

**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 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 nonlicensee owner 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, subchapter XI](#), or any other provision of law to the contrary, a certified public accounting firm organized as a professional limited liability company under [chapter 489, subchapter XI](#), 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](#). However, the requirements of [this subsection](#) shall not apply to the office of auditor of state if the auditor of state otherwise complies with the requirements of [section 11.31A](#) and [this section](#).

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. a. 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.

b. However, notwithstanding any provision of [this subsection](#) to the contrary, peer review reports concerning the office of auditor of state shall be considered a public record pursuant to [chapter 22](#).

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; 2017 Acts, ch 78, §3; 2022 Acts, ch 1085, §4, 5, 7, 8; 2023 Acts, ch 152, §160, 161](#)

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

2022 amendments to subsections 4 and 10 apply retroactively to July 1, 2002; 2022 Acts, ch 1085, §8

2023 amendment to subsection 3, paragraph c, subparagraph (2) effective January 1, 2024; 2023 Acts, ch 152, §161

Subsection 3, paragraph c, subparagraph (2) amended