

Reduction Act, 44 U.S.C. § 3501 et seq.; the federal Regulatory Flexibility Act, 5 U.S.C. § 601 et seq.; and the federal Equal Access to Justice Act, 5 U.S.C. § 504.

3. Review information for small business stationary sources to assure such information is understandable by the layperson.

4. Have the small business stationary source technical and environmental compliance assistance program serve as the secretariat for the development and dissemination of such reports and advisory opinions.

Approved April 18, 2008

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## CHAPTER 1106

### REGULATION OF PRACTICE OF CERTIFIED PUBLIC ACCOUNTING

*S.F. 2379*

**AN ACT** relating to the regulation of the practice of certified public accounting and providing an effective date.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 542.3, subsection 1, paragraph c, Code 2007, is amended to read as follows:

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.~~

Sec. 2. Section 542.3, subsection 1, Code 2007, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. Any engagement to be performed in accordance with the standards of the public company accounting oversight board.

Sec. 3. Section 542.3, subsection 1, Code 2007, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The standards specified in this subsection are 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, the public company accounting oversight board, or other recognized national accountancy organization.

Sec. 4. Section 542.3, Code 2007, is amended by adding the following new subsections:  
NEW SUBSECTION. 9A. "Home office" is the location specified by the client as the address to which an attest or compilation service is directed, which may be a subunit or subsidiary or an entity or the principal office of an entity, as the board may further define by rule.

NEW SUBSECTION. 15A. "NASBA" means the national association of state boards of accountancy.

NEW SUBSECTION. 15B. "Office" means any Iowa workplace identified or advertised to the general public as a location where public accounting services are performed.

NEW SUBSECTION. 20A. "Practice privilege" means an authorization to practice public accounting in Iowa or for clients with a home office in Iowa without licensure under this chapter, as provided in section 542.20.

NEW SUBSECTION. 20B. "Principal place of business" means the primary location from which public accounting services are performed, as the board may further define by rule. A person or firm may only have one principal place of business at any one time.

Sec. 5. Section 542.4, subsection 7, Code 2007, is amended to read as follows:

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. The board may provide social security numbers of licensees to NASBA provided that the numbers are solely used by NASBA for inclusion in a national database of licensees, the numbers are submitted in an encrypted format or through such alternative means as will assure the confidentiality of the numbers, and NASBA maintains the confidentiality of the numbers and agrees not to disseminate the numbers to any other person or entity.

Sec. 6. Section 542.4, subsection 9, Code 2007, is amended by adding the following new paragraph:

NEW PARAGRAPH. rr. Rules on practice privilege under section 542.20.

Sec. 7. Section 542.6, subsection 6, Code 2007, is amended to read as follows:

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 or licensed 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. The provisions of section 542.7, subsections 10, 11, and 12, shall apply to the peer review required in this subsection.

Sec. 8. Section 542.7, subsections 1, 3, 4, and 10, Code 2007, are amended to read as follows:

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. A firm must hold a permit issued under this section ~~in order to provide if the firm performs attest services in this state or for clients having a home office in this state or to use~~ has an office in this state and uses the title "CPAs" or, "CPA firm", "certified public accountants", or "certified public accounting firm".

b. A firm which is not subject to paragraph "a" may practice public accounting in this state without a permit issued under this section in conformance with section 542.20.

c. A firm that holds a permit issued under this chapter shall designate to the board the licensee or person with a practice privilege under section 542.20 who is responsible for the proper licensure of the firm and the firm's compliance with all applicable laws and rules of this state. If such firm has one or more offices in this state the firm shall designate to the board one or more persons who are licensed under this chapter who are responsible for the proper registration of each Iowa office of the firm and each office's compliance with all applicable laws and rules of this state.

3. a. An applicant for initial issuance or renewal of a permit to practice as a firm shall 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 542.6 or 542.19, or by another state if the holder has a practice privilege under section 542.20.

b. A certified public accounting firm may include a nonlicensee owner, which for purposes of this section means an owner that does not hold a valid certificate to practice public accounting in any state, 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) ~~(1) 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) ~~(2) All nonlicensee owners comply with all applicable rules of professional conduct adopted by the board, and their own regulatory authority.~~

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

c. A licensee or person with a practice privilege under section 542.20 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 or person with a practice privilege under section 542.20 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".

e. The board may deny the issuance or renewal of, or revoke a permit, or otherwise discipline the holder of a permit issued under this section if a nonlicensee owner's professional license has been revoked in any jurisdiction or a nonlicensee owner has been convicted of a crime described in section 542.5, subsection 2, if the board determines that such revocation or conviction is detrimental to the public interest and would be a ground for discipline if applicable to a licensee under this chapter.

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 542.6 or 542.19, or by another state if the holder has a practice privilege under section 542.20.

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. Unless the subject of a peer review timely objects in writing to the administering entity of the peer review program, the administering entity shall make available to the board within thirty days of the issuance of the peer review acceptance letter the final peer review report or such peer review records as are designated by the peer review program in which the administering entity participates. The subject of a peer review may voluntarily submit the final peer review report directly to the board. 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.

Sec. 9. Section 542.8, subsection 9, paragraph a, Code 2007, is amended to read as follows:

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.

Sec. 10. Section 542.8, subsections 12, 13, and 19, Code 2007, are amended to read as follows:

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" "LPAs" 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 542.6 or a license issued under this section, or another state if the holder has a practice privilege under section 542.20. To qualify for firm licensure at least one partner, officer, shareholder, member, or manager shall hold a license under this section.

b. A licensed public accounting firm may include a nonlicensee owner, which for purposes of this section means an owner that does not hold a valid license or certificate to practice public accounting in any state, 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) ~~(3) All nonlicensee owners comply with all applicable rules of professional conduct adopted by the board, and their own regulatory authority.~~

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

c. An individual licensee or person with a practice privilege under section 542.20 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 or person with a practice privilege under section 542.20 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.

e. The board may deny the issuance or renewal of, or revoke a permit, or otherwise discipline the holder of a permit issued under this section if a nonlicensee owner's professional license has been revoked in any jurisdiction or a nonlicensee owner has been convicted of a crime described in section 542.5, subsection 2, if the board determines that such revocation or conviction is detrimental to the public interest and would be a ground for discipline if applicable to a licensee under this chapter.

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 542.6 or 542.19, or a license issued under this section, or another state if the holder has a practice privilege under section 542.20.

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. Unless the subject of a peer review timely objects in writing to the administering entity of the peer review program, the administering entity shall make available to the board within thirty days of the issuance of the peer review acceptance letter the final peer review report or such peer review records as are designated by the peer review program in which the administering entity participates. The subject of a peer review may voluntarily submit the final peer review report directly to the board. 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.

Sec. 11. Section 542.10, subsection 1, Code 2007, is amended to read as follows:

1. After notice and hearing pursuant to section 542.11, 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 against an individual licensee or ten thousand dollars per violation against a firm licensee; require remedial actions; 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 542.13 or 542.20 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~~ or the United States.
- f. Conviction of any crime, any element of which is dishonesty or fraud as provided in section 542.5, subsection 2, under the laws of any state ~~of~~ or 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, or the public company accounting oversight board.
- i. Conduct discreditable to the public accounting profession.
- j. Violation of section 272C.10.

Sec. 12. Section 542.13, Code 2007, is amended by adding the following new subsection: NEW SUBSECTION. 18. Nothing in this section shall be construed to prohibit the practice of public accounting and lawful use of titles by persons or firms exercising a practice privilege in conformance with section 542.20.

Sec. 13. Section 542.14, subsections 1 and 2, Code 2007, are amended to read as follows:

1. If, as a result of an investigation under section 542.11 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 542.13 or 542.20, 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 542.15, the board may issue an order to require compliance with section 542.13 or 542.20 or to revoke a practice privilege under section 542.20, 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 542.13 or 542.20. Each day of a continued violation constitutes a separate offense. The board may impose a penalty up to ten thousand dollars per violation against a firm that violates section 542.13 or 542.20.

Sec. 14. NEW SECTION. 542.20 PRACTICE PRIVILEGE.

1. This section authorizes a person or firm whose principal place of business is not in this state to practice public accounting in Iowa in person, or by telephone, mail, or electronic means without licensure under this chapter or notice to the board under the conditions described in this section. Such a person or firm must hold a valid, unexpired license in good standing in the state of its principal place of business that is substantially equivalent to a comparable license issued in Iowa, and such a person or firm must be licensed to lawfully perform in its principal place of business all public accounting services offered or rendered under a practice privilege in Iowa.

2. A provision of this section or of any other section in this chapter shall not prevent the auditor of state, the department of agriculture and land stewardship, other governmental official or body, or a client from requiring that public accounting services performed in Iowa or for an Iowa client be performed by a person or firm holding a license under this chapter.

3. The practice privilege authorized by this section is temporary and shall cease if the license in the person's or firm's principal place of business expires, is no longer valid or in good standing, or otherwise no longer lawfully supports the conditions of the practice privilege described in this section.

4. The board may revoke a practice privilege, impose a civil penalty, issue an order to secure compliance with this chapter or board rules, or take such additional actions as are provided in section 542.14 if a person or firm acting or purporting to act under a practice privilege violates this chapter or board rules. In addition, or as an alternative to such action, the board may refer a complaint to the state regulatory body that issued the license to the person or firm.

a. A violation of this chapter or board rules by a person or firm acting or purporting to act under a practice privilege is a ground to deny the violator's subsequent application for licensure under this chapter.

b. A violation of this chapter or board rules by a person acting or purporting to act under a practice privilege is a ground to deny a subsequent application for initial or renewal licensure under this chapter by the violator's firm, and is a ground for discipline against such firm.

c. A violation of this chapter or board rules by a person or firm acting or purporting to act under a practice privilege is a ground for discipline against a licensee under this chapter who aided or abetted the violation.

5. A certified public accounting firm that is licensed in the state of its principal place of business and is not required to hold an Iowa firm license under section 542.7 may practice in this state without a firm license under this chapter or notice to the board if the firm's practice in this state is performed by individuals who hold a license under this chapter or who practice in conformance with subsection 6, under the following conditions:

a. The firm shall not perform attest services in Iowa or for a client having a home office in Iowa.

b. The firm shall not have an office in Iowa which uses the title “CPAs”, “CPA firm”, “certified public accountants”, or “certified public accounting firm”.

c. The firm may perform compilation services only if it complies with the ownership and peer review requirements of section 542.7.

d. The firm shall not make any representation tending to falsely indicate that the firm is licensed under this chapter.

e. The firm, upon a client’s or prospective client’s request, shall provide accurate information on the state or states of licensure, principal place of business, contact information, and manner in which licensure status can be verified.

f. The firm shall comply with all professional standards, laws, and rules that apply to licensees performing the same professional services.

6. An individual who is licensed in the state of the individual’s principal place of business may exercise the privileges of a certificate holder of this state without obtaining a certificate under this chapter or providing notice to the board, under the following conditions:

a. The individual must meet the criteria for substantial equivalency reciprocity under section 542.19, subsection 1, paragraph “a”, “b”, or “c”.

b. The individual shall not have an office in Iowa at which the individual uses the title “CPA”. The individual may, however, perform public accounting services using the title “CPA” if performed at the office of a certified public accounting firm or licensed public accounting firm that holds a permit to practice under section 542.7 or 542.8, or at the office of a business entity that is not required to hold a firm permit under section 542.7 or 542.8.

c. An individual who provides attest services in Iowa or for a client having a home office in Iowa must practice through a certified public accounting firm that is licensed under section 542.7.

d. An individual who provides compilation services in Iowa or for a client having a home office in Iowa must comply with the peer review provisions of section 542.6, subsection 6, or provide such services through a certified public accounting firm, a licensed public accounting firm, or substantially equivalent firm that is validly licensed in the firm’s principal place of business and is subject to the peer review and ownership provisions of section 542.7 or 542.8.

e. The individual shall not make any representation tending to falsely indicate that the individual is licensed under this chapter.

f. The individual, upon a client’s or prospective client’s request, shall provide accurate information on the state or states of licensure, principal place of business, contact information, and manner in which licensure status can be verified.

g. The individual shall comply with all professional standards, laws, and rules that apply to licensees performing the same professional services.

7. As a condition of exercising the practice privilege provided in subsection 5 or 6, the person or firm does all of the following:

a. Consents to the personal and subject matter jurisdiction and regulatory authority of the board, including but not limited to the board’s jurisdiction to revoke the practice privilege or otherwise take action under section 542.14 for any violation of this chapter or board rules.

b. Appoints the regulatory body of the state that issued the firm or individual license as the agent upon whom process may be served in any action or proceeding by the board against the firm or person.

c. Agrees to supply the board, upon the board’s request and without subpoena, such information or records as licensees are similarly required to provide the board under this chapter regarding themselves or, in the case of a firm, regarding the individuals practicing through the firm, including but not limited to licensure status in all jurisdictions; qualifications for substantial equivalency reciprocity under section 542.19, subsection 1, paragraph “a”, “b”, or “c”; location of principal place of business and all other offices; criminal and disciplinary background; malpractice settlements and judgments; firm ownership and when applicable, information regarding nonlicensee owners; whether public accounting services are subject to peer review; proof of completion of peer review, when applicable; qualifications to supervise attest services, when applicable; and timely response to inquiries regarding complaints and investigations conducted under this chapter.

d. Agrees to promptly cease offering or rendering public accounting services in this state or for clients having a home office in this state if the license in the person's or firm's principal place of business expires or is otherwise no longer valid or in good standing, or if any of the conditions for exercising the practice privilege are no longer satisfied, or if the board revokes the practice privilege.

8. A licensee of this state is subject to discipline in this state based on a violation of a comparable practice privilege afforded by another state.

9. The board shall adopt rules on the manner in which this section applies to persons or firms that hold a lapsed Iowa license, have been subject to discipline in Iowa, have surrendered an Iowa license, or have otherwise held an Iowa license at one point in time that is no longer valid, active, or in good standing, and to persons or firms that have been convicted of a crime, the subject of discipline or denied licensure in any jurisdiction, or that would otherwise be subject to license denial or discipline if a license applicant or licensee in Iowa.

Sec. 15. EFFECTIVE DATE. This Act takes effect July 1, 2009.

Approved April 18, 2008

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## CHAPTER 1107

### COLLEGE STUDENT AID COMMISSION MEMBERSHIP

*H.F. 2103*

**AN ACT** relating to appointments to the college student aid commission and including an effective date and applicability provision.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 261.1, subsections 3 and 4, Code 2007, are amended to read as follows:

3. a. A member ~~Two members~~ of the senate, one to be appointed by the president of the senate, ~~after consultation with the majority leader and one to be appointed by~~ the minority leader of the senate, to serve as an ex officio, nonvoting member for a term of four years beginning on July 1 of the year of appointment members.

b. A member ~~Two members~~ of the house of representatives, one to be appointed by the speaker of the house of representatives and one to be appointed by the minority leader of the house of representatives, to serve as an ex officio, nonvoting member for a term of four years beginning on July 1 of the year of appointment members.

c. The members of the senate and house of representatives shall serve at the pleasure of the appointing legislator for a term beginning upon the convening of the general assembly and expiring upon the convening of the following general assembly, or when the appointee's successor is appointed, whichever occurs later.<sup>1</sup>

Sec. 2. Section 261.1, subsection 5, unnumbered paragraph 1, Code 2007, is amended to read as follows:

Eight additional members to be appointed by the governor. One of the members shall be selected to represent private colleges, ~~private and~~ universities ~~and private junior colleges~~ located in the state of Iowa. When appointing this member, the governor shall give careful consideration to any person or persons nominated or recommended by any organization or association of some or all private colleges, ~~private and~~ universities ~~and private junior colleges~~ located in the state of Iowa. One of the members shall be selected to represent community colleges

<sup>1</sup> See chapter 1191, §134 herein