

Senate Study Bill 3119

Bill Text

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1 1 Section 1. NEW SECTION. 542D.1 TITLE.
1 2 This chapter shall be known and may be cited as the "Iowa
1 3 Accountancy Act of 2000".
1 4 Sec. 2. NEW SECTION. 542D.2 LEGISLATIVE INTENT.
1 5 It is the policy of this state, and the purpose of this
1 6 chapter, to promote the reliability of information that is
1 7 used for guidance in financial transactions or for accounting
1 8 for or assessing the financial status or performance of
1 9 commercial, noncommercial, and governmental enterprises. The
1 10 public interest requires that persons professing special
1 11 competence in accountancy or offering assurance as to the
1 12 reliability or fairness of presentation of such information
1 13 shall have demonstrated their qualifications to do so, and
1 14 that persons who have not demonstrated and maintained such
1 15 qualifications not be permitted to represent themselves as
1 16 having such special competence or to offer such assurance;
1 17 that the conduct of persons licensed as having special
1 18 competence in accountancy be regulated in all aspects of their
1 19 professional work; that a public authority competent to
1 20 prescribe and assess the qualifications and to regulate the
1 21 conduct of licensees be established; and that the use of
1 22 titles that have a capacity or tendency to deceive the public
1 23 as to the status or competence of the persons using such
1 24 titles be prohibited.
1 25 Sec. 3. NEW SECTION. 542D.3 DEFINITIONS.
1 26 As used in this chapter, unless the context otherwise
1 27 requires:
1 28 1. "Accounting practitioner" means a person licensed by
1 29 the board who does not hold a certificate as a certified
1 30 public accountant under this chapter, and who offers to
1 31 perform or performs for the public, and for compensation, any
1 32 of the following services:
1 33 a. Records financial transactions in books of record.
1 34 b. Makes adjustments of financial transactions in books of
1 35 record.
2 1 c. Makes trial balances from books of record.
2 2 d. Prepares internal verification and analysis of books or
2 3 accounts of original entry.
2 4 e. Prepares financial statements, schedules, or reports.
2 5 f. Devises and installs systems or methods of bookkeeping,
2 6 internal controls of financial data, or the recording of
2 7 financial data.
2 8 2. "Accounting practitioner firm" means a sole
2 9 proprietorship, a corporation, a partnership, or any other
2 10 form of organization issued a permit to practice as a firm of
2 11 accounting practitioners under section 542D.7.
2 12 3. "Attest" or "attest service" means providing any of the
2 13 following services:
2 14 a. An audit or other engagement to be performed in
2 15 accordance with the statements on auditing standards.
2 16 b. A review of a financial statement to be performed in
2 17 accordance with the statement on standards for accounting and
2 18 review services.
2 19 c. An examination of prospective financial information to
2 20 be performed in accordance with the statements on standards
2 21 for attestation engagements. For purposes of this subsection,

2 22 the statements on standards for attestation engagements means
2 23 those standards adopted by the board, by rule, by reference to
2 24 the standards developed for general application by the
2 25 American institute of certified public accountants, or other
2 26 recognized national accountancy organization.

2 27 4. "Board" means the Iowa accountancy examining board
2 28 established under section 542D.4.

2 29 5. "Certificate" means a certificate as a certified public
2 30 accountant issued under section 542D.6, or a corresponding
2 31 certificate as certified public accountant issued after
2 32 examination under the law of any other state.

2 33 6. "Certified public accounting firm" means a sole
2 34 proprietorship, a corporation, a partnership, or any other
2 35 form of organization issued a permit to practice as a firm of
3 1 certified public accountants under section 542D.7.

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

3 5 8. "Commission" means a brokerage or other participation
3 6 fee. "Commission" does not include a contingent fee.

3 7 9. "Compilation" means a service performed in accordance
3 8 with statements on standards for accounting and review
3 9 services and presented in the form of financial statements,
3 10 which provides information that is the representation of the
3 11 service provider without undertaking to express any assurance
3 12 on the statements.

3 13 10. "Contingent fee" means a fee established for the
3 14 performance of a service pursuant to an arrangement under
3 15 which a fee will not be charged unless a specified finding or
3 16 result is attained, or under which the amount of the fee is
3 17 otherwise dependent upon the finding or result of such
3 18 service. "Contingent fee" does not mean a fee fixed by a
3 19 court or other public authority, or a fee related to any tax
3 20 matter which is based upon the results of a judicial
3 21 proceeding or the findings of a governmental agency.

3 22 11. "License" means a certificate issued under section
3 23 542D.6, a permit issued under section 542D.7, or a license
3 24 issued under section 542D.8; or a certificate or permit issued
3 25 under corresponding prior law.

3 26 12. "Licensee" means the holder of a license.

3 27 13. "Manager" means a manager of a limited liability
3 28 company.

3 29 14. "Member" means a member of a limited liability
3 30 company.

3 31 15. "Peer review" means a study, appraisal, or review of
3 32 one or more aspects of the professional work of a licensee or
3 33 certified public accountant firm that performs attest or
3 34 compilation services, by a person or persons who hold
3 35 certificates and who are not affiliated with the certificate
4 1 holder or certified public accountant firm being reviewed.

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

4 7 17. "Peer review team" means a person or organization
4 8 participating in the peer review function, but does not
4 9 include the board.

4 10 18. "Permit" means a permit to practice as either a
4 11 certified public accountant or accounting practitioner firm
4 12 issued under section 542D.7 or under corresponding provisions
4 13 of the laws of other states.

4 14 19. "Professional" means arising out of or related to the
4 15 specialized knowledge or skills associated with a certified
4 16 public accountant.

4 17 20. "Report", when used with reference to financial
4 18 statements, means a report, opinion, or other form of a

4 19 writing that states or implies assurance as to the reliability
4 20 of any financial statements and that includes or is
4 21 accompanied by a statement or implication that the person or
4 22 firm issuing the report has special knowledge or competence in
4 23 accounting or auditing. Such statement or implication of
4 24 special knowledge or competence may arise from use by the
4 25 issuer of the report of names or titles indicating that the
4 26 person or firm is an accountant or auditor, or from the
4 27 language of the report itself. "Report" includes any form of
4 28 language which disclaims an opinion when such form of language
4 29 is conventionally understood to imply a positive assurance as
4 30 to the reliability of the financial statements referred to or
4 31 special knowledge or competence on the part of the person or
4 32 firm issuing the language, and any other form of language that
4 33 is conventionally understood to imply such assurance or such
4 34 special knowledge or competence.

4 35 21. "State" means a state of the United States, the
5 1 District of Columbia, Puerto Rico, the United States Virgin
5 2 Islands, or Guam.

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

5 13 Sec. 4. NEW SECTION. 542D.4 STATE BOARD OF ACCOUNTANCY.

5 14 1. An Iowa accountancy examining board is created within
5 15 the professional licensing and regulation division of the
5 16 department of commerce to administer and enforce this chapter.
5 17 The board shall consist of eight members, appointed by the
5 18 governor and subject to senate confirmation, all of whom shall
5 19 be residents of this state. Five of the eight members shall
5 20 be holders of certificates issued under section 542D.6, one
5 21 member shall be the holder of a license issued under section
5 22 542D.8, and two shall not be certified public accountants or
5 23 licensed accounting practitioners and shall represent the
5 24 general public. Professional associations or societies
5 25 composed of certified public accountants or licensed
5 26 accounting practitioners may recommend the names of potential
5 27 board members to the governor. However, the governor is not
5 28 bound by the recommendations. A board member is not required
5 29 to be a member of any professional association or society
5 30 composed of certified public accountants or licensed
5 31 accounting practitioners. The term of each member of the
5 32 board shall be three years, as designated by the governor, and
5 33 appointments to the board are subject to the requirements of
5 34 sections 69.16, 69.16A, and 69.19. Members of the board
5 35 appointed and serving pursuant to chapter 542C, Code 2001, on
6 1 the effective date of this Act shall serve out the terms for
6 2 which they were appointed. Vacancies occurring during a term
6 3 shall be filled by appointment by the governor for the
6 4 unexpired term. Upon the expiration of the member's term of
6 5 office, a member shall continue to serve until a successor
6 6 shall have been appointed and taken office. Any member of the
6 7 board whose certificate under section 542D.6 is revoked or
6 8 suspended shall automatically cease to be a member of the
6 9 board, and the governor may, after a hearing, remove any
6 10 member of the board for neglect of duty or other just cause.
6 11 A person who has served three successive complete terms shall
6 12 not be eligible for reappointment, but appointment to fill an
6 13 unexpired term shall not be considered a complete term for
6 14 this purpose.

6 15 2. The board shall elect annually from among its members a

6 16 chairperson and such other officers as the board may determine
6 17 to be appropriate. The board shall meet at such times and
6 18 places as may be fixed by the board. Meetings of the board
6 19 shall be open to the public except insofar as they are
6 20 concerned with investigations under section 542D.11 and except
6 21 as may be necessary to protect information that is required to
6 22 be kept confidential by the laws of this state. A majority of
6 23 the board members in office shall constitute a quorum at any
6 24 meeting. The board shall retain or arrange for the retention
6 25 of all applications and all documents under oath that are
6 26 filed with the board and also records of its proceedings, and
6 27 the board shall maintain a registry of the names and addresses
6 28 of all licensees and permittees under this chapter. In any
6 29 proceeding in court, civil or criminal, arising out of or
6 30 founded upon any provision of this chapter, copies of any
6 31 records certified as true copies under the seal of the board
6 32 shall be admissible in evidence as tending to prove the
6 33 contents of the records.

6 34 3. Members of the board are entitled to receive a per diem
6 35 as specified in section 7E.6 for each day spent on performance
7 1 of duties as members and shall be reimbursed for all actual
7 2 and necessary expenses incurred in the performance of duties
7 3 as members.

7 4 4. All moneys collected by the board from fees authorized
7 5 to be charged by this chapter shall be received and accounted
7 6 for by the board and shall be paid monthly to the treasurer of
7 7 state for deposit in the general fund of the state. Expenses
7 8 of administering this chapter shall be paid from
7 9 appropriations made by the general assembly, which expenses
7 10 may include, but shall not be limited to, the costs of
7 11 conducting investigations and of taking testimony and
7 12 procuring the attendance of witnesses before the board or its
7 13 committees; all legal proceedings taken under this chapter for
7 14 the enforcement of this chapter; and educational programs for
7 15 the benefit of the public and licensees and their employees.

7 16 5. A member of the board shall maintain the
7 17 confidentiality of information relating to the following:
7 18 a. Criminal history or prior misconduct of the applicant.
7 19 b. Information relating to the contents of the
7 20 examination.

7 21 c. Information relating to the examination results other
7 22 than final score except for information about the results of
7 23 the examination given to the person examined.

7 24 A member of the board who willfully communicates or seeks
7 25 to communicate such information in a manner which violates
7 26 confidentiality requirements, and any person who willfully
7 27 requests, obtains, or seeks to obtain such information, is
7 28 guilty of a simple misdemeanor.

7 29 6. The board may employ an executive secretary and such
7 30 other personnel as it deems necessary in its administration
7 31 and enforcement of this chapter. The board may appoint
7 32 committees or persons to advise or assist the board in such
7 33 administration and enforcement as the board sees fit. The
7 34 board may retain its own counsel to advise and assist it in
7 35 addition to such advice and assistance as is provided by the
8 1 attorney general, notwithstanding section 13.7.

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

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

8 34 9. The board shall adopt rules pursuant to chapter 17A
8 35 governing the administration and enforcement of this chapter
9 1 and the conduct of licensees and permittees. Rules adopted
9 2 shall include, but not be limited to, the following:

9 3 a. Rules governing the board's meetings and the conduct of
9 4 its business.

9 5 b. Rules of procedure governing the conduct of
9 6 investigations and hearings by the board.

9 7 c. Rules specifying the educational and experience
9 8 qualifications required for the issuance of a certificate
9 9 under section 542D.6 and the continuing professional education
9 10 required for renewal of a certificate under section 542D.6.

9 11 d. Rules specifying the educational and experience
9 12 qualifications required for the issuance of a license under
9 13 section 542D.8 and the continuing professional education
9 14 required for renewal of a license under section 542D.6.

9 15 e. Rules of professional conduct directed to control the
9 16 quality and probity of services provided by a licensee, and,
9 17 among other areas, pertaining to a licensee's independence,
9 18 integrity, and objectivity; competence and technical
9 19 standards; responsibilities to the public; and
9 20 responsibilities to a client.

9 21 f. Rules governing the professional standards applicable
9 22 to a licensee.

9 23 g. Rules governing the manner and circumstances of use of
9 24 the titles "certified public accountant" and "CPA".

9 25 h. Rules governing the manner and circumstances of use of
9 26 the titles "accounting practitioner" and "AP".

9 27 i. Rules regarding peer review that may be required to be
9 28 performed under this chapter.

9 29 j. Rules on substantial equivalence under section 542D.20.

9 30 k. Such other rules as the board deems necessary or
9 31 appropriate for administering this chapter, including, but not
9 32 limited to, rules of professional conduct, pertaining to
9 33 corporations or limited liability companies practicing
9 34 accounting, which the board deems consistent with or required
9 35 by the public welfare. The board may adopt rules governing
10 1 the style, name, and title of corporations and limited
10 2 liability companies and governing the affiliation of
10 3 corporations and limited liability companies with other
10 4 organizations.

10 5 Sec. 5. NEW SECTION. 542D.5 QUALIFICATIONS FOR A
10 6 CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT.

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

10 10 section and who makes application pursuant to section 542D.6.

10 11 2. For purposes of this section, "good moral character"
10 12 means lack of a history of dishonest or felonious acts. The
10 13 board may refuse to issue a certificate on the ground of
10 14 failure to satisfy this requirement only if there is a
10 15 substantial connection between the lack of good moral
10 16 character of the applicant and the professional
10 17 responsibilities of a licensee and if the finding by the board
10 18 of lack of good moral character is supported by clear and
10 19 convincing evidence. If an applicant is found to be
10 20 unqualified for a certificate because of a lack of good moral
10 21 character, the board shall furnish the applicant a statement
10 22 containing the findings of the board, a complete record of the
10 23 evidence upon which the determination was based, and a notice
10 24 of the applicant's right of appeal.

10 25 3. The education requirement for a certificate is as
10 26 follows:

10 27 a. On or before December 31, 2000, the applicant has
10 28 attained either of the following:

10 29 (1) A baccalaureate degree conferred by a college or
10 30 university recognized by the board, in addition to one of the
10 31 following:

10 32 (a) A concentration in accounting, or what the board
10 33 determines to be substantially equivalent.

10 34 (b) A nonaccounting concentration, supplemented by what
10 35 the board determines to be substantially the equivalent of an
11 1 accounting concentration, including related courses in other
11 2 areas of business administration.

11 3 (2) A graduate of a high school having at least a four-
11 4 year course of study or its equivalent as determined by the
11 5 board and no less than three years of continuous experience
11 6 under the direct supervision of a certified public accountant
11 7 holding a certificate to practice, which experience shall
11 8 include a significant amount of accounting work involving
11 9 third-party reliance on financial statements.

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

11 24 4. The examination under section 542D.8, subsection 3,
11 25 shall be offered at least twice a year, and shall test the
11 26 applicant's knowledge of the subjects of accounting and
11 27 auditing, and such other related subjects as the board may
11 28 specify by rule, including but not limited to business law and
11 29 taxation. The examination shall be held at a time determined
11 30 by the board and may be changed from time to time. The board
11 31 shall prescribe by rule the methods of applying for and
11 32 conducting the examination, including methods for grading and
11 33 determining a passing grade required of an applicant for a
11 34 certificate. However, the board, to the extent possible,
11 35 shall ensure the examination, grading of the examination, and
12 1 the passing grades are uniform with those applicable in all
12 2 other states. The board may make such use of all or any part
12 3 of the uniform certified public accountant examination and
12 4 advisory grading service of the American institute of
12 5 certified public accountants, and may contract with third
12 6 parties to perform such administrative services with respect

12 7 to the examination as it deems appropriate to perform the
12 8 duties of the board with respect to examination.

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

12 18 6. An applicant who has failed the examination may request
12 19 in writing information from the board concerning the
12 20 applicant's examination grade and subject areas or questions
12 21 which the applicant failed to answer correctly, except that if
12 22 the board administers a uniform, standardized examination, the
12 23 board shall only be required to provide the examination grade
12 24 and such other information concerning the applicant's
12 25 examination results which are available to the board.

12 26 7. The board, by rule, may establish an examination fee to
12 27 be charged each applicant by the board or by a third party
12 28 administering the examination.

12 29 8. An applicant for initial issuance of a certificate must
12 30 have no less than one year of experience. The experience
12 31 shall include providing any type of service or advice
12 32 involving the use of accounting, attest, compilation,
12 33 management advisory, financial advisory, tax, or consulting
12 34 skills, as verified by a licensee, meeting requirements
12 35 prescribed by the board by rule. The experience is acceptable
13 1 if it was gained through employment in government, industry,
13 2 academia, or public practice.

13 3 9. A person holding a certificate as a certified public
13 4 accountant issued by the state prior to July 1, 2001, is
13 5 deemed to have met the requirements of this section.

13 6 Sec. 6. NEW SECTION. 542D.6 ISSUANCE AND RENEWAL OF
13 7 CERTIFICATES MAINTENANCE OF COMPETENCY.

13 8 1. a. The board shall issue or renew a certificate to a
13 9 person who makes application on a form prescribed and
13 10 furnished by the board and who demonstrates either of the
13 11 following:

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

13 15 (2) That the person is eligible under the substantial
13 16 equivalency standard provided for under section 542D.20,
13 17 subsection 1, paragraph "a" or "b", which requires licensure
13 18 for a certified public accountant who establishes a principal
13 19 place of business in another state.

13 20 b. The holder of a certificate issued under this section
13 21 shall only provide attest services in a certified public
13 22 accountant firm that is issued a permit under section 542D.7.

13 23 2. A certificate shall be initially issued, and renewed,
13 24 for a period of not more than three years, but in any event
13 25 shall expire on June 30 of the year of expiration. An
13 26 application for a certificate shall be made in such form, and
13 27 in the case of an application for renewal, between such dates,
13 28 as the board shall specify by rule, and the board shall grant
13 29 or deny such application within thirty days after the
13 30 application is filed in proper form. If the applicant seeks
13 31 the opportunity to show that issuance or renewal of a
13 32 certificate was mistakenly denied, or the board is not able to
13 33 determine whether the application should be granted or denied,
13 34 the board may issue to the applicant a provisional certificate
13 35 which shall expire ninety days after its issuance or when the
14 1 board determines whether or not to issue or renew the
14 2 certificate for which application was made, whichever occurs
14 3 first.

14 4 3. a. An applicant who does not qualify for reciprocity
14 5 under the substantial equivalency standard established in
14 6 section 542D.20, subsection 1, paragraph "b", shall be issued
14 7 a certificate by the board if the applicant is a holder of a
14 8 certificate, license, or permit issued by another state, and
14 9 shows all of the following:

14 10 (1) The applicant passed the examination required for
14 11 issuance of the applicant's certificate with grades that would
14 12 have been passing grades at the time in this state.

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

14 20 (3) If the applicant's certificate, license, or permit was
14 21 issued more than four years prior to the application for
14 22 issuance of an initial certificate under this section, that
14 23 the applicant has fulfilled the requirements of continuing
14 24 professional education that would have been applicable under
14 25 subsection 4.

14 26 b. As an alternative to the requirements of paragraph "a",
14 27 a certificate holder licensed by another state who desires to
14 28 establish the holder's principal place of business in this
14 29 state shall request the issuance of a certificate from the
14 30 board prior to establishing such principal place of business.
14 31 The board shall issue a certificate to an individual who
14 32 obtains from the board or the national association of state
14 33 boards of accountancy's national qualification appraisal
14 34 service verification that the individual's certified public
14 35 accountant qualifications are substantially equivalent to the
15 1 certified public accountant certificate requirements of this
15 2 chapter.

15 3 c. An application under this section may be made through
15 4 the national association of state boards of accountancy's
15 5 national qualification appraisal service.

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

15 27 5. The board shall charge an application fee for initial
15 28 issuance or renewal of a certificate in an amount prescribed
15 29 by the board by rule.

15 30 6. An applicant for initial issuance or renewal of a
15 31 certificate shall list in the application all states in which
15 32 the applicant has applied for or holds a certificate, license,
15 33 or permit and list any past denial, revocation, or suspension
15 34 of a certificate, license, or permit. A holder of or
15 35 applicant for a certificate under this section shall notify

16 1 the board in writing, within thirty days after its occurrence,
16 2 of any issuance, denial, revocation, or suspension of a
16 3 certificate, license, or permit by another state.

16 4 7. The board shall issue a certificate to a holder of a
16 5 substantially equivalent foreign designation, upon
16 6 satisfaction of all of the following:

16 7 a. The foreign authority which issued the designation
16 8 allows a person who holds a valid certificate issued by this
16 9 state to obtain such foreign authority's comparable
16 10 designation.

16 11 b. The foreign designation satisfies all of the following:

16 12 (1) The designation was issued by a foreign authority that
16 13 regulates the practice of public accountancy and the foreign
16 14 designation has not expired or been revoked or suspended.

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

16 17 (3) The designation was issued upon the basis of
16 18 education, examination, and experience requirements
16 19 established by the foreign authority or by law.

16 20 c. The applicant satisfies all of the following:

16 21 (1) The designation was issued based on education and
16 22 examination standards substantially equivalent to those in
16 23 effect in this state at the time the foreign designation was
16 24 granted.

16 25 (2) The applicant satisfies an experience requirement,
16 26 substantially equivalent to the requirement set out in section
16 27 542D.5, subsection 8, in the jurisdiction which issued the
16 28 foreign designation or has completed four years of
16 29 professional experience in this state; or meets equivalent
16 30 requirements prescribed by the board by rule, within the ten
16 31 years immediately preceding the application.

16 32 (3) The applicant has passed qualifying examinations in
16 33 national standards and the laws, rules, and code of ethical
16 34 conduct in effect in this state.

16 35 8. An applicant under subsection 7 shall list in the
17 1 application all jurisdictions, foreign and domestic, in which
17 2 the applicant has applied for or holds a designation to
17 3 practice public accountancy. A holder of a certificate issued
17 4 under this section shall notify the board in writing, within
17 5 thirty days after its occurrence, of any issuance, denial,
17 6 revocation, or suspension of a designation or commencement of
17 7 a disciplinary or enforcement action by any jurisdiction.

17 8 9. The board has sole authority to interpret the
17 9 application of subsections 7 and 8.

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

17 20 Sec. 7. NEW SECTION. 542D.7 FIRM PERMITS TO PRACTICE
17 21 ATTEST EXPERIENCE AND PEER REVIEW.

17 22 1. The board shall issue or renew a permit to practice as
17 23 a certified public accountant firm or accounting practitioner
17 24 firm to a person that makes application and demonstrates the
17 25 qualifications set forth in this section, or to a certified
17 26 public accountant firm originally licensed in another state
17 27 that establishes an office in this state. A firm must hold a
17 28 permit issued under this section in order to provide attest
17 29 services or to use the title "CPAs" or "APs" or "CPA firm" or
17 30 "AP firm".

17 31 2. A permit shall be initially issued and renewed for a
17 32 period of not more than three years, but in any event shall

17 33 expire on June 30 of the year of expiration. An application
17 34 for a permit shall be made in such form, and in the case of an
17 35 application for renewal, between such dates as the board may
18 1 by rule specify, and the board shall grant or deny an
18 2 application within thirty days after the application is filed.
18 3 If the applicant seeks the opportunity to show that issuance
18 4 or renewal of a permit was mistakenly denied, or if the board
18 5 is not able to determine whether an application should be
18 6 granted or denied, the board may issue to the applicant a
18 7 provisional permit, which shall expire ninety days after its
18 8 issuance or when the board determines whether or not to issue
18 9 or renew the permit for which application was made, whichever
18 10 occurs first.

18 11 3. An applicant for initial issuance or renewal of a
18 12 permit to practice as a firm must show all of the following:

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

18 25 b. A certified public accountant or accounting
18 26 practitioner firm may include nonlicensee owners provided
18 27 that:

18 28 (1) The firm designates a licensee of this state who is
18 29 responsible for the proper registration of the firm and
18 30 identifies that individual to the board.

18 31 (2) All nonlicensee owners are active individual
18 32 participants in the certified public accountant or accounting
18 33 practitioner firm or affiliated entities.

18 34 (3) The firm complies with such other requirements as the
18 35 board may impose by rule.

19 1 c. An individual certificate holder who is responsible for
19 2 supervising attest or compilation services and signs or
19 3 authorizes someone to sign the accountant's report on the
19 4 financial statements on behalf of the firm, shall meet the
19 5 competency requirements set out in the professional standards
19 6 for such services.

19 7 d. An individual certificate holder who signs or
19 8 authorizes someone to sign the accountant's report on the
19 9 financial statements on behalf of the firm shall meet the
19 10 competency requirements set out in the professional standards
19 11 for such services.

19 12 4. An applicant for initial issuance or renewal of a
19 13 permit to practice as a certified public accountant firm is
19 14 required to register each office of the firm within this state
19 15 with the board and to show that all attest and compilation
19 16 services rendered in this state are under the charge of a
19 17 person holding a valid certificate issued under section 542D.6
19 18 or by some other state.

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

19 22 6. An applicant for initial issuance or renewal of a
19 23 permit shall list in the application all states in which the
19 24 applicant has applied for or holds a permit as a certified
19 25 public accountant or accounting practitioner firm and list any
19 26 past denial, revocation, or suspension of a permit by another
19 27 state. A holder of or applicant for a permit shall notify the
19 28 board in writing within thirty days after an occurrence of any
19 29 of the following:

19 30 a. A change in the identity of a partner, officer,
19 31 shareholder, member, or manager whose principal place of
19 32 business is in this state.

19 33 b. A change in the number or location of offices within
19 34 this state.

19 35 c. A change in the identity of a person in charge of such
20 1 offices.

20 2 d. The issuance, denial, revocation, or suspension of a
20 3 permit by another state.

20 4 7. A firm, after receiving or renewing a permit which is
20 5 not in compliance with this section as a result of a change in
20 6 firm ownership or personnel, shall take corrective action to
20 7 bring the firm back into compliance as quickly as possible or
20 8 apply to modify or amend the permit. The board may grant a
20 9 reasonable period of time for a firm to take such corrective
20 10 action. Failure to comply within a reasonable period as
20 11 deemed by the board shall result in the suspension or
20 12 revocation of the firm permit.

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

20 24 Such rules shall include reasonable provision for
20 25 compliance by an applicant showing that the applicant, within
20 26 the preceding three years, has undergone a peer review that is
20 27 a satisfactory equivalent to the peer review required under
20 28 this subsection. An applicant's completion of a peer review
20 29 program endorsed or supported by the American institute of
20 30 certified public accountants, or other substantially similar
20 31 review as determined by the board, satisfies the requirements
20 32 of this subsection.

20 33 9. An applicant for a permit to practice as a certified
20 34 public accountant firm, at the time of renewal, may request in
20 35 writing upon forms provided by the board, a waiver from the
21 1 requirements of subsection 8. The board may grant a waiver
21 2 upon a showing satisfactory to the board of any of the
21 3 following:

21 4 a. The applicant does not engage in, and does not intend
21 5 to engage in during the following year, financial reporting
21 6 areas of practice, including but not limited to financial
21 7 audits, compilations, and reviews. An applicant granted a
21 8 waiver pursuant to this paragraph shall immediately notify the
21 9 board if the applicant engages in such practice, and shall be
21 10 subject to peer review.

21 11 b. Reasons of health.

21 12 c. Military service.

21 13 d. Instances of hardship.

21 14 e. Other good cause as determined by the board.

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

21 27 peer review process shall not testify as to the findings,
21 28 recommendations, evaluations, or opinions of a peer review
21 29 team in a judicial, administrative, or arbitration proceeding.
21 30 11. A person is not liable as a result of an act,
21 31 omission, or decision made in connection with the person's
21 32 service in a peer review team, unless the act, omission, or
21 33 decision is made with actual malice. A person is not liable
21 34 as a result of providing information to a peer review team, or
21 35 for disclosure of privileged matter to a peer review team.

22 1 12. The costs of the peer review shall be paid by the
22 2 applicant.

22 3 Sec. 8. NEW SECTION. 542D.8 QUALIFICATIONS FOR AND
22 4 ISSUANCE OF A LICENSE AS AN ACCOUNTING PRACTITIONER.

22 5 1. An accounting practitioner license shall be issued by
22 6 the board to a person who is a resident of this state, has a
22 7 place of business in this state, or is regularly employed in
22 8 this state, who makes application on a form prescribed and
22 9 furnished by the board, passes a written examination
22 10 prescribed by the board, and meets one of the following
22 11 requirements:

22 12 a. Has two or more years of actual experience in the
22 13 practice of an accounting practitioner as an employee of a
22 14 certified public accountant or an accounting practitioner.

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

22 24 c. Submits evidence of at least five years of continuous
22 25 experience engaged in performing any of the services set forth
22 26 in section 542D.3, subsection 1, on a full-time basis.

22 27 2. An applicant for a license to practice as an accounting
22 28 practitioner shall pay to the board an examination fee prior
22 29 to examination. The amount of the fee shall be set by the
22 30 board based upon the annual cost of administering the
22 31 examination.

22 32 3. An examination shall be conducted by the board as often
22 33 as deemed necessary, but not less than two times per year.

22 34 4. The examination shall be prescribed by the board and
22 35 shall be designed and given in a manner as to fairly test the
23 1 applicant's knowledge of accounting. The examination shall
23 2 not include questions relating to the subject of auditing.

23 3 5. The board, in its discretion, may use all or any part
23 4 of a standard or uniform examination and advisory grading
23 5 service that is provided or furnished by a national accounting
23 6 organization or society to assist the board in the performance
23 7 of its duties under this chapter. An examination in theory
23 8 shall be in writing and the identity of the person taking the
23 9 examination shall be concealed until after the examination
23 10 papers have been graded.

23 11 6. If an applicant has partially passed an examination
23 12 given in another state, under requirements that the board
23 13 finds to be substantially equivalent to those required in
23 14 examinations given in this state, the results of the other
23 15 state's examination shall be accepted as though given in this
23 16 state.

23 17 7. An applicant who successfully passes all subjects in
23 18 which examined shall be issued a license as an accounting
23 19 practitioner by the board. The cost of the license shall be
23 20 based upon the administrative costs of the board and the costs
23 21 of issuing the license.

23 22 8. An applicant who fails the examination once shall be
23 23 allowed to take the examination at the next scheduled time.

23 24 Thereafter, the applicant shall be allowed to take the
23 25 examination at the discretion of the board. An applicant who
23 26 passes a portion of the examination shall have the right to be
23 27 reexamined in the remaining subjects at a future examination,
23 28 and if the applicant passes in the remaining subjects, the
23 29 applicant shall be considered to have passed the entire
23 30 examination. An applicant who fails the examination may
23 31 request in writing information from the board concerning the
23 32 applicant's examination grade and subject areas or questions
23 33 which the applicant failed to answer correctly, except that if
23 34 the board administers a uniform, standardized examination, the
23 35 board shall only be required to provide the examination grade
24 1 and such other information concerning the applicant's
24 2 examination results which is available to the board.

24 3 9. A license as an accounting practitioner shall expire in
24 4 multiyear intervals as determined by the board. The board
24 5 shall notify a person licensed under this chapter of the date
24 6 of expiration of the license and the amount of the fee
24 7 required for its renewal. The notice shall be mailed at least
24 8 one month in advance of the expiration date. A person who
24 9 fails to renew a license to practice as an accounting
24 10 practitioner by the expiration date shall be allowed to do so
24 11 within thirty days following its expiration, but the board may
24 12 assess a reasonable penalty. A renewal of a license shall be
24 13 issued to a person licensed pursuant to this section or who
24 14 holds a license issued under the law of another state.

24 15 10. The board, in its discretion, may waive an examination
24 16 and issue a license as an accounting practitioner to an
24 17 applicant who satisfies either of the following:

24 18 a. The applicant holds, or is eligible to hold, an
24 19 accounting practitioner license issued, after examination, by
24 20 a state which extends by reciprocity similar privileges to an
24 21 accounting practitioner of this state, and who, as of the time
24 22 of issuance of the license, possessed the basic qualifications
24 23 set forth in subsection 1.

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

24 28 11. A person applying for an accounting practitioner
24 29 license shall pay a fee as determined by the board based upon
24 30 the costs of issuing such licenses.

24 31 Sec. 9. NEW SECTION. 542D.9 APPOINTMENT OF SECRETARY OF
24 32 STATE AS AGENT.

24 33 Application for a certificate under section 542D.6, a
24 34 license under section 542D.8, or a permit to practice under
24 35 section 542D.7 by a person or a firm not a resident of this
25 1 state constitutes appointment of the secretary of state as the
25 2 applicant's agent upon whom process may be served in any
25 3 action or proceeding against the applicant arising out of a
25 4 transaction or operation connected with or incidental to
25 5 services performed by the applicant while a licensee within
25 6 this state.

25 7 Sec. 10. NEW SECTION. 542D.10 ENFORCEMENT AGAINST A
25 8 HOLDER OF A CERTIFICATE, PERMIT, OR LICENSE.

25 9 1. The board, after notice and hearing pursuant to section
25 10 542D.12, may revoke a certificate, permit, or license issued
25 11 under section 542D.6, 542D.7, or 542D.8, or revoke or limit
25 12 privileges under section 542D.20; suspend such certificate,
25 13 permit, or license, or refuse to renew such certificate,
25 14 permit, or license for a period of not more than five years;
25 15 reprimand, censure, or limit the scope of practice of any
25 16 licensee; impose an administrative penalty not to exceed one
25 17 thousand dollars, or place a licensee on probation, all with
25 18 or without terms, conditions, and limitations, for any one or
25 19 more of the following reasons:

25 20 a. Fraud or deceit in obtaining a certificate, permit, or

25 21 license.

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

25 26 c. Failure, on the part of a holder of a certificate,
25 27 permit, or license, under section 542D.6, 542D.7, or 542D.8,
25 28 to maintain compliance with the requirements for issuance or
25 29 renewal of such certificate, permit, or license or to report
25 30 changes to the board under section 542D.6, subsection 6, or
25 31 section 542D.7, subsection 6.

25 32 d. Revocation or suspension of the right to practice
25 33 before any state or federal agency.

25 34 e. Dishonesty, fraud, or gross negligence in the
25 35 performance of services as a licensee or individual granted
26 1 privileges under section 542D.20, or in the filing or failure
26 2 to file the licensee's or individual's own income tax return.

26 3 f. Violation of this chapter or a rule adopted by the
26 4 board or violation of professional standards.

26 5 g. Violation of a rule of professional conduct adopted
26 6 pursuant to section 542D.4, subsection 9.

26 7 h. Conviction of a felony, or of any crime an element of
26 8 which is dishonesty or fraud, under the laws of the United
26 9 States, of this state, or of any other state or country if the
26 10 acts involved would have constituted a crime under the laws of
26 11 this state.

26 12 i. Performance of a fraudulent act while holding a
26 13 certificate, permit, or license issued under this chapter.

26 14 j. Conduct reflecting adversely upon the licensee's
26 15 fitness to perform services while a licensee or individual
26 16 granted privileges under section 542D.20.

26 17 k. Making a false or misleading statement or verification,
26 18 in support of an application for a certificate, permit, or
26 19 license filed by another person.

26 20 2. In lieu of or in addition to any enforcement action
26 21 specifically provided in subsection 1, the board may require
26 22 any of the following:

26 23 a. A peer review conducted in such fashion as the board
26 24 may specify.

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

26 27 3. In a proceeding in which an enforcement action under
26 28 subsection 1 or 2 is imposed, the board may also require the
26 29 respondent licensee to pay the costs of the proceeding.

26 30 Sec. 11. NEW SECTION. 542D.11 ENFORCEMENT PROCEDURES
26 31 INVESTIGATIONS.

26 32 1. The board, upon receipt of a complaint or other
26 33 information which indicates a violation of this chapter or of
26 34 a rule of the board, may conduct an investigation to determine
26 35 whether there is probable cause to institute a proceeding
27 1 under section 542D.12, 542D.13, or 542D.14 against a person or
27 2 firm for such violation. An investigation under this section
27 3 is not a prerequisite to instituting a proceeding if a
27 4 determination of probable cause can be made without
27 5 investigation. The board or the chairperson of the board may
27 6 issue subpoenas to compel witnesses to testify or to produce
27 7 evidence.

27 8 2. The board may designate a member of the board, or other
27 9 appropriate person, to serve as investigating officer to
27 10 conduct an investigation. Upon completion of an
27 11 investigation, the investigating officer shall file a report
27 12 with the board. The board shall make a finding of whether
27 13 probable cause exists based on the report, or return the
27 14 report to the investigating officer for further investigation.
27 15 Unless there has been a determination of probable cause, the
27 16 report of the investigating officer, the complaint, if any,
27 17 the testimony and documents submitted in support of the

27 18 complaint or gathered in the investigation, and the fact of
27 19 pendency of the investigation are confidential information and
27 20 shall not be disclosed to any person except law enforcement
27 21 authorities and, to the extent deemed necessary in order to
27 22 conduct the investigation, the subject of the investigation,
27 23 persons whose complaints are being investigated, and witnesses
27 24 questioned in the course of the investigation.

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

28 1 4. The board may review the publicly available
28 2 professional work of a licensee or an individual granted
28 3 privileges under section 542D.20 on a general and random
28 4 basis, without any requirement of a formal complaint or
28 5 suspicion of impropriety. If, as a result of such review, the
28 6 board discovers reasonable grounds for an investigation, the
28 7 board may proceed as provided in this section.

28 8 Sec. 12. NEW SECTION. 542D.12 ENFORCEMENT PROCEDURES
28 9 HEARINGS BY THE BOARD.

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

28 30 2. A licensee or an individual granted privileges under
28 31 section 542D.20 against whom a complaint has been issued under
28 32 this section, reasonably in advance of the hearing, may
28 33 examine and copy the report of the investigation, if any, and
28 34 any documentary or testimonial evidence and summaries of
28 35 anticipated evidence in the board's possession relating to the
29 1 subject matter of the complaint. The board's rules governing
29 2 proceedings under this section shall specify the manner in
29 3 which such right may be exercised.

29 4 3. A respondent licensee or an individual granted
29 5 privileges under section 542D.20 may appear in person, or, in
29 6 the case of a firm, through a partner, officer, director,
29 7 shareholder, member, or manager, or by counsel; examine
29 8 witnesses and evidence presented in support of the complaint;
29 9 and present evidence and witnesses on the licensee's or an
29 10 individual's own behalf. The board, on application by a
29 11 licensee or an individual granted privileges under section
29 12 542D.20, shall issue subpoenas to compel the attendance of
29 13 witnesses and the production of documentary evidence on behalf
29 14 of the applicant.

29 15 4. Evidence supporting the complaint shall be presented by
29 16 the investigating officer, by a board member designated for
29 17 that purpose, or by counsel. A board member who presents
29 18 evidence, or who conducted the investigation of the matter
29 19 under section 542D.11, shall not participate in the board's
29 20 decision of the matter.

29 21 5. The board, in a hearing under this section, shall be
29 22 advised by counsel other than the counsel who presents or
29 23 assists in presenting the evidence supporting the complaint.

29 24 6. The board, in a hearing under this section, is not
29 25 bound by technical rules of evidence.

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

29 31 8. In a hearing held under this section a recorded vote of
29 32 a majority of all members of the board then in office,
29 33 excluding members disqualified under subsection 4, is required
29 34 to sustain a charge and to take appropriate action with
29 35 respect to the violation.

30 1 9. If, after service of a complaint and notice of hearing
30 2 as required under subsection 1, the respondent licensee or
30 3 individual granted privileges under section 542D.20 fails to
30 4 appear at the hearing, the board may proceed to hear evidence
30 5 against such person and may enter such order as it deems
30 6 warranted by the evidence. The order is final unless the
30 7 licensee or individual granted privileges under section
30 8 542D.20 petitions for review of the order under subsection 10.
30 9 Additionally, the board, upon a showing of good cause for the
30 10 failure to appear made within thirty days from the date of
30 11 such order, may set aside the order and schedule a new hearing
30 12 on the complaint.

30 13 10. A person or firm adversely affected by an order of the
30 14 board entered after a hearing under this section may obtain
30 15 review of the order by filing a written petition for review
30 16 with the district court within thirty days after the entry of
30 17 the order. The procedure for review and the scope of the
30 18 review is as provided in chapter 17A.

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

31 1 Sec. 13. NEW SECTION. 542D.13 REINSTATEMENT.

31 2 1. If the board has suspended or revoked a certificate,
31 3 permit, or license, or revoked or limited privileges granted
31 4 under section 542D.20, or refused to renew a certificate,
31 5 permit, or license, the board, upon application in writing by
31 6 the person or firm affected and for good cause shown, may
31 7 modify the suspension, or reissue the certificate, permit, or
31 8 license or reinstate privileges granted under section 542D.20.

31 9 2. The board, by rule, shall specify the manner in which
31 10 such applications shall be made, the times within which they
31 11 shall be made, and the circumstances in which hearings will be

31 12 held on such applications.

31 13 3. Before reissuing or terminating the suspension of a
31 14 certificate, permit, or license under this section, or
31 15 reinstating privileges granted under section 542D.20, and as a
31 16 condition to such action, the board may require the applicant
31 17 to show successful completion of specified continuing
31 18 professional education. The board may also make such reissue,
31 19 termination, or reinstatement conditional and subject to
31 20 satisfactory completion of a peer review conducted as
31 21 specified by the board.

31 22 Sec. 14. NEW SECTION. 542D.14 UNLAWFUL ACTS.

31 23 1. Only a certified public accountant may issue a report
31 24 on financial statements of a person, firm, organization, or
31 25 governmental unit, or offer to render or render any attest
31 26 service. Only a certified public accountant or accounting
31 27 practitioner may render compilation services. This
31 28 restriction does not prohibit such acts by a public official
31 29 or public employee in the performance of that person's duties;
31 30 or prohibit the performance by any nonlicensee of other
31 31 services involving the use of accounting skills, including the
31 32 preparation of tax returns, management advisory services, and
31 33 the preparation of financial statements without the issuance
31 34 of reports on such financial statements. A nonlicensee may
31 35 prepare financial statements and issue nonattest transmittals
32 1 or information on such statements or transmittals which do not
32 2 purport to be in compliance with the statements on standards
32 3 for accounting and review services.

32 4 2. A licensee performing attest or compilation services
32 5 must provide those services consistent with professional
32 6 standards.

32 7 3. A person not holding a certificate shall not use or
32 8 assume the title "certified public accountant" or the
32 9 abbreviation "CPA" or any other title, designation, words,
32 10 letters, abbreviation, sign, card, or device tending to
32 11 indicate that such person is a certified public accountant.

32 12 4. A firm shall not provide attest services or assume or
32 13 use the title "certified public accountants" or the
32 14 abbreviation "CPAs" or any other title, designation, words,
32 15 letters, abbreviation, sign, card, or device tending to
32 16 indicate that such firm is a certified public accountant firm
32 17 unless the firm holds a permit issued under section 542D.7 and
32 18 ownership of the firm satisfies the requirements of this
32 19 chapter and rules adopted by the board.

32 20 5. A person shall not assume or use the title "accounting
32 21 practitioner" or the abbreviation "AP" or any other title,
32 22 designation, words, letters, abbreviation, sign, card, or
32 23 device tending to indicate that such person is an accounting
32 24 practitioner unless that person holds a license issued under
32 25 section 542D.8.

32 26 6. A firm not holding a permit issued under section 542D.7
32 27 shall not provide compilation services or assume or use the
32 28 title "accounting practitioner" the abbreviation "AP" or any
32 29 other title, designation, words, letters, abbreviation, sign,
32 30 card, or device tending to indicate that such firm is composed
32 31 of accounting practitioners.

32 32 7. A person or firm not holding a certificate, permit, or
32 33 license issued under section 542D.6, 542D.7, or 542D.8 shall
32 34 not assume or use the title "certified accountant", "chartered
32 35 accountant", "enrolled accountant", "licensed accountant",
33 1 "registered accountant", "accredited accountant", or any other
33 2 title or designation likely to be confused with the title
33 3 "certified public accountant" or "accounting practitioner", or
33 4 use any of the abbreviations "CA", "LA", "RA", "AA", or
33 5 similar abbreviation likely to be confused with the
33 6 abbreviation "CPA" or "AP". The title "enrolled agent" or
33 7 "EA" may only be used by individuals so designated by the
33 8 internal revenue service.

33 9 8. A nonlicensee shall not use language in any statement
33 10 relating to the financial affairs of a person or entity which
33 11 is conventionally used by licensees in reports on financial
33 12 statements. The board shall develop and issue language which
33 13 nonlicensees may use in connection with such financial
33 14 information.

33 15 9. A person or firm not holding a certificate, permit, or
33 16 license issued under section 542D.6, 542D.7, or 542D.8 shall
33 17 not assume or use any title or designation that includes the
33 18 word "accountant", "auditor", or "accounting", in connection
33 19 with any other language that implies that such person or firm
33 20 holds such a certificate, permit, or license or has special
33 21 competence as an accountant or auditor. However, this
33 22 subsection does not prohibit an officer, partner, member,
33 23 manager, or employee of a firm or organization from affixing
33 24 that person's own signature to a statement in reference to the
33 25 financial affairs of such firm or organization with wording
33 26 which designates the position, title, or office that the
33 27 person holds, or prohibit any act of a public official or
33 28 employee in the performance of such person's duties.

33 29 10. A person holding a certificate or license or firm
33 30 holding a permit under this chapter shall not use a
33 31 professional or firm name or designation that is misleading
33 32 about the legal form of the firm, or about the persons who are
33 33 partners, officers, members, managers, or shareholders of the
33 34 firm, or about any other matter. However, the name of one or
33 35 more former partners, members, managers, or shareholders may
34 1 be included in the name of a firm or its successor.

34 2 11. This section does not apply to a person or firm
34 3 holding a certification, designation, degree, or license
34 4 granted in a foreign country entitling the holder to engage in
34 5 the practice of public accountancy or its equivalent in such
34 6 country, whose activities in this state are limited to
34 7 providing professional services to a person or firm who is a
34 8 resident of, government of, or business entity of the country
34 9 in which the person holds such entitlement, who does not
34 10 perform attest or compilation services, and who does not issue
34 11 reports with respect to the financial statements of any other
34 12 person, firm, or governmental unit in this state, and who does
34 13 not use in this state any title or designation other than the
34 14 one under which the person practices in such country, followed
34 15 by a translation of such title or designation into the English
34 16 language, if it is in a different language, and by the name of
34 17 such country.

34 18 12. A holder of a certificate issued under section 542D.6
34 19 shall not perform attest services in a firm that does not hold
34 20 a permit issued under section 542D.7.

34 21 13. An individual licensee shall not issue a report in
34 22 standard form upon a compilation of financial information
34 23 through any form of business that does not hold a permit
34 24 issued under section 542D.7 unless the report discloses the
34 25 name of the business through which the individual is issuing
34 26 the report and the individual licensee does all of the
34 27 following:

34 28 a. Signs the compilation report identifying the individual
34 29 as a certified public accountant or accounting practitioner.

34 30 b. Meets competency requirements provided in applicable
34 31 standards.

34 32 c. Undergoes, no less frequently than once every three
34 33 years, a peer review conducted in a manner as specified by the
34 34 board. The review shall include verification that such
34 35 individual has met the competency requirements set out in
35 1 professional standards for such services.

35 2 14. This section does not prohibit a practicing attorney
35 3 from preparing or presenting records or documents customarily
35 4 prepared by an attorney in connection with the attorney's
35 5 professional work in the practice of law.

35 6 15. a. A licensee shall not for a commission recommend or
35 7 refer a client to any product or service, or for a commission
35 8 recommend or refer another person to any product or service to
35 9 be supplied by a client, or receive a commission, when the
35 10 licensee also performs for that client any of the following:

35 11 (1) An audit or review of a financial statement.

35 12 (2) A compilation of a financial statement when the
35 13 licensee expects, or reasonably might expect, that a third
35 14 party will use the financial statement and the licensee's
35 15 compilation report does not disclose a lack of independence.

35 16 (3) An examination of prospective financial information.

35 17 The prohibitions under this paragraph apply during the
35 18 period in which the licensee is engaged to perform any of the
35 19 services identified in subparagraphs (1) through (3), and the
35 20 period covered by any historical financial statements involved
35 21 in such services.

35 22 b. A licensee who is not prohibited by this section from
35 23 performing services for or receiving a commission and who is
35 24 paid or expects to be paid a commission shall disclose that
35 25 fact to any person or entity to whom the licensee recommends
35 26 or refers a product or service to which the commission
35 27 relates.

35 28 c. A licensee who accepts a referral fee for recommending
35 29 a service of a licensee or referring a licensee to any person
35 30 or entity or who pays a referral fee to obtain a client shall
35 31 disclose such acceptance or payment to the client.

35 32 16. a. A licensee shall not do any of the following:

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

36 1 (a) An audit or review of a financial statement.

36 2 (b) A compilation of a financial statement when the
36 3 licensee expects, or reasonably might expect, that a third
36 4 party will use the financial statement and the licensee's
36 5 compilation report does not disclose a lack of independence.

36 6 (c) An examination of prospective financial information.

36 7 (2) Prepare for a client an original or amended tax return
36 8 or claim for a tax refund for a contingent fee.

36 9 b. Paragraph "a" applies during the period in which the
36 10 licensee is engaged to perform any of the listed services and
36 11 the period covered by any historical financial statements
36 12 involved in such listed services.

36 13 c. For purposes of this subsection, a contingent fee is a
36 14 fee established for the performance of a service pursuant to
36 15 an arrangement in which a fee will not be charged unless a
36 16 specified finding or result is attained, or in which the
36 17 amount of the fee is otherwise dependent upon the finding or
36 18 result of such service. A fee shall not be considered as
36 19 being a contingent fee if fixed by a court or other public
36 20 authority, or, in a tax matter, if determined based on the
36 21 results of a judicial proceeding or the findings of a
36 22 governmental agency. A licensee's fee may vary depending on
36 23 the complexity of the services rendered.

36 24 Sec. 15. NEW SECTION. 542D.15 INJUNCTION AGAINST
36 25 UNLAWFUL ACTS, CIVIL PENALTIES, AND CONSENT AGREEMENTS.

36 26 1. If, as a result of an investigation under section
36 27 542D.11 or otherwise, the board believes that a person or firm
36 28 has engaged, or is about to engage, in an act or practice
36 29 which constitutes or will constitute a violation of section
36 30 542D.14, the board may make application to the district court
36 31 for an order enjoining such act or practice. Upon a showing
36 32 by the board that such person or firm has engaged, or is about
36 33 to engage, in any such act or practice, an injunction,
36 34 restraining order, or other order as may be appropriate shall
36 35 be granted by the court.

37 1 2. In addition to a criminal penalty provided for in
37 2 section 542D.16, the board, by order, may impose a civil

37 3 penalty not to exceed one thousand dollars for each offense
37 4 upon a person who is not a licensee under this chapter and who
37 5 engages in conduct prohibited by section 542D.14. Each day of
37 6 a continued violation constitutes a separate offense.

37 7 3. The board, in determining the amount of a civil penalty
37 8 to be imposed, may consider any of the following:

37 9 a. Whether the amount imposed will be a substantial
37 10 economic deterrent to the violation.

37 11 b. The circumstances leading to the violation.

37 12 c. The severity of the violation and the risk of harm to
37 13 the public.

37 14 d. The economic benefits gained by the violator as a
37 15 result of noncompliance.

37 16 e. The interest of the public.

37 17 4. The board, before issuing an order under this section,
37 18 shall provide the person written notice and the opportunity to
37 19 request a hearing. The hearing must be requested within
37 20 thirty days after receipt of the notice and shall be conducted
37 21 in the same manner as provided for disciplinary proceedings
37 22 involving a licensee under this chapter.

37 23 5. The board, in connection with a proceeding under this
37 24 section, may issue subpoenas to compel the attendance and
37 25 testimony of witnesses and the disclosure of evidence, and may
37 26 request the attorney general to bring an action to enforce the
37 27 subpoena.

37 28 6. A person aggrieved by the imposition of a civil penalty
37 29 under this section may seek judicial review pursuant to
37 30 section 17A.19.

37 31 7. If a person fails to pay a civil penalty within thirty
37 32 days after entry of an order imposing the civil penalty, or if
37 33 the order is stayed pending an appeal, within ten days after
37 34 the court enters a final judgment in favor of the board, the
37 35 board shall notify the attorney general. The attorney general
38 1 shall commence an action to recover the amount of the penalty,
38 2 including reasonable attorney fees and costs.

38 3 8. An action to enforce an order under this section may be
38 4 joined with an action for an injunction.

38 5 9. The board, in its discretion and in lieu of prosecuting
38 6 a first offense under this section, may enter into a consent
38 7 agreement with a violator, or with a person guilty of aiding
38 8 or abetting a violator, which acknowledges the violation and
38 9 the violator's agreement to refrain from any further
38 10 violations.

38 11 Sec. 16. NEW SECTION. 542D.16 CRIMINAL PENALTIES.

38 12 1. A person who violates a provision of section 542D.14 is
38 13 guilty of a serious misdemeanor.

38 14 2. If the board has reason to believe that a person has
38 15 committed a violation subject to subsection 1, the board may
38 16 certify the facts to the attorney general of this state, or to
38 17 the county attorney of the county where the person maintains a
38 18 business office, who, in the attorney general's or county
38 19 attorney's discretion, may initiate an appropriate criminal
38 20 proceeding.

38 21 3. If, after an investigation under section 542D.11 or
38 22 otherwise, the board has reason to believe that a person or
38 23 firm has knowingly engaged in an act or practice that
38 24 constitutes a violation subject to subsection 1, the board may
38 25 submit its information to the attorney general of any state,
38 26 or other appropriate law enforcement official, who, in such
38 27 official's discretion, may initiate an appropriate criminal
38 28 proceeding.

38 29 Sec. 17. NEW SECTION. 542D.17 SINGLE ACT EVIDENCE OF
38 30 PRACTICE.

38 31 In an action brought under section 542D.12, 542D.15, or
38 32 542D.16, evidence of the commission of a single act prohibited
38 33 by this chapter is sufficient to justify a penalty,
38 34 injunction, restraining order, or conviction, without evidence

38 35 of a general course of conduct.

39 1 Sec. 18. NEW SECTION. 542D.18 CONFIDENTIAL

39 2 COMMUNICATIONS.

39 3 A licensee shall not voluntarily disclose information
39 4 communicated to the licensee by a client relating to and in
39 5 connection with services rendered to the client by the
39 6 licensee, except with the permission of the client, or an
39 7 heir, successor, or personal representative of the client.
39 8 Such information is deemed to be confidential. However, this
39 9 section shall not be construed as prohibiting the disclosure
39 10 of information required to be disclosed by the standards of
39 11 the public accounting profession in reporting on the
39 12 examination of financial statements or as prohibiting
39 13 disclosures in a court proceeding, in an investigation or
39 14 proceeding under section 542D.11 or 542D.12, in an ethical
39 15 investigation conducted by a private professional
39 16 organization, in the course of a peer review, to another
39 17 person active in the licensee's firm performing services for
39 18 that client on a need-to-know basis, or to persons associated
39 19 with the investigative entity who need this information for
39 20 the sole purpose of assuring quality control.

39 21 Sec. 19. NEW SECTION. 542D.19 LICENSEES' WORKING PAPERS
39 22 CLIENTS' RECORDS.

39 23 1. Subject to section 542D.18, all statements, records,
39 24 schedules, working papers, and memoranda made by a licensee or
39 25 a partner, shareholder, officer, director, member, manager, or
39 26 employee of a licensee, incident to, or in the course of,
39 27 rendering services to a client, except reports submitted by
39 28 the licensee to the client and except for records that are
39 29 part of the client's records, are the property of the licensee
39 30 in the absence of an express agreement between the licensee
39 31 and the client to the contrary. Such statement, record,
39 32 schedule, working paper, or memorandum shall not be sold,
39 33 transferred, or bequeathed, without the consent of the client
39 34 or the client's personal representative or assignee, to anyone
39 35 other than a surviving partner, stockholder, or member of the
40 1 licensee, or any combined or merged firm or successor in
40 2 interest to the licensee. This section shall not be construed
40 3 as prohibiting a temporary transfer of working papers or other
40 4 material necessary in the course of carrying out peer reviews
40 5 or as otherwise interfering with the disclosure of information
40 6 pursuant to section 542D.18.

40 7 2. A licensee shall furnish to a client or former client,
40 8 upon request and reasonable notice, the following:

40 9 a. A copy of the licensee's working papers, to the extent
40 10 that such working papers include records that would ordinarily
40 11 constitute part of the client's records and are not otherwise
40 12 available to the client.

40 13 b. Accounting or other records belonging to, or obtained
40 14 from or on behalf of, the client that the licensee removed
40 15 from the client's premises or received for the client's
40 16 account. The licensee may make and retain copies of such
40 17 documents of the client when they form the basis for work done
40 18 by the licensee.

40 19 3. This chapter does not require a licensee to keep any
40 20 working papers beyond the period prescribed in any other
40 21 applicable statute.

40 22 Sec. 20. NEW SECTION. 542D.20 SUBSTANTIAL EQUIVALENCY.

40 23 1. a. An individual whose principal place of business is
40 24 not in this state having a certificate or license as a
40 25 certified public accountant from any state which the national
40 26 association of state boards of accountancy's national
40 27 qualification appraisal service has verified to be in
40 28 substantial equivalence with the certified public accountant
40 29 certification requirements of this chapter is presumed to have
40 30 qualifications substantially equivalent to this state's
40 31 requirements. Such individual shall have all the privileges

40 32 of certificate or permit holders of this state without the
40 33 need to obtain a certificate or permit under section 542D.6 or
40 34 542D.7. However, such individual shall notify the board of
40 35 the individual's intent to engage in acts as a certified
41 1 public accountant in this state under this section.

41 2 b. An individual whose principal place of business is not
41 3 in this state having a certificate or license as a certified
41 4 public accountant from any state which the national
41 5 association of state boards of accountancy's national
41 6 qualification appraisal service has not verified to be in
41 7 substantial equivalence with the certified public accountant
41 8 certification requirements of this chapter is presumed to have
41 9 qualifications substantially equivalent to this state's
41 10 requirements and shall have all the privileges of certificate
41 11 or permit holders of this state without the need to obtain a
41 12 certificate or permit under section 542D.6 or 542D.7 if such
41 13 individual obtains from the national association of state
41 14 boards of accountancy's national qualification appraisal
41 15 service verification that such individual's certified public
41 16 accountant qualifications are substantially equivalent to the
41 17 certified public accountant certification requirements of this
41 18 chapter. However, such individual shall notify the board of
41 19 the individual's intent to engage in acts as a certified
41 20 public accountant in this state under this section.

41 21 c. A licensee or permittee of another state exercising the
41 22 privilege afforded under this section, as a condition of the
41 23 grant of this privilege, consents to all of the following:

41 24 (1) The personal and subject matter jurisdiction of the
41 25 board.

41 26 (2) Compliance with this chapter and the board's rules.

41 27 (3) The appointment of the state board which issued the
41 28 licensee's license as the licensee's or permittee's agent upon
41 29 whom process may be served in any action or proceeding by the
41 30 Iowa accountancy examining board against the licensee or
41 31 permittee.

41 32 2. A licensee under this chapter offering or rendering
41 33 services or using a certified public accountant or accounting
41 34 practitioner title in another state is subject to disciplinary
41 35 action in this state for an act committed in another state for
42 1 which the licensee would be subject to discipline for the act
42 2 committed in the other state. Notwithstanding section
42 3 542D.11, subsection 1, the board is required to investigate
42 4 any complaint made by the board of accountancy of another
42 5 state.

42 6 Sec. 21. Section [15E.208](#), subsection 5, paragraph d,
42 7 subparagraph (4), Code Supplement 1999, is amended to read as
42 8 follows:

42 9 (4) The manner of oversight required by the department or
42 10 the auditor of state. The articles must provide that the
42 11 corporation shall submit a report to the governor, the general
42 12 assembly, and the department. The report shall provide a
42 13 description of the corporation's activities and a summary of
42 14 its finances, including financial awards. The report shall be
42 15 submitted not later than January 10 of each year. The
42 16 articles shall provide that an audit of the corporation must
42 17 be conducted each year for the preceding year by a certified
42 18 public accountant licensed pursuant to chapter

—542C

— 542D. The

42 19 auditor of state may audit the books and accounts of the
42 20 corporation at any time. The results of the annual audit and
42 21 any audit for the current year conducted by the auditor of
42 22 state shall be included as part of the report.

42 23 Sec. 22. Section [99D.20](#), Code 1999, is amended to read as
42 24 follows:

42 25 99D.20 AUDIT OF LICENSEE OPERATIONS.

42 26 Within ninety days after the end of each race meet, the
42 27 licensee shall transmit to the commission an audit of the
42 28 financial transactions and condition of the licensee's
42 29 operations conducted under this chapter. Additionally, within
42 30 ninety days after the end of the licensee's fiscal year, the
42 31 licensee shall transmit to the commission an audit of the
42 32 financial transactions and condition of the licensee's total
42 33 operations. All audits shall be conducted by certified public
42 34 accountants registered in the state of Iowa under chapter

~~542C~~

42 35 542D.

43 1 Sec. 23. Section 99F.13, Code 1999, is amended to read as
43 2 follows:

43 3 99F.13 ANNUAL AUDIT OF LICENSEE OPERATIONS.

43 4 Within ninety days after the end of the licensee's fiscal
43 5 year, the licensee shall transmit to the commission an audit
43 6 of the financial transactions and condition of the licensee's
43 7 total operations. All audits shall be conducted by certified
43 8 public accountants registered or licensed in the state of Iowa
43 9 under chapter

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~~542D~~.

43 10 Sec. 24. Section 203.16, subsection 7, Code Supplement
43 11 1999, is amended to read as follows:

43 12 7. Where released at the request of the Iowa board of
43 13 accountancy for licensee review and discipline in accordance
43 14 with chapters 272C and

~~542C~~

~~542D~~ and subject to the

43 15 confidentiality requirements of section 272C.6.

43 16 Sec. 25. Section 203C.24, subsection 7, Code Supplement
43 17 1999, is amended to read as follows:

43 18 7. Where released at the request of the Iowa board of
43 19 accountancy for licensee review and discipline in accordance
43 20 with chapters 272C and

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~~542D~~ and subject to the

43 21 confidentiality requirements of section 272C.6.

43 22 Sec. 26. Section 272C.1, subsection 6, paragraph c, Code
43 23 1999, is amended to read as follows:

43 24 c. The Iowa accountancy examining board, created pursuant
43 25 to chapter

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43 26 Sec. 27. Section 272C.3, subsection 2, paragraph a, Code
43 27 1999, is amended to read as follows:

43 28 a. Revoke a license, or suspend a license either until
43 29 further order of the board or for a specified period, upon any
43 30 of the grounds specified in section 147.55, 148.6, 148B.7,
43 31 153.34, 154A.24, 169.13, 542B.21,

~~542C.21~~

~~542D.10~~, 543B.29,

43 32 544A.13, 544B.15, or 602.3203 or chapter 151, 155, 507B or
43 33 522, as applicable, or upon any other grounds specifically
43 34 provided for in this chapter for revocation of the license of
43 35 a licensee subject to the jurisdiction of that board, or upon
44 1 failure of the licensee to comply with a decision of the board
44 2 imposing licensee discipline;

44 3 Sec. 28. Section 272C.4, subsection 6, Code 1999, is
44 4 amended to read as follows:

44 5 6. Define by rule acts or omissions which are grounds for
44 6 revocation or suspension of a license under section 147.55,
44 7 148.6, 148B.7, 153.34, 154A.24, 169.13, 455B.191, 542B.21,
44 8

~~542C.21~~

- ~~542D.10~~, 543B.29, 544A.13, 544B.15, or 602.3203 or
44 9 chapter 151, 155, 507B or 522, as applicable, and to define by
44 10 rule acts or omissions which constitute negligence, careless
44 11 acts or omissions within the meaning of section 272C.3,
44 12 subsection 2, paragraph "b", which licensees are required to
44 13 report to the board pursuant to section 272C.9, subsection 2;
44 14 Sec. 29. Section [272C.5](#), subsection 2, paragraph c, Code
44 15 1999, is amended to read as follows:
44 16 c. Shall state whether the procedures are an alternative
44 17 to or an addition to the procedures stated in sections 147.58
44 18 to 147.71, 148.6 to 148.9, 153.23 to 153.30, 153.33, and
44 19 154A.23, 542B.22,

~~542C.23~~

- ~~542D.11~~, 543B.35, 543B.36, 544B.16.
44 20 Sec. 30. Section [272C.6](#), subsection 6, unnumbered
44 21 paragraph 1, Code 1999, is amended to read as follows:
44 22 A board created pursuant to chapter 147, 154A, 155, 169,
44 23 542B,

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- ~~542D~~, 543B, 543D, 544A, or 544B may charge a fee
44 24 not to exceed seventy-five dollars for conducting a
44 25 disciplinary hearing pursuant to this chapter which results in
44 26 disciplinary action taken against the licensee by the board,
44 27 and in addition to the fee, may recover from a licensee the
44 28 costs for the following procedures and associated personnel:
44 29 Sec. 31. Section [272C.9](#), subsection 2, Code 1999, is
44 30 amended to read as follows:
44 31 2. A licensee has a continuing duty to report to the
44 32 licensing board by whom the person is licensed those acts or
44 33 omissions specified by rule of the board pursuant to section
44 34 272C.4, subsection 6, when committed by another person
44 35 licensed by the same licensing board. This subsection does
45 1 not apply to licensees under chapter

~~542C~~

- ~~542D~~ when the
45 2 observations are a result of participation in programs of
45 3 practice review, peer review and quality review conducted by
45 4 professional organizations of certified public accountants,
45 5 for educational purposes and approved by the accountancy
45 6 examining board.
45 7 Sec. 32. Section [502.102](#), subsection 11, paragraph c,
45 8 subparagraphs (3) and (4), Code Supplement 1999, are amended
45 9 to read as follows:
45 10 (3) An attorney licensed to practice law in this state, a
45 11 certified public accountant licensed pursuant to chapter

~~542C~~

- ~~542D~~, a professional engineer licensed pursuant to chapter
45 12 542B, or a certified teacher, if the person's performance of
45 13 these services is solely incidental to the practice of the
45 14 person's profession.
45 15 (4) An attorney licensed to practice law in this state or
45 16 a certified public accountant licensed pursuant to chapter
45 17
45 18

~~542C~~

- ~~542D~~ who does not do any of the following:

45 19 Sec. 33. Section [522.1](#), subsection 2, Code 1999, is
45 20 amended to read as follows:
45 21 2. A certified public accountant licensed pursuant to
45 22 chapter

~~542C~~

- ~~542D~~.

45 23 Sec. 34. Section [546.10](#), subsection 1, paragraph b, Code
45 24 1999, is amended to read as follows:
45 25 b. The Iowa accountancy examining board created pursuant
45 26 to chapter

~~542C~~

- ~~542D~~.

45 27 Sec. 35. Section [546.10](#), subsection 5, Code 1999, is
45 28 amended to read as follows:
45 29 5. Fees collected under chapters 542B,

~~542C~~

- ~~542D~~, 543B,

45 30 543D, 544A, and 544B shall be paid to the treasurer of state
45 31 and credited to the general fund of the state. All expenses
45 32 required in the discharge of the duties and responsibilities
45 33 imposed upon the professional licensing division of the
45 34 department of commerce, the administrator, and the licensing
45 35 boards by the laws of this state shall be paid from moneys
46 1 appropriated by the general assembly for those purposes. All
46 2 fees deposited into the general fund of the state, as provided
46 3 in this subsection, shall be subject to the requirements of
46 4 section 8.60.

46 5 Sec. 36. Section [669.14](#), subsection 11, unnumbered
46 6 paragraph 1, Code 1999, is amended to read as follows:

46 7 Any claim for financial loss based upon an act or omission
46 8 in financial regulation, including but not limited to
46 9 examinations, inspections, audits, or other financial
46 10 oversight responsibilities, pursuant to chapters 87, 203,
46 11 203A, 203C, 203D, 421B, 486, 487, and 490 through 553,
46 12 excluding chapters 540A, 542B,

~~542C~~

- ~~542D~~, 543B, 543C, 543D,

46 13 544A, and 544B.

46 14 Sec. 37. Chapter 542C, Code 1999, is repealed, effective
46 15 July 1, 2001. However, this Act shall not be construed to
46 16 invalidate or affect any action taken or any proceeding
46 17 instituted under any law in effect prior to the effective date
46 18 of this Act.

46 19 Sec. 38. EFFECTIVE DATE. This Act takes effect July 1,
46 20 2001.

46 21

EXPLANATION

46 22 This bill creates a new Code chapter 542D, which
46 23 establishes certification, permitting, and licensure
46 24 requirements for accounting professionals in this state. The
46 25 bill repeals existing requirements contained in current Code
46 26 chapter 542C. The bill is based on model legislation
46 27 developed jointly by the American institute of certified
46 28 public accountants and the national association of state
46 29 boards of accountancy.

46 30 New Code section 542D.1 sets forth the title of the new
46 31 Code chapter as the "Iowa Accountancy Act of 2000".

46 32 New Code section 542D.2 sets forth a statement of
46 33 legislative intent which is to promote the reliability of
46 34 information that is used for guidance in financial
46 35 transactions or for accounting for or assessing the financial
47 1 status or performance of commercial, noncommercial, and
47 2 governmental enterprises.

47 3 New Code section 542D.3 establishes the definitions of

47 4 terms used in the Code chapter.

47 5 New Code section 542D.4 establishes the accountancy
47 6 examining board in a manner similar to current Code chapter
47 7 542C.

47 8 New Code section 542D.5 sets forth the qualifications
47 9 required to be met to be issued a certificate as a certified
47 10 public accountant. The Code section requires that an
47 11 applicant be of good moral character and meet established
47 12 education, experience, and examination requirements.

47 13 New Code section 542D.6 establishes the process of
47 14 application for an initial certificate as a certified public
47 15 accountant, as well as for renewal and reciprocal issuance of
47 16 certificates. This section requires that a licensee shall
47 17 participate in a program of professional education designed to
47 18 ensure continuing competence.

47 19 New Code section 542D.7 provides for a simple majority of
47 20 permit holders or licensees to comprise ownership of a
47 21 certified public accountant or accounting practitioner firm
47 22 while prohibiting passive ownership. This Code section also
47 23 continues peer review requirements for certified public
47 24 accountant firms performing the attest function.

47 25 New Code section 542D.8 sets forth the qualifications to be
47 26 met in order to be issued a license as an accounting
47 27 practitioner. This Code section establishes the process of
47 28 application for the initial license, as well as license
47 29 renewal.

47 30 New Code section 542D.9 establishes that an application for
47 31 a certificate, permit, or license to practice by a person or a
47 32 firm not a resident of the state constitutes appointment of
47 33 the secretary of state as the applicant's agent upon whom
47 34 process may be served in any action or proceeding against the
47 35 applicant arising out of any transaction or operation
48 1 connected with or incidental to services performed by the
48 2 applicant within this state.

48 3 New Code section 542D.10 provides for enforcement of the
48 4 Code chapter. The Code section identifies those acts of an
48 5 individual that may result in revocation, suspension, or other
48 6 limitation of the individual's certificate, permit, license,
48 7 or privileges under the Code chapter. The Code section also
48 8 provides for an administrative penalty not to exceed \$1,000.

48 9 New Code section 542D.11 establishes enforcement and
48 10 investigative procedures of the board.

48 11 New Code section 542D.12 provides for a complaint to be
48 12 issued by the board and for hearing procedures.

48 13 New Code section 542D.13 provides for the reinstatement
48 14 procedures for a certificate, permit, or license which has
48 15 been suspended or revoked, and for the reinstatement of
48 16 revoked or limited privileges.

48 17 New Code section 542D.14 provides for the use of titles and
48 18 the scope of services that a licensee, firm, or nonlicensee
48 19 may perform under the new Code chapter. This Code section
48 20 also provides for the regulation of commission-based services
48 21 and contingent fee services. Prohibited acts are delineated.

48 22 New Code section 542D.15 grants authority to the
48 23 accountancy examining board to obtain injunctive relief from a
48 24 court if the board finds that any person or firm has engaged,
48 25 or is about to engage, in any acts or practices which will
48 26 constitute a violation of the new Code chapter. The new Code
48 27 section also provides for the levying of civil penalties and
48 28 the issuance of consent orders.

48 29 New Code section 542D.16 establishes a criminal penalty for
48 30 a violation of new Code section 542D.14, relating to unlawful
48 31 acts. A person who commits such violation is guilty of a
48 32 serious misdemeanor.

48 33 New Code section 542D.17 provides that in any action
48 34 brought to enforce the chapter, evidence of the commission of
48 35 a single prohibited act is sufficient to justify a penalty,

49 1 injunction, restraining order, or conviction, without evidence
49 2 of a general course of conduct.

49 3 New Code section 542D.18 defines the confidentiality of
49 4 client communications to accountants. The new Code section
49 5 establishes certain instances where such communications may be
49 6 disclosed.

49 7 New Code section 542D.19 provides for the retention and
49 8 management of client records.

49 9 New Code section 542D.20 provides for reciprocity and
49 10 discipline for certificate and license holders and permitted
49 11 firms from states whose accountancy statues are substantially
49 12 equivalent to the requirements of this new Code chapter.

49 13 Sections 21 through 36 of the bill make conforming changes
49 14 relating to the repeal of Code chapter 542C and the creation
49 15 of Code chapter 542D in this bill.

49 16 Section 37 of the bill provides for the repeal of existing
49 17 Code chapter 542C, relating to the regulation of public
49 18 accountancy, which was originally enacted in 1974.

49 19 Section 38 of the bill provides that the bill takes effect
49 20 on July 1, 2001.

49 21 LSB 5121SC 78

49 22 mj/cf/24