by law.

This section does not preclude a licensee from filing a complaint with, or responding to an inquiry made by, the board, a taxing authority or law enforcement authority of this state, or a licensing or similar authority of another state or the United States.

Sec. 18. NEW SECTION. 542D.18 LICENSEES' WORKING PAPERS
-- CLIENTS' RECORDS.

1. Subject to section 542D.17, all statements, records, schedules, working papers, and memoranda made by a licensee or a partner, shareholder, officer, director, member, manager, or employee of a licensee, incident to, or in the course of, rendering services to a client, except reports submitted by the licensee to the client and except for records that are part of the client's records, are the property of the licensee in the absence of an express agreement between the licensee and the client to the contrary. Such statement, record, schedule, working paper, or memorandum shall not be sold, transferred, or bequeathed, without the consent of the client or the client's personal representative or assignee, to anyone other than a surviving partner, stockholder, or member of the licensee, or any combined or merged firm or successor in interest to the licensee. This section shall not be construed as prohibiting a temporary transfer of working papers or other material necessary in the course of carrying out peer reviews or as otherwise interfering with the disclosure of information pursuant to section 542D.17.

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

a. A copy of the licensee's working papers, to the extent that such working papers include records that would ordinarily

constitute part of the client's records and are not otherwise available to the client.

b. Accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received for the client's account. The licensee may make and retain copies of such documents of the client when they form the basis for work done by the licensee.

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

Sec. 19. NEW SECTION. 542D.19 SUBSTANTIAL EQUIVALENCY.

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

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

b. The applicant's individual qualifications are substantially equivalent to those required by section 542D.5.

c. The applicant satisfies all of the following:

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

(2) The applicant has at least four years of experience within the ten years immediately preceding the application which occurred after passing the examination upon which the applicant's certificate or license was based and which in the board's opinion is substantially equivalent to that required by section 542D.5, subsection 12; and,

(3) If the applicant's certificate or license was issued more than four years prior to the filing of the application in this state, the applicant has fulfilled the continuing professional education requirements described in section 542D.6, subsection 3.

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

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

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

b. The foreign designation satisfies all of the following:

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

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

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

c. The applicant satisfies all of the following:

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

(2) The applicant satisfies an experience requirement, substantially equivalent to the requirement set out in section 542D.5, subsection 12, in the jurisdiction which issued the foreign designation or has completed four years of professional experience in this state; or meets equivalent requirements prescribed by the board by rule, within the ten years immediately preceding the application.

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

(4) The applicant shall list in the application all jurisdictions, foreign and domestic, in which the applicant has applied for or holds a designation to practice public accountancy. A holder of a certificate issued under this section shall notify the board in writing, within thirty days after its occurrence, of any issuance, denial, revocation, or suspension of a designation or commencement of a disciplinary or enforcement action by any jurisdiction.

4. An applicant under this section shall comply with all applicable provisions of section 542D.5, subsections 1 through 6, and section 542D.6.

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

Sec. 20. Section 15E.208, subsection 5, paragraph d, subparagraph (4), Code 2001, is amended to read as follows:

(4) The manner of oversight required by the department or the auditor of state. The articles must provide that the corporation shall submit a report to the governor, the general assembly, and the department. The report shall provide a description of the corporation's activities and a summary of its finances, including financial awards. The report shall be submitted not later than January 10 of each year. The articles shall provide that an audit of the corporation must be conducted each year for the preceding year by a certified

public accountant licensed pursuant to chapter ~~542E~~ 542D. The auditor of state may audit the books and accounts of the corporation at any time. The results of the annual audit and any audit for the current year conducted by the auditor of state shall be included as part of the report.

Sec. 21. Section 99D.20, Code 2001, is amended to read as follows:

99D.20 AUDIT OF LICENSEE OPERATIONS.

Within ninety days after the end of each race meet, the licensee shall transmit to the commission an audit of the financial transactions and condition of the licensee's operations conducted under this chapter. Additionally, within ninety days after the end of the licensee's fiscal year, the licensee shall transmit to the commission an audit of the financial transactions and condition of the licensee's total operations. All audits shall be conducted by certified public accountants registered in the state of Iowa under chapter ~~542E~~ 542D.

Sec. 22. Section 99F.13, Code 2001, is amended to read as follows:

99F.13 ANNUAL AUDIT OF LICENSEE OPERATIONS.

Within ninety days after the end of the licensee's fiscal year, the licensee shall transmit to the commission an audit of the financial transactions and condition of the licensee's total operations. All audits shall be conducted by certified public accountants registered or licensed in the state of Iowa under chapter ~~542E~~ 542D.

Sec. 23. Section 203.16, subsection 7, Code 2001, is amended to read as follows:

7. Where released at the request of the Iowa board-of accountancy examining board for licensee review and discipline in accordance with chapters 272C and ~~542E~~ 542D and subject to the confidentiality requirements of section 272C.6.

Sec. 24. Section 203C.24, subsection 7, Code 2001, is amended to read as follows:

7. Where released at the request of the Iowa board-of accountancy examining board for licensee review and discipline in accordance with chapters 272C and ~~542E~~ 542D and subject to the confidentiality requirements of section 272C.6.

Sec. 25. Section 272C.1, subsection 6, paragraph c, Code 2001, is amended to read as follows:

c. The Iowa accountancy examining board, created pursuant to chapter ~~542E~~ 542D.

Sec. 26. Section 272C.3, subsection 2, paragraph a, Code 2001, is amended to read as follows:

a. Revoke a license, or suspend a license either until further order of the board or for a specified period, upon any of the grounds specified in section 147.55, 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13, 542B.21, ~~542E-21~~ 542D.10, 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, 155, 507B or 522, as applicable, or upon any other grounds specifically provided for in this chapter for revocation of the license of a licensee subject to the jurisdiction of that board, or upon failure of the licensee to comply with a decision of the board imposing licensee discipline;

Sec. 27. Section 272C.4, subsection 6, Code 2001, is amended to read as follows:

6. Define by rule acts or omissions which are grounds for revocation or suspension of a license under section 147.55, 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13, 455B.191, 542B.21, ~~542E-21~~ 542D.10, 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, 155, 507B or 522, as applicable, and to define by rule acts or omissions which constitute negligence, careless acts or omissions within the meaning of section 272C.3, subsection 2, paragraph "b", which licensees are required to report to the board pursuant to section 272C.9, subsection 2;

Sec. 28. Section 272C.5, subsection 2, paragraph c, Code 2001, is amended to read as follows:

c. Shall state whether the procedures are an alternative to or an addition to the procedures stated in sections 147.58 through 147.71, 148.6 through 148.9, 152.10 and 152.11, 153.23 through 153.30, 153.33, and 154A.23, 542B.22, ~~542E.23~~ 542D.11, 543B.35, 543B.36, 544B.16.

Sec. 29. Section 272C.6, subsection 6, unnumbered paragraph 1, Code 2001, is amended to read as follows:

A board created pursuant to chapter 147, 154A, 155, 169, 542B, ~~542E~~ 542D, 543B, 543D, 544A, or 544B may charge a fee not to exceed seventy-five dollars for conducting a disciplinary hearing pursuant to this chapter which results in disciplinary action taken against the licensee by the board, and in addition to the fee, may recover from a licensee the costs for the following procedures and associated personnel:

Sec. 30. Section 272C.9, subsection 2, Code 2001, is amended to read as follows:

2. A licensee has a continuing duty to report to the licensing board by whom the person is licensed those acts or omissions specified by rule of the board pursuant to section 272C.4, subsection 6, when committed by another person licensed by the same licensing board. This subsection does not apply to licensees under chapter ~~542E~~ 542D when the observations are a result of participation in programs of practice review, peer review and quality review conducted by professional organizations of certified public accountants, for educational purposes and approved by the accountancy examining board.

Sec. 31. Section 502.102, subsection 11, paragraph c, subparagraphs (3) and (4), Code 2001, are amended to read as follows:

(3) An attorney licensed to practice law in this state, a certified public accountant licensed pursuant to chapter ~~542E~~ 542D, a professional engineer licensed pursuant to chapter 542B, or a certified teacher, if the person's performance of these services is solely incidental to the practice of the person's profession.

(4) An attorney licensed to practice law in this state or a certified public accountant licensed pursuant to chapter ~~542E~~ 542D who does not do any of the following:

Sec. 32. Section 522.1, subsection 2, Code 2001, is amended to read as follows:

2. A certified public accountant licensed pursuant to chapter ~~542E~~ 542D.

Sec. 33. Section 546.10, subsection 1, paragraph b, Code 2001, is amended to read as follows:

b. The Iowa accountancy examining board created pursuant to chapter ~~542E~~ 542D.

Sec. 34. Section 546.10, subsection 5, Code 2001, is amended to read as follows:

5. Fees collected under chapters 542B, ~~542E~~ 542D, 543B, 543D, 544A, and 544B shall be paid to the treasurer of state and credited to the general fund of the state. All expenses required in the discharge of the duties and responsibilities imposed upon the professional licensing division of the department of commerce, the administrator, and the licensing boards by the laws of this state shall be paid from moneys appropriated by the general assembly for those purposes. All fees deposited into the general fund of the state, as provided in this subsection, shall be subject to the requirements of section 8.60.

Sec. 35. Section 669.14, subsection 11, unnumbered paragraph 1, Code 2001, is amended to read as follows:

Any claim for financial loss based upon an act or omission in financial regulation, including but not limited to examinations, inspections, audits, or other financial oversight responsibilities, pursuant to chapters 87, 203, 203A, 203C, 203D, 421B, 486, 487, and 490 through 553, excluding chapters 540A, 542B, ~~542E~~ 542D, 543B, 543C, 543D, 544A, and 544B.

Sec. 36. Chapter 542C, Code 2001, is repealed, effective July 1, 2002. However, this Act shall not be construed to

invalidate or affect any action taken or any proceeding instituted under any law in effect prior to the effective date of this Act.

Sec. 37. CONSTRUCTION. This Act shall be construed to fully recognize a certificate, license, or permit issued pursuant to chapter 542C prior to July 1, 2002, as though issued under this Act.

Sec. 38. EFFECTIVE DATE. This Act takes effect July 1, 2002.

BRENT SIEGRIST
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 451, Seventy-ninth General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved April 19, 2001

THOMAS J. VILSACK
Governor