

CHAPTER 19
TRANSITIONAL RULES

193A—19.1(542C,79GA,HF451) Purpose. The Iowa Accountancy Act of 2001, 2001 Iowa Acts, House File 451, becomes effective July 1, 2002. Iowa Code chapter 542C is repealed effective July 1, 2002. These rules are intended to aid transitional planning for those persons holding CPA certificates, AP licenses, or permits to practice issued in Iowa prior to July 1, 2002. Comprehensive new rules fully implementing the Iowa Accountancy Act of 2001 will be adopted in 2002.

193A—19.2(542C,79GA,HF451) CPA certificates and permits to practice. 2001 Iowa Acts, House File 451, eliminates the distinction between CPA certificates and permits to practice. As of July 1, 2002, all persons holding CPA certificates may use the title “CPA” without the need for a separate individual permit to practice. CPAs wishing to perform attest services or use the title “CPA” in a firm name, however, may do so only within a CPA firm which holds a firm permit to practice.

19.2(1) Certificate holders deemed qualified. Persons holding CPA certificates issued in Iowa prior to July 1, 2002, are deemed to have satisfied the education, examination and experience qualifications for a CPA certificate under the Iowa Accountancy Act of 2001.

19.2(2) Certificates remain valid. CPA certificates issued prior to July 1, 2002, remain valid on and after July 1, 2002, if properly renewed and in good standing.

19.2(3) Biennial renewal. CPA certificates issued prior to July 1, 2002, will continue to be renewed on a biennial schedule:

a. CPA certificates held by persons whose last names begin with A–K expire on June 30, 2002, if not renewed on or prior to June 30, 2002. The biennial renewal fee for the period between July 1, 2002, and June 30, 2004, is \$100.

b. CPA certificates held by persons whose last names begin with L–Z expire on June 30, 2003, if not renewed on or prior to June 30, 2003. The biennial renewal fee for the period between July 1, 2003, and June 30, 2005, is \$100.

19.2(4) Reinstating lapsed certificates. A CPA certificate which has lapsed may be restored to effective status at any time prior to July 1, 2002, upon the board’s receipt of a proper application accompanied by a reinstatement fee of \$100 and a renewal fee of \$25 (persons whose last names begin with A–K) or \$50 (persons whose last names begin with L–Z). A person who fails to reinstate a lapsed CPA certificate prior to July 1, 2002, may reinstate on or after July 1, 2002, but in addition to payment of applicable renewal fees and a \$100 reinstatement fee, the applicant must satisfy continuing education requirements as described in subrule 19.4(3).

19.2(5) Continuing education. Commencing July 1, 2002, all CPA certificate holders who do not qualify for “inactive status,” as defined in 2001 Iowa Acts, House File 451, section 6(3), are required to complete continuing education as a condition of certificate renewal. Continuing education requirements are described in rule 19.4(542C,79GA,HF451).

19.2(6) Peer review. Commencing July 1, 2002, CPA certificate holders who issue compilation reports other than through a CPA or LPA firm which holds a firm permit to practice are required to complete compilation peer review as a condition of certificate renewal. Peer review requirements are described in rule 19.5(542C,79GA,HF451).

19.2(7) Permits to practice phased out. As of July 1, 2002, the board will no longer issue or renew individual permits to practice as a CPA. Permits to practice will continue to be issued to CPA firms as described in subrule 19.2(9).

19.2(8) *Attest services.* CPA certificate holders who are responsible for supervising attest services or who sign or authorize someone to sign the accountant's attest report on the financial statements on behalf of a CPA firm must be qualified to perform attest services. The board is in the process of developing experience and competency standards for attest services. While additional methods of attaining proper qualification may accordingly be developed, CPAs holding an individual permit to practice will qualify as follows:

a. A person holding or having held an individual permit to practice as a CPA issued prior to July 1, 2002, will be deemed to qualify to perform attest services on and after July 1, 2002, in a CPA firm holding a firm permit to practice provided that appropriate continuing education is maintained as provided in subrule 19.4(4).

b. CPA certificate holders who are in the process of attaining the two years of full-time, supervised experience as required to hold an individual permit to practice will be deemed qualified to perform attest services if they fully satisfy the requirements outlined in 193A—9.8(542C) and thereafter maintain appropriate continuing education. Such experience must be attained in a CPA firm holding a firm permit to practice and under the supervision of a CPA in the following areas of practice:

(1) Application of a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in accounting records;

(2) Preparation of audit working papers covering the examination of the accounts usually found in accounting records;

(3) Planning of the program of audit work including the selection of the procedures to be followed;

(4) Preparation of written explanations and comments on the findings of the examinations and on the content of accounting records; and

(5) Preparation and analysis of financial statements together with explanations and notes thereon.

19.2(9) *Firm permits to practice.* Firm permits to practice are renewed annually and expire June 30, 2002. All firms must file an initial application for a firm permit to practice for the period beginning July 1, 2002.

a. Initial firm permits to practice will be issued for the period beginning July 1, 2002, and ending June 30, 2003.

b. Applications for initial firm permits to practice will be deemed timely if hand delivered or postmarked by July 31, 2002, and, if granted, be effective as of July 1, 2002. New application forms for firm permits to practice will be available by May 15, 2002, and may be filed prior to enactment of the new law.

c. CPA firms holding or having held firm permits to practice issued prior to July 1, 2002, are deemed to qualify for a firm permit to practice under the Iowa Accountancy Act of 2001.

d. Firm permits to practice will be renewed annually on a fiscal year ending June 30. The initial application fee will be \$50. The annual renewal fee will be \$50.

193A—19.3(542C,79GA,HF451) AP licenses and permits to practice. 2001 Iowa Acts, House File 451, creates a new license of licensed public accountant (LPA) to replace the current license of accounting practitioner (AP). Persons holding a license as an LPA may practice nonattest public accounting using the title "LPA" without the need for a separate individual permit to practice. LPAs wishing to use the title "LPA" in a firm name, however, may do so only within an LPA firm which holds a firm permit to practice.

19.3(1) *AP license holders deemed qualified.* Persons holding AP licenses in full force and effect on July 1, 2002, are deemed qualified to hold LPA licenses under the Iowa Accountancy Act of 2001.

19.3(2) *Licenses remain valid.* AP licenses issued prior to July 1, 2002, remain valid on and after July 1, 2002, if properly renewed and in good standing. Such licenses shall be treated for all purposes as LPA licenses and shall be renewed as LPA licenses. The board shall issue at no charge a replacement license reflecting the new LPA title and retaining the previously issued license number.

19.3(3) *Biennial renewal.* AP licenses issued prior to July 1, 2002, will be renewed as LPA licenses on a biennial schedule:

a. Licenses held by persons whose last names begin with A–K expire on June 30, 2002, if not renewed on or prior to June 30, 2002. The biennial renewal fee for the period between July 1, 2002, and June 30, 2004, is \$100.

b. Licenses held by persons whose last names begin with L–Z expire on June 30, 2003, if not renewed on or prior to June 30, 2003. The biennial renewal fee for the period between July 1, 2003, and June 30, 2005, is \$100.

19.3(4) *Reinstating lapsed licenses.* An AP license which has lapsed may be restored to effective status at any time prior to July 1, 2002, upon the board’s receipt of a proper application accompanied by a reinstatement fee of \$100, prorated renewal fee, and evidence of completion of satisfactory continuing education. Persons who fail to reinstate a lapsed AP license prior to July 1, 2002, must reapply for an LPA license, pay applicable application and reinstatement fees, and satisfy continuing education requirements, but they will be deemed to be qualified for an LPA license.

19.3(5) *Continuing education.* Continuing education requirements applicable to a person holding an AP license shall remain applicable to a person holding an LPA license, unless the licensee qualifies for “inactive status” as defined in 2001 Iowa Acts, House File 451, section 8. In addition, LPAs who issue compilation reports shall complete compilation continuing education as provided in subrule 19.4(2).

19.3(6) *Peer review.* Commencing July 1, 2002, LPA license holders who issue compilation reports other than through a CPA firm or LPA firm which holds a firm permit to practice are required to complete compilation peer review as a condition of license renewal. Peer review requirements are described in rule 19.5(542C,79GA,HF451).

19.3(7) *Permits to practice phased out.* As of July 1, 2002, the board will no longer issue or renew individual permits to practice. Permits to practice will continue to be issued to LPA firms as described in subrule 19.3(8).

19.3(8) *Firm permits to practice.* Firm permits to practice are renewed annually and expire June 30, 2002. All firms must file an initial application for a firm permit to practice for the period beginning July 1, 2002.

a. Initial firm permits to practice will be issued for the period beginning July 1, 2002, and ending June 30, 2003.

b. Applications for initial firm permits to practice will be deemed timely if hand delivered or postmarked by July 31, 2002, and, if granted, be effective as of July 1, 2002. New application forms for firm permits to practice will be available by May 15, 2002, and may be filed prior to enactment of the new law.

c. LPA firms holding or having held firm permits to practice issued prior to July 1, 2002, are deemed to qualify for a firm permit to practice under the Iowa Accountancy Act of 2001.

d. Firm permits to practice will be renewed annually on a fiscal year ending June 30. The initial application fee will be \$50. The annual renewal fee will be \$50.

193A—19.4(542C,79GA,HF451) *Continuing education.* Commencing July 1, 2002, all persons holding CPA certificates or LPA licenses must complete, as a condition of certificate or license renewal, 120 hours of qualifying continuing education as outlined in rule 193A—10.5(542C) within the three-year period ending on the December 31 preceding the application for certificate or license renewal. This requirement mirrors the continuing education required as a condition to renew an individual CPA or AP permit to practice.

19.4(1) Transition period for persons holding CPA certificates. A substantial number of persons holding CPA certificates have not previously been subject to continuing education requirements because they have not held a permit to practice. In light of that circumstance, CPA certificate holders will be deemed to be in compliance with continuing education requirements if they have completed qualifying continuing education in the amounts and within the time periods stated in the following chart:

Biennial renewal period ending on:	Last names begin with:	Time period within which continuing education shall be completed:	Required number of qualifying hours:
6/30/03	L – Z	1/1/01 – 12/31/02	40
6/30/04	A – K	1/1/01 – 12/31/03	80
6/30/05	L – Z	1/1/02 – 12/31/04	120
6/30/06	A – K	1/1/03 – 12/31/05	120

19.4(2) Commencing with the biennial renewal period ending June 30, 2003, in each biennial period in which compilation reports are issued, all CPA certificate holders or LPA license holders who are responsible for supervising compilation services or who sign or authorize someone to sign the accountant's compilation report on the financial statements on behalf of a firm shall complete, as a condition of certificate or license renewal, a minimum of seven hours of continuing education devoted to statements on standards for accounting and review services (SSARS). When required, the SSARS continuing education shall be completed within the two-year period ending on the December 31 preceding the application for certificate or license renewal.

19.4(3) Lapsed certificates or licenses. In addition to any other applicable requirement, a person filing an application between July 1, 2002, and June 30, 2004, to reinstate a CPA certificate which was initially issued prior to July 1, 2002, shall complete qualifying continuing education as follows: The applicant must have completed either 120 hours of qualifying education in the three years preceding the date of the application, 80 hours of qualifying education in the two years preceding the date of the application, or 40 hours of qualifying education in the one year preceding the date of the application. After the application is granted, continuing education will be required as a condition of biennial renewal on the schedule outlined in subrule 19.4(1).

19.4(4) Special caution for CPAs performing attest services. CPAs performing attest services are cautioned that the minimum requirements for qualifying continuing education under this rule may or may not satisfy other standards applicable to the performance of attest services, such as "yellow book" standards applicable to government audits.

193A—19.5(542C,79GA,HF451) Peer review. Under the Iowa Accountancy Act of 2001, peer review is required as a condition of renewal for a CPA or LPA who issues compilation reports other than through a CPA firm or LPA firm which holds a permit to practice and as a condition of firm permit renewal for LPA firms which issue compilation reports and CPA firms which provide attest services or issue compilation reports.

19.5(1) Because of the expanded peer review requirements and the need for peer review programs to accommodate increased demand, persons or firms subject to peer review for the first time when the law changes on July 1, 2002, shall have until June 30, 2004, to complete their first peer review program.

19.5(2) Persons or firms which have already been subject to peer review prior to July 1, 2002, shall continue with the schedule outlined in 193A—Chapter 17.

19.5(3) Persons or firms which are initially issued a certificate, license or permit on or after July 1, 2002, or which become subject to peer review for the first time after June 30, 2002, due to changes in their practice shall complete peer review within 18 months of the initial engagement, as described in rule 193A—17.9(542C), or by June 30, 2004, whichever date is later.

19.5(4) Satisfactory completion of existing peer review programs for compilation services administered by the Iowa Society of Certified Public Accountants, the National Society of Accountants, or substantially similar peer review programs in Iowa or other states will satisfy the compilation peer review requirement.

193A—19.6(542C,79GA,HF451) “Safe harbor” language. Persons who do not hold a CPA certificate or LPA license and firms which do not hold a CPA or LPA firm permit to practice shall not use language in any statement relating to the financial affairs of a person or entity which is conventionally used by CPAs or LPAs in reports on financial statements. Pursuant to the Iowa Accountancy Act of 2001, 2001 Iowa Acts, House File 451, section 13(8), such persons or firms may use the following “safe harbor” language:

“I (we) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners).

I (we) have not audited, reviewed or compiled the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.”

These rules are intended to implement Iowa Code chapter 542C and 2001 Iowa Acts, House File 451.

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