

## CHAPTER 542

## PUBLIC ACCOUNTANTS

Referred to in [§15E.208](#), [§80A.2](#), [§99D.20](#), [§99F.13](#), [§203.16](#), [§203C.24](#), [§272C.1](#), [§272C.6](#), [§272C.9](#), [§546.10](#), [§669.14](#), [§714E.1](#), [§714H.4](#)

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**542.1 Title.**

[This chapter](#) shall be known and may be cited as the “*Iowa Accountancy Act of 2001*”.  
[2001 Acts, ch 55, §1, 38](#)

**542.2 Legislative intent.**

It is the policy of this state, and the purpose of [this chapter](#), to promote the reliability of information that is used for guidance in financial transactions or for accounting for or assessing the financial status or performance of commercial, noncommercial, and governmental enterprises. The reliance of the public in general and of the business community in particular on sound financial reporting imposes on persons engaged in such practice certain obligations both to their clients and to the public. These obligations, which [this chapter](#) is intended to enforce, include the obligation to maintain independence in thought and action, to strive continuously to improve one's professional skills, to observe where applicable generally accepted accounting principles and generally accepted auditing standards, to promote sound and informative financial reporting, to hold the affairs of clients in confidence, and to maintain high standards of personal conduct in all matters affecting one's fitness to practice public accountancy. The public interest requires that persons professing special competence in accountancy or offering assurance as to the reliability or fairness of presentation of such information shall have demonstrated their qualifications to do so, and that persons who have not demonstrated and maintained such qualifications not be permitted to represent themselves as having such special competence or to offer such assurance; that the conduct of persons licensed as having special competence in accountancy be regulated in all aspects of their professional work; that a public authority competent to prescribe and assess the qualifications and to regulate the conduct of licensees be established; and that the use of titles that have a capacity or tendency to deceive the public as to the status or competence of the persons using such titles be prohibited.

[2001 Acts, ch 55, §2, 38](#)

**542.3 Definitions.**

As used in [this chapter](#), unless the context otherwise requires:

1. a. “Attest” or “attest service” means providing any of the following services:

(1) An audit or other engagement to be performed in accordance with the statements on auditing standards.

(2) A review of a financial statement to be performed in accordance with the statements on standards for accounting and review services.

(3) Any engagement to be performed in accordance with the statements on standards for attestation engagements.

(4) Any engagement to be performed in accordance with the standards of the public company accounting oversight board.

b. The standards specified in [this subsection](#) are those standards adopted by the board, by rule, by reference to the standards developed for general application by the American institute of certified public accountants, the public company accounting oversight board, or other recognized national accountancy organization.

2. “Board” means the Iowa accountancy examining board established under [section 542.4](#) or its predecessor under prior law.

3. “Certificate” means a certificate as a certified public accountant issued under [section 542.6](#) or [542.19](#), or a certificate issued under corresponding prior law.

4. “Certified public accountant” means a person licensed by the board who holds a certificate issued under [this chapter](#) or corresponding prior law.

5. “Certified public accounting firm” means a sole proprietorship, a corporation, a partnership, a limited liability company, or any other form of organization issued a permit to practice as a firm of certified public accountants under [section 542.7](#).

6. “Client” means a person or entity that agrees with a licensee or licensee’s employer to receive a professional service.

7. “Commission” means a brokerage or other participation fee. “Commission” does not include a contingent fee.

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

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

10. “Home office” is the location specified by the client as the address to which an attest or compilation service is directed, which may be a subunit or subsidiary or an entity or the principal office of an entity, as the board may further define by rule.

11. “License” means a certificate issued under [section 542.6](#) or [542.19](#), a permit issued under [section 542.7](#), or a license issued under [section 542.8](#); or a certificate, permit, or license issued under corresponding prior law.

12. a. “Licensed public accountant” means a person licensed by the board who does not hold a certificate as a certified public accountant under [this chapter](#), and who offers to perform or performs for the public any of the following services:

- (1) Records financial transactions in books of record.
- (2) Makes adjustments of financial transactions in books of record.
- (3) Makes trial balances from books of record.
- (4) Prepares internal verification and analysis of books or accounts of original entry.
- (5) Prepares financial statements, schedules, or reports.
- (6) Devises and installs systems or methods of bookkeeping, internal controls of financial data, or the recording of financial data.
- (7) Prepares compilations.

b. Nothing contained in this definition or elsewhere in [this chapter](#) shall be construed to permit a licensed public accountant to give an opinion attesting to the reliability of any representation embracing financial information.

13. “Licensed public accounting firm” means a sole proprietorship, a corporation, a partnership, a limited liability company, or any other form of organization issued a permit to practice as a firm of licensed public accountants under [section 542.8](#).

14. “Licensee” means the holder of a license.

15. “Manager” means a manager of a limited liability company.

16. “*Member*” means a member of a limited liability company.
17. “*NASBA*” means the national association of state boards of accountancy.
18. “*Office*” means any Iowa workplace identified or advertised to the general public as a location where public accounting services are performed.
19. “*Peer review*” means a study, appraisal, or review of one or more aspects of the professional work of a licensee or firm that performs attest or compilation services, by a licensed person or persons who are not affiliated with the licensee or firm being reviewed. “*Peer review*” does not include a peer review conducted pursuant to [chapter 272C](#) in connection with a disciplinary investigation.
20. “*Peer review records*” means a file, report, or other information relating to the professional competence of an applicant in the possession of a peer review team, or information concerning the peer review developed by a peer review team in the possession of an applicant.
21. “*Peer review team*” means a person or organization participating in the peer review function, but does not include the board.
22. “*Permit*” means a permit to practice as either a certified public accounting firm issued under [section 542.7](#) or licensed public accounting firm under [section 542.8](#) or under corresponding provisions of prior law.
23. “*Practice of public accounting*” means the performance or the offering to perform, by a person holding oneself out to the public as a certified public accountant or a licensed public accountant, one or more kinds of professional services involving the use of accounting, attest, or auditing skills, including the issuance of reports on financial statements, or of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. However, with respect to licensed public accountants, the “*practice of public accounting*” shall not include attest or auditing services or the rendering of an opinion attesting to the reliability of any representation embracing financial information.
24. “*Practice privilege*” means an authorization to practice public accounting in Iowa or for clients with a home office in Iowa without licensure under [this chapter](#), as provided in [section 542.20](#).
25. “*Principal place of business*” means the primary location from which public accounting services are performed, as the board may further define by rule. A person or firm may only have one principal place of business at any one time.
26. “*Report*”, when used with reference to any attest or compilation services, means a report, opinion, or other form of a writing that states or implies assurance as to the reliability of the attested information or compiled financial statements and that includes or is accompanied by a statement or implication that the person or firm issuing the report has special knowledge or competence in accounting or auditing. Such statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is an accountant or auditor, or from the language of the report itself. “*Report*” includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply a positive assurance as to the reliability of the attested information or compiled financial statements referred to or special knowledge or competence on the part of the person or firm issuing the language, and any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.
27. “*State*” means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or Guam.
28. “*Substantial equivalency*” is a determination by the board that the education, examination, and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination, and experience requirements contained in [this chapter](#) or that an individual licensee’s education,

examination, and experience qualifications are comparable to or exceed the education, examination, and experience requirements contained in [this chapter](#).

2001 Acts, ch 55, §3, 38; 2008 Acts, ch 1106, §1 – 4, 15; 2011 Acts, ch 127, §50, 89; 2015 Acts, ch 13, §2

Referred to in §542.8, §542.20  
Subsection 26 amended

#### **542.4 Iowa accountancy examining board.**

1. An Iowa accountancy examining board is created within the professional licensing and regulation bureau of the banking division of the department of commerce to administer and enforce [this chapter](#).

a. The board shall consist of eight members, appointed by the governor and subject to senate confirmation, all of whom shall be residents of this state. Five of the eight members shall be holders of certificates issued under [section 542.6](#), one member shall be the holder of a license issued under [section 542.8](#), and two shall not be certified public accountants or licensed public accountants and shall represent the general public. At least three of the holders of certificates issued under [section 542.6](#) shall also be qualified to supervise attest services as provided in [section 542.7](#).

b. A certified or licensed member of the board shall be actively engaged in practice as a certified public accountant or as a licensed public accountant and shall have been so engaged for five years preceding appointment, the last two of which shall have been in this state.

c. Professional associations or societies composed of certified public accountants or licensed public accountants may recommend the names of potential board members to the governor. However, the governor is not bound by the recommendations. A board member is not required to be a member of any professional association or society composed of certified public accountants or licensed public accountants.

d. The term of each member of the board shall be three years, as designated by the governor, and appointments to the board are subject to the requirements of [sections 69.16](#), [69.16A](#), and [69.19](#). Vacancies occurring during a term shall be filled by appointment by the governor for the unexpired term. Upon the expiration of the member's term of office, a member shall continue to serve until a successor shall have been appointed and taken office.

e. The public members of the board shall be allowed to participate in administrative, clerical, or ministerial functions incident to giving the examinations, but shall not determine the content or determine the correctness of the answers. The licensed public accountant member shall not determine the content of the certified public accountant examination or determine the correctness of the answers.

f. Any member of the board whose certificate under [section 542.6](#) or license under [section 542.8](#) is revoked or suspended shall automatically cease to be a member of the board, and the governor may, after a hearing, remove any member of the board for neglect of duty or other just cause.

g. A person who has served three successive complete terms shall not be eligible for reappointment, but appointment to fill an unexpired term shall not be considered a complete term for this purpose.

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

3. Members of the board are entitled to receive a per diem as specified in [section 7E.6](#) for each day spent on performance of duties as members and shall be reimbursed for all actual and necessary expenses incurred in the performance of duties as members.

4. All moneys collected by the board from fees authorized to be charged by [this chapter](#) shall be received and accounted for by the board and shall be paid monthly to the treasurer of state for deposit in the general fund of the state. Expenses of administering [this chapter](#) shall be paid from appropriations made by the general assembly, which expenses may include but shall not be limited to the costs of conducting investigations and of taking

testimony and procuring the attendance of witnesses before the board or its committees; all legal proceedings taken under [this chapter](#) for the enforcement of [this chapter](#); and educational programs for the benefit of the public and licensees and their employees.

5. *a.* The board shall maintain the confidentiality of information relating to the following:

(1) The contents of the examination.

(2) The examination results other than final score except for information about the results of the examination given to the person examined.

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

6. The administrator of the professional licensing and regulation bureau of the banking division of the department of commerce shall provide staffing assistance to the board for implementing [this chapter](#).

7. The board may join professional organizations and associations to promote the improvement of the standards of the practice of accountancy and for the protection and welfare of the public. The board may provide social security numbers of licensees to NASBA, provided that the numbers are solely used by NASBA for inclusion in a national database of licensees, the numbers are submitted in an encrypted format or through such alternative means as will assure the confidentiality of the numbers, and NASBA maintains the confidentiality of the numbers and agrees not to disseminate the numbers to any other person or entity.

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

9. The board shall adopt rules pursuant to [chapter 17A](#) governing the administration and enforcement of [this chapter](#) and the conduct of licensees and permittees. Rules adopted shall include but not be limited to the following:

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

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

*c.* Rules specifying the educational and experience qualifications required for the issuance of a certificate under [section 542.6](#) and the continuing professional education required for renewal of a certificate under [section 542.6](#).

*d.* Rules specifying the educational and experience qualifications required for the issuance of a license under [section 542.8](#) and the continuing professional education required for renewal of a license under [section 542.8](#).

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

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

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

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

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

- j. Rules governing the failure to disclose a material fact known to the certified public accountant or licensed public accountant.
- k. Rules relating to a material misstatement known to the certified public accountant or licensed public accountant.
- l. Rules governing negligent conduct in an examination or in making a report on an examination.
- m. Rules governing failure to direct attention to any material departure from generally accepted accounting principles.
- n. Rules governing the professional standards applicable to a licensee.
- o. Rules governing the manner and circumstances of use of the titles “certified public accountant” and “CPA”.
- p. Rules governing the manner and circumstances of use of the titles “accounting practitioner” and “AP”, and “licensed public accountant” and “LPA”.
- q. Rules regarding peer review that may be required to be performed under [this chapter](#).
- r. Rules on substantial equivalency under [section 542.19](#).
- s. Rules on practice privilege under [section 542.20](#).
- t. Such other rules as the board deems necessary or appropriate for administering [this chapter](#), including but not limited to rules establishing fees and rules of professional conduct, pertaining to corporations or limited liability companies practicing accounting, which the board deems consistent with or required by the public welfare. The board may adopt rules governing the style, name, and title of corporations and limited liability companies and governing the affiliation of corporations and limited liability companies with other organizations.

[2001 Acts, ch 55, §4, 38; 2002 Acts, ch 1050, §58; 2006 Acts, ch 1177, §35; 2008 Acts, ch 1031, §59; 2008 Acts, ch 1059, §2; 2008 Acts, ch 1106, §5, 6, 15](#)

Referred to in [§542.3](#)

Confirmation, see [§2.32](#)

#### **542.5 Qualifications for a certificate as a certified public accountant.**

1. A certificate as a certified public accountant may be granted to a person of good moral character who makes application pursuant to [section 542.6](#) and who satisfies the education, experience, and examination requirements of [this section](#) and rules adopted pursuant to [this section](#).
2. An applicant for a certificate who has been convicted of forgery, embezzlement, obtaining money under false pretenses, theft, extortion, conspiracy to defraud, or other similar offense, or of any crime involving moral character or honesty, in a court of competent jurisdiction in this state, or another state, territory, or a district of the United States, or in a foreign jurisdiction, may be denied a certificate by the board on the grounds of the conviction. For purposes of [this subsection](#), “*conviction*” means a conviction for an indictable offense and includes a guilty plea, deferred judgment from the time of entry of the deferred judgment until the time the defendant is discharged by the court without entry of judgment, or other finding of guilt by a court of competent jurisdiction.
3. An applicant for a certificate who has had a professional license of any kind revoked in this or any other jurisdiction may be denied a certificate by the board on the grounds of the revocation.
4. A person who makes a false statement of material fact on an application for a certificate, or who causes to be submitted, or has been a party to preparing or submitting a false application for a certificate, may be denied a certificate by the board on the grounds of the false statement or submission. A certificate holder found to have made such a false statement or who has caused to be submitted, or was a party to preparing or submitting any false application for a certificate, may have the holder’s certificate suspended or revoked by the board on the grounds of the false statement or submission.
5. A certified public accountant shall notify the board of such accountant’s conviction of an offense included in [subsection 2](#), within thirty days of such conviction. Failure of the certified public accountant to notify the board of the conviction within thirty days of the date of the conviction is sufficient grounds for revocation of the certificate.

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

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

8. An applicant must pass an examination which shall be offered at least twice per year and which shall test the applicant's knowledge of the subjects of accounting and auditing, and such other related subjects as the board may specify by rule, including but not limited to business law and taxation. The examination shall be held at a time determined by the board and may be changed from time to time. The board shall prescribe by rule the methods of applying for and conducting the examination, including methods for grading and determining a passing grade required of an applicant for a certificate. However, the board, to the extent possible, shall ensure the examination, grading of the examination, and the passing grades are uniform with those applicable in all other states. The board may make such use of all or any part of a nationally recognized uniform certified public accountant examination and advisory grading service, and may contract with third parties to perform such administrative services with respect to the examination as it deems appropriate to perform the duties of the board with respect to examination.

9. The board may admit to the examination a candidate who will complete the educational requirements for a baccalaureate degree with a concentration in accounting or what the board determines by rule to be substantially equivalent to a concentration in accounting within one hundred twenty days immediately following the date of the examination or who has completed those requirements. However, the board shall not report the results of the examination until the candidate has met the educational requirements for a baccalaureate degree and shall not issue the certificate until the candidate has fully satisfied the requirements of [subsection 7](#).

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

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

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

13. A person holding a certificate as a certified public accountant issued by the state prior to July 1, 2002, is deemed to have met the requirements of [this section](#).

[2001 Acts, ch 55, §5, 38; 2008 Acts, ch 1031, §60](#)

Referred to in [§542.6](#), [§542.7](#), [§542.8](#), [§542.10](#), [§542.19](#)

#### **542.6 Issuance and renewal of certificates — maintenance of competency.**

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

(1) That the person's qualifications, including where applicable the qualifications prescribed by [section 542.5](#), satisfy the requirements of [this section](#), or that the person holds a certificate issued under prior law.

(2) That the person holds in good standing a certificate or license to practice as a certified public accountant in another state or equivalent designation from a foreign country, and is eligible under the substantial equivalency or other provisions of [section 542.19](#).

*b.* The holder of a certificate issued under [this section](#) shall only provide attest services in a certified public accounting firm that is issued a permit under [section 542.7](#).

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

3. A certificate holder, for renewal of a certificate under [this section](#), shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the board. The board, by rule, may grant an exception to this requirement for a certificate holder who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or the use of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. A certificate holder entitled to an exception by rule of the board shall place the word "inactive" adjacent to the holder's certified public accountant title on any business card, letterhead, or other document or device, with the exception of the certificate holder's certified public accountant certificate, on which the certificate holder's certified public accountant title appears.

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

5. An applicant for initial issuance or renewal of a certificate shall list in the application all states in which the applicant has applied for or holds a certificate, license, or permit and list any past denial, revocation, or suspension of a certificate, license, or permit. A holder of or applicant for a certificate under [this section](#) shall notify the board in writing, within thirty days after its occurrence, of any issuance, denial, revocation, or suspension of a certificate, license, or permit by another state.

6. The board, by rule, shall require as a condition for renewal of a certificate under [this section](#), by any certificate holder who performs compilation services for the public other than through a certified public accounting firm or licensed public accounting firm, that such individual undergo, no more frequently than once every three years, a peer review conducted in such manner as the board shall by rule specify, and such review shall include verification that such individual has met the competency requirements set out in professional standards for such services. The provisions of [section 542.7](#), [subsections 10, 11, and 12](#), shall apply to the peer review required in [this subsection](#).

[2001 Acts, ch 55, §6, 38; 2008 Acts, ch 1106, §7, 15](#)

Referred to in [§542.3](#), [§542.4](#), [§542.5](#), [§542.7](#), [§542.8](#), [§542.9](#), [§542.13](#), [§542.19](#), [§542.20](#)

#### **542.7 Firm permits to practice — attest experience and peer review.**

1. The board shall issue or renew a permit to practice to a certified public accounting firm that makes application and demonstrates the qualifications set forth in [this section](#). A person



or firm holding a permit to practice issued by this state prior to July 1, 2002, is deemed to have met the requirements of [this section](#).

a. A firm must hold a permit issued under [this section](#) if the firm performs attest services in this state or for clients having a home office in this state or has an office in this state and uses the title “CPAs”, “CPA firm”, “certified public accountants”, or “certified public accounting firm”.

b. A firm which is not subject to paragraph “a” may practice public accounting in this state without a permit issued under [this section](#) in conformance with [section 542.20](#).

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

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

3. a. An applicant for initial issuance or renewal of a permit to practice as a firm shall show that notwithstanding any other provision of law, a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members, and managers, belongs to holders of a certificate issued by a state, and that such partners, officers, shareholders, members, and managers, who perform professional services in this state or for clients in this state, hold a certificate issued under [section 542.6](#) or [542.19](#), or by another state if the holder has a practice privilege under [section 542.20](#).

b. A certified public accounting firm may include a nonlicensee owner, which for purposes of [this section](#) means an owner that does not hold a valid certificate to practice public accounting in any state, provided all of the following occur:

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

(2) All nonlicensee owners comply with all applicable rules of professional conduct adopted by the board.

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

c. (1) Notwithstanding [chapter 496C](#) or any other provision of law to the contrary, a certified public accounting firm organized as a professional corporation under [chapter 496C](#) may have nonlicensee owners provided that the firm complies with the requirements of [this section](#).

(2) Notwithstanding [chapter 489, article 11](#), or any other provision of law to the contrary, a certified public accounting firm organized as a professional limited liability company under [chapter 489, article 11](#), may have nonlicensee members provided that the professional limited liability company complies with the requirements of [this section](#).

d. A licensee or person with a practice privilege under [section 542.20](#) who is responsible for supervising attest or compilation services and signs or authorizes someone to sign the accountant’s report on behalf of the firm shall meet the experience or competency requirements set out in nationally recognized professional standards for such services.

e. A licensee or person with a practice privilege under [section 542.20](#) who signs or authorizes someone to sign the accountant’s report on behalf of the firm shall meet the experience or competency requirements established in paragraph “d”.

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

4. An applicant for initial issuance or renewal of a permit to practice as a certified public accounting firm is required to register each office of the firm within this state with the board

and to show that all attest and compilation services rendered in this state are under the charge of a person holding a valid certificate issued under [section 542.6](#) or [542.19](#), or by another state if the holder has a practice privilege under [section 542.20](#).

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

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

- a. A change in the number or location of offices within this state.
- b. A change in the identity of a person in charge of such offices.
- c. The issuance, denial, revocation, or suspension of a permit by another state.

7. A firm, after receiving or renewing a permit which is not in compliance with [this section](#) as a result of a change in firm ownership or personnel, shall take corrective action to bring the firm back into compliance as quickly as possible or apply to modify or amend the permit. The board may grant a reasonable period of time for a firm to take such corrective action. Failure to comply within a reasonable period as deemed by the board shall result in the suspension or revocation of the firm's permit.

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

b. Such rules shall include reasonable provision for compliance by an applicant showing that the applicant, within the preceding three years, has undergone a peer review that is a satisfactory equivalent to the peer review required under [this subsection](#). An applicant's completion of a peer review program endorsed or supported by the American institute of certified public accountants, or other substantially similar review as determined by the board, satisfies the requirements of [this subsection](#).

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

- a. The applicant does not engage in, and does not intend to engage in during the following year, financial reporting areas of practice, including but not limited to audits, compilations, and reviews. An applicant granted a waiver pursuant to this paragraph shall immediately notify the board if the applicant engages in such practice, and shall be subject to peer review.
- b. Reasons of health.
- c. Military service.
- d. Instances of hardship.
- e. Other good cause as determined by the board.

10. Peer review records are privileged and confidential, and are not subject to discovery, subpoena, or other means of legal compulsion. Peer review records are not admissible in evidence in a judicial, administrative, or arbitration proceeding. Unless the subject of a peer review timely objects in writing to the administering entity of the peer review program, the administering entity shall make available to the board within thirty days of the issuance of the peer review acceptance letter the final peer review report or such peer review records as are designated by the peer review program in which the administering entity participates. The subject of a peer review may voluntarily submit the final peer review report directly to the board. Information or documents discoverable from sources other than a peer review team do not become nondiscoverable from such other sources because they are made available to or are in the possession of a peer review team. Information or documents publicly available from the American institute of certified public accountants relating to quality or peer review are

not privileged or confidential under [this subsection](#). A person or organization participating in the peer review process shall not testify as to the findings, recommendations, evaluations, or opinions of a peer review team in a judicial, administrative, or arbitration proceeding.

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

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

[2001 Acts, ch 55, §7, 38](#); [2002 Acts, ch 1119, §112](#); [2003 Acts, ch 108, §100](#); [2008 Acts, ch 1106, §8, 15](#); [2015 Acts, ch 13, §3 – 7](#)

Referred to in [§542.3](#), [§542.4](#), [§542.6](#), [§542.9](#), [§542.13](#), [§542.20](#)

Subsection 3, NEW paragraph c and former paragraphs c and d amended and redesignated as d and e

Subsection 3, former paragraph e redesignated as f

Subsection 6, paragraph a stricken and former paragraphs b – d redesignated as a – c

Subsection 8, paragraph a amended

Subsection 9, paragraph a amended

#### **542.8 Qualifications for and issuance of a license as a licensed public accountant — renewal of license — firm registration — peer review.**

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

a. The applicant holds a license as an accounting practitioner issued under the laws of this state in full force and effect on July 1, 2002, and has completed additional educational requirements as prescribed by the board.

b. The applicant has satisfactorily completed the examination prescribed in [subsection 2](#) after having met one of the following:

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

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

(3) The applicant submits evidence of at least five years of continuous experience engaged in performing any of the services delineated in [section 542.3](#), [subsection 12](#), on a full-time basis.

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

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

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

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

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

7. An applicant who fails the examination once shall be allowed to take the examination at the next scheduled time. Thereafter, the applicant shall be allowed to take the examination

at the discretion of the board. An applicant who passes a portion of the examination shall have the right to be reexamined in the remaining subjects at a future examination, and if the applicant passes the remaining subjects, the applicant shall be considered to have passed the entire examination. An applicant who fails the examination may request in writing information from the board concerning the applicant's examination grade and subject areas or questions which the applicant failed to answer correctly, except that if the board administers a uniform, standardized examination, the board shall only be required to provide the examination grade and such other information concerning the applicant's examination results which is available to the board.

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

9. a. The licensed public accountant license shall expire in intervals as determined by the board. The board shall notify a person licensed under [this chapter](#) of the date of expiration of the license and the amount of the fee required for its renewal. The notice shall be mailed at least one month in advance of the expiration date. A person who fails to renew a license as a licensed public accountant by the expiration date shall be allowed to do so within thirty days following its expiration, but the board may assess a reasonable penalty.

b. A licensee, for renewal of a license under [this section](#), shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the board. The board, by rule, may grant an exception to this requirement for a licensee who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or the use of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. A licensee entitled to an exception by rule of the board shall place the word "inactive" adjacent to the licensee's licensed public accountant title on any business card, letterhead, or other document or device, with the exception of the licensee's licensed public accountant license, on which the licensee's licensed public accountant title appears.

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

a. The applicant holds a license as a licensed public accountant, an accounting practitioner, or similar title issued, after examination, by a state which extends by substantial equivalency privileges to a licensed public accountant of this state, and who, at the time of issuance of the registration, possessed the basic qualifications set forth in [subsection 1](#).

b. The applicant has passed the examination required under the laws of another state and possesses the basic qualifications set forth in [subsection 1](#) at the time the applicant applied for registration in this state.

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

12. The board shall issue or renew a permit to practice as a licensed public accounting firm to a person that makes application and demonstrates the qualification set forth in [this section](#) or to a licensed public accounting firm originally registered in another state that provides evidence that the qualifications met in the other state are substantially equivalent to those required by [this section](#). A firm must hold a permit issued under [this section](#) in order to use the title "LPAs" or "Licensed Public Accountants" in a firm name.

a. An applicant for initial issuance or renewal of a permit to practice as a firm under [this section](#) must show that notwithstanding any other provision of law, a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members, and managers, belongs to the holders of a certificate or license issued by a state, and that such partners, officers, shareholders, members, and managers who perform professional services in this state or for clients in this state hold a certificate issued under [section 542.6](#) or a license issued under [this section](#), or another state if

the holder has a practice privilege under [section 542.20](#). To qualify for firm licensure at least one partner, officer, shareholder, member, or manager shall hold a license under [this section](#).

b. A licensed public accounting firm may include a nonlicensee owner, which for purposes of [this section](#) means an owner that does not hold a valid license or certificate to practice public accounting in any state, provided all of the following occur:

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

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

(3) All nonlicensee owners comply with all applicable rules of professional conduct adopted by the board.

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

c. An individual licensee or person with a practice privilege under [section 542.20](#) who is responsible for compilation services and signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm shall meet the competency requirements set out in nationally recognized professional standards for such services.

d. An individual licensee or person with a practice privilege under [section 542.20](#) who signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm shall meet the competency requirements set out in nationally recognized professional standards for such services.

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

13. An applicant for initial issuance or renewal of a permit to practice as a licensed public accounting firm is required to register each office of the firm within this state with the board and to show that all compilation services rendered in this state are under the charge of a person holding a valid certificate issued under [section 542.6](#) or [542.19](#), or a license issued under [this section](#), or another state if the holder has a practice privilege under [section 542.20](#).

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

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

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

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

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

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

16. A firm, after receiving or renewing a permit which is not in compliance with [this section](#) as a result of a change in firm ownership or personnel, shall take corrective action to bring the firm back into compliance as quickly as possible or apply to modify or amend the permit. The board may grant a reasonable period of time for a firm to take such corrective action. Failure to comply within a reasonable period as deemed by the board shall result in the suspension or revocation of the firm permit.

17. The board, by rule, shall require as a condition of renewal of a permit to practice as a licensed public accounting firm, that an applicant undergo, no more frequently than once every three years, a peer review conducted in such manner as the board specifies. The review shall include verification that any individual in the firm who is responsible for supervising compilation services and who signs or authorizes someone to sign the accountant's report on a financial statement on behalf of the firm meets the competency requirements set forth in the professional standards for such services. Such rules shall include reasonable provision for

compliance by an applicant showing that the applicant, within the preceding three years, has undergone a peer review that is a satisfactory equivalent to the peer review required under [this subsection](#). An applicant's completion of a peer review program endorsed or supported by the national society of accountants, or other substantially similar review as determined by the board, satisfies the requirements of [this subsection](#).

18. An applicant for a permit to practice as a licensed public accounting firm, at the time of renewal, may request in writing upon forms provided by the board, a waiver from the requirements of [subsection 17](#). The board may grant a waiver upon a showing satisfactory to the board of any of the following:

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

b. Reasons of health.

c. Military service.

d. Instances of hardship.

e. Other good cause as determined by the board.

19. Peer review records are privileged and confidential, and are not subject to discovery, subpoena, or other means of legal compulsion. Peer review records are not admissible in evidence in a judicial, administrative, or arbitration proceeding. Unless the subject of a peer review timely objects in writing to the administering entity of the peer review program, the administering entity shall make available to the board within thirty days of the issuance of the peer review acceptance letter the final peer review report or such peer review records as are designated by the peer review program in which the administering entity participates. The subject of a peer review may voluntarily submit the final peer review report directly to the board. Information or documents discoverable from sources other than a peer review team do not become nondiscoverable from such other sources because they are made available to or are in the possession of a peer review team. Information or documents publicly available from the national society of accountants relating to quality or peer review are not privileged or confidential under [this subsection](#). A person or organization participating in the peer review process shall not testify as to the findings, recommendations, evaluations, or opinions of a peer review team in a judicial, administrative, or arbitration proceeding.

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

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

22. The board, by rule, shall require as a condition for renewal of a license under [this section](#) by any license holder who performs compilation services for the public other than through a licensed public accounting firm or a certified public accounting firm, that such individual undergo, no more frequently than once every three years, a peer review conducted in such manner as the board shall by rule specify, and such review shall include verification that such individual has met the competency requirements set out in professional standards for such services.

[2001 Acts, ch 55, §8, 38; 2003 Acts, ch 108, §101; 2008 Acts, ch 1106, §9, 10, 15; 2010 Acts, ch 1055, §1](#)

Referred to in [§542.3](#), [§542.4](#), [§542.9](#), [§542.13](#), [§542.20](#)

#### **542.9 Appointment of secretary of state as agent.**

Application for a certificate under [section 542.6](#), a license under [section 542.8](#), a permit to practice under [section 542.7](#), or a certificate under [section 542.19](#) by a person or a firm not a resident of this state constitutes appointment of the secretary of state as the applicant's agent upon whom process may be served in any action or proceeding against the applicant arising out of a transaction or operation connected with or incidental to services performed by the applicant while a licensee within this state.

[2001 Acts, ch 55, §9, 38](#)

**542.10 Enforcement against a holder of a certificate, permit, or license.**

1. After notice and hearing pursuant to [section 542.11](#), the board may revoke, suspend for a period of time not to exceed two years, or refuse to renew a license; reprimand, censure, or limit the scope of practice of any licensee; impose an administrative penalty not to exceed one thousand dollars per violation against an individual licensee or ten thousand dollars per violation against a firm licensee; require remedial actions; or place any licensee on probation; all with or without terms, conditions, and in combinations of remedies, for any one or more of the following reasons:

- a. Fraud or deceit in obtaining a license, which may also result in permanent revocation of the license.
- b. Dishonesty, fraud, or gross negligence in the practice of public accounting.
- c. Engaging in any activity prohibited under [section 542.13](#) or [542.20](#) or permitting persons under the licensee's supervision to do so.
- d. Violation of a rule of professional conduct adopted by the board under the authority granted by [this chapter](#).
- e. Conviction of a felony under the laws of any state or the United States.
- f. Conviction of any crime, any element of which is dishonesty or fraud as provided in [section 542.5, subsection 2](#), under the laws of any state or the United States.
- g. Cancellation, revocation, suspension, or refusal to renew the authority to practice as a certified public accountant, licensed public accountant, or accounting practitioner, or the acceptance of the voluntary surrender of a license to practice as a certified public accountant, licensed public accountant, or accounting practitioner to conclude a pending disciplinary action, by any other state or foreign authority for any cause other than failure to pay appropriate fees in the other jurisdiction.
- h. Suspension or revocation of the right to practice before any state or federal agency, or the public company accounting oversight board.
- i. Conduct discreditable to the public accounting profession.
- j. Violation of [section 272C.10](#).

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

3. In lieu of or in addition to any remedy specifically provided in [subsection 1](#), the board may require a licensee to satisfy a peer review or desk review process on such terms as the board may specify, satisfactorily complete a continuing education program, or such additional remedies as the board may specify by rule.

[2001 Acts, ch 55, §10, 38; 2008 Acts, ch 1106, §11, 15](#)

Referred to in [§272C.3, §272C.4](#)

**542.11 Investigations and hearings.**

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

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

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

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

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

6. The decision of the board shall be by a majority vote of a quorum of the board. Licensee discipline shall only be imposed upon the majority vote of the members of the board not disqualified pursuant to [section 17A.17, subsection 8](#), or other applicable law.

7. Judicial review may be sought in accordance with [chapter 17A](#).

[2001 Acts, ch 55, §11, 38](#)

Referred to in [§272C.5](#), [§542.10](#), [§542.14](#), [§542.15](#)

#### **542.12 Reinstatement.**

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

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

[2001 Acts, ch 55, §12, 38](#)

#### **542.13 Unlawful acts.**

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

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

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

4. A firm shall not provide attest services or assume or use the title "certified public accountants" or the abbreviation "CPAs" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is a certified public accounting firm unless the firm holds a permit issued under [section 542.7](#) and ownership of the firm satisfies the requirements of [this chapter](#) and rules adopted by the board.

5. A person shall not assume or use the title "licensed public accountant" or the abbreviation "LPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a licensed public accountant unless that person holds a license issued under [section 542.8](#).

6. A firm not holding a permit issued under [section 542.8](#) shall not assume or use the title



“licensed public accountants”, the abbreviation “LPAs”, or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is composed of licensed public accountants.

7. A person or firm not holding a certificate, permit, or license issued under [section 542.6](#), [542.7](#), [542.8](#), or [542.19](#) shall not assume or use the title “certified accountant”, “chartered accountant”, “enrolled accountant”, “licensed accountant”, “registered accountant”, “accredited accountant”, or any other title or designation likely to be confused with the title “certified public accountant” or “licensed public accountant”, or use any of the abbreviations “CA”, “LA”, “RA”, “AA”, or similar abbreviation likely to be confused with the abbreviation “CPA” or “LPA”. The title “enrolled agent” or “EA” may be used by individuals so designated by the internal revenue service. Nothing in [this section](#) shall restrict truthful advertising of a bona fide credential or title which in context is not deceptive or misleading to the public.

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

9. A person or firm not holding a certificate, permit, or license issued under [section 542.6](#), [542.7](#), [542.8](#), or [542.19](#) shall not assume or use any title or designation that includes the word “accountant”, “auditor”, or “accounting” in connection with any other language that implies that such person or firm holds such a certificate, permit, or license or has special competence as an accountant or auditor. However, [this subsection](#) does not prohibit an officer, partner, member, manager, or employee of a firm or organization from affixing that person’s own signature to a statement in reference to the financial affairs of such firm or organization with wording which designates the position, title, or office that the person holds, or prohibit any act of a public official or employee in the performance of such person’s duties. [This subsection](#) does not otherwise prohibit the use of the title or designation “accountant” by persons other than those holding a certificate or license under [this chapter](#).

10. A person holding a certificate or license or firm holding a permit under [this chapter](#) shall not use a professional or firm name or designation that is misleading about the legal form of the firm, or about the persons who are partners, officers, members, managers, or shareholders of the firm, or about any other matter. However, the name of one or more former partners, members, managers, or shareholders may be included in the name of a firm or its successor.

11. [This section](#) does not apply to a person or firm holding a certification, designation, degree, or license granted in a foreign country entitling the holder to engage in the practice of public accountancy or its equivalent in such country, whose activities in this state are limited to providing professional services to a person or firm who is a resident of, government of, or business entity of the country in which the person holds such entitlement, who does not perform attest or compilation services, and who does not issue reports with respect to the information of any other person, firm, or governmental unit in this state, and who does not use in this state any title or designation other than the one under which the person practices in such country, followed by a translation of such title or designation into the English language, if it is in a different language, and by the name of such country.

12. A holder of a certificate issued under [section 542.6](#) or [542.19](#) shall not perform attest services in a firm that does not hold a permit issued under [section 542.7](#).

13. An individual licensee shall not issue a report in standard form upon a compilation of financial information through any form of business that does not hold a permit issued under [section 542.7](#) or [542.8](#) unless the report discloses the name of the business through which the individual is issuing the report and the individual licensee does all of the following:

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

b. Meets competency requirements provided in applicable standards.

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

14. [This section](#) does not prohibit a practicing attorney from preparing or presenting

records or documents customarily prepared by an attorney in connection with the attorney's professional work in the practice of law.

15. a. (1) A licensee shall not for a commission recommend or refer a client to any product or service, or for a commission recommend or refer another person to any product or service to be supplied by a client, or receive a commission, when the licensee also performs for that client any of the following:

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

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

(c) An examination of prospective financial information.

(2) The prohibitions under this paragraph "a" apply during the period in which the licensee is engaged to perform any of the services identified in subparagraph (1), subparagraph divisions (a) through (c), and the period covered by any historical financial statements involved in such services.

b. A licensee who is not prohibited by [this section](#) from performing services for or receiving a commission and who is paid or expects to be paid a commission shall disclose that fact to any person or entity to whom the licensee recommends or refers a product or service to which the commission relates.

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

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

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

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

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

(c) An examination of prospective financial information.

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

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

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

17. Nothing contained in [this chapter](#) shall be construed to authorize any person engaged in the practice as a certified public accountant or licensed public accountant or any member or employee of such firm to engage in the practice of law individually or within entities licensed under [this chapter](#).

18. Nothing in [this section](#) shall be construed to prohibit the practice of public accounting and lawful use of titles by persons or firms exercising a practice privilege in conformance with [section 542.20](#).

2001 Acts, ch 55, §13, 38; 2002 Acts, ch 1119, §113; 2003 Acts, ch 44, §93; 2008 Acts, ch 1106, §12, 15; 2010 Acts, ch 1055, §2; 2015 Acts, ch 13, §8

Referred to in [§542.10](#), [§542.14](#), [§542.15](#)  
Subsections 8 and 11 amended

#### **542.14 Injunction against unlawful acts, civil penalties, and consent agreements.**

1. If, as a result of an investigation under [section 542.11](#) or otherwise, the board believes

that a person or firm has engaged, or is about to engage, in an act or practice which constitutes or will constitute a violation of [section 542.13](#) or [542.20](#), the board may make application to the district court for an order enjoining such act or practice. Upon a showing by the board that such person or firm has engaged, or is about to engage, in any such act or practice, an injunction, restraining order, or other order as may be appropriate shall be granted by the court.

2. In addition to a criminal penalty provided for in [section 542.15](#), the board may issue an order to require compliance with [section 542.13](#) or [542.20](#) or to revoke a practice privilege under [section 542.20](#), and may impose a civil penalty not to exceed one thousand dollars for each offense upon a person who is not a licensee under [this chapter](#) and who engages in conduct prohibited by [section 542.13](#) or [542.20](#). Each day of a continued violation constitutes a separate offense. The board may impose a penalty up to ten thousand dollars per violation against a firm that violates [section 542.13](#) or [542.20](#).

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

- a. Whether the amount imposed will be a substantial economic deterrent to the violation.
- b. The circumstances leading to the violation.
- c. The severity of the violation and the risk of harm to the public.
- d. The economic benefits gained by the violator as a result of noncompliance.
- e. The interest of the public.

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

5. The board, in connection with a proceeding under [this section](#), may issue subpoenas to compel the attendance and testimony of witnesses and the disclosure of evidence, and may request the attorney general to bring an action to enforce the subpoena.

6. A person aggrieved by the imposition of a civil penalty under [this section](#) may seek judicial review pursuant to [section 17A.19](#).

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

8. An action to enforce an order under [this section](#) may be joined with an action for an injunction.

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

[2001 Acts, ch 55, §14, 38; 2008 Acts, ch 1106, §13, 15](#)

Referred to in [§542.16](#), [§542.20](#)

### **542.15 Criminal penalties.**

1. A person who violates a provision of [section 542.13](#) is guilty of a serious misdemeanor.

2. If the board has reason to believe that a person has committed a violation subject to [subsection 1](#), the board may certify the facts to the attorney general of this state, or to the county attorney of the county where the person maintains a business office, who, in the attorney general's or county attorney's discretion, may initiate an appropriate criminal proceeding.

3. If, after an investigation under [section 542.11](#) or otherwise, the board has reason to believe that a person or firm has knowingly engaged in an act or practice that constitutes a violation subject to [subsection 1](#), the board may submit its information to the attorney general

of any state, or other appropriate law enforcement official, who, in such official's discretion, may initiate an appropriate criminal proceeding.

[2001 Acts, ch 55, §15, 38](#)

Referred to in [§542.14](#), [§542.16](#)

#### **542.16 Single act evidence of practice.**

In an action brought under [section 542.14](#) or [542.15](#), evidence of the commission of a single act prohibited by [this chapter](#) is sufficient to justify a penalty, injunction, restraining order, or conviction, without evidence of a general course of conduct.

[2001 Acts, ch 55, §16, 38](#)

#### **542.17 Confidential communications.**

A licensee shall not voluntarily disclose information communicated to the licensee by a client relating to and in connection with services rendered to the client by the licensee, except with the permission of the client, or an heir, successor, or personal representative of the client. Such information is deemed to be confidential. However, [this section](#) shall not be construed as prohibiting the disclosure of information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements or in the performance of an attest service or as prohibiting disclosures in a court proceeding, in an investigation or proceeding under [this chapter](#) or [chapter 272C](#), in an ethical investigation conducted by a private professional organization, in the course of a peer review, to another person active in the licensee's firm performing services for that client on a need-to-know basis, to persons associated with the investigative entity who need this information for the sole purpose of assuring quality control, or as otherwise required by law.

[This section](#) does not preclude a licensee from filing a complaint with, or responding to an inquiry made by, the board, a taxing authority or law enforcement authority of this state, or a licensing or similar authority of another state or the United States.

[2001 Acts, ch 55, §17, 38; 2015 Acts, ch 13, §9](#)

Referred to in [§542.18](#)

Unnumbered paragraph 1 amended

#### **542.18 Licensees' working papers — clients' records.**

1. Subject to [section 542.17](#), all statements, records, schedules, working papers, and memoranda made by a licensee or a partner, shareholder, officer, director, member, manager, or employee of a licensee, incident to, or in the course of, rendering services to a client, except reports submitted by the licensee to the client and except for records that are part of the client's records, are the property of the licensee in the absence of an express agreement between the licensee and the client to the contrary. Such statement, record, schedule, working paper, or memorandum shall not be sold, transferred, or bequeathed, without the consent of the client or the client's personal representative or assignee, to anyone other than a surviving partner, stockholder, or member of the licensee, or any combined or merged firm or successor in interest to the licensee. [This section](#) shall not be construed as prohibiting a temporary transfer of working papers or other material necessary in the course of carrying out peer reviews or as otherwise interfering with the disclosure of information pursuant to [section 542.17](#).

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

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

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

3. [This chapter](#) does not require a licensee to keep any working papers beyond the period prescribed in any other applicable statute.

[2001 Acts, ch 55, §18, 38](#)

**542.19 Substantial equivalency.**

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

a. The other state's licensing or certification standards are substantially equivalent to those required by [this chapter](#).

b. The applicant's individual qualifications are substantially equivalent to those required by [section 542.5](#).

c. The applicant satisfies all of the following:

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

(2) The applicant has at least four years of experience within the ten years immediately preceding the application which occurred after passing the examination upon which the applicant's certificate or license was based and which in the board's opinion is substantially equivalent to that required by [section 542.5, subsection 12](#); and,

(3) If the applicant's certificate or license was issued more than four years prior to the filing of the application in this state, the applicant has fulfilled the continuing professional education requirements described in [section 542.6, subsection 3](#).

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

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

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

b. The foreign designation satisfies all of the following:

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

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

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

c. The applicant satisfies all of the following:

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

(2) The applicant satisfies an experience requirement, substantially equivalent to the requirement set out in [section 542.5, subsection 12](#), in the jurisdiction which issued the foreign designation or has completed four years of professional experience in this state; or meets equivalent requirements prescribed by the board by rule, within the ten years immediately preceding the application.

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

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

4. An applicant under [this section](#) shall comply with all applicable provisions of [section 542.5, subsections 1 through 6](#), and [section 542.6](#).

5. The board shall adopt rules to implement [this section](#) which will expedite the application process to the extent reasonably possible.

[2001 Acts, ch 55, §19, 38](#); [2003 Acts, ch 44, §94](#)

Referred to in [§542.3](#), [§542.4](#), [§542.6](#), [§542.7](#), [§542.8](#), [§542.9](#), [§542.13](#), [§542.20](#)

#### **542.20 Practice privilege.**

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

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

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

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

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

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

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

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

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

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

c. The firm may perform compilation or review services only if it complies with the ownership and peer review requirements of [section 542.7](#).

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

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

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

6. An individual who is licensed in the state of the individual's principal place of business

may exercise the privileges of a certificate holder of this state without obtaining a certificate under [this chapter](#) or providing notice to the board, under the following conditions:

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

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

c. An individual who provides attest services, other than review services, in Iowa or for a client having a home office in Iowa must practice through a certified public accounting firm that is licensed under [section 542.7](#).

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

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

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

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

h. An individual who provides reviews of financial statements, as provided in [section 542.3, subsection 1](#), in Iowa or for a client having a home office in Iowa must provide such services through a certified public accounting firm that is validly licensed in the state of its principal place of business and complies with the peer review and ownership provisions of [section 542.7](#).

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

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

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

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

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

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

9. The board shall adopt rules on the manner in which [this section](#) applies to persons

or firms that hold a lapsed Iowa license, have been subject to discipline in Iowa, have surrendered an Iowa license, or have otherwise held an Iowa license at one point in time that is no longer valid, active, or in good standing, and to persons or firms that have been convicted of a crime, the subject of discipline or denied licensure in any jurisdiction, or that would otherwise be subject to license denial or discipline if a license applicant or licensee in Iowa.

[2008 Acts, ch 1106, §14, 15; 2012 Acts, ch 1031, §1 – 4](#)  
Referred to in [§542.3](#), [§542.4](#), [§542.7](#), [§542.8](#), [§542.10](#), [§542.13](#), [§542.14](#)