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SSB-3119
State Government
ded By
HF 2415

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON RITTMER)

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

A BILL FOR

1 An Act relating to the regulation of the practice of accounting,
2 establishing fees, providing penalties, and providing an
3 effective date.

4 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 2000".

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 public interest requires that persons professing special
11 competence in accountancy or offering assurance as to the
12 reliability or fairness of presentation of such information
13 shall have demonstrated their qualifications to do so, and
14 that persons who have not demonstrated and maintained such
15 qualifications not be permitted to represent themselves as
16 having such special competence or to offer such assurance;
17 that the conduct of persons licensed as having special
18 competence in accountancy be regulated in all aspects of their
19 professional work; that a public authority competent to
20 prescribe and assess the qualifications and to regulate the
21 conduct of licensees be established; and that the use of
22 titles that have a capacity or tendency to deceive the public
23 as to the status or competence of the persons using such
24 titles be prohibited.

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

26 As used in this chapter, unless the context otherwise
27 requires:

28 1. "Accounting practitioner" means a person licensed by
29 the board who does not hold a certificate as a certified
30 public accountant under this chapter, and who offers to
31 perform or performs for the public, and for compensation, any
32 of the following services:

33 a. Records financial transactions in books of record.

34 b. Makes adjustments of financial transactions in books of
35 record.

- 1 c. Makes trial balances from books of record.
- 2 d. Prepares internal verification and analysis of books or
- 3 accounts of original entry.
- 4 e. Prepares financial statements, schedules, or reports.
- 5 f. Devises and installs systems or methods of bookkeeping,
- 6 internal controls of financial data, or the recording of
- 7 financial data.

8 2. "Accounting practitioner firm" means a sole
 9 proprietorship, a corporation, a partnership, or any other
 10 form of organization issued a permit to practice as a firm of
 11 accounting practitioners under section 542D.7.

12 3. "Attest" or "attest service" means providing any of the
 13 following services:

- 14 a. An audit or other engagement to be performed in
- 15 accordance with the statements on auditing standards.
- 16 b. A review of a financial statement to be performed in
- 17 accordance with the statement on standards for accounting and
- 18 review services.
- 19 c. An examination of prospective financial information to
- 20 be performed in accordance with the statements on standards
- 21 for attestation engagements. For purposes of this subsection,
- 22 the statements on standards for attestation engagements means
- 23 those standards adopted by the board, by rule, by reference to
- 24 the standards developed for general application by the
- 25 American institute of certified public accountants, or other
- 26 recognized national accountancy organization.

27 4. "Board" means the Iowa accountancy examining board
 28 established under section 542D.4.

29 5. "Certificate" means a certificate as a certified public
 30 accountant issued under section 542D.6, or a corresponding
 31 certificate as certified public accountant issued after
 32 examination under the law of any other state.

33 6. "Certified public accounting firm" means a sole
 34 proprietorship, a corporation, a partnership, or any other
 35 form of organization issued a permit to practice as a firm of

1 certified public accountants under section 542D.7.

2 7. "Client" means a person or entity that agrees with a
3 licensee or licensee's employer to receive a professional
4 service.

5 8. "Commission" means a brokerage or other participation
6 fee. "Commission" does not include a contingent fee.

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

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

22 11. "License" means a certificate issued under section
23 542D.6, a permit issued under section 542D.7, or a license
24 issued under section 542D.8; or a certificate or permit issued
25 under corresponding prior law.

26 12. "Licensee" means the holder of a license.

27 13. "Manager" means a manager of a limited liability
28 company.

29 14. "Member" means a member of a limited liability
30 company.

31 15. "Peer review" means a study, appraisal, or review of
32 one or more aspects of the professional work of a licensee or
33 certified public accountant firm that performs attest or
34 compilation services, by a person or persons who hold
35 certificates and who are not affiliated with the certificate

1 holder or certified public accountant firm being reviewed.

2 16. "Peer review records" means a file, report, or other
3 information relating to the professional competence of an
4 applicant in the possession of a peer review team, or
5 information concerning the peer review developed by a peer
6 review team in the possession of an applicant.

7 17. "Peer review team" means a person or organization
8 participating in the peer review function, but does not
9 include the board.

10 18. "Permit" means a permit to practice as either a
11 certified public accountant or accounting practitioner firm
12 issued under section 542D.7 or under corresponding provisions
13 of the laws of other states.

14 19. "Professional" means arising out of or related to the
15 specialized knowledge or skills associated with a certified
16 public accountant.

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

35 21. "State" means a state of the United States, the

1 District of Columbia, Puerto Rico, the United States Virgin
2 Islands, or Guam.

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

13 Sec. 4. NEW SECTION. 542D.4 STATE BOARD OF ACCOUNTANCY.

14 1. An Iowa accountancy examining board is created within
15 the professional licensing and regulation division of the
16 department of commerce to administer and enforce this chapter.
17 The board shall consist of eight members, appointed by the
18 governor and subject to senate confirmation, all of whom shall
19 be residents of this state. Five of the eight members shall
20 be holders of certificates issued under section 542D.6, one
21 member shall be the holder of a license issued under section
22 542D.8, and two shall not be certified public accountants or
23 licensed accounting practitioners and shall represent the
24 general public. Professional associations or societies
25 composed of certified public accountants or licensed
26 accounting practitioners may recommend the names of potential
27 board members to the governor. However, the governor is not
28 bound by the recommendations. A board member is not required
29 to be a member of any professional association or society
30 composed of certified public accountants or licensed
31 accounting practitioners. The term of each member of the
32 board shall be three years, as designated by the governor, and
33 appointments to the board are subject to the requirements of
34 sections 69.16, 69.16A, and 69.19. Members of the board
35 appointed and serving pursuant to chapter 542C, Code 2001, on

1 the effective date of this Act shall serve out the terms for
2 which they were appointed. Vacancies occurring during a term
3 shall be filled by appointment by the governor for the
4 unexpired term. Upon the expiration of the member's term of
5 office, a member shall continue to serve until a successor
6 shall have been appointed and taken office. Any member of the
7 board whose certificate under section 542D.6 is revoked or
8 suspended shall automatically cease to be a member of the
9 board, and the governor may, after a hearing, remove any
10 member of the board for neglect of duty or other just cause.
11 A person who has served three successive complete terms shall
12 not be eligible for reappointment, but appointment to fill an
13 unexpired term shall not be considered a complete term for
14 this purpose.

15 2. The board shall elect annually from among its members a
16 chairperson and such other officers as the board may determine
17 to be appropriate. The board shall meet at such times and
18 places as may be fixed by the board. Meetings of the board
19 shall be open to the public except insofar as they are
20 concerned with investigations under section 542D.11 and except
21 as may be necessary to protect information that is required to
22 be kept confidential by the laws of this state. A majority of
23 the board members in office shall constitute a quorum at any
24 meeting. The board shall retain or arrange for the retention
25 of all applications and all documents under oath that are
26 filed with the board and also records of its proceedings, and
27 the board shall maintain a registry of the names and addresses
28 of all licensees and permittees under this chapter. In any
29 proceeding in court, civil or criminal, arising out of or
30 founded upon any provision of this chapter, copies of any
31 records certified as true copies under the seal of the board
32 shall be admissible in evidence as tending to prove the
33 contents of the records.

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 board may employ an executive secretary and such
30 other personnel as it deems necessary in its administration
31 and enforcement of this chapter. The board may appoint
32 committees or persons to advise or assist the board in such
33 administration and enforcement as the board sees fit. The
34 board may retain its own counsel to advise and assist it in
35 addition to such advice and assistance as is provided by the

1 attorney general, notwithstanding section 13.7.

2 7. The board may join professional organizations and
3 associations to promote the improvement of the standards of
4 practice of accountancy and for the protection and welfare of
5 the public. In order to be informed about the operations and
6 practices of other boards of accountancy throughout the
7 country and to promote uniformity in the regulation of
8 operations and practices, the board, executive secretary, and
9 staff shall, at the discretion of the board, travel and attend
10 national and regional meetings of the national association of
11 state boards of accountancy and other appropriate professional
12 meetings at the expense of the board.

13 8. The board shall have the power to take all action that
14 is necessary and proper to effectuate the purposes of this
15 chapter, including the power to sue and be sued in its
16 official name as an agency of this state. The board shall
17 also have the power to issue subpoenas to compel the
18 attendance of witnesses and the production of documents; to
19 administer oaths; to take testimony; to cooperate with the
20 appropriate authorities in other states in investigation and
21 enforcement concerning violations of this chapter and
22 comparable statutes of other states; and to receive evidence
23 concerning all matters within the scope of this chapter. In
24 case of disobedience of a subpoena, the board may invoke the
25 aid of any district court in requiring the attendance and
26 testimony of witnesses and the production of documentary
27 evidence. The board, its members, and its agents shall be
28 immune from personal liability for actions taken in good faith
29 in the discharge of the board's responsibilities, and the
30 state shall hold the board, its members, and its agents
31 harmless from all costs, damages, and attorney fees arising
32 from claims and suits against them with respect to matters to
33 which such immunity applies.

34 9. The board shall adopt rules pursuant to chapter 17A
35 governing the administration and enforcement of this chapter

- 1 and the conduct of licensees and permittees. Rules adopted
2 shall include, but not be limited to, the following:
- 3 a. Rules governing the board's meetings and the conduct of
4 its business.
- 5 b. Rules of procedure governing the conduct of
6 investigations and hearings by the board.
- 7 c. Rules specifying the educational and experience
8 qualifications required for the issuance of a certificate
9 under section 542D.6 and the continuing professional education
10 required for renewal of a certificate under section 542D.6.
- 11 d. Rules specifying the educational and experience
12 qualifications required for the issuance of a license under
13 section 542D.8 and the continuing professional education
14 required for renewal of a license under section 542D.6.
- 15 e. Rules of professional conduct directed to control the
16 quality and probity of services provided by a licensee, and,
17 among other areas, pertaining to a licensee's independence,
18 integrity, and objectivity; competence and technical
19 standards; responsibilities to the public; and
20 responsibilities to a client.
- 21 f. Rules governing the professional standards applicable
22 to a licensee.
- 23 g. Rules governing the manner and circumstances of use of
24 the titles "certified public accountant" and "CPA".
- 25 h. Rules governing the manner and circumstances of use of
26 the titles "accounting practitioner" and "AP".
- 27 i. Rules regarding peer review that may be required to be
28 performed under this chapter.
- 29 j. Rules on substantial equivalence under section 542D.20.
- 30 k. Such other rules as the board deems necessary or
31 appropriate for administering this chapter, including, but not
32 limited to, rules of professional conduct, pertaining to
33 corporations or limited liability companies practicing
34 accounting, which the board deems consistent with or required
35 by the public welfare. The board may adopt rules governing

1 the style, name, and title of corporations and limited
2 liability companies and governing the affiliation of
3 corporations and limited liability companies with other
4 organizations.

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

7 1. A certificate as a certified public accountant shall be
8 issued to a person of good moral character who meets the
9 education, examination, and experience requirements of this
10 section and who makes application pursuant to section 542D.6.

11 2. For purposes of this section, "good moral character"
12 means lack of a history of dishonest or felonious acts. The
13 board may refuse to issue a certificate on the ground of
14 failure to satisfy this requirement only if there is a
15 substantial connection between the lack of good moral
16 character of the applicant and the professional
17 responsibilities of a licensee and if the finding by the board
18 of lack of good moral character is supported by clear and
19 convincing evidence. If an applicant is found to be
20 unqualified for a certificate because of a lack of good moral
21 character, the board shall furnish the applicant a statement
22 containing the findings of the board, a complete record of the
23 evidence upon which the determination was based, and a notice
24 of the applicant's right of appeal.

25 3. The education requirement for a certificate is as
26 follows:

27 a. On or before December 31, 2000, the applicant has
28 attained either of the following:

29 (1) A baccalaureate degree conferred by a college or
30 university recognized by the board, in addition to one of the
31 following:

32 (a) A concentration in accounting, or what the board
33 determines to be substantially equivalent.

34 (b) A nonaccounting concentration, supplemented by what
35 the board determines to be substantially the equivalent of an

1 accounting concentration, including related courses in other
2 areas of business administration.

3 (2) A graduate of a high school having at least a four-
4 year course of study or its equivalent as determined by the
5 board and no less than three years of continuous experience
6 under the direct supervision of a certified public accountant
7 holding a certificate to practice, which experience shall
8 include a significant amount of accounting work involving
9 third-party reliance on financial statements.

10 b. On or after January 1, 2001, the applicant completes at
11 least one hundred fifty semester hours, or the trimester or
12 quarter equivalent of one hundred fifty semester hours, of
13 college education, and receives a baccalaureate or higher
14 degree conferred by a college or university recognized by the
15 board, the total educational program to include a
16 concentration in accounting or what the board determines to be
17 substantially equivalent. Except as otherwise provided under
18 this section, a person who has partially passed the
19 examination required by section 542D.8, subsection 3, by
20 passing one or more subjects prior to December 31, 2000, has
21 until December 31, 2003, to successfully complete the
22 examination process and qualify for a certificate under the
23 educational requirements in effect prior to December 31, 2000.

24 4. The examination under section 542D.8, subsection 3,
25 shall be offered at least twice a year, and shall test the
26 applicant's knowledge of the subjects of accounting and
27 auditing, and such other related subjects as the board may
28 specify by rule, including but not limited to business law and
29 taxation. The examination shall be held at a time determined
30 by the board and may be changed from time to time. The board
31 shall prescribe by rule the methods of applying for and
32 conducting the examination, including methods for grading and
33 determining a passing grade required of an applicant for a
34 certificate. However, the board, to the extent possible,
35 shall ensure the examination, grading of the examination, and

1 the passing grades are uniform with those applicable in all
 2 other states. The board may make such use of all or any part
 3 of the uniform certified public accountant examination and
 4 advisory grading service of the American institute of
 5 certified public accountants, and may contract with third
 6 parties to perform such administrative services with respect
 7 to the examination as it deems appropriate to perform the
 8 duties of the board with respect to examination.

9 5. The board may admit to the examination a candidate who
 10 will complete the educational requirements for a baccalaureate
 11 degree within one hundred twenty days immediately following
 12 the date of the examination or who has completed those
 13 requirements. However, the board shall not report the results
 14 of the examination until the candidate has met the educational
 15 requirements for a baccalaureate degree and shall not issue
 16 the certificate until the candidate has fully satisfied the
 17 requirements of subsection 3.

18 6. An applicant who has failed the examination may request
 19 in writing information from the board concerning the
 20 applicant's examination grade and subject areas or questions
 21 which the applicant failed to answer correctly, except that if
 22 the board administers a uniform, standardized examination, the
 23 board shall only be required to provide the examination grade
 24 and such other information concerning the applicant's
 25 examination results which are available to the board.

26 7. The board, by rule, may establish an examination fee to
 27 be charged each applicant by the board or by a third party
 28 administering the examination.

29 8. An applicant for initial issuance of a certificate must
 30 have no less than one year of experience. The experience
 31 shall include providing any type of service or advice
 32 involving the use of accounting, attest, compilation,
 33 management advisory, financial advisory, tax, or consulting
 34 skills, as verified by a licensee, meeting requirements
 35 prescribed by the board by rule. The experience is acceptable

1 if it was gained through employment in government, industry,
2 academia, or public practice.

3 9. A person holding a certificate as a certified public
4 accountant issued by the state prior to July 1, 2001, is
5 deemed to have met the requirements of this section.

6 | Sec. 6. NEW SECTION. 542D.6 ISSUANCE AND RENEWAL OF
7 CERTIFICATES -- MAINTENANCE OF COMPETENCY.

8 1. a. The board shall issue or renew a certificate to a
9 person who makes application on a form prescribed and
10 furnished by the board and who demonstrates either of the
11 following:

12 (1) That the person's qualifications, including where
13 applicable the qualifications prescribed by section 542D.5,
14 satisfy the requirements of this section.

15 (2) That the person is eligible under the substantial
16 equivalency standard provided for under section 542D.20,
17 subsection 1, paragraph "a" or "b", which requires licensure
18 for a certified public accountant who establishes a principal
19 place of business in another state.

20 b. The holder of a certificate issued under this section
21 shall only provide attest services in a certified public
22 accountant firm that is issued a permit under section 542D.7.

23 2. A certificate shall be initially issued, and renewed,
24 for a period of not more than three years, but in any event
25 shall expire on June 30 of the year of expiration. An
26 application for a certificate shall be made in such form, and
27 in the case of an application for renewal, between such dates,
28 as the board shall specify by rule, and the board shall grant
29 or deny such application within thirty days after the
30 application is filed in proper form. If the applicant seeks
31 the opportunity to show that issuance or renewal of a
32 certificate was mistakenly denied, or the board is not able to
33 determine whether the application should be granted or denied,
34 the board may issue to the applicant a provisional certificate
35 which shall expire ninety days after its issuance or when the

1 board determines whether or not to issue or renew the
2 certificate for which application was made, whichever occurs
3 first.

4 3. a. An applicant who does not qualify for reciprocity
5 under the substantial equivalency standard established in
6 section 542D.20, subsection 1, paragraph "b", shall be issued
7 a certificate by the board if the applicant is a holder of a
8 certificate, license, or permit issued by another state, and
9 shows all of the following:

10 (1) The applicant passed the examination required for
11 issuance of the applicant's certificate with grades that would
12 have been passing grades at the time in this state.

13 (2) The applicant has four years of experience outside of
14 this state which includes the type of service or advice that
15 satisfies the requirements of section 542D.5, subsection 8, or
16 meets equivalent requirements prescribed by the board by rule,
17 after passing the examination upon which the applicant's
18 certificate was based and within the ten years immediately
19 preceding the application.

20 (3) If the applicant's certificate, license, or permit was
21 issued more than four years prior to the application for
22 issuance of an initial certificate under this section, that
23 the applicant has fulfilled the requirements of continuing
24 professional education that would have been applicable under
25 subsection 4.

26 b. As an alternative to the requirements of paragraph "a",
27 a certificate holder licensed by another state who desires to
28 establish the holder's principal place of business in this
29 state shall request the issuance of a certificate from the
30 board prior to establishing such principal place of business.
31 The board shall issue a certificate to an individual who
32 obtains from the board or the national association of state
33 boards of accountancy's national qualification appraisal
34 service verification that the individual's certified public
35 accountant qualifications are substantially equivalent to the

1 certified public accountant certificate requirements of this
2 chapter.

3 c. An application under this section may be made through
4 the national association of state boards of accountancy's
5 national qualification appraisal service.

6 4. A certificate holder or licensee, for renewal of a
7 certificate under this section or renewal of a license under
8 section 542D.8, shall participate in a program of learning
9 designed to maintain professional competency. Such program of
10 learning must comply with rules adopted by the board. The
11 board, by rule, may grant an exception to this requirement for
12 a certificate or license holder who does not perform or offer
13 to perform for the public one or more kinds of services
14 involving the use of accounting or auditing skills, including
15 issuance of reports on financial statements or the use of one
16 or more kinds of management advisory, financial advisory, or
17 consulting services, or the preparation of tax returns or the
18 furnishing of advice on tax matters. A licensee granted an
19 exception by the board shall place the word "inactive"
20 adjacent to the licensee's certified public accountant title
21 or accounting practitioner title on any business card,
22 letterhead, or other document or device, with the exception of
23 the licensee's certified public accountant certificate or
24 accounting practitioner registration, on which the licensee's
25 certified public accountant or accounting practitioner title
26 appears.

27 5. The board shall charge an application fee for initial
28 issuance or renewal of a certificate in an amount prescribed
29 by the board by rule.

30 6. An applicant for initial issuance or renewal of a
31 certificate shall list in the application all states in which
32 the applicant has applied for or holds a certificate, license,
33 or permit and list any past denial, revocation, or suspension
34 of a certificate, license, or permit. A holder of or
35 applicant for a certificate under this section shall notify

1 the board in writing, within thirty days after its occurrence,
2 of any issuance, denial, revocation, or suspension of a
3 certificate, license, or permit by another state.

4 7. The board shall issue a certificate to a holder of a
5 substantially equivalent foreign designation, upon
6 satisfaction of all of the following:

7 a. The foreign authority which issued the designation
8 allows a person who holds a valid certificate issued by this
9 state to obtain such foreign authority's comparable
10 designation.

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

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

15 (2) The designation entitles the holder to issue reports
16 on financial statements.

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

20 c. The applicant satisfies all of the following:

21 (1) The designation was issued based on education and
22 examination standards substantially equivalent to those in
23 effect in this state at the time the foreign designation was
24 granted.

25 (2) The applicant satisfies an experience requirement,
26 substantially equivalent to the requirement set out in section
27 542D.5, subsection 8, in the jurisdiction which issued the
28 foreign designation or has completed four years of
29 professional experience in this state; or meets equivalent
30 requirements prescribed by the board by rule, within the ten
31 years immediately preceding the application.

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

34 8. An applicant under subsection 7 shall list in the

1 application all jurisdictions, foreign and domestic, in which
2 the applicant has applied for or holds a designation to
3 practice public accountancy. A holder of a certificate issued
4 under this section shall notify the board in writing, within
5 thirty days after its occurrence, of any issuance, denial,
6 revocation, or suspension of a designation or commencement of
7 a disciplinary or enforcement action by any jurisdiction.

8 9. The board has sole authority to interpret the
9 application of subsections 7 and 8.

10 10. The board, by rule, shall require as a condition for
11 renewal of a certificate under this section, by any
12 certificate holder who performs compilation services for the
13 public other than through a certified public accountant firm,
14 that such individual undergo, no more frequently than once
15 every three years, a peer review conducted in such manner as
16 the board shall by rule specify, and such review shall include
17 verification that such individual has met the competency
18 requirements set out in professional standards for such
19 services.

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

22 1. The board shall issue or renew a permit to practice as
23 a certified public accountant firm or accounting practitioner
24 firm to a person that makes application and demonstrates the
25 qualifications set forth in this section, or to a certified
26 public accountant firm originally licensed in another state
27 that establishes an office in this state. A firm must hold a
28 permit issued under this section in order to provide attest
29 services or to use the title "CPAs" or "APs" or "CPA firm" or
30 "AP firm".

31 2. A permit shall be initially issued and renewed for a
32 period of not more than three years, but in any event shall
33 expire on June 30 of the year of expiration. An application
34 for a permit shall be made in such form, and in the case of an
35 application for renewal, between such dates as the board may

1 by rule specify, and the board shall grant or deny an
 2 application within thirty days after the application is filed.
 3 If the applicant seeks the opportunity to show that issuance
 4 or renewal of a permit was mistakenly denied, or if the board
 5 is not able to determine whether an application should be
 6 granted or denied, the board may issue to the applicant a
 7 provisional permit, which shall expire ninety days after its
 8 issuance or when the board determines whether or not to issue
 9 or renew the permit for which application was made, whichever
 10 occurs first.

11 3. An applicant for initial issuance or renewal of a
 12 permit to practice as a firm must show all of the following:

13 a. Notwithstanding any other provision of law, a simple
 14 majority of the ownership of the firm, in terms of financial
 15 interests and voting rights of all partners, officers,
 16 shareholders, members, or managers, belongs to holders of a
 17 certificate issued by a state, and such partners, officers,
 18 shareholders, members, or managers whose principal place of
 19 business is in this state, and who perform professional
 20 services in this state, hold a certificate issued under
 21 section 542D.6 or a license under section 542D.8. Although
 22 firms may include nonlicensee owners, the firm and its
 23 ownership must comply with ownership rules adopted by the
 24 board.

25 b. A certified public accountant or accounting
 26 practitioner firm may include nonlicensee owners provided
 27 that:

28 (1) The firm designates a licensee of this state who is
 29 responsible for the proper registration of the firm and
 30 identifies that individual to the board.

31 (2) All nonlicensee owners are active individual
 32 participants in the certified public accountant or accounting
 33 practitioner firm or affiliated entities.

34 (3) The firm complies with such other requirements as the
 35 board may impose by rule.

1 c. An individual certificate holder who is responsible for
2 supervising attest or compilation services and signs or
3 authorizes someone to sign the accountant's report on the
4 financial statements on behalf of the firm, shall meet the
5 competency requirements set out in the professional standards
6 for such services.

7 d. An individual certificate holder who signs or
8 authorizes someone to sign the accountant's report on the
9 financial statements on behalf of the firm shall meet the
10 competency requirements set out in the professional standards
11 for such services.

12 4. An applicant for initial issuance or renewal of a
13 permit to practice as a certified public accountant firm is
14 required to register each office of the firm within this state
15 with the board and to show that all attest and compilation
16 services rendered in this state are under the charge of a
17 person holding a valid certificate issued under section 542D.6
18 or by some other state.

19 5. The board, by rule, shall establish and charge an
20 application fee for each application for initial issuance or
21 renewal of a permit.

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

30 a. A change in the identity of a partner, officer,
31 shareholder, member, or manager whose principal place of
32 business is in this state.

33 b. A change in the number or location of offices within
34 this state.

35 c. A change in the identity of a person in charge of such

1 offices.

2 d. The issuance, denial, revocation, or suspension of a
3 permit by another state.

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

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

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

33 9. An applicant for a permit to practice as a certified
34 public accountant firm, at the time of renewal, may request in
35 writing upon forms provided by the board, a waiver from the

1 requirements of subsection 8. The board may grant a waiver
2 upon a showing satisfactory to the board of any of the
3 following:

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

11 b. Reasons of health.

12 c. Military service.

13 d. Instances of hardship.

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

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

30 11. A person is not liable as a result of an act,
31 omission, or decision made in connection with the person's
32 service in a peer review team, unless the act, omission, or
33 decision is made with actual malice. A person is not liable
34 as a result of providing information to a peer review team, or
35 for disclosure of privileged matter to a peer review team.

1 12. The costs of the peer review shall be paid by the
2 applicant.

3 Sec. 8. NEW SECTION. 542D.8 QUALIFICATIONS FOR AND
4 ISSUANCE OF A LICENSE AS AN ACCOUNTING PRACTITIONER.

5 1. An accounting practitioner license shall be issued by
6 the board to a person who is a resident of this state, has a
7 place of business in this state, or is regularly employed in
8 this state, who makes application on a form prescribed and
9 furnished by the board, passes a written examination
10 prescribed by the board, and meets one of the following
11 requirements:

12 a. Has two or more years of actual experience in the
13 practice of an accounting practitioner as an employee of a
14 certified public accountant or an accounting practitioner.

15 b. Submits evidence satisfactory to the board that the
16 applicant is a graduate of a four-year college or university
17 accredited by the north central accreditation association or
18 other regional accreditation association having equivalent
19 standards, with a major in accounting, or that the applicant
20 is a graduate in accountancy from a business or correspondence
21 school accredited by the accrediting commission for business
22 schools or the accrediting commission of the national home
23 study council.

24 c. Submits evidence of at least five years of continuous
25 experience engaged in performing any of the services set forth
26 in section 542D.3, subsection 1, on a full-time basis.

27 2. An applicant for a license to practice as an accounting
28 practitioner shall pay to the board an examination fee prior
29 to examination. The amount of the fee shall be set by the
30 board based upon the annual cost of administering the
31 examination.

32 3. An examination shall be conducted by the board as often
33 as deemed necessary, but not less than two times per year.

34 4. The examination shall be prescribed by the board and
35 shall be designed and given in a manner as to fairly test the

1 applicant's knowledge of accounting. The examination shall
2 not include questions relating to the subject of auditing.

3 5. The board, in its discretion, may use all or any part
4 of a standard or uniform examination and advisory grading
5 service that is provided or furnished by a national accounting
6 organization or society to assist the board in the performance
7 of its duties under this chapter. An examination in theory
8 shall be in writing and the identity of the person taking the
9 examination shall be concealed until after the examination
10 papers have been graded.

11 6. If an applicant has partially passed an examination
12 given in another state, under requirements that the board
13 finds to be substantially equivalent to those required in
14 examinations given in this state, the results of the other
15 state's examination shall be accepted as though given in this
16 state.

17 7. An applicant who successfully passes all subjects in
18 which examined shall be issued a license as an accounting
19 practitioner by the board. The cost of the license shall be
20 based upon the administrative costs of the board and the costs
21 of issuing the license.

22 8. An applicant who fails the examination once shall be
23 allowed to take the examination at the next scheduled time.
24 Thereafter, the applicant shall be allowed to take the
25 examination at the discretion of the board. An applicant who
26 passes a portion of the examination shall have the right to be
27 reexamined in the remaining subjects at a future examination,
28 and if the applicant passes in the remaining subjects, the
29 applicant shall be considered to have passed the entire
30 examination. An applicant who fails the examination may
31 request in writing information from the board concerning the
32 applicant's examination grade and subject areas or questions
33 which the applicant failed to answer correctly, except that if
34 the board administers a uniform, standardized examination, the
35 board shall only be required to provide the examination grade

1 and such other information concerning the applicant's
2 examination results which is available to the board.

3 9. A license as an accounting practitioner shall expire in
4 multiyear intervals as determined by the board. The board
5 shall notify a person licensed under this chapter of the date
6 of expiration of the license and the amount of the fee
7 required for its renewal. The notice shall be mailed at least
8 one month in advance of the expiration date. A person who
9 fails to renew a license to practice as an accounting
10 practitioner by the expiration date shall be allowed to do so
11 within thirty days following its expiration, but the board may
12 assess a reasonable penalty. A renewal of a license shall be
13 issued to a person licensed pursuant to this section or who
14 holds a license issued under the law of another state.

15 10. The board, in its discretion, may waive an examination
16 and issue a license as an accounting practitioner to an
17 applicant who satisfies either of the following:

18 a. The applicant holds, or is eligible to hold, an
19 accounting practitioner license issued, after examination, by
20 a state which extends by reciprocity similar privileges to an
21 accounting practitioner of this state, and who, as of the time
22 of issuance of the license, possessed the basic qualifications
23 set forth in subsection 1.

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

28 11. A person applying for an accounting practitioner
29 license shall pay a fee as determined by the board based upon
30 the costs of issuing such licenses.

31 Sec. 9. NEW SECTION. 542D.9 APPOINTMENT OF SECRETARY OF
32 STATE AS AGENT.

33 Application for a certificate under section 542D.6, a
34 license under section 542D.8, or a permit to practice under
35 section 542D.7 by a person or a firm not a resident of this

1 state constitutes appointment of the secretary of state as the
2 applicant's agent upon whom process may be served in any
3 action or proceeding against the applicant arising out of a
4 transaction or operation connected with or incidental to
5 services performed by the applicant while a licensee within
6 this state.

7 Sec. 10. NEW SECTION. 542D.10 ENFORCEMENT AGAINST A
8 HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.

9 1. The board, after notice and hearing pursuant to section
10 542D.12, may revoke a certificate, permit, or license issued
11 under section 542D.6, 542D.7, or 542D.8, or revoke or limit
12 privileges under section 542D.20; suspend such certificate,
13 permit, or license, or refuse to renew such certificate,
14 permit, or license for a period of not more than five years;
15 reprimand, censure, or limit the scope of practice of any
16 licensee; impose an administrative penalty not to exceed one
17 thousand dollars, or place a licensee on probation, all with
18 or without terms, conditions, and limitations, for any one or
19 more of the following reasons:

20 a. Fraud or deceit in obtaining a certificate, permit, or
21 license.

22 b. Cancellation, revocation, suspension, or refusal to
23 renew a certificate, permit, or license or privileges under
24 section 542D.20 for disciplinary reasons in any other state
25 for any cause.

26 c. Failure, on the part of a holder of a certificate,
27 permit, or license, under section 542D.6, 542D.7, or 542D.8,
28 to maintain compliance with the requirements for issuance or
29 renewal of such certificate, permit, or license or to report
30 changes to the board under section 542D.6, subsection 6, or
31 section 542D.7, subsection 6.

32 d. Revocation or suspension of the right to practice
33 before any state or federal agency.

34 e. Dishonesty, fraud, or gross negligence in the
35 performance of services as a licensee or individual granted

1 privileges under section 542D.20, or in the filing or failure
2 to file the licensee's or individual's own income tax return.

3 f. Violation of this chapter or a rule adopted by the
4 board or violation of professional standards.

5 g. Violation of a rule of professional conduct adopted
6 pursuant to section 542D.4, subsection 9.

7 h. Conviction of a felony, or of any crime an element of
8 which is dishonesty or fraud, under the laws of the United
9 States, of this state, or of any other state or country if the
10 acts involved would have constituted a crime under the laws of
11 this state.

12 i. Performance of a fraudulent act while holding a
13 certificate, permit, or license issued under this chapter.

14 j. Conduct reflecting adversely upon the licensee's
15 fitness to perform services while a licensee or individual
16 granted privileges under section 542D.20.

17 k. Making a false or misleading statement or verification,
18 in support of an application for a certificate, permit, or
19 license filed by another person.

20 2. In lieu of or in addition to any enforcement action
21 specifically provided in subsection 1, the board may require
22 any of the following:

23 a. A peer review conducted in such fashion as the board
24 may specify.

25 b. Satisfactory completion of such continuing professional
26 education programs as the board may specify.

27 3. In a proceeding in which an enforcement action under
28 subsection 1 or 2 is imposed, the board may also require the
29 respondent licensee to pay the costs of the proceeding.

30 Sec. 11. NEW SECTION. 542D.11 ENFORCEMENT PROCEDURES --
31 INVESTIGATIONS.

32 1. The board, upon receipt of a complaint or other
33 information which indicates a violation of this chapter or of
34 a rule of the board, may conduct an investigation to determine
35 whether there is probable cause to institute a proceeding

1 under section 542D.12, 542D.13, or 542D.14 against a person or
2 firm for such violation. An investigation under this section
3 is not a prerequisite to instituting a proceeding if a
4 determination of probable cause can be made without
5 investigation. The board or the chairperson of the board may
6 issue subpoenas to compel witnesses to testify or to produce
7 evidence.

8 2. The board may designate a member of the board, or other
9 appropriate person, to serve as investigating officer to
10 conduct an investigation. Upon completion of an
11 investigation, the investigating officer shall file a report
12 with the board. The board shall make a finding of whether
13 probable cause exists based on the report, or return the
14 report to the investigating officer for further investigation.
15 Unless there has been a determination of probable cause, the
16 report of the investigating officer, the complaint, if any,
17 the testimony and documents submitted in support of the
18 complaint or gathered in the investigation, and the fact of
19 pendency of the investigation are confidential information and
20 shall not be disclosed to any person except law enforcement
21 authorities and, to the extent deemed necessary in order to
22 conduct the investigation, the subject of the investigation,
23 persons whose complaints are being investigated, and witnesses
24 questioned in the course of the investigation.

25 3. Upon a finding of probable cause, if the subject of the
26 investigation is a licensee or an individual granted
27 privileges under section 542D.20, the board shall direct that
28 a complaint be issued under section 542D.12, and if the
29 subject of the investigation is not a licensee or individual
30 granted privileges under section 542D.20, the board shall take
31 appropriate action under section 542D.15 or 542D.16. Upon a
32 finding of no probable cause, the board shall close the matter
33 and shall not release information relating to the
34 investigation and the finding of no probable cause without the
35 consent of the person or firm subject to the investigation.

1 4. The board may review the publicly available
 2 professional work of a licensee or an individual granted
 3 privileges under section 542D.20 on a general and random
 4 basis, without any requirement of a formal complaint or
 5 suspicion of impropriety. If, as a result of such review, the
 6 board discovers reasonable grounds for an investigation, the
 7 board may proceed as provided in this section.

8 Sec. 12. NEW SECTION. 542D.12 ENFORCEMENT PROCEDURES --
 9 HEARINGS BY THE BOARD.

10 1. Upon a determination by the board that probable cause
 11 exists with respect to a violation by a licensee or an
 12 individual granted privileges under section 542D.20, whether
 13 following an investigation under section 542D.11, upon receipt
 14 of a written complaint furnishing grounds for a determination
 15 of such probable cause, or upon receipt of notice of a
 16 decision by the board of accountancy of another state
 17 furnishing such grounds, the board shall issue a complaint
 18 setting forth appropriate charges and set a date for hearing
 19 before the board on the charges. The board, no less than
 20 thirty days prior to the date of the hearing, shall serve a
 21 copy of the complaint and notice of the time and place of the
 22 hearing upon the licensee or an individual granted privileges
 23 under section 542D.20, with a copy of the board's rules
 24 governing the proceedings, either by personal delivery or by
 25 certified mail to the licensee at the licensee's last known
 26 address. With respect to an individual exercising privileges
 27 under section 542D.20, service shall be by certified mail to
 28 the individual's last known address, or pursuant to section
 29 542D.20, subsection 1, paragraph "c", subparagraph (3).

30 2. A licensee or an individual granted privileges under
 31 section 542D.20 against whom a complaint has been issued under
 32 this section, reasonably in advance of the hearing, may
 33 examine and copy the report of the investigation, if any, and
 34 any documentary or testimonial evidence and summaries of
 35 anticipated evidence in the board's possession relating to the

1 subject matter of the complaint. The board's rules governing
2 proceedings under this section shall specify the manner in
3 which such right may be exercised.

4 3. A respondent licensee or an individual granted
5 privileges under section 542D.20 may appear in person, or, in
6 the case of a firm, through a partner, officer, director,
7 shareholder, member, or manager, or by counsel; examine
8 witnesses and evidence presented in support of the complaint;
9 and present evidence and witnesses on the licensee's or an
10 individual's own behalf. The board, on application by a
11 licensee or an individual granted privileges under section
12 542D.20, shall issue subpoenas to compel the attendance of
13 witnesses and the production of documentary evidence on behalf
14 of the applicant.

15 4. Evidence supporting the complaint shall be presented by
16 the investigating officer, by a board member designated for
17 that purpose, or by counsel. A board member who presents
18 evidence, or who conducted the investigation of the matter
19 under section 542D.11, shall not participate in the board's
20 decision of the matter.

21 5. The board, in a hearing under this section, shall be
22 advised by counsel other than the counsel who presents or
23 assists in presenting the evidence supporting the complaint.

24 6. The board, in a hearing under this section, is not
25 bound by technical rules of evidence.

26 7. A stenographic or electronic record of a hearing held
27 under this section shall be made and filed with the board. A
28 transcript need not be prepared unless review is sought under
29 subsection 10 or the board determines that there is other good
30 cause for its preparation.

31 8. In a hearing held under this section a recorded vote of
32 a majority of all members of the board then in office,
33 excluding members disqualified under subsection 4, is required
34 to sustain a charge and to take appropriate action with
35 respect to the violation.

1 9. If, after service of a complaint and notice of hearing
2 as required under subsection 1, the respondent licensee or
3 individual granted privileges under section 542D.20 fails to
4 appear at the hearing, the board may proceed to hear evidence
5 against such person and may enter such order as it deems
6 warranted by the evidence. The order is final unless the
7 licensee or individual granted privileges under section
8 542D.20 petitions for review of the order under subsection 10.
9 Additionally, the board, upon a showing of good cause for the
10 failure to appear made within thirty days from the date of
11 such order, may set aside the order and schedule a new hearing
12 on the complaint.

13 10. A person or firm adversely affected by an order of the
14 board entered after a hearing under this section may obtain
15 review of the order by filing a written petition for review
16 with the district court within thirty days after the entry of
17 the order. The procedure for review and the scope of the
18 review is as provided in chapter 17A.

19 11. In a case where the board renders a decision imposing
20 a sanction against a licensee or an individual granted
21 privileges under section 542D.20, under this section and
22 section 542D.10 the board shall examine its records to
23 determine whether the licensee holds a certificate, permit, or
24 license in another state; and if so, the board shall notify
25 the board of accountancy of such other state of its decision,
26 by mail, within forty-five days of rendering the decision.
27 The board may also furnish information relating to a
28 proceeding resulting in disciplinary action to other public
29 authorities and to private professional organizations having a
30 disciplinary interest in the licensee. Where a petition for
31 review has been filed pursuant to subsection 10, notification
32 and furnishing of information as provided for in this
33 subsection shall not occur until the resolution of the review
34 and, if resolution is in favor of the petitioner, notification
35 or furnishing of information shall not be made.

1 Sec. 13. NEW SECTION. 542D.13 REINSTATEMENT.

2 1. If the board has suspended or revoked a certificate,
3 permit, or license, or revoked or limited privileges granted
4 under section 542D.20, or refused to renew a certificate,
5 permit, or license, the board, upon application in writing by
6 the person or firm affected and for good cause shown, may
7 modify the suspension, or reissue the certificate, permit, or
8 license or reinstate privileges granted under section 542D.20.

9 2. The board, by rule, shall specify the manner in which
10 such applications shall be made, the times within which they
11 shall be made, and the circumstances in which hearings will be
12 held on such applications.

13 3. Before reissuing or terminating the suspension of a
14 certificate, permit, or license under this section, or
15 reinstating privileges granted under section 542D.20, and as a
16 condition to such action, the board may require the applicant
17 to show successful completion of specified continuing
18 professional education. The board may also make such reissue,
19 termination, or reinstatement conditional and subject to
20 satisfactory completion of a peer review conducted as
21 specified by the board.

22 Sec. 14. NEW SECTION. 542D.14 UNLAWFUL ACTS.

23 1. Only a certified public accountant may issue a report
24 on financial statements of a person, firm, organization, or
25 governmental unit, or offer to render or render any attest
26 service. Only a certified public accountant or accounting
27 practitioner may render compilation services. This
28 restriction does not prohibit such acts by a public official
29 or public employee in the performance of that person's duties;
30 or prohibit the performance by any nonlicensee of other
31 services involving the use of accounting skills, including the
32 preparation of tax returns, management advisory services, and
33 the preparation of financial statements without the issuance
34 of reports on such financial statements. A nonlicensee may
35 prepare financial statements and issue nonattest transmittals

1 or information on such statements or transmittals which do not
2 purport to be in compliance with the statements on standards
3 for accounting and review services.

4 2. A licensee performing attest or compilation services
5 must provide those services consistent with professional
6 standards.

7 3. A person not holding a certificate shall not use or
8 assume the title "certified public accountant" or the
9 abbreviation "CPA" or any other title, designation, words,
10 letters, abbreviation, sign, card, or device tending to
11 indicate that such person is a certified public accountant.

12 4. A firm shall not provide attest services or assume or
13 use the title "certified public accountants" or the
14 abbreviation "CPAs" or any other title, designation, words,
15 letters, abbreviation, sign, card, or device tending to
16 indicate that such firm is a certified public accountant firm
17 unless the firm holds a permit issued under section 542D.7 and
18 ownership of the firm satisfies the requirements of this
19 chapter and rules adopted by the board.

20 5. A person shall not assume or use the title "accounting
21 practitioner" or the abbreviation "AP" or any other title,
22 designation, words, letters, abbreviation, sign, card, or
23 device tending to indicate that such person is an accounting
24 practitioner unless that person holds a license issued under
25 section 542D.8.

26 6. A firm not holding a permit issued under section 542D.7
27 shall not provide compilation services or assume or use the
28 title "accounting practitioner" the abbreviation "AP" or any
29 other title, designation, words, letters, abbreviation, sign,
30 card, or device tending to indicate that such firm is composed
31 of accounting practitioners.

32 7. A person or firm not holding a certificate, permit, or
33 license issued under section 542D.6, 542D.7, or 542D.8 shall
34 not assume or use the title "certified accountant", "chartered
35 accountant", "enrolled accountant", "licensed accountant",

1 "registered accountant", "accredited accountant", or any other
2 title or designation likely to be confused with the title
3 "certified public accountant" or "accounting practitioner", or
4 use any of the abbreviations "CA", "LA", "RA", "AA", or
5 similar abbreviation likely to be confused with the
6 abbreviation "CPA" or "AP". The title "enrolled agent" or
7 "EA" may only be used by individuals so designated by the
8 internal revenue service.

9 8. A nonlicensee shall not use language in any statement
10 relating to the financial affairs of a person or entity which
11 is conventionally used by licensees in reports on financial
12 statements. The board shall develop and issue language which
13 nonlicensees may use in connection with such financial
14 information.

15 9. A person or firm not holding a certificate, permit, or
16 license issued under section 542D.6, 542D.7, or 542D.8 shall
17 not assume or use any title or designation that includes the
18 word "accountant", "auditor", or "accounting", in connection
19 with any other language that implies that such person or firm
20 holds such a certificate, permit, or license or has special
21 competence as an accountant or auditor. However, this
22 subsection does not prohibit an officer, partner, member,
23 manager, or employee of a firm or organization from affixing
24 that person's own signature to a statement in reference to the
25 financial affairs of such firm or organization with wording
26 which designates the position, title, or office that the
27 person holds, or prohibit any act of a public official or
28 employee in the performance of such person's duties.

29 10. A person holding a certificate or license or firm
30 holding a permit under this chapter shall not use a
31 professional or firm name or designation that is misleading
32 about the legal form of the firm, or about the persons who are
33 partners, officers, members, managers, or shareholders of the
34 firm, or about any other matter. However, the name of one or
35 more former partners, members, managers, or shareholders may

1 be included in the name of a firm or its successor.

2 11. This section does not apply to a person or firm
3 holding a certification, designation, degree, or license
4 granted in a foreign country entitling the holder to engage in
5 the practice of public accountancy or its equivalent in such
6 country, whose activities in this state are limited to
7 providing professional services to a person or firm who is a
8 resident of, government of, or business entity of the country
9 in which the person holds such entitlement, who does not
10 perform attest or compilation services, and who does not issue
11 reports with respect to the financial statements of any other
12 person, firm, or governmental unit in this state, and who does
13 not use in this state any title or designation other than the
14 one under which the person practices in such country, followed
15 by a translation of such title or designation into the English
16 language, if it is in a different language, and by the name of
such country.

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

21 13. An individual licensee shall not issue a report in
22 standard form upon a compilation of financial information
23 through any form of business that does not hold a permit
24 issued under section 542D.7 unless the report discloses the
25 name of the business through which the individual is issuing
26 the report and the individual licensee does all of the
27 following:

28 a. Signs the compilation report identifying the individual
29 as a certified public accountant or accounting practitioner.

30 b. Meets competency requirements provided in applicable
31 standards.

32 c. Undergoes, no less frequently than once every three
33 years, a peer review conducted in a manner as specified by the
board. The review shall include verification that such
34 individual has met the competency requirements set out in

1 professional standards for such services.

2 14. This section does not prohibit a practicing attorney
3 from preparing or presenting records or documents customarily
4 prepared by an attorney in connection with the attorney's
5 professional work in the practice of law.

6 15. a. A licensee shall not for a commission recommend or
7 refer a client to any product or service, or for a commission
8 recommend or refer another person to any product or service to
9 be supplied by a client, or receive a commission, when the
10 licensee also performs for that client any of the following:

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

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

16 (3) An examination of prospective financial information.

17 The prohibitions under this paragraph apply during the
18 period in which the licensee is engaged to perform any of the
19 services identified in subparagraphs (1) through (3), and the
20 period covered by any historical financial statements involved
21 in such services.

22 b. A licensee who is not prohibited by this section from
23 performing services for or receiving a commission and who is
24 paid or expects to be paid a commission shall disclose that
25 fact to any person or entity to whom the licensee recommends
26 or refers a product or service to which the commission
27 relates.

28 c. A licensee who accepts a referral fee for recommending
29 a service of a licensee or referring a licensee to any person
30 or entity or who pays a referral fee to obtain a client shall
31 disclose such acceptance or payment to the client.

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

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

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

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

6 (c) An examination of prospective financial information.

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

9 b. Paragraph "a" applies during the period in which the
10 licensee is engaged to perform any of the listed services and
11 the period covered by any historical financial statements
12 involved in such listed services.

13 c. For purposes of this subsection, a contingent fee is a
14 fee established for the performance of a service pursuant to
15 an arrangement in which a fee will not be charged unless a
16 specified finding or result is attained, or in which the
17 amount of the fee is otherwise dependent upon the finding or
18 result of such service. A fee shall not be considered as
19 being a contingent fee if fixed by a court or other public
20 authority, or, in a tax matter, if determined based on the
21 results of a judicial proceeding or the findings of a
22 governmental agency. A licensee's fee may vary depending on
23 the complexity of the services rendered.

24 Sec. 15. NEW SECTION. 542D.15 INJUNCTION AGAINST
25 UNLAWFUL ACTS, CIVIL PENALTIES, AND CONSENT AGREEMENTS.

26 1. If, as a result of an investigation under section
27 542D.11 or otherwise, the board believes that a person or firm
28 has engaged, or is about to engage, in an act or practice
29 which constitutes or will constitute a violation of section
30 542D.14, the board may make application to the district court
31 for an order enjoining such act or practice. Upon a showing
32 by the board that such person or firm has engaged, or is about
33 to engage, in any such act or practice, an injunction,
34 restraining order, or other order as may be appropriate shall
35 be granted by the court.

1 2. In addition to a criminal penalty provided for in
2 section 542D.16, the board, by order, may impose a civil
3 penalty not to exceed one thousand dollars for each offense
4 upon a person who is not a licensee under this chapter and who
5 engages in conduct prohibited by section 542D.14. Each day of
6 a continued violation constitutes a separate offense.

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

9 a. Whether the amount imposed will be a substantial
10 economic deterrent to the violation.

11 b. The circumstances leading to the violation.

12 c. The severity of the violation and the risk of harm to
13 the public.

14 d. The economic benefits gained by the violator as a
15 result of noncompliance.

16 e. The interest of the public.

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

23 5. The board, in connection with a proceeding under this
24 section, may issue subpoenas to compel the attendance and
25 testimony of witnesses and the disclosure of evidence, and may
26 request the attorney general to bring an action to enforce the
27 subpoena.

28 6. A person aggrieved by the imposition of a civil penalty
29 under this section may seek judicial review pursuant to
30 section 17A.19.

31 7. If a person fails to pay a civil penalty within thirty
32 days after entry of an order imposing the civil penalty, or if
33 the order is stayed pending an appeal, within ten days after
34 the court enters a final judgment in favor of the board, the
35 board shall notify the attorney general. The attorney general

1 shall commence an action to recover the amount of the penalty,
2 including reasonable attorney fees and costs.

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

5 9. The board, in its discretion and in lieu of prosecuting
6 a first offense under this section, may enter into a consent
7 agreement with a violator, or with a person guilty of aiding
8 or abetting a violator, which acknowledges the violation and
9 the violator's agreement to refrain from any further
10 violations.

11 Sec. 16. NEW SECTION. 542D.16 CRIMINAL PENALTIES.

12 1. A person who violates a provision of section 542D.14 is
13 guilty of a serious misdemeanor.

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

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

29 Sec. 17. NEW SECTION. 542D.17 SINGLE ACT EVIDENCE OF
30 PRACTICE.

31 In an action brought under section 542D.12, 542D.15, or
32 542D.16, evidence of the commission of a single act prohibited
33 by this chapter is sufficient to justify a penalty,
34 injunction, restraining order, or conviction, without evidence
35 of a general course of conduct.

1 Sec. 18. NEW SECTION. 542D.18 CONFIDENTIAL

2 COMMUNICATIONS.

3 A licensee shall not voluntarily disclose information
4 communicated to the licensee by a client relating to and in
5 connection with services rendered to the client by the
6 licensee, except with the permission of the client, or an
7 heir, successor, or personal representative of the client.
8 Such information is deemed to be confidential. However, this
9 section shall not be construed as prohibiting the disclosure
10 of information required to be disclosed by the standards of
11 the public accounting profession in reporting on the
12 examination of financial statements or as prohibiting
13 disclosures in a court proceeding, in an investigation or
14 proceeding under section 542D.11 or 542D.12, in an ethical
15 investigation conducted by a private professional
16 organization, in the course of a peer review, to another
17 person active in the licensee's firm performing services for
18 that client on a need-to-know basis, or to persons associated
19 with the investigative entity who need this information for
20 the sole purpose of assuring quality control.

21 Sec. 19. NEW SECTION. 542D.19 LICENSEES' WORKING PAPERS
22 -- CLIENTS' RECORDS.

23 1. Subject to section 542D.18, all statements, records,
24 schedules, working papers, and memoranda made by a licensee or
25 a partner, shareholder, officer, director, member, manager, or
26 employee of a licensee, incident to, or in the course of,
27 rendering services to a client, except reports submitted by
28 the licensee to the client and except for records that are
29 part of the client's records, are the property of the licensee
30 in the absence of an express agreement between the licensee
31 and the client to the contrary. Such statement, record,
32 schedule, working paper, or memorandum shall not be sold,
33 transferred, or bequeathed, without the consent of the client
34 or the client's personal representative or assignee, to anyone
35 other than a surviving partner, stockholder, or member of the

1 licensee, or any combined or merged firm or successor in
2 interest to the licensee. This section shall not be construed
3 as prohibiting a temporary transfer of working papers or other
4 material necessary in the course of carrying out peer reviews
5 or as otherwise interfering with the disclosure of information
6 pursuant to section 542D.18.

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

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

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

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

22 Sec. 20. NEW SECTION. 542D.20 SUBSTANTIAL EQUIVALENCY.

23 1. a. An individual whose principal place of business is
24 not in this state having a certificate or license as a
25 certified public accountant from any state which the national
26 association of state boards of accountancy's national
27 qualification appraisal service has verified to be in
28 substantial equivalence with the certified public accountant
29 certification requirements of this chapter is presumed to have
30 qualifications substantially equivalent to this state's
31 requirements. Such individual shall have all the privileges
32 of certificate or permit holders of this state without the
33 need to obtain a certificate or permit under section 542D.6 or
34 542D.7. However, such individual shall notify the board of
35 the individual's intent to engage in acts as a certified

1 public accountant in this state under this section.

2 b. An individual whose principal place of business is not
3 in this state having a certificate or license as a certified
4 public accountant from any state which the national
5 association of state boards of accountancy's national
6 qualification appraisal service has not verified to be in
7 substantial equivalence with the certified public accountant
8 certification requirements of this chapter is presumed to have
9 qualifications substantially equivalent to this state's
10 requirements and shall have all the privileges of certificate
11 or permit holders of this state without the need to obtain a
12 certificate or permit under section 542D.6 or 542D.7 if such
13 individual obtains from the national association of state
14 boards of accountancy's national qualification appraisal
15 service verification that such individual's certified public
16 accountant qualifications are substantially equivalent to the
17 certified public accountant certification requirements of this
18 chapter. However, such individual shall notify the board of
19 the individual's intent to engage in acts as a certified
20 public accountant in this state under this section.

21 c. A licensee or permittee of another state exercising the
22 privilege afforded under this section, as a condition of the
23 grant of this privilege, consents to all of the following:

24 (1) The personal and subject matter jurisdiction of the
25 board.

26 (2) Compliance with this chapter and the board's rules.

27 (3) The appointment of the state board which issued the
28 licensee's license as the licensee's or permittee's agent upon
29 whom process may be served in any action or proceeding by the
30 Iowa accountancy examining board against the licensee or
31 permittee.

32 2. A licensee under this chapter offering or rendering
33 services or using a certified public accountant or accounting
34 practitioner title in another state is subject to disciplinary
35 action in this state for an act committed in another state for

1 which the licensee would be subject to discipline for the act
2 committed in the other state. Notwithstanding section
3 542D.11, subsection 1, the board is required to investigate
4 any complaint made by the board of accountancy of another
5 state.

6 Sec. 21. Section 15E.208, subsection 5, paragraph d,
7 subparagraph (4), Code Supplement 1999, is amended to read as
8 follows:

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

23 Sec. 22. Section 99D.20, Code 1999, is amended to read as
24 follows:

25 99D.20 AUDIT OF LICENSEE OPERATIONS.

26 Within ninety days after the end of each race meet, the
27 licensee shall transmit to the commission an audit of the
28 financial transactions and condition of the licensee's
29 operations conducted under this chapter. Additionally, within
30 ninety days after the end of the licensee's fiscal year, the
31 licensee shall transmit to the commission an audit of the
32 financial transactions and condition of the licensee's total
33 operations. All audits shall be conducted by certified public
34 accountants registered in the state of Iowa under chapter 542E
35 542D.

1 Sec. 23. Section 99F.13, Code 1999, is amended to read as
2 follows:

3 99F.13 ANNUAL AUDIT OF LICENSEE OPERATIONS.

4 Within ninety days after the end of the licensee's fiscal
5 year, the licensee shall transmit to the commission an audit
6 of the financial transactions and condition of the licensee's
7 total operations. All audits shall be conducted by certified
8 public accountants registered or licensed in the state of Iowa
9 under chapter 542E 542D.

10 Sec. 24. Section 203.16, subsection 7, Code Supplement
11 1999, is amended to read as follows:

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

16 Sec. 25. Section 203C.24, subsection 7, Code Supplement
17 1999, is amended to read as follows:

18 7. Where released at the request of the Iowa board of
19 accountancy for licensee review and discipline in accordance
20 with chapters 272C and 542E 542D and subject to the
21 confidentiality requirements of section 272C.6.

22 Sec. 26. Section 272C.1, subsection 6, paragraph c, Code
23 1999, is amended to read as follows:

24 c. The Iowa accountancy examining board, created pursuant
25 to chapter 542E 542D.

26 Sec. 27. Section 272C.3, subsection 2, paragraph a, Code
27 1999, is amended to read as follows:

28 a. Revoke a license, or suspend a license either until
29 further order of the board or for a specified period, upon any
30 of the grounds specified in section 147.55, 148.6, 148B.7,
31 153.34, 154A.24, 169.13, 542B.21, ~~542E.21~~ 542D.10, 543B.29,
32 544A.13, 544B.15, or 602.3203 or chapter 151, 155, 507B or
33 522, as applicable, or upon any other grounds specifically
34 provided for in this chapter for revocation of the license of
35 a licensee subject to the jurisdiction of that board, or upon

1 failure of the licensee to comply with a decision of the board
2 imposing licensee discipline;

3 Sec. 28. Section 272C.4, subsection 6, Code 1999, is
4 amended to read as follows:

5 6. Define by rule acts or omissions which are grounds for
6 revocation or suspension of a license under section 147.55,
7 148.6, 148B.7, 153.34, 154A.24, 169.13, 455B.191, 542B.21,
8 ~~542E.21~~ 542D.10, 543B.29, 544A.13, 544B.15, or 602.3203 or
9 chapter 151, 155, 507B or 522, as applicable, and to define by
10 rule acts or omissions which constitute negligence, careless
11 acts or omissions within the meaning of section 272C.3,
12 subsection 2, paragraph "b", which licensees are required to
13 report to the board pursuant to section 272C.9, subsection 2;

14 Sec. 29. Section 272C.5, subsection 2, paragraph c, Code
15 1999, is amended to read as follows:

16 c. Shall state whether the procedures are an alternative
17 to or an addition to the procedures stated in sections 147.58
18 to 147.71, 148.6 to 148.9, 153.23 to 153.30, 153.33, and
19 154A.23, 542B.22, ~~542E.23~~ 542D.11, 543B.35, 543B.36, 544B.16.

20 Sec. 30. Section 272C.6, subsection 6, unnumbered
21 paragraph 1, Code 1999, is amended to read as follows:

22 A board created pursuant to chapter 147, 154A, 155, 169,
23 542B, ~~542E~~ 542D, 543B, 543D, 544A, or 544B may charge a fee
24 not to exceed seventy-five dollars for conducting a
25 disciplinary hearing pursuant to this chapter which results in
26 disciplinary action taken against the licensee by the board,
27 and in addition to the fee, may recover from a licensee the
28 costs for the following procedures and associated personnel:

29 Sec. 31. Section 272C.9, subsection 2, Code 1999, is
30 amended to read as follows:

31 2. A licensee has a continuing duty to report to the
32 licensing board by whom the person is licensed those acts or
33 omissions specified by rule of the board pursuant to section
34 272C.4, subsection 6, when committed by another person
35 licensed by the same licensing board. This subsection does

1 not apply to licensees under chapter 542E 542D when the
2 observations are a result of participation in programs of
3 practice review, peer review and quality review conducted by
4 professional organizations of certified public accountants,
5 for educational purposes and approved by the accountancy
6 examining board.

7 Sec. 32. Section 502.102, subsection 11, paragraph c,
8 subparagraphs (3) and (4), Code Supplement 1999, are amended
9 to read as follows:

10 (3) An attorney licensed to practice law in this state, a
11 certified public accountant licensed pursuant to chapter 542E
12 542D, a professional engineer licensed pursuant to chapter
13 542B, or a certified teacher, if the person's performance of
14 these services is solely incidental to the practice of the
15 person's profession.

16 (4) An attorney licensed to practice law in this state or
17 a certified public accountant licensed pursuant to chapter
18 542E 542D who does not do any of the following:

19 Sec. 33. Section 522.1, subsection 2, Code 1999, is
20 amended to read as follows:

21 2. A certified public accountant licensed pursuant to
22 chapter 542E 542D.

23 Sec. 34. Section 546.10, subsection 1, paragraph b, Code
24 1999, is amended to read as follows:

25 b. The Iowa accountancy examining board created pursuant
26 to chapter 542E 542D.

27 Sec. 35. Section 546.10, subsection 5, Code 1999, is
28 amended to read as follows:

29 5. Fees collected under chapters 542B, 542E 542D, 543B,
30 543D, 544A, and 544B shall be paid to the treasurer of state
31 and credited to the general fund of the state. All expenses
32 required in the discharge of the duties and responsibilities
33 imposed upon the professional licensing division of the
34 department of commerce, the administrator, and the licensing
35 boards by the laws of this state shall be paid from moneys

1 appropriated by the general assembly for those purposes. All
2 fees deposited into the general fund of the state, as provided
3 in this subsection, shall be subject to the requirements of
4 section 8.60.

5 Sec. 36. Section 669.14, subsection 11, unnumbered
6 paragraph 1, Code 1999, is amended to read as follows:

7 Any claim for financial loss based upon an act or omission
8 in financial regulation, including but not limited to
9 examinations, inspections, audits, or other financial
10 oversight responsibilities, pursuant to chapters 87, 203,
11 203A, 203C, 203D, 421B, 486, 487, and 490 through 553,
12 excluding chapters 540A, 542B, ~~542E~~ 542D, 543B, 543C, 543D,
13 544A, and 544B.

14 Sec. 37. Chapter 542C, Code 1999, is repealed, effective
15 July 1, 2001. However, this Act shall not be construed to
16 invalidate or affect any action taken or any proceeding
17 instituted under any law in effect prior to the effective date
18 of this Act.

19 Sec. 38. EFFECTIVE DATE. This Act takes effect July 1,
20 2001.

21 EXPLANATION

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

30 New Code section 542D.1 sets forth the title of the new
31 Code chapter as the "Iowa Accountancy Act of 2000".

32 New Code section 542D.2 sets forth a statement of
33 legislative intent which is to promote the reliability of
34 information that is used for guidance in financial
35 transactions or for accounting for or assessing the financial

1 status or performance of commercial, noncommercial, and
2 governmental enterprises.

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

5 New Code section 542D.4 establishes the accountancy
6 examining board in a manner similar to current Code chapter
7 542C.

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

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

19 New Code section 542D.7 provides for a simple majority of
20 permit holders or licensees to comprise ownership of a
21 certified public accountant or accounting practitioner firm
22 while prohibiting passive ownership. This Code section also
23 continues peer review requirements for certified public
24 accountant firms performing the attest function.

25 New Code section 542D.8 sets forth the qualifications to be
26 met in order to be issued a license as an accounting
27 practitioner. This Code section establishes the process of
28 application for the initial license, as well as license
29 renewal.

30 New Code section 542D.9 establishes that an application for
31 a certificate, permit, or license to practice by a person or a
32 firm not a resident of the state constitutes appointment of
33 the secretary of state as the applicant's agent upon whom
34 process may be served in any action or proceeding against the
35 applicant arising out of any transaction or operation

1 connected with or incidental to services performed by the
2 applicant within this state.

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

9 New Code section 542D.11 establishes enforcement and
10 investigative procedures of the board.

11 New Code section 542D.12 provides for a complaint to be
12 issued by the board and for hearing procedures.

13 New Code section 542D.13 provides for the reinstatement
14 procedures for a certificate, permit, or license which has
15 been suspended or revoked, and for the reinstatement of
16 revoked or limited privileges.

17 New Code section 542D.14 provides for the use of titles and
18 the scope of services that a licensee, firm, or nonlicensee
19 may perform under the new Code chapter. This Code section
20 also provides for the regulation of commission-based services
21 and contingent fee services. Prohibited acts are delineated.

22 New Code section 542D.15 grants authority to the
23 accountancy examining board to obtain injunctive relief from a
24 court if the board finds that any person or firm has engaged,
25 or is about to engage, in any acts or practices which will
26 constitute a violation of the new Code chapter. The new Code
27 section also provides for the levying of civil penalties and
28 the issuance of consent orders.

29 New Code section 542D.16 establishes a criminal penalty for
30 a violation of new Code section 542D.14, relating to unlawful
31 acts. A person who commits such violation is guilty of a
32 serious misdemeanor.

33 New Code section 542D.17 provides that in any action
34 brought to enforce the chapter, evidence of the commission of
35 a single prohibited act is sufficient to justify a penalty,

1 injunction, restraining order, or conviction, without evidence
2 of a general course of conduct.

3 New Code section 542D.18 defines the confidentiality of
4 client communications to accountants. The new Code section
5 establishes certain instances where such communications may be
6 disclosed.

7 New Code section 542D.19 provides for the retention and
8 management of client records.

9 New Code section 542D.20 provides for reciprocity and
10 discipline for certificate and license holders and permitted
11 firms from states whose accountancy statues are substantially
12 equivalent to the requirements of this new Code chapter.

13 Sections 21 through 36 of the bill make conforming changes
14 relating to the repeal of Code chapter 542C and the creation
15 of Code chapter 542D in this bill.

16 Section 37 of the bill provides for the repeal of existing
17 Code chapter 542C, relating to the regulation of public
18 accountancy, which was originally enacted in 1974.

19 Section 38 of the bill provides that the bill takes effect
20 on July 1, 2001.

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3/20/00 Referred back to State Gov.

SENATE FILE **2415**
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 3119)

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

A BILL FOR

1 An Act relating to the regulation of the practice of accounting,
2 establishing fees, providing penalties, and providing an
3 effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2415

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 2000".

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 public interest requires that persons professing special
11 competence in accountancy or offering assurance as to the
12 reliability or fairness of presentation of such information
13 shall have demonstrated their qualifications to do so, and
14 that persons who have not demonstrated and maintained such
15 qualifications not be permitted to represent themselves as
16 having such special competence or to offer such assurance;
17 that the conduct of persons licensed as having special
18 competence in accountancy be regulated in all aspects of their
19 professional work; that a public authority competent to
20 prescribe and assess the qualifications and to regulate the
21 conduct of licensees be established; and that the use of
22 titles that have a capacity or tendency to deceive the public
23 as to the status or competence of the persons using such
24 titles be prohibited.

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

26 As used in this chapter, unless the context otherwise
27 requires:

28 1. "Accounting practitioner" means a person licensed by
29 the board who does not hold a certificate as a certified
30 public accountant under this chapter, and who offers to
31 perform or performs for the public, and for compensation, any
32 of the following services:

33 a. Records financial transactions in books of record.

34 b. Makes adjustments of financial transactions in books of
35 record.

- 1 c. Makes trial balances from books of record.
- 2 d. Prepares internal verification and analysis of books or
- 3 accounts of original entry.
- 4 e. Prepares financial statements, schedules, or reports.
- 5 f. Devises and installs systems or methods of bookkeeping,
- 6 internal controls of financial data, or the recording of
- 7 financial data.

8 2. "Accounting practitioner firm" means a sole
9 proprietorship, a corporation, a partnership, or any other
10 form of organization issued a permit to practice as a firm of
11 accounting practitioners under section 542D.7.

12 3. "Attest" or "attest service" means providing any of the
13 following services:

- 14 a. An audit or other engagement to be performed in
- 15 accordance with the statements on auditing standards.
- 16 b. A review of a financial statement to be performed in
- 17 accordance with the statement on standards for accounting and
- 18 review services.
- 19 c. An examination of prospective financial information to
- 20 be performed in accordance with the statements on standards
- 21 for attestation engagements. For purposes of this subsection,
- 22 the statements on standards for attestation engagements means
- 23 those standards adopted by the board, by rule, by reference to
- 24 the standards developed for general application by the
- 25 American institute of certified public accountants, or other
- 26 recognized national accountancy organization.

27 4. "Board" means the Iowa accountancy examining board
28 established under section 542D.4.

29 5. "Certificate" means a certificate as a certified public
30 accountant issued under section 542D.6, or a corresponding
31 certificate as certified public accountant issued after
32 examination under the law of any other state.

33 6. "Certified public accounting firm" means a sole
34 proprietorship, a corporation, a partnership, or any other
35 form of organization issued a permit to practice as a firm of

1 certified public accountants under section 542D.7.

2 7. "Client" means a person or entity that agrees with a
3 licensee or licensee's employer to receive a professional
4 service.

5 8. "Commission" means a brokerage or other participation
6 fee. "Commission" does not include a contingent fee.

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

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

22 11. "License" means a certificate issued under section
23 542D.6, a permit issued under section 542D.7, or a license
24 issued under section 542D.8; or a certificate or permit issued
25 under corresponding prior law.

26 12. "Licensee" means the holder of a license.

27 13. "Manager" means a manager of a limited liability
28 company.

29 14. "Member" means a member of a limited liability
30 company.

31 15. "Peer review" means a study, appraisal, or review of
32 one or more aspects of the professional work of a licensee or
33 certified public accountant firm that performs attest or
34 compilation services, by a person or persons who hold
35 certificates and who are not affiliated with the certificate

1 holder or certified public accountant firm being reviewed.

2 16. "Peer review records" means a file, report, or other
3 information relating to the professional competence of an
4 applicant in the possession of a peer review team, or
5 information concerning the peer review developed by a peer
6 review team in the possession of an applicant.

7 17. "Peer review team" means a person or organization
8 participating in the peer review function, but does not
9 include the board.

10 18. "Permit" means a permit to practice as either a
11 certified public accountant or accounting practitioner firm
12 issued under section 542D.7 or under corresponding provisions
13 of the laws of other states.

14 19. "Professional" means arising out of or related to the
15 specialized knowledge or skills associated with a certified
16 public accountant.

17 20. "Professional services" means services performed in
18 the practice of public accounting which includes but, is not
19 limited to, the performance or the offering to perform, by a
20 person holding oneself out to the public as a certified public
21 accountant, one or more kinds of services involving the use of
22 accounting, attest, or auditing skills, including the issuance
23 of reports on financial statements, or of one or more kinds of
24 management advisory, financial advisory, or consulting
25 services, or the preparation of tax returns or the furnishing
26 of advice on tax matters.

27 21. "Report", when used with reference to financial
28 statements, means a report, opinion, or other form of a
29 writing that states or implies assurance as to the reliability
30 of any financial statements and that includes or is
31 accompanied by a statement or implication that the person or
32 firm issuing the report has special knowledge or competence in
33 accounting or auditing. Such statement or implication of
34 special knowledge or competence may arise from use by the
35 issuer of the report of names or titles indicating that the

1 person or firm is an accountant or auditor, or from the
2 language of the report itself. "Report" includes any form of
3 language which disclaims an opinion when such form of language
4 is conventionally understood to imply a positive assurance as
5 to the reliability of the financial statements referred to or
6 special knowledge or competence on the part of the person or
7 firm issuing the language, and any other form of language that
8 is conventionally understood to imply such assurance or such
9 special knowledge or competence.

10 22. "State" means a state of the United States, the
11 District of Columbia, Puerto Rico, the United States Virgin
12 Islands, or Guam.

13 23. "Substantial equivalency" is a determination by the
14 board or its designee that the education, examination, and
15 experience requirements contained in the statutes and
16 administrative rules of another jurisdiction are comparable
17 to, or exceed, the education, examination, and experience
18 requirements contained in this chapter or that an individual
19 certified public accountant's education, examination, and
20 experience qualifications are comparable to or exceed the
21 education, examination, and experience requirements contained
22 in this chapter.

23 Sec. 4. NEW SECTION. 542D.4 IOWA ACCOUNTANCY EXAMINING
24 BOARD.

25 1. An Iowa accountancy examining board is created within
26 the professional licensing and regulation division of the
27 department of commerce to administer and enforce this chapter.
28 The board shall consist of eight members, appointed by the
29 governor and subject to senate confirmation, all of whom shall
30 be residents of this state. Five of the eight members shall
31 be holders of certificates issued under section 542D.6, one
32 member shall be the holder of a license issued under section
33 542D.8, and two shall not be certified public accountants or
34 licensed accounting practitioners and shall represent the
35 general public. Professional associations or societies

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

26 2. The board shall elect annually from among its members a
27 chairperson and such other officers as the board may determine
28 to be appropriate. The board shall meet at such times and
29 places as may be fixed by the board. Meetings of the board
30 shall be open to the public except insofar as they are
31 concerned with investigations under section 542D.11 and except
32 as may be necessary to protect information that is required to
33 be kept confidential by the laws of this state. A majority of
34 the board members in office shall constitute a quorum at any
35 meeting. The board shall retain or arrange for the retention

1 of all applications and all documents under oath that are
2 filed with the board and also records of its proceedings, and
3 the board shall maintain a registry of the names and addresses
4 of all licensees and permittees under this chapter. In any
5 proceeding in court, civil or criminal, arising out of or
6 founded upon any provision of this chapter, copies of any
7 records certified as true copies under the seal of the board
8 shall be admissible in evidence as tending to prove the
9 contents of the records.

10 3. Members of the board are entitled to receive a per diem
11 as specified in section 7E.6 for each day spent on performance
12 of duties as members and shall be reimbursed for all actual
13 and necessary expenses incurred in the performance of duties
14 as members.

15 4. All moneys collected by the board from fees authorized
16 to be charged by this chapter shall be received and accounted
17 for by the board and shall be paid monthly to the treasurer of
18 state for deposit in the general fund of the state. Expenses
19 of administering this chapter shall be paid from
20 appropriations made by the general assembly, which expenses
21 may include, but shall not be limited to, the costs of
22 conducting investigations and of taking testimony and
23 procuring the attendance of witnesses before the board or its
24 committees; all legal proceedings taken under this chapter for
25 the enforcement of this chapter; and educational programs for
26 the benefit of the public and licensees and their employees.

27 5. A member of the board shall maintain the
28 confidentiality of information relating to the following:

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

30 b. Information relating to the contents of the
31 examination.

32 c. Information relating to the examination results other
33 than final score except for information about the results of
34 the examination given to the person examined.

35 A member of the board who willfully communicates or seeks

1 to communicate such information in a manner which violates
2 confidentiality requirements, and any person who willfully
3 requests, obtains, or seeks to obtain such information, is
4 guilty of a simple misdemeanor.

5 6. The board may employ an executive secretary and such
6 other personnel as it deems necessary in its administration
7 and enforcement of this chapter. The board may appoint
8 committees or persons to advise or assist the board in such
9 administration and enforcement as the board sees fit. The
10 board may retain its own counsel to advise and assist it in
11 addition to such advice and assistance as is provided by the
12 attorney general, notwithstanding section 13.7.

13 7. The board may join professional organizations and
14 associations to promote the improvement of the standards of
15 practice of accountancy and for the protection and welfare of
16 the public.

17 8. The board shall have the power to take all action that
18 is necessary and proper to effectuate the purposes of this
19 chapter, including the power to sue and be sued in its
20 official name as an agency of this state. The board shall
21 also have the power to issue subpoenas to compel the
22 attendance of witnesses and the production of documents; to
23 administer oaths; to take testimony; to cooperate with the
24 appropriate authorities in other states in investigation and
25 enforcement concerning violations of this chapter and
26 comparable statutes of other states; and to receive evidence
27 concerning all matters within the scope of this chapter. In
28 case of disobedience of a subpoena, the board may invoke the
29 aid of any district court in requiring the attendance and
30 testimony of witnesses and the production of documentary
31 evidence. The board, its members, and its agents shall be
32 immune from personal liability for actions taken in good faith
33 in the discharge of the board's responsibilities, and the
34 state shall hold the board, its members, and its agents
35 harmless from all costs, damages, and attorney fees arising

1 from claims and suits against them with respect to matters to
2 which such immunity applies.

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

7 a. Rules governing the board's meetings and the conduct of
8 its business.

9 b. Rules of procedure governing the conduct of
10 investigations and hearings by the board.

11 c. Rules specifying the educational and experience
12 qualifications required for the issuance of a certificate
13 under section 542D.6 and the continuing professional education
14 required for renewal of a certificate under section 542D.6.

15 d. Rules specifying the educational and experience
16 qualifications required for the issuance of a license under
17 section 542D.8 and the continuing professional education
18 required for renewal of a license under section 542D.6.

19 e. Rules of professional conduct directed to control the
20 quality and probity of services provided by a licensee, and,
21 among other areas, pertaining to a licensee's independence,
22 integrity, and objectivity; competence and technical
23 standards; responsibilities to the public; and
24 responsibilities to a client.

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

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

29 h. Rules governing the manner and circumstances of use of
30 the titles "accounting practitioner" and "AP".

31 i. Rules regarding peer review that may be required to be
32 performed under this chapter.

33 j. Rules on substantial equivalence under section 542D.19.

34 k. Such other rules as the board deems necessary or
35 appropriate for administering this chapter, including, but not

1 limited to, rules of professional conduct, pertaining to
2 corporations or limited liability companies practicing
3 accounting, which the board deems consistent with or required
4 by the public welfare. The board may adopt rules governing
5 the style, name, and title of corporations and limited
6 liability companies and governing the affiliation of
7 corporations and limited liability companies with other
8 organizations.

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

11 1. A certificate as a certified public accountant shall be
12 issued to a person of good moral character who meets the
13 education, examination, and experience requirements of this
14 section and who makes application pursuant to section 542D.6.

15 2. For purposes of this section, "good moral character"
16 means lack of a history of dishonest or felonious acts. The
17 board may refuse to issue a certificate on the ground of
18 failure to satisfy this requirement only if there is a
19 substantial connection between the lack of good moral
20 character of the applicant and the professional
21 responsibilities of a licensee and if the finding by the board
22 of lack of good moral character is supported by clear and
23 convincing evidence. If an applicant is found to be
24 unqualified for a certificate because of a lack of good moral
25 character, the board shall furnish the applicant a statement
26 containing the findings of the board, a complete record of the
27 evidence upon which the determination was based, and a notice
28 of the applicant's right of appeal.

29 3. The education requirement for a certificate is as
30 follows:

31 a. On or before December 31, 2000, the applicant has
32 attained either of the following:

33 (1) A baccalaureate degree conferred by a college or
34 university recognized by the board, in addition to one of the
35 following:

1 (a) A concentration in accounting, or what the board
2 determines to be substantially equivalent.

3 (b) A nonaccounting concentration, supplemented by what
4 the board determines to be substantially the equivalent of an
5 accounting concentration, including related courses in other
6 areas of business administration.

7 (2) A graduate of a high school having at least a four-
8 year course of study or its equivalent as determined by the
9 board and no less than three years of continuous experience
10 under the direct supervision of a certified public accountant
11 holding a certificate to practice, which experience shall
12 include a significant amount of accounting work involving
13 third-party reliance on financial statements.

14 b. On or after January 1, 2001, the applicant completes at
15 least one hundred fifty semester hours, or the trimester or
16 quarter equivalent of one hundred fifty semester hours, of
17 college education, and receives a baccalaureate or higher
18 degree conferred by a college or university recognized by the
19 board, the total educational program to include a
20 concentration in accounting or what the board determines to be
21 substantially equivalent. Except as otherwise provided under
22 this section, a person who has partially passed the
23 examination required by section 542D.8, subsection 3, by
24 passing one or more subjects prior to December 31, 2000, has
25 until December 31, 2003, to successfully complete the
26 examination process and qualify for a certificate under the
27 educational requirements in effect prior to December 31, 2000.

28 4. The examination under section 542D.8, subsection 3,
29 shall be offered at least twice a year, and shall test the
30 applicant's knowledge of the subjects of accounting and
31 auditing, and such other related subjects as the board may
32 specify by rule, including but not limited to business law and
33 taxation. The examination shall be held at a time determined
34 by the board and may be changed from time to time. The board
35 shall prescribe by rule the methods of applying for and

1 conducting the examination, including methods for grading and
2 determining a passing grade required of an applicant for a
3 certificate. However, the board, to the extent possible,
4 shall ensure the examination, grading of the examination, and
5 the passing grades are uniform with those applicable in all
6 other states. The board may make such use of all or any part
7 of the uniform certified public accountant examination and
8 advisory grading service of the American institute of
9 certified public accountants, and may contract with third
10 parties to perform such administrative services with respect
11 to the examination as it deems appropriate to perform the
12 duties of the board with respect to examination.

13 5. The board may admit to the examination a candidate who
14 will complete the educational requirements for a baccalaureate
15 degree within one hundred twenty days immediately following
16 the date of the examination or who has completed those
17 requirements. However, the board shall not report the results
18 of the examination until the candidate has met the educational
19 requirements for a baccalaureate degree and shall not issue
20 the certificate until the candidate has fully satisfied the
21 requirements of subsection 3.

22 6. An applicant who has failed the examination may request
23 in writing information from the board concerning the
24 applicant's examination grade and subject areas or questions
25 which the applicant failed to answer correctly, except that if
26 the board administers a uniform, standardized examination, the
27 board shall only be required to provide the examination grade
28 and such other information concerning the applicant's
29 examination results which are available to the board.

30 7. The board, by rule, may establish an examination fee to
31 be charged each applicant by the board or by a third party
32 administering the examination.

33 8. An applicant for initial issuance of a certificate must
34 have no less than one year of experience. The experience
35 shall include providing any type of service or advice

1 involving the use of accounting, attest, compilation,
2 management advisory, financial advisory, tax, or consulting
3 skills, as verified by a licensee, meeting requirements
4 prescribed by the board by rule. The experience is acceptable
5 if it was gained through employment in government, industry,
6 academia, or public practice.

7 9. A person holding a certificate as a certified public
8 accountant issued by the state prior to July 1, 2001, is
9 deemed to have met the requirements of this section.

10 Sec. 6. NEW SECTION. 542D.6 ISSUANCE AND RENEWAL OF
11 CERTIFICATES -- MAINTENANCE OF COMPETENCY.

12 1. a. The board shall issue or renew a certificate to a
13 person who makes application on a form prescribed and
14 furnished by the board and who demonstrates either of the
15 following:

16 (1) That the person's qualifications, including where
17 applicable the qualifications prescribed by section 542D.5,
18 satisfy the requirements of this section.

19 (2) That the person is eligible under the substantial
20 equivalency standard provided for under section 542D.19,
21 subsection 1, paragraph "a" or "b", which requires licensure
22 for a certified public accountant who establishes a principal
23 place of business in another state.

24 b. The holder of a certificate issued under this section
25 shall only provide attest services in a certified public
26 accountant firm that is issued a permit under section 542D.7.

27 2. A certificate shall be initially issued, and renewed,
28 for a period of not more than three years, but in any event
29 shall expire on June 30 of the year of expiration. An
30 application for a certificate shall be made in such form, and
31 in the case of an application for renewal, between such dates,
32 as the board shall specify by rule, and the board shall grant
33 or deny such application within thirty days after the
34 application is filed in proper form. If the applicant seeks
35 the opportunity to show that issuance or renewal of a

1 certificate was mistakenly denied, or the board is not able to
2 determine whether the application should be granted or denied,
3 the board may issue to the applicant a provisional certificate
4 which shall expire ninety days after its issuance or when the
5 board determines whether or not to issue or renew the
6 certificate for which application was made, whichever occurs
7 first.

8 3. a. An applicant who does not qualify for reciprocity
9 under the substantial equivalency standard established in
10 section 542D.19, subsection 1, paragraph "b", shall be issued
11 a certificate by the board if the applicant is a holder of a
12 certificate, license, or permit issued by another state, and
13 shows all of the following:

14 (1) The applicant passed the examination required for
15 issuance of the applicant's certificate with grades that would
16 have been passing grades at the time in this state.

17 (2) The applicant has four years of experience outside of
18 this state which includes the type of service or advice that
19 satisfies the requirements of section 542D.5, subsection 8, or
20 meets equivalent requirements prescribed by the board by rule,
21 after passing the examination upon which the applicant's
22 certificate was based and within the ten years immediately
23 preceding the application.

24 (3) If the applicant's certificate, license, or permit was
25 issued more than four years prior to the application for
26 issuance of an initial certificate under this section, that
27 the applicant has fulfilled the requirements of continuing
28 professional education that would have been applicable under
29 subsection 4.

30 b. As an alternative to the requirements of paragraph "a",
31 a certificate holder licensed by another state who desires to
32 establish the holder's principal place of business in this
33 state shall request the issuance of a certificate from the
34 board prior to establishing such principal place of business.
35 The board shall issue a certificate to an individual whose

1 qualifications are substantially equivalent to the certified
2 public accountant certificate requirements of this chapter.

3 4. A certificate holder or licensee, for renewal of a
4 certificate under this section or renewal of a license under
5 section 542D.8, shall participate in a program of learning
6 designed to maintain professional competency. Such program of
7 learning must comply with rules adopted by the board. The
8 board, by rule, may grant an exception to this requirement for
9 a certificate or license holder who does not perform or offer
10 to perform for the public one or more kinds of services
11 involving the use of accounting or auditing skills, including
12 issuance of reports on financial statements or the use of one
13 or more kinds of management advisory, financial advisory, or
14 consulting services, or the preparation of tax returns or the
15 furnishing of advice on tax matters. A licensee granted an
16 exception by the board shall place the word "inactive"
17 adjacent to the licensee's certified public accountant title
18 or accounting practitioner title on any business card,
19 letterhead, or other document or device, with the exception of
20 the licensee's certified public accountant certificate or
21 accounting practitioner registration, on which the licensee's
22 certified public accountant or accounting practitioner title
23 appears.

24 5. The board shall charge an application fee for initial
25 issuance or renewal of a certificate in an amount prescribed
26 by the board by rule.

27 6. An applicant for initial issuance or renewal of a
28 certificate shall list in the application all states in which
29 the applicant has applied for or holds a certificate, license,
30 or permit and list any past denial, revocation, or suspension
31 of a certificate, license, or permit. A holder of or
32 applicant for a certificate under this section shall notify
33 the board in writing, within thirty days after its occurrence,
34 of any issuance, denial, revocation, or suspension of a
35 certificate, license, or permit by another state.

1 7. The board shall issue a certificate to a holder of a
2 substantially equivalent foreign designation, upon
3 satisfaction of all of the following:

4 a. The foreign authority which issued the designation
5 allows a person who holds a valid certificate issued by this
6 state to obtain such foreign authority's comparable
7 designation.

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

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

12 (2) The designation entitles the holder to issue reports
13 on financial statements.

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

17 c. The applicant satisfies all of the following:

18 (1) The designation was issued based on education and
19 examination standards substantially equivalent to those in
20 effect in this state at the time the foreign designation was
21 granted.

22 (2) The applicant satisfies an experience requirement,
23 substantially equivalent to the requirement set out in section
24 542D.5, subsection 8, in the jurisdiction which issued the
25 foreign designation or has completed four years of
26 professional experience in this state; or meets equivalent
27 requirements prescribed by the board by rule, within the ten
28 years immediately preceding the application.

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

32 8. An applicant under subsection 7 shall list in the
33 application all jurisdictions, foreign and domestic, in which
34 the applicant has applied for or holds a designation to
35 practice public accountancy. A holder of a certificate issued

1 under this section shall notify the board in writing, within
2 thirty days after its occurrence, of any issuance, denial,
3 revocation, or suspension of a designation or commencement of
4 a disciplinary or enforcement action by any jurisdiction.

5 9. The board has sole authority to interpret the
6 application of subsections 7 and 8.

7 10. The board, by rule, shall require as a condition for
8 renewal of a certificate under this section, by any
9 certificate holder who performs compilation services for the
10 public other than through a certified public accountant firm,
11 that such individual undergo, no more frequently than once
12 every three years, a peer review conducted in such manner as
13 the board shall by rule specify, and such review shall include
14 verification that such individual has met the competency
15 requirements set out in professional standards for such
16 services.

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

19 1. The board shall issue or renew a permit to practice as
20 a certified public accountant firm or accounting practitioner
21 firm to a person that makes application and demonstrates the
22 qualifications set forth in this section, or to a certified
23 public accountant firm originally licensed in another state
24 that establishes an office in this state. A person or firm
25 holding a permit to practice issued by this state prior to
26 July 1, 2001, is deemed to have met the requirements of this
27 section. A firm must hold a permit issued under this section
28 in order to provide attest services or to use the title "CPAs"
29 or "APs" or "CPA firm" or "AP firm".

30 2. A permit shall be initially issued and renewed for a
31 period of not more than three years, but in any event shall
32 expire on June 30 of the year of expiration. An application
33 for a permit shall be made in such form, and in the case of an
34 application for renewal, between such dates as the board may
35 by rule specify, and the board shall grant or deny an

1 application within thirty days after the application is filed.
2 If the applicant seeks the opportunity to show that issuance
3 or renewal of a permit was mistakenly denied, or if the board
4 is not able to determine whether an application should be
5 granted or denied, the board may issue to the applicant a
6 provisional permit, which shall expire ninety days after its
7 issuance or when the board determines whether or not to issue
8 or renew the permit for which application was made, whichever
9 occurs first.

10 3. An applicant for initial issuance or renewal of a
11 permit to practice as a firm must show that notwithstanding
12 any other provision of law, the ownership of the firm, in
13 terms of financial interests and voting rights of all
14 partners, officers, shareholders, members, and managers
15 belongs to holders of a certificate issued by a state, and
16 that such partners, officers, shareholders, members, and
17 managers, whose principal place of business is in this state
18 and who perform professional services in this state, hold a
19 certificate issued under section 542D.6 or a license issued
20 under section 542D.8.

21 c. An individual certificate holder who is responsible for
22 supervising attest or compilation services and signs or
23 authorizes someone to sign the accountant's report on the
24 financial statements on behalf of the firm, shall meet the
25 competency requirements set out in nationally recognized
26 professional standards for such services.

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

32 4. An applicant for initial issuance or renewal of a
33 permit to practice as a certified public accountant firm is
34 required to register each office of the firm within this state
35 with the board and to show that all attest and compilation

1 services rendered in this state are under the charge of a
2 person holding a valid certificate issued under section 542D.6
3 or by some other state.

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

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

15 a. A change in the identity of a partner, officer,
16 shareholder, member, or manager whose principal place of
17 business is in this state.

18 b. A change in the number or location of offices within
19 this state.

20 c. A change in the identity of a person in charge of such
21 offices.

22 d. The issuance, denial, revocation, or suspension of a
23 permit by another state.

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

33 8. The board, by rule, shall require as a condition to
34 renewal of a permit to practice as a certified public
35 accountant firm, that an applicant undergo, no more frequently

1 than once every three years, a peer review conducted in such
2 manner as the board specifies. The review shall include a
3 verification that any individual in the firm who is
4 responsible for supervising attest and compilation services
5 and who signs or authorizes someone to sign the accountant's
6 report on a financial statement on behalf of the firm meets
7 the competency requirements set forth in the professional
8 standards for such services.

9 Such rules shall include reasonable provision for
10 compliance by an applicant showing that the applicant, within
11 the preceding three years, has undergone a peer review that is
12 a satisfactory equivalent to the peer review required under
13 this subsection. An applicant's completion of a peer review
14 program endorsed or supported by the American institute of
15 certified public accountants, or other substantially similar
16 review as determined by the board, satisfies the requirements
17 of this subsection.

18 9. An applicant for a permit to practice as a certified
19 public accountant firm, at the time of renewal, may request in
20 writing upon forms provided by the board, a waiver from the
21 requirements of subsection 8. The board may grant a waiver
22 upon a showing satisfactory to the board of any of the
23 following:

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

31 b. Reasons of health.

32 c. Military service.

33 d. Instances of hardship.

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

35 10. Peer review records are privileged and confidential,

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

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

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

23 Sec. 8. NEW SECTION. 542D.8 QUALIFICATIONS FOR AND
24 ISSUANCE OF A LICENSE AS AN ACCOUNTING PRACTITIONER.

25 1. An accounting practitioner license shall be issued by
26 the board to a person who is a resident of this state, has a
27 place of business in this state, or is regularly employed in
28 this state, who makes application on a form prescribed and
29 furnished by the board, passes a written examination
30 prescribed by the board, and meets one of the following
31 requirements:

32 a. Has two or more years of actual experience in the
33 practice of an accounting practitioner as an employee of a
34 certified public accountant or an accounting practitioner.

35 b. Submits evidence satisfactory to the board that the

1 applicant is a graduate of a four-year college or university
2 accredited by the north central accreditation association or
3 other regional accreditation association having equivalent
4 standards, with a major in accounting, or that the applicant
5 is a graduate in accountancy from a business or correspondence
6 school accredited by the accrediting commission for business
7 schools or the accrediting commission of the national home
8 study council.

9 c. Submits evidence of at least five years of continuous
10 experience engaged in performing any of the services set forth
11 in section 542D.3, subsection 1, on a full-time basis.

12 2. An applicant for a license to practice as an accounting
13 practitioner shall pay to the board an examination fee prior
14 to examination. The amount of the fee shall be set by the
15 board based upon the annual cost of administering the
16 examination.

17 3. An examination shall be conducted by the board as often
18 as deemed necessary, but not less than two times per year.

19 4. The examination shall be prescribed by the board and
20 shall be designed and given in a manner as to fairly test the
21 applicant's knowledge of accounting. The examination shall
22 not include questions relating to the subject of auditing.

23 5. The board, in its discretion, may use all or any part
24 of a standard or uniform examination and advisory grading
25 service that is provided or furnished by a national accounting
26 organization or society to assist the board in the performance
27 of its duties under this chapter. An examination in theory
28 shall be in writing and the identity of the person taking the
29 examination shall be concealed until after the examination
30 papers have been graded.

31 6. If an applicant has partially passed an examination
32 given in another state, under requirements that the board
33 finds to be substantially equivalent to those required in
34 examinations given in this state, the results of the other
35 state's examination shall be accepted as though given in this

1 state.

2 7. An applicant who successfully passes all subjects in
3 which examined shall be issued a license as an accounting
4 practitioner by the board. The cost of the license shall be
5 based upon the administrative costs of the board and the costs
6 of issuing the license.

7 8. An applicant who fails the examination once shall be
8 allowed to take the examination at the next scheduled time.
9 Thereafter, the applicant shall be allowed to take the
10 examination at the discretion of the board. An applicant who
11 passes a portion of the examination shall have the right to be
12 reexamined in the remaining subjects at a future examination,
13 and if the applicant passes in the remaining subjects, the
14 applicant shall be considered to have passed the entire
15 examination. An applicant who fails the examination may
16 request in writing information from the board concerning the
17 applicant's examination grade and subject areas or questions
18 which the applicant failed to answer correctly, except that if
19 the board administers a uniform, standardized examination, the
20 board shall only be required to provide the examination grade
21 and such other information concerning the applicant's
22 examination results which is available to the board.

23 9. A license as an accounting practitioner shall expire in
24 multiyear intervals as determined by the board. The board
25 shall notify a person licensed under this chapter of the date
26 of expiration of the license and the amount of the fee
27 required for its renewal. The notice shall be mailed at least
28 one month in advance of the expiration date. A person who
29 fails to renew a license to practice as an accounting
30 practitioner by the expiration date shall be allowed to do so
31 within thirty days following its expiration, but the board may
32 assess a reasonable penalty. A renewal of a license shall be
33 issued to a person licensed pursuant to this section or who
34 holds a license issued under the law of another state. A
35 person holding a license as an accounting practitioner issued

1 by this state prior to July 1, 2001, is deemed to have met the
2 requirements of this section.

3 10. The board, in its discretion, may waive an examination
4 and issue a license as an accounting practitioner to an
5 applicant who satisfies either of the following:

6 a. The applicant holds, or is eligible to hold, an
7 accounting practitioner license issued, after examination, by
8 a state which extends by reciprocity similar privileges to an
9 accounting practitioner of this state, and who, as of the time
10 of issuance of the license, possessed the basic qualifications
11 set forth in subsection 1.

12 b. The applicant has passed the examination required under
13 the laws of another state and possesses the basic
14 qualifications set forth in subsection 1 at the time the
15 applicant applied for a license in this state.

16 11. A person applying for an accounting practitioner
17 license shall pay a fee as determined by the board based upon
18 the costs of issuing such licenses.

19 Sec. 9. NEW SECTION. 542D.9 APPOINTMENT OF SECRETARY OF
20 STATE AS AGENT.

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

30 Sec. 10. NEW SECTION. 542D.10 ENFORCEMENT AGAINST A
31 HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.

32 1. After notice and hearing pursuant to section 542D.11,
33 the board may revoke, suspend for a period of time not to
34 exceed two years, or refuse to renew a license; reprimand,
35 censure, or limit the scope of practice of any licensee;

1 impose an administrative penalty not to exceed one thousand
2 dollars; or place any licensee on probation; all with or
3 without terms, conditions, and in combinations of remedies,
4 for any one or more of the following reasons:

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

7 b. Dishonesty, fraud, or gross negligence in the practice
8 of public accounting.

9 c. Engaging in any activity prohibited under section
10 524D.14 or permitting persons under the licensee's supervision
11 to do so.

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

14 e. Conviction of a felony under the laws of any state of
15 the United States.

16 f. Conviction of any crime, any element of which is
17 dishonesty or fraud as provided in section 542D.5, subsection
18 2, under the laws of any state of the United States.

19 g. Cancellation, revocation, suspension, or refusal to
20 review the authority to practice as a certified public
21 accountant, or the acceptance of the voluntary surrender of a
22 license to practice as a certified public accountant to
23 conclude a pending disciplinary action, by any other state for
24 any cause other than failure to pay appropriate fees in the
25 other state.

26 h. Suspension or revocation of the right to practice
27 before any state or federal agency.

28 i. Conduct discreditable to the public accounting
29 profession.

30 j. Violation of section 272C.10.

31 2. In lieu of or in addition to any remedy specifically
32 provided in subsection 1, the board may require a licensee to
33 satisfy a peer review or desk review process on such terms as
34 the board may specify, satisfactorily complete a continuing
35 education program, or such additional remedies as the board

1 may specify by rule.

2 Sec. 11. NEW SECTION. 542D.11 INVESTIGATIONS AND
3 HEARINGS.

4 1. The board may initiate proceedings under this chapter
5 upon written complaint or on its own motion pursuant to other
6 information received by the board suggesting violations of
7 this chapter or board rules. The board may conduct an
8 investigation as needed to determine whether probable cause
9 exists to initiate such proceedings. In aid of such
10 investigation, the board may issue subpoenas to compel
11 witnesses to testify or persons to produce evidence consistent
12 with the provisions of section 272C.6, subsection 3. The
13 board may also review the publicly available public accounting
14 work product of licensees on a general or random basis to
15 determine whether reasonable grounds exist to initiate
16 proceedings under this chapter or to conduct a more specific
17 investigation.

18 2. A written notice stating the nature of the charge or
19 charges against the accused and the time and place of the
20 hearing before the board on the charges shall be served on the
21 accused not less than thirty days prior to the date of hearing
22 either personally or by mailing a copy by restricted certified
23 mail to the last known address of the accused.

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

29 4. The board may issue subpoenas in any proceeding to
30 compel witnesses to testify and to produce documentary
31 evidence on behalf of the board and shall issue such subpoenas
32 upon the application of the accused, pursuant to section
33 272C.6, subsection 3.

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

1 6. The decision of the board shall be by a majority vote
2 of a quorum of the board. Licensee discipline shall only be
3 imposed upon the majority vote of the member of the board not
4 disqualified pursuant to section 17A.17, subsection 8, or
5 other applicable law.

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

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

9 1. In any case in which the board has suspended, revoked,
10 or restricted a license, refused to renew a license, or
11 accepted the voluntary surrender of a license to conclude a
12 pending disciplinary investigation or action, the board may,
13 upon written application, modify or terminate the suspension,
14 reissue the license, or modify or remove the restriction, with
15 or without terms and conditions.

16 2. The board is vested with discretionary authority to
17 specify by rule the manner in which such applications shall be
18 made, the times within which they shall be made, the
19 circumstances in which a hearing will be held, and the grounds
20 upon which such applications will be decided. The rules shall
21 provide at a minimum that the burden is on the licensee to
22 produce evidence that the basis for revocation, suspension,
23 restriction, refusal to renew, or voluntarily surrender no
24 longer exists and that it will be in the public interest for
25 the board to grant the application on such terms and
26 conditions as the board deems desirable.

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

28 1. Only a certified public accountant may issue a report
29 on financial statements of a person, firm, organization, or
30 governmental unit, or offer to render or render any attest
31 service. Only a certified public accountant or accounting
32 practitioner may render compilation services. This
33 restriction does not prohibit such acts by a public official
34 or public employee in the performance of that person's duties;
35 or prohibit the performance by any nonlicensee of other

1 services involving the use of accounting skills, including the
2 preparation of tax returns, management advisory services, and
3 the preparation of financial statements without the issuance
4 of reports on such financial statements. A nonlicensee may
5 prepare financial statements and issue nonattest transmittals
6 or information on such statements or transmittals which do not
7 purport to be in compliance with the statements on standards
8 for accounting and review services.

9 2. A licensee performing attest or compilation services
10 must provide those services consistent with professional
11 standards.

12 3. A person not holding a certificate shall not use or
13 assume the title "certified public accountant" or the
14 abbreviation "CPA" or any other title, designation, words,
15 letters, abbreviation, sign, card, or device tending to
16 indicate that such person is a certified public accountant.

17 4. A firm shall not provide attest services or assume or
18 use the title "certified public accountants" or the
19 abbreviation "CPAs" or any other title, designation, words,
20 letters, abbreviation, sign, card, or device tending to
21 indicate that such firm is a certified public accountant firm
22 unless the firm holds a permit issued under section 542D.7 and
23 ownership of the firm satisfies the requirements of this
24 chapter and rules adopted by the board.

25 5. A person shall not assume or use the title "accounting
26 practitioner" or the abbreviation "AP" or any other title,
27 designation, words, letters, abbreviation, sign, card, or
28 device tending to indicate that such person is an accounting
29 practitioner unless that person holds a license issued under
30 section 542D.8.

31 6. A firm not holding a permit issued under section 542D.7
32 shall not provide compilation services or assume or use the
33 title "accounting practitioner" the abbreviation "AP" or any
34 other title, designation, words, letters, abbreviation, sign,
35 card, or device tending to indicate that such firm is composed

1 of accounting practitioners.

2 7. A person or firm not holding a certificate, permit, or
3 license issued under section 542D.6, 542D.7, or 542D.8 shall
4 not assume or use the title "certified accountant", "chartered
5 accountant", "enrolled accountant", "licensed accountant",
6 "registered accountant", "accredited accountant", or any other
7 title or designation likely to be confused with the title
8 "certified public accountant" or "accounting practitioner", or
9 use any of the abbreviations "CA", "LA", "RA", "AA", or
10 similar abbreviation likely to be confused with the
11 abbreviation "CPA" or "AP". The title "enrolled agent" or
12 "EA" may only be used by individuals so designated by the
13 internal revenue service.

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, or 542D.8 shall
22 not assume or use any title or designation that includes the
23 word "accountant", "auditor", or "accounting", in connection
24 with any other language that implies that such person or firm
25 holds such a certificate, permit, or license or has special
26 competence as an accountant or auditor. However, this
27 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 shall not perform attest services in a firm that does not hold
28 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 accounting practitioner.

3 b. Meets competency requirements provided in applicable
4 standards.

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

10 14. This section does not prohibit a practicing attorney
11 from preparing or presenting records or documents customarily
12 prepared by an attorney in connection with the attorney's
13 professional work in the practice of law.

14 15. a. A licensee shall not for a commission recommend or
15 refer a client to any product or service, or for a commission
16 recommend or refer another person to any product or service to
17 be supplied by a client, or receive a commission, when the
18 licensee also performs for that client any of the following:

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

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

24 (3) An examination of prospective financial information.

25 The prohibitions under this paragraph apply during the
26 period in which the licensee is engaged to perform any of the
27 services identified in subparagraphs (1) through (3), and the
28 period covered by any historical financial statements involved
29 in such services.

30 b. A licensee who is not prohibited by this section from
31 performing services for or receiving a commission and who is
32 paid or expects to be paid a commission shall disclose that
33 fact to any person or entity to whom the licensee recommends
34 or refers a product or service to which the commission
35 relates.

1 c. A licensee who accepts a referral fee for recommending
2 a service of a licensee or referring a licensee to any person
3 or entity or who pays a referral fee to obtain a client shall
4 disclose such acceptance or payment to the client.

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

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

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

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

14 (c) An examination of prospective financial information.

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

17 b. Paragraph "a" applies during the period in which the
18 licensee is engaged to perform any of the listed services and
19 the period covered by any historical financial statements
20 involved in such listed services.

21 c. For purposes of this subsection, a contingent fee is a
22 fee established for the performance of a service pursuant to
23 an arrangement in which a fee will not be charged unless a
24 specified finding or result is attained, or in which the
25 amount of the fee is otherwise dependent upon the finding or
26 result of such service. A fee shall not be considered as
27 being a contingent fee if fixed by a court or other public
28 authority, or, in a tax matter, if determined based on the
29 results of a judicial proceeding or the findings of a
30 governmental agency. A licensee's fee may vary depending on
31 the complexity of the services rendered.

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

34 1. If, as a result of an investigation under section
35 542D.11 or otherwise, the board believes that a person or firm

1 has engaged, or is about to engage, in an act or practice
2 which constitutes or will constitute a violation of section
3 542D.13, the board may make application to the district court
4 for an order enjoining such act or practice. Upon a showing
5 by the board that such person or firm has engaged, or is about
6 to engage, in any such act or practice, an injunction,
7 restraining order, or other order as may be appropriate shall
8 be granted by the court.

9 2. In addition to a criminal penalty provided for in
10 section 542D.15, the board, by order, may impose a civil
11 penalty not to exceed one thousand dollars for each offense
12 upon a person who is not a licensee under this chapter and who
13 engages in conduct prohibited by section 542D.13. Each day of
14 a continued violation constitutes a separate offense.

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

17 a. Whether the amount imposed will be a substantial
18 economic deterrent to the violation.

19 b. The circumstances leading to the violation.

20 c. The severity of the violation and the risk of harm to
21 the public.

22 d. The economic benefits gained by the violator as a
23 result of noncompliance.

24 e. The interest of the public.

25 4. The board, before issuing an order under this section,
26 shall provide the person written notice and the opportunity to
27 request a hearing. The hearing must be requested within
28 thirty days after receipt of the notice and shall be conducted
29 in the same manner as provided for disciplinary proceedings
30 involving a licensee under this chapter.

31 5. The board, in connection with a proceeding under this
32 section, may issue subpoenas to compel the attendance and
33 testimony of witnesses and the disclosure of evidence, and may
34 request the attorney general to bring an action to enforce the
35 subpoena.

1 6. A person aggrieved by the imposition of a civil penalty
2 under this section may seek judicial review pursuant to
3 section 17A.19.

4 7. If a person fails to pay a civil penalty within thirty
5 days after entry of an order imposing the civil penalty, or if
6 the order is stayed pending an appeal, within ten days after
7 the court enters a final judgment in favor of the board, the
8 board shall notify the attorney general. The attorney general
9 shall commence an action to recover the amount of the penalty,
10 including reasonable attorney fees and costs.

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

13 9. The board, in its discretion and in lieu of prosecuting
14 a first offense under this section, may enter into a consent
15 agreement with a violator, or with a person guilty of aiding
16 or abetting a violator, which acknowledges the violation and
17 the violator's agreement to refrain from any further
18 violations.

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

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

22 2. If the board has reason to believe that a person has
23 committed a violation subject to subsection 1, the board may
24 certify the facts to the attorney general of this state, or to
25 the county attorney of the county where the person maintains a
26 business office, who, in the attorney general's or county
27 attorney's discretion, may initiate an appropriate criminal
28 proceeding.

29 3. If, after an investigation under section 542D.11 or
30 otherwise, the board has reason to believe that a person or
31 firm has knowingly engaged in an act or practice that
32 constitutes a violation subject to subsection 1, the board may
33 submit its information to the attorney general of any state,
34 or other appropriate law enforcement official, who, in such
35 official's discretion, may initiate an appropriate criminal

1 proceeding.

2 4> Sec. 16. NEW SECTION. 542D.16 SINGLE ACT EVIDENCE OF
3 PRACTICE.

4 In an action brought under section 542D.14 or 542D.15,
5 evidence of the commission of a single act prohibited by this
6 chapter is sufficient to justify a penalty, injunction,
7 restraining order, or conviction, without evidence of a
8 general course of conduct.

9 Sec. 17. NEW SECTION. 542D.17 CONFIDENTIAL
10 COMMUNICATIONS.

11 A licensee shall not voluntarily disclose information
12 communicated to the licensee by a client relating to and in
13 connection with services rendered to the client by the
14 licensee, except with the permission of the client, or an
15 heir, successor, or personal representative of the client.
16 Such information is deemed to be confidential. However, this
17 section shall not be construed as prohibiting the disclosure
18 of information required to be disclosed by the standards of
19 the public accounting profession in reporting on the
20 examination of financial statements or as prohibiting
21 disclosures in a court proceeding, in an investigation or
22 proceeding under section 542D.11, in an ethical investigation
23 conducted by a private professional organization, in the
24 course of a peer review, to another person active in the
25 licensee's firm performing services for that client on a need-
26 to-know basis, to persons associated with the investigative
27 entity who need this information for the sole purpose of
28 assuring quality control, or as otherwise required by law.

29 Sec. 18. NEW SECTION. 542D.18 LICENSEES' WORKING PAPERS
30 -- CLIENTS' RECORDS.

31 1. Subject to section 542D.17, all statements, records,
32 schedules, working papers, and memoranda made by a licensee or
33 a partner, shareholder, officer, director, member, manager, or
34 employee of a licensee, incident to, or in the course of,
35 rendering services to a client, except reports submitted by

1 the licensee to the client and except for records that are
2 part of the client's records, are the property of the licensee
3 in the absence of an express agreement between the licensee
4 and the client to the contrary. Such statement, record,
5 schedule, working paper, or memorandum shall not be sold,
6 transferred, or bequeathed, without the consent of the client
7 or the client's personal representative or assignee, to anyone
8 other than a surviving partner, stockholder, or member of the
9 licensee, or any combined or merged firm or successor in
10 interest to the licensee. This section shall not be construed
11 as prohibiting a temporary transfer of working papers or other
12 material necessary in the course of carrying out peer reviews
13 or as otherwise interfering with the disclosure of information
14 pursuant to section 542D.17.

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

17 a. A copy of the licensee's working papers, to the extent
18 that such working papers include records that would ordinarily
19 constitute part of the client's records and are not otherwise
20 available to the client.

21 b. Accounting or other records belonging to, or obtained
22 from or on behalf of, the client that the licensee removed
23 from the client's premises or received for the client's
24 account. The licensee may make and retain copies of such
25 documents of the client when they form the basis for work done
26 by the licensee.

27 3. This chapter does not require a licensee to keep any
28 working papers beyond the period prescribed in any other
29 applicable statute.

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

31 1. a. An individual whose principal place of business is
32 not in this state having a certificate or license as a
33 certified public accountant from any state which the national
34 association of state boards of accountancy's national
35 qualification appraisal service has verified to be in

1 substantial equivalence with the certified public accountant
2 certification requirements of this chapter is presumed to have
3 qualifications substantially equivalent to this state's
4 requirements. Such individual shall have all the privileges
5 of certificate or permit holders of this state without the
6 need to obtain a certificate or permit under section 542D.6 or
7 542D.7. However, such individual shall notify the board of
8 the individual's intent to engage in acts as a certified
9 public accountant in this state under this section.

10 b. An individual whose principal place of business is not
11 in this state having a certificate or license as a certified
12 public accountant from any state which the national
13 association of state boards of accountancy's national
14 qualification appraisal service has not verified to be in
15 substantial equivalence with the certified public accountant
16 certification requirements of this chapter is presumed to have
17 qualifications substantially equivalent to this state's
18 requirements and shall have all the privileges of certificate
19 or permit holders of this state without the need to obtain a
20 certificate or permit under section 542D.6 or 542D.7 if such
21 individual obtains from the national association of state
22 boards of accountancy's national qualification appraisal
23 service verification that such individual's certified public
24 accountant qualifications are substantially equivalent to the
25 certified public accountant certification requirements of this
26 chapter. However, such individual shall notify the board of
27 the individual's intent to engage in acts as a certified
28 public accountant in this state under this section.

29 c. A licensee or permittee of another state exercising the
30 privilege afforded under this section, as a condition of the
31 grant of this privilege, consents to all of the following:

- 32 (1) The personal and subject matter jurisdiction of the
33 board.
- 34 (2) Compliance with this chapter and the board's rules.
- 35 (3) The appointment of the state board which issued the

1 licensee's license as the licensee's or permittee's agent upon
2 whom process may be served in any action or proceeding by the
3 Iowa accountancy examining board against the licensee or
4 permittee.

5 2. A licensee under this chapter offering or rendering
6 services or using a certified public accountant or accounting
7 practitioner title in another state is subject to disciplinary
8 action in this state for an act committed in another state for
9 which the licensee would be subject to discipline for the act
10 committed in the other state. Notwithstanding section
11 542D.11, subsection 1, the board is required to investigate
12 any complaint made by the board of accountancy of another
13 state.

14 Sec. 20. Section 15E.208, subsection 5, paragraph d,
15 subparagraph (4), Code Supplement 1999, is amended to read as
16 follows:

17 (4) The manner of oversight required by the department or
18 the auditor of state. The articles must provide that the
19 corporation shall submit a report to the governor, the general
20 assembly, and the department. The report shall provide a
21 description of the corporation's activities and a summary of
22 its finances, including financial awards. The report shall be
23 submitted not later than January 10 of each year. The
24 articles shall provide that an audit of the corporation must
25 be conducted each year for the preceding year by a certified
26 public accountant licensed pursuant to chapter 542E 542D. The
27 auditor of state may audit the books and accounts of the
28 corporation at any time. The results of the annual audit and
29 any audit for the current year conducted by the auditor of
30 state shall be included as part of the report.

31 Sec. 21. Section 99D.20, Code 1999, is amended to read as
32 follows:

33 99D.20 AUDIT OF LICENSEE OPERATIONS.

34 Within ninety days after the end of each race meet, the
35 licensee shall transmit to the commission an audit of the

1 financial transactions and condition of the licensee's
2 operations conducted under this chapter. Additionally, within
3 ninety days after the end of the licensee's fiscal year, the
4 licensee shall transmit to the commission an audit of the
5 financial transactions and condition of the licensee's total
6 operations. All audits shall be conducted by certified public
7 accountants registered in the state of Iowa under chapter 542E
8 542D.

9 Sec. 22. Section 99F.13, Code 1999, is amended to read as
10 follows:

11 99F.13 ANNUAL AUDIT OF LICENSEE OPERATIONS.

12 Within ninety days after the end of the licensee's fiscal
13 year, the licensee shall transmit to the commission an audit
14 of the financial transactions and condition of the licensee's
15 total operations. All audits shall be conducted by certified
16 public accountants registered or licensed in the state of Iowa
17 under chapter 542E 542D.

18 Sec. 23. Section 203.16, subsection 7, Code Supplement
19 1999, is amended to read as follows:

20 7. Where released at the request of the Iowa board of
21 accountancy for licensee review and discipline in accordance
22 with chapters 272C and 542E 542D and subject to the
23 confidentiality requirements of section 272C.6.

24 Sec. 24. Section 203C.24, subsection 7, Code Supplement
25 1999, is amended to read as follows:

26 7. Where released at the request of the Iowa board of
27 accountancy for licensee review and discipline in accordance
28 with chapters 272C and 542E 542D and subject to the
29 confidentiality requirements of section 272C.6.

30 Sec. 25. Section 272C.1, subsection 6, paragraph c, Code
31 1999, is amended to read as follows:

32 c. The Iowa accountancy examining board, created pursuant
33 to chapter 542E 542D.

34 Sec. 26. Section 272C.3, subsection 2, paragraph a, Code
35 1999, is amended to read as follows:

1 a. Revoke a license, or suspend a license either until
2 further order of the board or for a specified period, upon any
3 of the grounds specified in section 147.55, 148.6, 148B.7,
4 153.34, 154A.24, 169.13, 542B.21, ~~542E.21~~ 542D.10, 543B.29,
5 544A.13, 544B.15, or 602.3203 or chapter 151, 155, 507B or
6 522, as applicable, or upon any other grounds specifically
7 provided for in this chapter for revocation of the license of
8 a licensee subject to the jurisdiction of that board, or upon
9 failure of the licensee to comply with a decision of the board
10 imposing licensee discipline;

11 Sec. 27. Section 272C.4, subsection 6, Code 1999, is
12 amended to read as follows:

13 6. Define by rule acts or omissions which are grounds for
14 revocation or suspension of a license under section 147.55,
15 148.6, 148B.7, 153.34, 154A.24, 169.13, 455B.191, 542B.21,
16 ~~542E.21~~ 542D.10, 543B.29, 544A.13, 544B.15, or 602.3203 or
17 chapter 151, 155, 507B or 522, as applicable, and to define by
18 rule acts or omissions which constitute negligence, careless
19 acts or omissions within the meaning of section 272C.3,
20 subsection 2, paragraph "b", which licensees are required to
21 report to the board pursuant to section 272C.9, subsection 2;

22 Sec. 28. Section 272C.5, subsection 2, paragraph c, Code
23 1999, is amended to read as follows:

24 c. Shall state whether the procedures are an alternative
25 to or an addition to the procedures stated in sections 147.58
26 to 147.71, 148.6 to 148.9, 153.23 to 153.30, 153.33, and
27 154A.23, 542B.22, ~~542E.23~~ 542D.11, 543B.35, 543B.36, 544B.16.

28 Sec. 29. Section 272C.6, subsection 6, unnumbered
29 paragraph 1, Code 1999, is amended to read as follows:

30 A board created pursuant to chapter 147, 154A, 155, 169,
31 542B, ~~542E~~ 542D, 543B, 543D, 544A, or 544B may charge a fee
32 not to exceed seventy-five dollars for conducting a
33 disciplinary hearing pursuant to this chapter which results in
34 disciplinary action taken against the licensee by the board,
35 and in addition to the fee, may recover from a licensee the

1 costs for the following procedures and associated personnel:

2 Sec. 30. Section 272C.9, subsection 2, Code 1999, is
3 amended to read as follows:

4 2. A licensee has a continuing duty to report to the
5 licensing board by whom the person is licensed those acts or
6 omissions specified by rule of the board pursuant to section
7 272C.4, subsection 6, when committed by another person
8 licensed by the same licensing board. This subsection does
9 not apply to licensees under chapter ~~542E~~ 542D when the
10 observations are a result of participation in programs of
11 practice review, peer review and quality review conducted by
12 professional organizations of certified public accountants,
13 for educational purposes and approved by the accountancy
14 examining board.

15 Sec. 31. Section 502.102, subsection 11, paragraph c,
16 subparagraphs (3) and (4), Code Supplement 1999, are amended
17 to read as follows:

18 (3) An attorney licensed to practice law in this state, a
19 certified public accountant licensed pursuant to chapter ~~542E~~
20 542D, a professional engineer licensed pursuant to chapter
21 542B, or a certified teacher, if the person's performance of
22 these services is solely incidental to the practice of the
23 person's profession.

24 (4) An attorney licensed to practice law in this state or
25 a certified public accountant licensed pursuant to chapter
26 ~~542E~~ 542D who does not do any of the following:

27 Sec. 32. Section 522.1, subsection 2, Code 1999, is
28 amended to read as follows:

29 2. A certified public accountant licensed pursuant to
30 chapter ~~542E~~ 542D.

31 Sec. 33. Section 546.10, subsection 1, paragraph b, Code
32 1999, is amended to read as follows:

33 b. The Iowa accountancy examining board created pursuant
34 to chapter ~~542E~~ 542D.

35 Sec. 34. Section 546.10, subsection 5, Code 1999, is

1 amended to read as follows:

2 5. Fees collected under chapters 542B, ~~542E~~ 542D, 543B,
3 543D, 544A, and 544B shall be paid to the treasurer of state
4 and credited to the general fund of the state. All expenses
5 required in the discharge of the duties and responsibilities
6 imposed upon the professional licensing division of the
7 department of commerce, the administrator, and the licensing
8 boards by the laws of this state shall be paid from moneys
9 appropriated by the general assembly for those purposes. All
10 fees deposited into the general fund of the state, as provided
11 in this subsection, shall be subject to the requirements of
12 section 8.60.

13 Sec. 35. Section 669.14, subsection 11, unnumbered
14 paragraph 1, Code Supplement 1999, is amended to read as
15 follows:

16 Any claim for financial loss based upon an act or omission
17 in financial regulation, including but not limited to
18 examinations, inspections, audits, or other financial
19 oversight responsibilities, pursuant to chapters 87, 203,
20 203A, 203C, 203D, 421B, 486, 487, and 490 through 553,
21 excluding chapters 540A, 542B, ~~542E~~ 542D, 543B, 543C, 543D,
22 544A, and 544B.

23 Sec. 36. Chapter 542C, Code 1999, is repealed, effective
24 July 1, 2001. However, this Act shall not be construed to
25 invalidate or affect any action taken or any proceeding
26 instituted under any law in effect prior to the effective date
27 of this Act.

28 Sec. 37. CONSTRUCTION. This Act shall be construed to
29 fully recognize a certificate, license, or permit issued
30 pursuant to chapter 542C prior to July 1, 2001, as though
31 issued under this Act.

32 Sec. 38. EFFECTIVE DATE. This Act takes effect July 1,
33 2001.

34 EXPLANATION

35 This bill creates a new Code chapter 542D, which

1 establishes certification, permitting, and licensure
2 requirements for accounting professionals in this state. The
3 bill repeals existing requirements contained in current Code
4 chapter 542C. The bill is based on model legislation
5 developed jointly by the American institute of certified
6 public accountants and the national association of state
7 boards of accountancy.

8 New Code section 542D.1 sets forth the title of the new
9 Code chapter as the "Iowa Accountancy Act of 2000".

10 New Code section 542D.2 sets forth a statement of
11 legislative intent which is to promote the reliability of
12 information that is used for guidance in financial
13 transactions or for accounting for or assessing the financial
14 status or performance of commercial, noncommercial, and
15 governmental enterprises.

16 New Code section 542D.3 establishes the definitions of
17 terms used in the Code chapter.

18 New Code section 542D.4 establishes the accountancy
19 examining board in a manner similar to current Code chapter
20 542C.

21 New Code section 542D.5 sets forth the qualifications
22 required to be met to be issued a certificate as a certified
23 public accountant. The Code section requires that an
24 applicant be of good moral character and meet established
25 education, experience, and examination requirements.

26 New Code section 542D.6 establishes the process of
27 application for an initial certificate as a certified public
28 accountant, as well as for renewal and reciprocal issuance of
29 certificates. This section requires that a licensee shall
30 participate in a program of professional education designed to
31 ensure continuing competence.

32 New Code section 542D.7 provides for the issuance of
33 permits to practice as a certified public accountant firm or
34 accounting practitioner firm upon submission of an application
35 and demonstration of the requirements established in the new

1 Code section. A person or firm holding a permit to practice
2 issued by this state prior to July 1, 2001, is decreed to have
3 met the requirements of this section.

4 New Code section 542D.8 sets forth the qualifications to be
5 met in order to be issued a license as an accounting
6 practitioner. This Code section establishes the process of
7 application for the initial license, as well as license
8 renewal. The Code section provides that a person holding a
9 license as an accounting practitioner issued by this state
10 prior to July 1, 2001, is deemed to have met the requirements
11 of the Code section.

12 New Code section 542D.9 establishes that an application for
13 a certificate, permit, or license to practice by a person or a
14 firm not a resident of the state constitutes appointment of
15 the secretary of state as the applicant's agent upon whom
16 process may be served in any action or proceeding against the
17 applicant arising out of any transaction or operation
18 connected with or incidental to services performed by the
19 applicant within this state.

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

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

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

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

1 New Code section 542D.14 grants authority to the
2 accountancy examining board to obtain injunctive relief from a
3 court if the board finds that any person or firm has engaged,
4 or is about to engage, in any acts or practices which will
5 constitute a violation of the new Code chapter. The new Code
6 section also provides for the levying of civil penalties and
7 the issuance of consent orders.

8 New Code section 542D.15 establishes a criminal penalty for
9 a violation of new Code section 542D.13, relating to unlawful
10 acts. A person who commits such violation is guilty of a
11 serious misdemeanor.

12 New Code section 542D.16 provides that in any action
13 brought to enforce the chapter, evidence of the commission of
14 a single prohibited act is sufficient to justify a penalty,
15 injunction, restraining order, or conviction, without evidence
16 of a general course of conduct.

17 New Code section 542D.17 defines the confidentiality of
18 client communications to accountants. The new Code section
19 establishes certain instances where such communications may be
20 disclosed.

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

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

27 Sections 20 through 35 of the bill make conforming changes
28 relating to the repeal of Code chapter 542C and the creation
29 of Code chapter 542D in this bill.

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

33 Section 37 of the bill provides for the bill's
34 construction.

35 Section 38 of the bill provides that the bill takes effect

1 on July 1, 2001.

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SENATE FILE 2415

S-5087

1 Amend Senate File 2415 as follows:

2 1. Page 5, line 35, by inserting after the word
3 "public." the following: "A certified or licensed
4 member of the board shall be actively engaged in
5 practice as a certified public accountant or as an
6 accounting practitioner and shall have been so engaged
7 for five years preceding appointment, the last two of
8 which shall have been in this state."

9 2. Page 6, by striking lines 29 through 33 and
10 inserting the following: "places as may be fixed by
11 the board. A majority of".

12 3. Page 8, by striking lines 5 through 12 and
13 inserting the following:

14 "6. The administrator of the professional
15 licensing and regulation division of the department of
16 commerce shall provide staffing assistance to the
17 board for implementing this chapter."

18 4. By striking page 8, line 31, through page 9,
19 line 2, and inserting the following: "evidence."

20 5. Page 9, by inserting after line 24 the
21 following:

22 "___ . Rules relating to the propriety of opinions
23 on financial statements by a certified public
24 accountant who is not independent.

25 ___ . Rules relating to actions discreditable to
26 the practice as a certified public accountant or
27 accounting practitioner.

28 ___ . Rules relating to professional confidences
29 between a certified public accountant or accounting
30 practitioner and a client.

31 ___ . Rules governing technical competence and the
32 expression of opinions on financial statements.

33 ___ . Rules governing the failure to disclose a
34 material fact known to the certified public accountant
35 or accounting practitioner.

36 ___ . Rules relating to a material misstatement
37 known to the certified public accountant or accounting
38 practitioner.

39 ___ . Rules governing negligent conduct in an
40 examination or in making a report on an examination.

41 ___ . Rules governing failure to direct attention
42 to any material departure from generally accepted
43 accounting principles."

44 6. Page 10, by striking lines 11 through 28 and
45 inserting the following:

46 "1. A certificate as a certified public accountant
47 may be granted to a person of good moral character who
48 makes application pursuant to section 542D.6 and who
49 satisfies the education, experience, and examination
50 requirements of this section.

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1 2. An applicant for a certificate who has been
2 convicted of forgery, embezzlement, obtaining money
3 under false pretenses, theft, extortion, conspiracy to
4 defraud, or other similar offense, or of any crime
5 involving moral character or honesty, in a court of
6 competent jurisdiction in this state, or another
7 state, territory, or a district of the United States,
8 or in a foreign jurisdiction, may be denied a
9 certificate by the board on the grounds of the
10 conviction. For purposes of this subsection,
11 "conviction" means a conviction for an indictable
12 offense and includes a guilty plea, deferred judgment
13 from the time of entry of the deferred judgment until
14 the time the defendant is discharged by the court
15 without entry of judgment, or other finding of guilt
16 by a court of competent jurisdiction.

17 2A. An applicant for a certificate who has had a
18 professional license of any kind revoked in this or
19 any other jurisdiction may be denied a certificate by
20 the board on the grounds of the revocation.

21 2B. A person who makes a false statement of
22 material fact on an application for a certificate, or
23 who causes to be submitted, or has been a party to
24 preparing or submitting a false application for a
25 certificate, may be denied a certificate by the board
26 on the grounds of the false statement or submission.
27 A certificate holder found to have made such a false
28 statement or who has caused to be submitted, or was a
29 party to preparing or submitting any false application
30 for a certificate, may have the holder's certificate
31 suspended or revoked by the board on the grounds of
32 the false statement or submission.

33 2C. A certified public accountant shall notify the
34 board of such accountant's conviction of an offense
35 included in subsection 2, within sixty days of such
36 conviction. Failure of the certified public
37 accountant to notify the board of the conviction
38 within sixty days of the date of the conviction is
39 sufficient grounds for revocation of the certificate.

40 2D. The board, when considering the denial or
41 revocation of a certificate pursuant to this section,
42 shall consider the nature of the offense; any
43 aggravating or extenuating circumstances which are
44 documented; the time lapsed since the revocation,
45 conduct, or conviction; the rehabilitation, treatment,
46 or restitution performed by the applicant or
47 certificate holder; and any other factors the board
48 deems relevant. Character references may be required,
49 but shall not be obtained from certified public
50 accountants. An applicant shall not be denied a

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- 1 certificate because of age, citizenship, race,
2 religion, marital status, or national origin, although
3 the application may require citizenship information."
4 7. Page 13, line 33, by striking the word
5 "thirty" and inserting the following: "sixty".
6 8. Page 18, line 1, by striking the word "thirty"
7 and inserting the following: "sixty".
8 9. Page 25, line 10, by striking the figure
9 "542D.14" and inserting the following: "542D.13".
10 10. Page 33, line 10, by striking the words ", by
11 order," and inserting the following: "may issue an
12 order to require compliance with section 542D.15 and".
13 11. Page 34, line 9, by striking the word "shall"
14 and inserting the following: "may".
15 12. Page 36, line 33, by inserting after the word
16 "the" the following: "board or the".
17 13. Page 37, line 2, by inserting after the word
18 "chapter" the following: ", except as to those
19 jurisdictions found not to be substantially equivalent
20 by the board,".
21 14. Page 37, line 9, by inserting after the word
22 "section" the following: "and remit the fee set by
23 the board".
24 15. Page 37, line 21, by inserting after the word
25 "from" the following: "the board or".
26 16. Page 37, line 23, by inserting after the word
27 "verification" the following: ", subject to the
28 board's review and approval,".
29 17. Page 37, line 28, by inserting after the word
30 "section" the following: "and remit the fee set by
31 the board".
32 18. By renumbering as necessary.

By JEFF LAMBERTI

S-5087 FILED MARCH 8, 2000