

## CHAPTER 21

## PRACTICE PRIVILEGE FOR OUT-OF-STATE CERTIFIED PUBLIC ACCOUNTING FIRMS

**193A—21.1(542) Overview and timing.** Beginning July 1, 2009, out-of-state certified public accounting firms that maintain their principal place of business in a jurisdiction other than Iowa may practice public accounting in Iowa or for clients with a home office in Iowa without Iowa licensure if all of the conditions of Iowa Code section 542.20 and this chapter are satisfied.

[ARC 7715B, IAB 4/22/09, effective 7/1/09]

**193A—21.2(542) Out-of-state licensure status.** The practice privilege described in Iowa Code section 542.20 applies to certified public accounting firms that are licensed to practice as certified public accounting firms in the jurisdiction in which their principal place of business is located for those periods of time in which all of the following conditions are satisfied:

**21.2(1)** The out-of-state license is valid, in good standing, and active. The practice privilege shall cease if the out-of-state license expires in the jurisdiction of the firm's principal place of business.

**21.2(2)** The out-of-state license is substantially equivalent to a permit to practice issued under Iowa Code section 542.7.

**21.2(3)** The license authorizes in the firm's principal place of business all of the public accounting services the firm performs or offers to perform in Iowa or for clients with a home office in Iowa.

**21.2(4)** The public accounting services offered in Iowa or for clients with a home office in Iowa that are required under Iowa law to be performed by a CPA are performed by a person holding a certificate issued under Iowa Code section 542.6 or 542.19, or by a person exercising a practice privilege pursuant to Iowa Code section 542.20 and 193A—Chapter 20.

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**193A—21.3(542) When Iowa licensure may be required.**

**21.3(1)** The auditor of state, the department of agriculture and land stewardship, other governmental official or body, or a client may require that a firm be licensed in Iowa as a condition of performing public accounting services in Iowa or for a client with a home office in Iowa, whether or not the firm may otherwise satisfy the conditions for a practice privilege. Iowa licensure as a certified public accounting firm is required, for example, to perform certain audit services described in Iowa Code chapter 11.

**21.3(2)** Iowa licensure is required if:

*a.* The firm performs or offers to perform attest services, other than review services, in Iowa or for a client with a home office in Iowa; or

*b.* The firm has one or more offices in Iowa at which the firm uses the title "CPAs," "CPA firm," "certified public accountants," or "certified public accounting firm."

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**193A—21.4(542) CPA firms ineligible for a practice privilege.**

**21.4(1)** The practice privilege described in Iowa Code section 542.20 shall not be applicable if:

*a.* The firm or any of the firm's owners (e.g., partners, shareholders, or members) has been convicted of a felony under the laws of any jurisdiction.

*b.* The firm or any of the firm's owners (e.g., partners, shareholders, or members) has been convicted of any crime under the laws of any jurisdiction if an element of the crime involves dishonesty or fraud, such as forgery, embezzlement, obtaining money under false pretenses, theft, extortion, conspiracy to defraud, or similar offense, as more fully described in Iowa Code section 542.5(2).

*c.* The license to practice public accounting of the firm or any of the firm's owners (e.g., partners, shareholders, or members) has been suspended, revoked, or otherwise disciplined by a licensing authority in this or another state, territory, or country, for any cause other than failure to pay appropriate fees. "Disciplined" shall include the voluntary surrender of a license to resolve a pending disciplinary investigation or proceeding in Iowa or any other jurisdiction.

*d.* The right of the firm or any of the firm's owners (e.g., partners, shareholders, or members) to practice public accounting before any state or federal agency or the PCAOB has been suspended or revoked.

*e.* The firm or any of the firm's owners (e.g., partners, shareholders, or members) has applied for licensure as a certified public accounting firm or a certified public accountant in Iowa or any other jurisdiction and the application has been denied.

*f.* Civil penalties have been imposed against the firm or any of the firm's owners (e.g., partners, shareholders, or members) pursuant to Iowa Code section 542.14.

*g.* The authority of the firm or any of the firm's owners (e.g., partners, shareholders, or members) to exercise a practice privilege has been revoked in Iowa or any other jurisdiction.

**21.4(2)** Firms precluded from exercising a practice privilege under this rule may apply for licensure in Iowa if otherwise qualified. The board will determine when an application is submitted whether the criminal or disciplinary history or other regulatory action against the firm or against any of the firm's owners (e.g., partners, shareholders, or members) provides a ground to deny licensure.

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### **193A—21.5(542) Attest and compilation services.**

**21.5(1)** Attest services, other than review services, must be performed in Iowa or for a client with a home office in Iowa by a CPA firm that holds an active permit to practice under Iowa Code section 542.7.

**21.5(2)** CPA firms providing compilation services in Iowa or for a client with a home office in Iowa must comply with the peer review and ownership provisions of Iowa Code section 542.7 but, unless required under rule 193A—21.3(542), compilation services may be performed by a CPA firm exercising a practice privilege under Iowa Code section 542.20.

**21.5(3)** CPA firms providing review services in Iowa or for a client with a home office in Iowa must comply with the peer review and ownership provisions of Iowa Code section 542.7.

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### **193A—21.6(542) Rights and duties.**

**21.6(1)** CPA firms that satisfy the conditions for a practice privilege may practice public accounting in Iowa or for a client with a home office in Iowa in person, or by telephone, mail, or electronic means without licensure under Iowa Code chapter 542 or notice to the board.

**21.6(2)** CPA firms lawfully practicing public accounting under a practice privilege may use the title "CPAs," "CPA firm," "certified public accountants," or "certified public accounting firm."

**21.6(3)** CPA firms practicing public accounting in Iowa or for a client with a home office in Iowa while exercising a practice privilege are subject to all of the following provisions:

*a.* Practice privilege firms shall not make any representation tending to falsely indicate that the firm is licensed under Iowa Code chapter 542. Such firms may truthfully identify themselves as licensed in any jurisdiction in which the firm holds a valid, active, unexpired license to practice as a certified public accounting firm. For example, a practice privilege firm could not use the title "Iowa CPAs" or "Iowa CPA firm" or otherwise state or imply licensure in Iowa, but, if true, the firm could use a title such as "CPA firm, licensed in Texas" or "Florida CPAs." Such firm could also truthfully state that the firm is practicing in Iowa under a practice privilege.

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

*c.* Practice privilege firms shall comply with all professional standards, laws, and rules that apply to licensed firms performing the same professional services.

**21.6(4)** As a condition of exercising the practice privilege provided in Iowa Code section 542.20, the firm:

*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 Iowa Code section 542.14 for any violation of Iowa Code chapter 542 or board rules;

*b.* Appoints the regulatory body of the state that issued the license in the firm's principal place of business as the agent upon whom process may be served in any action or proceeding by the board against the firm;

*c.* Agrees to supply the board, upon the board's request and without subpoena, such information or records that licensed firms are similarly required to provide the board under Iowa Code chapter 542, including but not limited to the information described in Iowa Code section 542.20, subsection 7, paragraph "c," and rule 193A—7.3(542); and

*d.* Agrees to promptly cease offering or providing public accounting services in Iowa or for a client with a home office in Iowa if the license in the firm's principal place of business expires or is otherwise no longer 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.

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### **193A—21.7(542) Penalties.**

**21.7(1)** Firms purporting to practice public accounting under a practice privilege which are ineligible to exercise a practice privilege or which fail to satisfy the conditions for exercising a practice privilege are subject to all of the penalties that apply to unlicensed firms, including the criminal, administrative, and civil penalties described in Iowa Code sections 542.14 and 542.15.

**21.7(2)** If a firm acting or purporting to act under a practice privilege engages in any act or practice that does or may in the future violate Iowa Code chapter 542 or board rules, the board may take any or all of the following actions, as applicable:

*a.* Apply to the district court for an injunction, restraining order, or other order, pursuant to Iowa Code section 542.14(1);

*b.* Issue an order to require compliance with Iowa Code chapter 542 or board rules, impose a civil penalty up to \$10,000 per offense, which may be imposed at a rate up to \$1,000 per day for a continuing violation, and revoke the practice privilege, pursuant to the procedures outlined in Iowa Code section 542.14, subsections 2 to 5, and 193A—Chapter 17;

*c.* Deny the subsequent license application of the violator or, to the extent responsible for the violation, any of the firm's owners (e.g., partners, shareholders, or members), pursuant to Iowa Code section 542.20, subsection 4, paragraphs "a" and "b";

*d.* Refer the complaint or other relevant information to a jurisdiction that issued a license to the alleged violator; and

*e.* Take disciplinary action against the firm or, to the extent responsible for the violation, any of the firm's owners (e.g., partners, shareholders, or members), pursuant to Iowa Code section 542.10 if the firm or individual holds an inactive or lapsed Iowa license.

**21.7(3)** Complaints filed with the board alleging violations by firms that are not licensed by the board, including those acting or purporting to act under a practice privilege, are not confidential under Iowa Code section 272C.6(4) and shall not be treated as confidential unless otherwise provided in Iowa Code chapter 22 or other applicable law.

**21.7(4)** Persons filing complaints with the board against firms acting or purporting to act under a practice privilege should provide as much information as possible to assist the board in locating the firm and the individuals allegedly responsible for the acts or omissions causing the complaint, and in determining whether the firm or any responsible individual is licensed in any jurisdiction.

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### **193A—21.8(542) Relationship between Iowa licensure and the exercise of a practice privilege.**

**21.8(1)** *Active Iowa licensees.* An Iowa CPA firm holding an active permit to practice under Iowa Code section 542.7 shall be treated for all purposes as an Iowa licensee and shall not be subject to the provisions of Iowa Code section 542.20.

**21.8(2)** *Lapsed Iowa licensees.* An Iowa CPA firm holding a lapsed permit to practice under Iowa Code section 542.7 is not authorized to perform attest or compilation services or to otherwise practice public accounting using the title "CPAs," "CPA firm," "certified public accountants," or "certified public accounting firm" unless the firm is eligible to exercise a practice privilege under Iowa Code section

542.20. The following provisions shall apply to firms holding a lapsed Iowa permit to practice when exercising a practice privilege:

*a.* In a disciplinary investigation or proceeding alleging unlicensed practice or improper use of title, the board shall take into consideration whether the lapsed licensee, at the time of the events at issue, satisfied the conditions for a practice privilege under Iowa Code section 542.20 and complied with all rules applicable to the exercise of a practice privilege.

*b.* The firm shall take reasonable steps to avoid public confusion over licensure status.

*c.* Violations of Iowa laws or rules by a firm holding a lapsed permit to practice shall be prosecuted as disciplinary proceedings against a licensee under Iowa Code section 542.10 and, when appropriate under the factual circumstances, may also or alternatively be prosecuted under the provisions of Iowa Code sections 542.14 and 542.15.

**21.8(3)** *Former Iowa licensees.* A CPA firm that held an Iowa permit to practice at one time which has been revoked or surrendered in connection with a disciplinary investigation or proceeding is prohibited from performing any act or practice for which Iowa firm licensure is required and is further ineligible to exercise the practice privilege described in Iowa Code section 542.20. Violations of Iowa Code chapter 542 or board rules by such a firm are subject to the criminal, civil and administrative remedies described in Iowa Code sections 542.14 and 542.15, and may also be prosecuted as disciplinary proceedings under Iowa Code section 542.10 if the license remains subject to reinstatement under 193A—subrule 7.6(3).

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These rules are intended to implement Iowa Code section 542.20.

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