

# BOARD RULES

## Rule 1 DEFINITIONS

### 1.1 ACT, BOARD, STATE, EXAMINATION, PRONOUNS

Throughout these Rules, the "Public Accountancy Act of 1975, as amended," codified as A.C.A. §17-12-101 et seq., may be referred to as "the Act" and the Board of Public Accountancy as "the Board;" "this State" refers to the State of Arkansas; "examination" means the examination required for a certificate as a Certified Public Accountant prescribed by A.C.A. §17-12-301 et seq; and masculine terms shall include the feminine and, when the context requires, shall include partnerships, limited liability companies and corporations.

### 1.2 CLIENT

The person or entity which retains a licensee for the performance of professional services.

### 1.3 FINANCIAL STATEMENTS

Financial statements are statements and footnotes related thereto that purport to show financial position which relates to a point in time or changes in financial position which relate to a period of time, including statements which use a cash or other comprehensive basis of accounting. The term includes balance sheets, statements of income, statements of changes in comprehensive income, statements of retained earnings, statements of cash flows and statements of changes in owners' equity, but does not include incidental financial data included in management advisory services reports to support recommendations to a client, nor does it include tax returns and supporting schedules.

### 1.4 FIRM

See A.C.A. §17-12-103(a)(6)

### 1.5 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

"Generally accepted accounting principles" shall be deemed and construed to mean accounting principles or standards generally accepted in the United States. For purposes of these rules and regulations, generally accepted accounting principles are considered to be defined by pronouncements issued by the Financial Accounting Standards Board and its predecessor entities and similar pronouncements issued by other entities having similar generally recognized authority.

### 1.6 GENERALLY ACCEPTED AUDITING STANDARDS

"Generally accepted auditing standards" shall be deemed and construed to mean the generally accepted auditing standards adopted by the Board. The Board shall take into consideration interpretations of Generally Accepted Auditing Standards as issued by the American Institute of Certified Public Accountants and other pronouncements having similar generally recognized authority.

### 1.7 LICENSEE

See A.C.A. §17-12-103(a)(8)

### 1.8 PRACTICE OF, OR PRACTICING PUBLIC ACCOUNTING

See A.C.A. §17-12-103(a)(11)

### 1.9 PROFESSIONAL SERVICES

See A.C.A. §17-12-103(a)(12)

### 1.10 PUBLIC COMMUNICATION

A public communication is a communication made in identical form to multiple persons or to the world at large, as by television, radio, motion picture, newspaper, pamphlet, mass mailing, letterhead, business card, electronic transmission or directory.

### 1.11 CERTIFICATE

See A.C.A. §17-12-103(a)(5)

### 1.12 PERMIT TO PRACTICE

Permit to practice means a permit to practice public accountancy issued under prior provisions of the Act, or under corresponding provisions of the law of other states

**Rule 2 BOARD RULES AND MEETINGS****2.1 BOARD OF PUBLIC ACCOUNTANCY**

Any interested person may obtain information, including copies of all forms and instructions used by the Board, or make submissions or requests by writing the Board at its principal office and official address which is appended hereto in Appendix One.

**2.2 RULES AND REGULATIONS**

A.C.A §17-12-203 provides that the Board may prescribe rules and regulations for the conduct of its affairs and for the administration of the Act.

**2.3 ANNUAL MEETING**

The annual meeting of the Board shall be held in June of each year at the office of the Board, or at such other place as the Board may have designated by previous resolution and, at such time, the president, secretary and treasurer shall be elected to serve until their successors are elected. The office of secretary and treasurer may be held by the same individual. The election of such officers shall be the first order of business at such meeting after hearing the reports of outgoing officers, and the newly elected officers shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected.

**2.4 OTHER MEETINGS**

In addition to the annual meeting and in addition to future meetings, the time and place of which may be fixed by resolution of the Board, any meeting may be called by the president of the Board or by joint call of two of its members.

**2.5 RULES OF ORDER**

Meetings of the Board shall be conducted in accordance with Robert's Rules of Order insofar as compatible with the laws of the State governing the Board or its own resolutions as to its conduct.

**2.6 OPEN MEETINGS**

All meetings of the Board shall be conducted in accordance with applicable state laws, including the Freedom of Information Act.

**2.7 RULES OF CONDUCT**

The rules of conduct are set out in Appendix Two.

### **Rule 3 EXAMINATIONS**

#### **3.1 DEFINITIONS**

- (a) An examination is defined as one of the regular examinations offered by the Board. The Board may make such use of all or any part of the Uniform Certified Public Accountants Examination and Advisory Grading Services as it deems appropriate. The Board may decide to use disclosed or non-disclosed examinations.
- (b) A first-time applicant is defined as an applicant who has never sat for the CPA examination as an Arkansas applicant.
- (c) A re-exam applicant is defined as an applicant taking an examination after sitting as a first-time applicant who has not been granted credit for any subjects on the examinations or who has lost conditional status as described in Rule 3.6(d).
- (d) A conditioned applicant is defined as an applicant taking an examination, after sitting as a first-time or re-exam applicant, who has been granted credit for some, but not all, subjects as described in Rule 3.6(d).

#### **3.2 EXAMINATION SUBJECTS, TIME AND PLACE**

- (a) Examinations shall be held at least semi-annually each year in location(s) and on dates designated by the Board. Notice of the time and place of the examination shall be provided to each applicant with the application to sit for the examination.
- (b) The examination shall include the following subjects: (1) Business Law & Professional Responsibilities (LPR) (2) Auditing (AUDIT) (3) Accounting & Reporting - Taxation, Managerial, and Governmental and Not-for-Profit Organizations (ARE) (4) Financial Accounting & Reporting (FARE).

#### **3.3 EXAMINATION EDUCATIONAL REQUIREMENTS**

- (a) As used in these rules, "accreditation" refers to the process of quality control of the education process. There are two different levels of accreditation referred to in Rule 3.3 (b) below.
  - (1) A college or university will be considered accredited by one of the major regional accreditation associations if accredited by one of the six (6) accrediting agencies or its successor agency as follows:
    - (a) Middle States Association of Colleges and Secondary Schools;
    - (b) New England Association of Schools and Colleges;
    - (c) North Central Association of Colleges and Secondary Schools;
    - (d) Northwest Association of Schools and Colleges;
    - (e) Southern Association of Colleges and Schools;
    - (f) Western Association of Schools and Colleges.
  - . Colleges and Universities accredited by these associations are listed in Accredited Institutions of Postsecondary Education published by the Council of Postsecondary Accreditation of the American Council on Education.
  - (2) As referenced in Rule 3.3 (B) (2), accreditation of an accounting program is granted by a national accreditation agency recognized by the Board such as the American Assembly of Collegiate Schools of Business (AACSB). Such accreditation is in addition to accreditation of the business college or programs, and is granted to accounting departments or programs that have met a stringent set of standards addressing faculty credentials, student quality curricula, and physical facilities. Graduates who submit transcripts from accredited accounting programs are deemed to have met the Board's specific accounting and non-accounting course requirements.
- (b) The requirements to sit as a first-time applicant are either (1) or (2) below:
  - (1)
    - (a) A total of 150 semester hours of college credits from an institution accredited by one of the major regional accreditation associations or other accrediting organization recognized by the Board as being comparable, including, at least, a Baccalaureate degree and a concentration in accounting, and including the courses listed below,

- which must be completed no later than the same semester in which the exam is taken.
- (b) Thirty (30) hours of accounting above Principles/Introductory, with a minimum grade of "C" in each course including Principles/Introductory with the following minimums:
    - (1) 9 hours in Financial Accounting above Prin./ Intro,
    - (2) 3 hours in Cost Accounting/Managerial.
    - (3) 3 hours in Auditing.
    - (4) 3 hours in Federal Income Tax.
    - (5) 3 hours in Governmental/Not-for-Profit.
    - (6) 9 hours of Accounting Electives.
  - (c) A minimum of three (3) hours in each of the following non-accounting courses, with a minimum grade of "C" in each course.
    - (1) Business Law.
    - (2) Statistics.
    - (3) Computers/Data Processing.
    - (4) Business Finance.
    - (5) Micro-Economics.
    - (6) Macro-Economics.
    - (7) Marketing.
    - (8) Management.
    - (9) Oral Communications.
    - (10) Written Communications above Freshman English, such as Business Communications, Advanced Grammar, or Technical Writing.
  - (d) Standard conversions will be applied whenever a school is not on the semester basis.
  - (e) Applicants are encouraged to take elective hours towards the 150-hours requirement in academic courses that provide a breadth of knowledge. Suggested areas of study include: communication skills, legal and social environment of business, ethics, humanities, computer skills, etc.
- (2) A Masters degree in Accounting from an institution that, as of the date of granting, said degree is accredited by the American Assembly of Collegiate Schools of Business (AACSB), or other accrediting organization recognized by the Board as being comparable.

### 3.4 APPLICATIONS

- (a) Persons desiring to take the examination for qualification as a Certified Public Accountant shall apply on a form provided by the Board and obtainable from its office. Different application forms are provided for original examinations and for re-examinations.
- (b) Applications for permission to sit as a first time applicant must be received in the Board office at least sixty (60) days prior to the scheduled examination.
- (c) Items which constitute an original examination application are a completed application form, the designated application fee, and other items enumerated in the application form.
- (d) First-time applicants who have completed their education requirements before making their original application for the examination must have their official transcript submitted and received in the Board office at least thirty (30) days prior to the examination. First-time applicants who have not completed their education requirements prior to making their original application for the examination must submit, at least thirty (30) days prior to the examination, their current transcripts and letters from recognized school officials stating that they may reasonably be expected to complete their educational requirements as stated in the Act. Applicants must complete the educational requirements as stated in the Act within forty-five (45) days after the first day of the examination. In addition, official transcripts indicating satisfactory completion of their requirements must be received in the Board office within thirty (30) days after completion of such requirements. All transcripts must be sent from the registrar(s) and certification letters must be sent from the school officials directly to the Board.
- (e) Application to sit as a re-exam or conditioned applicant must be made on the proper application form provided by the Board. The properly completed application form and the designated application fee must be received in the Board office at least sixty (60) days prior to the scheduled examination.

- (f) It is the responsibility of the applicant to make timely delivery of the appropriate application form and designated fee. In no instance need applications be accepted by the Board if the instructions and deadlines set forth in Paragraph 3.4(a) through 3.4(e) have not been met.
- (g) All applications must be either officially accepted or rejected by the Board. The Board reserves the right to withdraw its approval by issuing notice thereof in writing or by telephone or telegraph, not less than twenty-four (24) hours prior to the commencement of the scheduled examination.

### **3.5 EXAMINATION PROCEDURES**

- (a) Each applicant shall be furnished a numbered identification card upon which he shall sign his name and address, and deliver to the examiner in charge. Answers to examination questions, identified by the proper question number, must be submitted by the applicant on stationery or forms furnished by the Board. The applicant shall identify his answers by noting such number on each answer sheet and in no other manner. Reference by an applicant during the examination to books or other material, exchange of information with other persons, or the unauthorized disclosure of examination material shall be considered misconduct sufficient to bar the applicant from further participation in that particular examination subject and to cause cancellation of all other papers submitted covering other subjects of that scheduled examination. Such misconduct will also lead to suspension of the right to sit for subsequent examinations for such period of time as determined by the Board.

### **3.6 NUMBER OF SITTINGS, PASSING GRADE AND GRANTING OF CREDIT, EFFECTIVE DATES, RELEASE OF GRADES AND COMPLETION OF EXAMINATION**

- (a) At any sitting, the applicant must sit for all parts for which he has not yet received a passing grade.
- (b) A grade of at least 75 is hereby prescribed as a passing grade for each subject. A grade of 50 is required on each part of the examination not passed. Applicants failing to achieve the minimum grade(s) will not be permitted to sit for any subsequent examinations without submitting proof acceptable to the Board of additional preparation for the parts on which the 50 minimum was not achieved. The additional preparation must be in the same subject(s) as the part(s) on which the 50 minimum was not achieved.
- (c) A first-time applicant who does not become a conditioned applicant shall be permitted to sit for additional examinations as a re-exam applicant provided the applicant continues to meet all examination requirements specified in the Act and these rules.
- (d) A first-time applicant or a re-exam applicant who becomes a conditioned applicant shall be permitted to sit for the next six (6) consecutive examinations as a conditioned applicant.
  - (1) To obtain a conditioned status, an applicant must earn a grade of 75 or more on two parts of the examination with at least 50 on each part of the exam not passed. However, the minimum grade of 50 on failed parts does not apply if three of the four parts are passed in one sitting,
  - (2) To add to conditioned status, the applicant must earn a grade of 75 or more in at least one part, and a grade of at least 50 on a part not passed.
  - (3) Applicants who have unexpired conditions going into the first CPA exam administered in 1994 will be given credit under the new exam format as follows:
    - (a) Business Law: Business Law & Professional Responsibilities (LPR)
    - (b) Auditing: Auditing (AUDIT)
    - (c) Practice: Accounting & Reporting - Taxation, Managerial, and Governmental and Not-for-Profit Organizations (ARE)
    - (d) Theory: Financial Accounting & Reporting- (FARE)
- (e) In the Board's discretion for good cause shown, the Board may grant a condition to an applicant who passed one or more parts of the exam, but fails to sit for all parts of the exam due to circumstances beyond the applicant's control, provided that the applicant meets the other requirements of this rule. Any applications for such a waiver must be made in writing

- and received in the Board office at least sixty (60) days prior to the next exam given by the Board.
- (f) Once an applicant achieves a re-exam or conditioned status in Arkansas, the applicant is eligible to sit in Arkansas even though the applicant is no longer residing in Arkansas.
  - (g) The Board may permit an applicant of this State to sit for the examination under the supervision of another state Board as follows:
    - (1) Applicants in military service,
    - (2) Applicants on temporary employment assignment out of the State of Arkansas,
    - (3) Applicants attending as a full-time student at a college or university outside of Arkansas,
    - (4) Applicants who demonstrate other good cause acceptable to the Board.

Any such request must be received in the Board office at least sixty (60) days prior to the examination date.

- (h) Each applicant who has furnished the Board with all documentation for an original examination application shall receive from the Board, in writing, the grades received on each subject of the examination. The Board shall communicate the grades to the applicant on the date recommended as the national release date.
- (i) An applicant shall be deemed to have passed the CPA examination when the applicant has been granted credit for all four subjects passed in accordance with the Act and these rules.
- (j) It is the policy of the Board not to regrade papers.
- (k) Applicants' answers to the examination questions are the property of the Board. They are retained by the Board or its agent for ninety days after the national release date of grades and then destroyed.
- (l) The Board will accept only those applicants of other jurisdictions to sit for the examination under the supervision of this Board as follows:
  - (1) Applicants in military service,
  - (2) Applicants on temporary employment assignment in Arkansas,
  - (3) Applicants attending as a full-time student at a college or university in Arkansas,
  - (4) Applicants who demonstrate other good cause acceptable to the Board.

Any such request must be received in writing in the Board office at least sixty (60) days prior to the examination date.

### **3.7 EXAMINATION CREDITS FROM OTHER STATES**

The Board will accept credit on the Uniform Certified Public Accountant Examination earned by an applicant of another state provided the applicant meets the legal requirements of this state for admission to the examination and that the credits which were earned would have been earned had the rules of Section 3.6 above been in effect.

### **3.8 FEES**

The fees to sit for the examination are enumerated in Rule 12.

- (a) If an applicant's application is denied, the Board will refund all of the fees except the application fee.
- (b) A refund of examination fees, except the application fee, will be made if an applicant is unable to sit for an examination, provided the Board is notified in writing and the written notice is received in the Board office at least thirty (30) days prior to such examination. Requests for a refund received within the thirty (30) day period preceding an examination will be granted only in emergency situations.

- (c) All fees for examinations are payable only by cashier's checks or money orders.

### **3.9 NONDISCLOSED EXAMINATION**

A non-disclosed examination is one in which the security restrictions before and during the examination continue afterwards, since many of the questions will be used again in subsequent examinations. Additional security and prevention measures are required.

- (a) As a condition precedent to being eligible to take a non-disclosed examination, each applicant shall execute a statement required by the owners of the non-disclosed exam or deemed appropriate by the Board. Said statement may include, without limitation, the following:
- (1) The applicant shall not disclose directly or indirectly any information regarding the questions or content of the exam, acquired from taking the exam;
  - (2) The applicant will not remove or attempt to remove any exam materials from the examination site; and
  - (3) Failure to comply with the statement may result in the invalidation of grades, disqualification from future examinations and possible civil and criminal penalties.
- (b) As a condition precedent to being allowed access to the non-disclosed exam materials and the participation in the administration of the non-disclosed exam each person shall execute a statement required by the owners of the non-disclosed exam or deemed appropriate by the Board. This requirement applies to the board members, employees, agents, proctors, etc. Said statement may include, without limitation, the following:
- (1) The person will not read or permit anyone else to read examination questions unless authorized to do so;
  - (2) The person will not reveal the nature or content of any exam question;
  - (3) The person will report to the Board any solicitations or disclosures of restricted exam information;
  - (4) The person will not participate in any capacity in a CPA Examination coaching or review course while having such a relationship with the Board and for one year thereafter, without first securing the Board's permission;
  - (5) The person consents to the granting of injunctive relief without proof of actual damages in favor of the Board or the exam owner for a breach of the agreement; and
  - (6) The person will not engage in any activity or enter into any relationship that might involve or appear to involve a conflict of interest with administering the examination for the Board.

**Rule 4 RECIPROCITY**

- 4.1 See A.C.A. §17-12-308 for the qualifications for issuance of a reciprocal certificate.
- 4.2 The fee for a reciprocal certificate is set forth in Rule 12.
- 4.3 An application for a reciprocal certificate is obtainable from the Board's office.

**Rule 5 FOREIGN ACCOUNTANTS**

- 5.1 See A.C.A. §17-12-308 (c) for the qualifications for issuance of a reciprocal certificate to the holder of a substantially equivalent foreign designation.
- 5.2 Such an applicant is also required to submit the same reference in support of his moral character, as is required of applicants for certificate as a Certified Public Accountant.

**Rule 6 NOTIFICATION OF PRACTICE UNDER SUBSTANTIAL EQUIVALENCY**

- 6.1 Prior to practicing public accountancy in the state of Arkansas, any person holding a valid CPA certificate or license issued by another state shall file notice with and upon a form provided by the Board; upon such filing said person who meets the requirements of A.C.A. §17-12-101 et.seq and Board Rules regarding substantial equivalency will be granted the privilege to practice public accountancy in Arkansas. Individuals intending to practice public accountancy in Arkansas under A.C.A. §17-12-311 (Substantial Equivalency) shall annually file such notice of intent to so practice with the Board. The initial notice and each subsequent notice shall be accompanied by the fee listed in Rule 12.
- 6.2 If the substantial equivalency standard set out in A.C.A. §17-12-311 is not applicable, the Board shall issue a reciprocal certificate to the holder of a certificate issued by another state provided that he/she has met the requirements of A.C.A. §17-12-301 and §17-12-501.

**Rule 7 OWNERSHIP OF FIRMS****7.1 DEFINITIONS**

- (a) For purposes of these rules, "actively participate" means the providing of personal services in the business entity licensed in Arkansas to practice public accounting, in the nature of management, performance of services for clients, or similar activities. Individuals and entities whose primary source of income from the business entity is provided as a result of passive investment will not be considered as actively participating in the business entity.
- (b) For purposes of these rules, an "owner" is defined as a person who actively participates in a business entity licensed in Arkansas to practice public accounting, and who (1) has an interest in profits and losses of such business entity, or (2) owns all, or any portion, of the equity capital of such business entity, or (3) has a vote with respect to matters of such business entity.
- (c) For purposes of these rules, "profits and losses" are defined as the net taxable income or loss, determined prior to payment of any form of compensation to owners, of a business entity licensed in Arkansas to practice public accounting.
- (d) For purposes of these rules, "equity capital" is defined as (a) capital stock, capital accounts, capital contributions, or undistributed earnings of a business entity licensed in Arkansas to practice public accounting; and (b) loans and advances to a business entity licensed in Arkansas to practice public accounting, made or held by its owners. "Equity capital" does not include an interest in bonuses, profit sharing plans or defined benefit plans or loans to a business entity licensed in Arkansas to practice public accounting from banks, financial institutions or other third parties that do not actively participate in such business entity.

- (e) For purposes of these rules, a "business entity" is defined as a proprietorship, partnership, corporation, limited liability company or any other permissible form of practice which is licensed in Arkansas to practice public accounting.
- 7.2** Corporations. Any corporation granted a license under the Act shall be subject to the Rules of Professional Conduct. Any shareholder who ceases to be eligible to be a shareholder shall be required to dispose of all of his or her shares within a reasonable period to a person qualified to be a shareholder or to the corporation.
- 7.3** Partnerships, Corporations, Limited Liability Companies and Other Permissible Forms of Practice; General Requirements; Ownership.
- (a) A person who is not a certified public accountant or public accountant in this or some other state or jurisdiction but who actively participates within this state in the business conducted in Arkansas by a business entity licensed in Arkansas to practice public accounting may be an owner, director, officer, limited liability company member, or manager in any such business entity, under the following conditions:
- (1) Such person shall not hold himself or herself out as a certified public accountant or public accountant.
  - (2) The name of such person shall be provided to the Board by a business entity in connection with the granting or renewal of a license in Arkansas to such business entity.
  - (3) Such person shall not have ultimate responsibility for the performance of audits, reviews or compilations of financial statements or other forms of attestation related to financial information.
- (b) Limitations; Equity Ownership. Persons who are not certified public accountants or public accountants in this or any other state or jurisdiction but who are owners of a business entity licensed in Arkansas to practice public accounting, shall not (a) hold, in the aggregate, more than forty-nine percent (49%) of such business entity's equity capital or voting rights, or (b) receive, in the aggregate, more than forty-nine percent (49%) of such business entity's profits or losses.
- (c) Other forms of practice. These rules shall be applied to individuals and to any business entity licensed in Arkansas to practice public accounting in a manner consistent with carrying out the intent of these rules.
- (d) Eligibility; Disqualification; Owners. With respect to owners who are not licensed in this state or any other state or jurisdiction as certified public accountants or public accountants, if at any time the board determines that any such owner no longer is eligible to be an owner by virtue of not being in compliance with the criteria set forth in the Public Accountancy Act and rules, such owner and the business entity in which ownership exists shall be notified that if a board hearing is not requested within thirty (30) days of the date of mailing notification of such determination, an order will then be entered that such owner must divest himself or herself of ownership in the business entity within sixty (60) days of entry of the order.
- (e) Corporations; Other Requirements. The principal executive officer of a corporation licensed in Arkansas to practice public accounting shall be a shareholder and a director who is a licensed certified public accountant or public accountant. Directors and officers who are not licensees shall not exercise any authority whatsoever over professional matters relating to the practice of public accountancy.

**7.4 Application Procedures; Forms.**

- (a) Each applicant for registration as any type of licensed business entity shall register with the Board of Public Accountancy prior to performing public accounting work in the state of Arkansas. Such registration form must include an affidavit signed by a general partner, manager, member or officer of such business entity who is a certified public accountant or public accountant of Arkansas in good standing, attesting to the accuracy of the information in the application materials.
- (b) After the Board has accepted the initial registration application and has issued a license to practice, the registered business entity may practice in the state of Arkansas under the title which appears on the license to practice as the name of the business entity.

- (c) Arkansas registered business entities shall renew their registration on an annual basis, on forms provided by the Board. Failure or refusal to provide complete and accurate responses to all questions on the registration renewal forms by the deadline noted on such forms may be grounds for refusal to renew such registration.
- (d) Arkansas registered business entities shall include on their initial registration with the board, and subsequent renewal of such registration, a complete listing of the names and the state of residency of all owners and the percentage of ownership and voting rights of each owner.

#### **7.5 Non-resident Public Accountants**

A non-resident Public Accountant and an Arkansas Public Accountant or Certified Public Accountant may form a partnership or corporation for the practice of public accountancy, which shall be registered with the Board, provided that the non-resident Public Accountant holds a valid and unrevoked license in a jurisdiction having a regulatory law and, further provided that the non-resident Public Accountant shall not actively practice public accounting in Arkansas as an individual or as a partner or shareholder of the firm.

The Board will not register such a partnership or corporation if the non-resident Public Accountant lives in a state which does not have a regulatory accountancy law.

**Rule 8 PROFESSIONAL STANDARDS**

**8.1** Licensees shall comply with professional standards in the performance of professional services.

**8.2** **“Professional standards” means the following, as in effect on June 1, 1999:**

- (1) Statements on Auditing Standards (SAS) and related Auditing Interpretations issued by the AICPA;
- (2) Statements on Standards for Accounting and Review Services (SSARS) and related Accounting and Review Services Interpretations issued by the AICPA;
- (3) Statements on Standards on Consulting Services (SSCS) and related Consulting services Interpretations issued by the AICPA;
- (4) Statements on Standards for Attestation Engagements (SSAE) and related Attestation Engagements Interpretations issued by the AICPA;
- (5) Statements on standards for Accounting Services on Prospective Financial Information, Financial forecasts and Projections and Reporting on Pro Forma financial Information and related Prospective Financial Information, Forecasts, Projections and Pro Forma Interpretations issued by the AICPA;
- (6) Statements on Responsibilities in Tax Practice and related Tax Practice Interpretations issued by the AICPA;
- (7) Statements for Performing and Reporting on Quality Reviews and Interpretations of Standards for Performing and Reporting on Quality Reviews issued by the AICPA;
- (8) Standards for Audits on Governmental Organizations Programs, Activities and Functions issued by the Comptroller General of the United States;
- (9) Generally Accepted Accounting Principles and Interpretations of Generally Accepted Accounting Principles issued by the Financial Accounting Standards Board (FASB);
- (10) Generally Accepted Accounting Principles and Interpretations of Generally Accepted Accounting Principles issued by the Governmental Accounting Standards Board (GASB);
- (11) Similar pronouncements by the AICPA, FASB, GASB, Securities and Exchange Commission and other organizations having generally recognized authority over licensees of the Board.

**Rule 9 CHANGE OF ADDRESS OR BUSINESS AFFILIATION**

**9.1** Notice shall be given by the licensee to the Board within thirty (30) days of any new residence or business address or the address of any additional office opened for the practice of public accounting in this State. Notice must be similarly given by the licensee of the closing of any such offices. No form is provided for such notices, but they must be in writing and whether in letter form or otherwise, they must be clearly headed with “Notice of New Office”, “Closing of Office”, or similar wording, and, in the case of a new office, the name and the certificate or registration number of the resident manager is to be furnished. All offices of the practice of public accounting, on closing, must return any certificate of registration issued by the Board.

**9.2** The Board shall be notified by the licensee within thirty (30) days of any change of employment or business affiliation, together with the address of the new employer or business affiliate.

**9.3** Upon the death or incapacity of a licensee or the closing of an accounting firm for any reason, including bankruptcy, the Board may in its discretion, based upon the merits and circumstances of each case, permit the accounting firm to continue operating for a period of time not to exceed one hundred eighty (180) days under the supervision of a person approved by the Board and subject to conditions prescribed by the Board.

**Rule 10 ANNUAL REGISTRATION**

**10.1** Each licensee shall, on or before the first day of January in each year, notify the Board in writing, on a form provided by the Board, of his present place of residence, his present employer, and such other information as the Board may require. At the time of transmitting such information, he shall pay to the treasurer of the Board a registration fee each year as determined by the Board.

**10.2** The Board will issue the appropriate receipt to the licensee who has complied with the annual registration in 10.1 provided:

- (1) the necessary information was furnished on the annual registration form, including a representation that the CPE requirements have been met;
- (2) the required fee for said registration was paid;
- (3) there are no delinquent annual registration and/or fees due for prior periods pursuant to §17-12-506;
- (4) a proper response to the Board's Quality Review Survey was received; and
- (5) there is no existing suspension of certificate, license or right to apply.

**10.3**

(a)

- (1) A non-resident licensee seeking renewal of a license or practice privilege in this state can satisfy the CPE requirement of this state by meeting the comparable CPE requirements for renewal of a license, permit or registration in the state in which the licensee's principal office is located (home state).
  - (2) A non-resident applicant for renewal shall be presumed to have complied with the CPE requirements in his home state by certifying that he has met the CPE renewal requirements of that state on the renewal application of this state. The Board shall annually audit a selected sample of such certifications.
- (b) If a non-resident licensee's home state has no CPE requirements for renewal of a license, permit or registration or those requirements are less than 40 hours in the past twelve months or 120 hours in the past three years, the non-resident licensee must comply with the CPE requirements for renewal of a license in this state; provided, however, any hours accepted by the Board in his home state shall be credited toward his CPE requirements in this state

**Rule 11 HEARINGS BEFORE BOARD-NOTICE-PROCEDURE-REVIEW PROCEDURE FOR ENFORCEMENT – INVESTIGATIONS****11.1**

- (a) All investigations of possible violations of the Act or the Rules of the Board should be initiated only with the approval of the Board.
- (b) The major portion of possible violations may be expected to be of such nature that they can be disposed of informally by correspondence between the designee of the Board acting under the Board's instructions, and the person or persons involved.
- (c)
  - (1) An investigation shall not be deferred or suspended without the approval of the Board even though the person being investigated is made a party to civil litigation or is prosecuted in a criminal action, notwithstanding that either of such proceedings involves the subject matter of the investigation. The prosecution of an accused in such criminal proceedings shall not be a bar to disciplinary proceedings, nor shall the finding, judgment or decree of any court in such civil proceedings to which the Board is not a part be binding on the Board
  - (2) The Board may defer an investigation of a case in which the accountant is a party to

litigation, civil or criminal, provided that the accountant executes an agreement in a form acceptable to the Board providing that the terms of any settlement and the product of discovery generated during the litigation shall be produced upon request by the Board.

- (d) The Board may conduct any investigation by a staff person and/or may designate investigating officer(s) to conduct investigations who shall be competent by reason of training or experience.
- (e) No person being investigated has a right to be present or to be heard during the investigation, but before any finding is recommended such person being investigated shall be advised of the nature of the conduct which is being investigated and he shall be given an opportunity to make a statement personally or by counsel, verbally or in writing, sworn or unsworn, explaining, refuting or admitting the alleged misconduct which shall be considered by the Board's investigating officer in making any finding and recommendation to the Board as to the disposition of the investigation.
- (f) The investigating officer(s), upon completion of his investigation, shall present a summary of the result of the investigation and recommend that the Board make a finding of probable cause or no probable cause of violation of the Act or these Rules.

## **11.2 REVIEW OF INVESTIGATIVE OFFICER**

- (a) The Board shall consider the recommendation by the investigating officer(s) and may find
  - (1) probable cause,
  - (2) no probable cause or
  - (3) instruct the investigating officer(s) to further investigate the matter.
- (b) A finding of no probable cause by the Board shall be final and after such finding no further proceedings shall be had in the matter by the Board unless new or additional evidence not available or made known to the Board at the time of the finding is thereafter brought to the attention of the Board. The Board shall promptly notify the person being investigated and any complaining party of the Board's finding of no probable cause.
- (c) If the Board finds probable cause it may direct
  - (1) that disciplinary action be initiated under these rules by the filing of a complaint setting forth the particular act or acts of conduct for which the person is sought to be disciplined,
  - (2) that an action be instituted pursuant to A.C.A. §17-12-104 or §17-12-105, or
  - (3) that other appropriate action be taken.
- (d) Pleadings and motions shall be filed in triplicate with the Board. When a complaint is filed, it shall be given a docket number and the answer and motions thereafter filed in the case shall refer to such docket number.
  - (1) At the time the complaint is filed, a copy thereof shall be mailed, under the direction of the Board, by registered mail or certified mail, return receipt requested, to the respondent at his address as shown upon the records of the Board, and with such copy of the complaint there shall be transmitted a notice that a hearing thereon will be held at a time and place to be specified, not less than thirty days after the mailing of such notice. The notice of hearing shall state the legal authority and jurisdiction under which the hearing is to be held.
  - (2) All pleadings, motions and orders filed in the case, except applications for witness subpoenas, shall be served on each party. Services shall be made by delivery of a copy of the document to be served to the party or his attorney or by mailing it to him at his last known address. Delivery of a copy within this rule shall mean: handing it to the attorney or to the party or, leaving it at his office with his secretary or other person in charge thereof, or, if there is no one in charge, leaving it in a conspicuous place therein. Or, if the office is closed or the person to be served has no office, leaving it at his usual place of abode with some person of his family above fifteen (15) years of age and informing such person of the contents thereof. Service by mail shall be deemed complete upon mailing. When an attorney makes the service, a certificate of service conforming to that required

by the Arkansas Rules of Civil Procedure shall be taken as prima facie proof of such service in compliance with these rules.

- (e) Respondent shall answer the complaint, incorporating all defenses and admitting, denying or stating he is without knowledge of such allegation of the complaint and as a part thereof may challenge the sufficiency of the complaint and the jurisdiction of the Board. No defenses are to be raised by motion. The answer must be filed within twenty (20) days after receipt of a copy of the complaint by him, unless the time for filing pleadings is extended by the president or secretary of the Board. Upon the failure of the respondent to file a timely answer or to appear at the scheduled hearing, the Board may proceed to hear evidence against him and may enter such order as shall be justified by the evidence, provided, however, that within thirty days from the date of any order, upon a showing of good cause for failure to respond, the Board may reopen said proceedings.
- (f) Licensee subject to a hearing has a right to information pursuant to A.C.A. §25-15-208 (a)(3).
- (g) Hearings upon motions may be deferred until the final hearing and whenever held, rulings thereon may be reserved until conclusion of the final hearing.

### **11.3 COMPUTATION OF TIME**

- (a) In computing any period of time prescribed or allowed by these rules, the day of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday or legal holiday in which event the period shall run until the end of the next day which is neither Saturday, Sunday nor legal holiday. When the period of time prescribed or allowed is less than seven (7) days, intermediate Saturdays, Sundays and legal holidays shall be excluded in the computation.
- (b) When a party has the right or is required to do some act or take some proceeding within a prescribed period after the service of a notice or other paper upon him and the notice or paper is served upon him by mail, three (3) days shall be added to the prescribed period.

### **11.4 SUBPOENAS**

- (a) Subpoenas for the attendance of the witnesses and for the production of documents at depositions and hearings shall be issued by the Board upon its own initiative or the written application of any party. The application shall state the name and address of the witness for whom the subpoena is to be issued, the party on whose behalf the witness is expected to testify, the time and place for the witness to appear, and designated books, papers, documents or tangible things, if any, to be produced.
- (b) Subpoenas shall be served as required by Rule 45, Arkansas Rules of Civil Procedure, and the party at whose instance the subpoena is issued shall be responsible for obtaining service of the subpoena.
- (c) Witness fees, expenses and mileage, if requested by the witness, shall be paid by the party at whose instance the witness is summoned and shall be the same as prescribed by Rule 45, Arkansas Rules of Civil Procedure.

### **11.5 HEARINGS BEFORE THE BOARD**

- (a) If the hearing on the complaint, including the taking of testimony, is to be conducted by the Board, its presiding officer or other member thereof, the Board, the presiding officer or other member shall have the authority to:
  - (1) Administer oaths and affirmations,
  - (2) Rule upon the sufficiency of the complaint and the jurisdiction of the Board,
  - (3) Rule upon offers of proof and receive relevant evidence,
  - (4) Regulate the course of the hearing,
  - (5) Hold conferences for the settlement or simplification of issues by consent of the parties,

- (6) Dispose of procedural requests or similar matters.
- (b) The Board, at the conclusion of the final hearing or within a reasonable time thereafter, shall make findings of fact and conclusions of law as to each item of misconduct with which the respondent is charged and enter an order stating the effective date and providing for the appropriate disciplinary action and recovery of the costs of the proceedings pursuant to A.C.A. §17-12-601.
- (c) The Board shall promptly notify the respondent and any complaining party of its findings and order.

#### **11.6 HEARINGS BEFORE A HEARING EXAMINER OR MEMBER OF THE BOARD**

- (a) In the alternative, the Board may appoint a hearing examiner or member of the Board, who may conduct hearings in the absence of the Board and shall have the authority to:
  - (1) Administer oaths and affirmations,
  - (2) Rule upon offers of proof and receive relevant evidence,
  - (3) Regulate the course of the hearing,
  - (4) Hold conferences for the settlement or simplification of issues by consent of the parties,
  - (5) Dispose of procedural requests or similar matters.
- (b) In the event the respondent challenges the sufficiency of the complaint or the jurisdiction of the Board a recommended ruling in favor of the respondent shall be referred to the Board for decision. A recommended finding against the respondent shall be included in the report.
- (c) Within thirty (30) days after the conclusion of the final hearing before the hearing examiner or member of the Board, or within such extended period of time as may be allowed by the Board for good cause shown, the hearing examiner or member of the Board shall make a report to the Board which shall include
  - (1) Recommended findings of fact and conclusions of law as to each item of misconduct with which the respondent is charged,
  - (2) Recommendations as to whether or not the respondent should be found guilty of misconduct justifying disciplinary measures;
  - (3) Recommendations as to the disciplinary measures to be applied, if any, and
  - (4) A recommended form of order.
- (d) A copy of the hearing examiner's or member of the Board's report shall be served upon the respondent.

#### **11.7 REVIEW OF HEARING EXAMINER'S OR MEMBER OF THE BOARD'S REPORT**

- (a) Within ten (10) days after the hearing examiner or member of the Board files his report with the Board or within such extended time as may be allowed by the Board. The record of the proceedings, including the transcript of all the testimony and exhibits, shall be filed with the Board.
- (b) Within thirty (30) days after the hearing examiner or member of the Board files his report, or within such extended time as may be allowed by the Board for good cause shown, the respondent may file with the Board exceptions to the hearing examiner's or member of the Board's report and may file a brief in support of such exceptions. If the respondent files a brief, the counsel prosecuting the case may, within twenty (20) days after the respondent's brief is filed with the Board or within such extended time as may be allowed by the Board for good cause shown, file a brief in reply. The parties shall file six (6) copies of the brief with the Board and shall serve one (1) copy upon the opposing party or his counsel.
- (c) The Board shall notify the respondent of the time and place of its meeting, at least ten (10) days in advance thereof, at which time it will review the hearing examiner's or member of the Board's report. The respondent or his counsel may attend and present oral argument in support of any exceptions filed under subparagraph (b) of this rule. If the respondent or his counsel presents such oral argument, the counsel prosecuting the complaint may present oral

- argument in reply. Each side will be allowed a stated amount of time designated by the Board for argument.
- (d) The Board, after review of the record and the hearing examiner's report, and considering the briefs and oral argument, if any, shall within a reasonable time make findings of fact as to each item of misconduct with which the respondent is charged, conclusions of law and enter an order stating the effective date and the disciplinary action pursuant to A.C.A. §17-12-601 et seq or exonerating the respondent.

### **11.8 DISPOSITION OF PROCEDURAL REQUESTS**

In the event the hearing is to be conducted pursuant to Rule 11.6 or no decision has been made by the Board to appoint a hearing examiner or member of the Board, the Board may appoint one of its members to rule upon procedural requests or similar matters. Such rulings shall be reviewed by the Board at its hearing on the complaint or at the time it reviews the report of the hearing examiner or member of the Board.

### **11.9 EVIDENCE**

The admission of evidence shall be governed by A.C.A. §25-15-213(4).

### **11.10 RECORD OF PROCEEDINGS**

- (a) An accurate record of the testimony, evidence and all proceedings made before a hearing examiner, a member of the Board or before the Board shall be reported, transcribed, indexed and bound by a court reporter supplied by the Board any party may contract with the court reporter for a transcript of the proceedings.
- (b) In the event that judicial review is sought of any Board action taken pursuant to these rules, the Board shall prepare or have prepared a certified transcript of record, including all pleadings, motions, or other requests, certified transcripts of all proceedings, evidence, the hearing examiner's or member of the Board's report and exceptions here to and the Board's finding of fact and order, or so much of the foregoing as is essential, and submit the same to the reviewing court.
- (c) The party or parties seeking judicial review of an order rendered by the Board may apply to the Board for a stay of that order. The stay may be granted upon such conditions as shall be reasonable, and the order granting a stay shall specify the conditions upon which the stay is granted.

### **11.11 PUBLICATION OF DISCIPLINARY/ADMINISTRATIVE SANCTIONS**

The Board may cause to be published in the Board's and NASBA's official publications (printed or electronic), and may publish in newspapers of general circulation in the state, the name of any certificate or registration holder who is the subject of a reprimand, suspension of certificate or registration, revocation of certificate or registration, or surrender of certificate or registration in lieu of disciplinary action, or any other disciplinary action. Such publication shall not occur until a final Board order has been issued. The publication may contain a narrative factual summary of the actions and /or violations which were the basis for the disciplinary/administrative action.

**Rule 12 FEES**

The fees for various services of the Board are as follows (must be paid in U. S. dollars):

**CPA EXAMINATION FEES:**

First-time application fee (non refundable).....	\$50
Law & Professional Responsibilities .....	\$65
Auditing .....	\$65
Accounting & Reporting.....	\$65
Financial Accounting & Reporting .....	\$65
Proctor Fee for Out-of-State Applicants .....	\$65

**APPLICATION FEES (Non-refundable):**

CPA/PA License.....	\$50
Reciprocal Certificate .....	\$50
Registration as a Public Accountant.....	\$50
Registration of Partnership, Limited Liability Company Composed of CPAs .....	\$80
Registration of Partnership, Limited Liability Company or Corporation Composed of PAs .....	\$80
Duplicate or replacement Certificate .....	\$20
Transfer of Credits From Another Jurisdiction:	
Transfer Fee for Each Part.....	\$10

**ANNUAL REGISTRATION FEES**

License to Practice .....	\$80
Inactive License Status .....	\$40
Notification of intent to practice under "Substantial Equivalency" provision.....	\$80
Partnership, Corporations and Limited Liability Company .....	\$80
Registration of each firm office in excess of one office .....	\$25

## **Rule 13 CONTINUING EDUCATION**

Pursuant to the provisions of the Act, the Board prescribes the following regulations amending requirements of continuing education to be met from time to time by licensees in order to maintain the highest standard of proficiency in the profession of public accountancy.

### **13.1 Definitions that are applicable to Rule 13:**

- (a) Continuing Professional education (CPE): An integral part of lifelong learning required to provide competent professional accounting service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence.
- (b) Group Program: An educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants either in a classroom setting or using the Internet (non-interactive Internet courses will not qualify in this area).
- (c) Independent Study: An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor (all independent study must be approved in advance by the Arkansas State Board of Public Accountancy).
- (d) Self-study Program: An educational process designed to permit a participant to learn a given subject without major involvement of an instructor. Self-study programs use a pilot test (a sampling of at least three individuals) to measure the average completion time from which the recommended CPE credit is determined.
- (e) Authorship: An education process designed to permit a participant to increase professional competence through research and writing articles, books or CPE programs. For the writer to receive CPE credit, the article, book, or CPE program must be in the subject areas specified in Rule 13.2(a)(1) and formally accepted in writing for publication.

### **13.2 BASIC REQUIREMENTS**

- (a) An applicant for renewal of a license must have completed acceptable continuing education, except as otherwise provided in Section 13.2(b), in the amount of 120 hours within 36 months or 40 hours within 12 months immediately preceding January 1 of the year for which the license is renewed, and further provided that:
  - (1) All license holders shall complete at least 60% of the required hours in the subject areas of accounting, accounting ethics, attest, taxation, computer science (see rule 13.3 h) or management advisory services.
  - (2) License holders engaged in any attest or compilation function shall complete at least 20% of the required hours in the subject areas of attest and accounting theory/practice.
  - (3) All license holders must complete at least 4 hours of CPE in the area of accounting professional conduct and ethics during the 36-months immediately preceding January 1, 2005. Beginning January 1, 2005, any 36-month reporting cycle must contain at least 4 hours of CPE in the area of accounting professional conduct and ethics (pro-rated if the initial license is issued after January 1, 2005, but a minimum of 1 hour is required).
- (b) The Board may make exceptions for reasons of individual hardship including, but not limited to, health, military service, foreign residency, or other good cause. No exception shall be made solely because of age or retirement.
- (c) Responsibility for documenting the acceptability of the continuing education requirement rests with the applicant, who must retain such documentation for a period of five (5) years following the end of the year of completion of the continuing education hours.

**13.3 PROGRAMS WHICH QUALIFY**

- (a) A program qualifies as acceptable continuing education if it is a formal program of learning which contributes directly to the professional competence of an individual licensed to practice as a public accountant. The responsibility for substantiating that a particular program meets the requirements of this paragraph rests solely upon the licensee.
- (b) Continuing education programs requiring attendance will qualify only if
  - (1) An outline of the program is prepared in advance and preserved.
  - (2) The program is at least one hour (fifty-minute period) in length, excluding meal time and business session. Credit shall be based on contact hours. A 50-minute period will be considered as being equal to one hour. One-half CPE credit hours (equal to 25 minutes) are permitted after the first hour has been earned in a given program. Hours devoted to preparation by the participant shall not be counted as a contact hour.
  - (3) The program is conducted by a qualified instructor. A qualified instructor or discussion leader is anyone whose background, training, education or experience makes it appropriate for her/him to lead a discussion on the subject matter of the particular program. A lecturer or discussion leader shall be afforded CPE credit for preparation and presentation of a program for twice the number of CPE hours applicable for participants to the extent that the program contributes to the professional accounting competence of the applicant. Such credit does not pertain to the teaching of academic courses or other CPE courses that do not meet the criteria of Rule 13.3(a). Repetition of the same course material in the same year will not be allowable for credit as continuing education.
  - (4) A record of registration or attendance is maintained.
  - (5) The sponsor of the program is either approved registered or exempt from registration pursuant to the provisions of Rule 13.4.
- (c) The following programs are examples deemed to qualify, provided Subsection 13.3(a) and (b) are met:
  - (1) Programs or seminars sponsored by accredited higher educational institutions [see Rule 13.4(f)(2)], government agencies, NASBA, professional organizations of Certified Public Accountants and Public Accountants, firms of Certified Public Accountants and Public Accountants, and industrial firms that meet the guidelines of Rule 13.3(b).
  - (2) Technical sessions at meetings of recognized national and state accounting organizations and their chapters.
  - (3) University or college courses offered by accredited institutions [see Rule 13.4(f)(2)] through classroom, correspondence, or distance learning.
    - Credit courses. Each semester hour credit shall equal 15 hours towards the requirement. A quarter hour credit shall equal 10 hours.
    - Non-credit short courses. Credit is computed by contact hours.
- (d) Individual study programs distance learning, independent study and self study) for which evidence of satisfactory completion is issued by the provider organization prior to January 1 of the year for which the licensee is being renewed may qualify. The Board shall accept the hours of continuing education credit recommended by the provider organization (subject to the constraints of Rule 13.3(b)(2)). NASBA's Quality Assurance Services (QAS) hours will be accepted if the course is QAS registered. Sponsors of such programs, excluding those offered by providers listed in paragraphs (c1), (c2), and (c3) above, must be registered or exempt from registration pursuant to the provisions of Rule 13.4 (see Rule 13.3(f) below).
- (e) Articles, books, or CPE programs, as indicated in Rule 13.1(a)(5), may qualify for self-declared CPE credit if the article, book or CPE program contributes to the professional competence of the licensee and has been formally accepted for publication in writing prior to

- the effective date of the license year (see Rule 13.3(f) below).
- (f) Combined credit awarded in paragraphs 13.3(d) and 13.3(e) above shall not exceed 60 percent of the total CPE hours required.
  - (g) Acceptable continuing education will not include any education leading to completion of the requirements to acquire a CPA certificate. Included in this category is (1) any academic work necessary to qualify to take the CPA Examination [per Board Rule 3.3(b)] and (2) any CPA Review courses or course(s) offered for the specific purpose of preparing to take the CPA Examination.
  - (h) Computer science (see Rule 13.2(a)(1) above) does not include tutorials and/or related videos.
  - (i) Continuing education programs offered in other jurisdictions that have comparable CPE rules to the Arkansas Board's rules will be accepted. The burden of proof on comparable CPE lies with the licensee.
  - (j) In the case of an Arkansas reciprocal license, continuing education programs that have been accepted for fulfillment of the CPE credit in the jurisdiction of the original licenses will be accepted.

#### **13.4 APPROVED SPONSORS**

- (a) The sponsor of any continuing education program(s), which is not exempt under Rule 13.4(f), must, prior to offering such program(s) register as follows:
  - (1) Those sponsors offering programs totaling more than 16 credit hours per year, or offering programs more than 5 times per year must register with the National Registry of CPE Sponsors, administered by the National Association of State Boards of Accountancy (NASBA) sponsors of such programs in self-study format may register with NASBA's QAS as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.
  - (2) Those sponsors offering programs which total 16 credit hours or less per year and offering programs 5 times or less per year must either register with the National Registry of CPE Sponsors administered by NASBA or register with the Board annually using a registration form prescribed by the Board; sponsors of such programs in self-study format may register with NASBA's Quality Assurance Services as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.
- (b) The sponsor of any continuing education program registered with NASBA's National Registry of CPE Sponsors or Quality Assurance Service shall comply with the requirements of the Registry. Those sponsors registering with the Board as well as those exempt under Rule 13.4(f) shall keep detailed records of the following:
  - (1) The date and location of the program presentation;
  - (2) The names of each instructor or discussion leader;
  - (3) A list of licensees attending each program presentation, and the license numbers of such attendees; and
  - (4) A written outline of the program presentation.
- (c) The records required by subparagraph 13.4(b) shall be retained for a period of 5 years after the end of the year of each program presentation.
- (d) The sponsor of any continuing education program approved or exempt from registration pursuant to this rule must advise attendees of such approval or exemption, together with the sponsor number, subject code and the number of continuing education hours allowable.
- (e) The Board may withdraw approval of any continuing education program if the sponsor of such program fails to comply with the provisions of this Rule.
- (f) The following are exempt from registering with the Board and the NASBA Registry of CPE

## Sponsors:

- (1) Professional accounting and legal organizations such as the American Institute of Certified Public Accountants, the Arkansas Society of Certified Public Accountants, the National Society of Public Accountants, the Arkansas Society of Public Accountants, NASBA, the Institute of Management Accountants, the American Accounting Association, the American Bar Association, the Arkansas Bar Association, and other similar organizations;
- (2) Universities or colleges that are accredited per Rule 3.3(a) or (b);
- (3) Firms, both accounting and industrial, offering organized in-firm education programs which meet the requirements of Rule 13.3(a); and
- (4) Governmental entities

**13.5 CPE REPORTING REQUIREMENTS**

- (a) Applicants for renewal of a license must submit with their annual registration a representation that the applicant has met the CPE requirement for issuance of a license together with a CPE statement, in a form prescribed by the Board, showing the continuing education programs and hours completed during the twelve months immediately preceding January 1 of the year for which the license is being renewed. The applicant must retain all supporting documentation for the programs and hours for five (5) years following the end of the year of completion.
- (b) The CPE statement shall show the following:
  - (1) NASBA registration number or an E, if the sponsor is exempt;
  - (2) Sponsoring organizations;
  - (3) Location of program;
  - (4) Title of program or description of content;
  - (5) Dates attended and/or completed and submitted;
  - (5) Hours claimed; and
  - (6) Other information as designated by the Board.
- (c) On an annual basis, the Board will audit the CPE statements of a selected number of licensees, and those licensees will be required to submit support documentation acceptable to the Board as part of the audit process.

**13.6 NONCOMPLIANCE AND SANCTIONS**

- (a) Should a licensee report less than the required number of CPE hours, the licensee shall complete the balance of the CPE hours for the reporting period and provide the Board with appropriate documentation no later than January 31 of the following CPE reporting period. Delinquent CPE hours reported to the Board under Section 13.6 shall first apply to the deficiency and any remaining CPE hours shall be applied to the current CPE reporting period.
- (b) Should a licensee fail to timely report CPE hours in conjunction with the renewal application or fail to timely file a report on completion of the balance of the CPE hours as provided in paragraph (a) of this section, the Board shall serve notice of noncompliance upon the licensee. The notice shall state the nature of the noncompliance. The licensee shall, within thirty (30) days of the date of the notice, deliver acceptable documentation to the Board that the licensee has successfully completed the minimum CPE hours to correct the noncompliance.
- (c) In addition to the notice of noncompliance described above, the Board may institute a proceeding to impose disciplinary action against a licensee who fails to comply with any provision under Rule 13. The disciplinary action for a licensee who completes the minimum number of CPE hours during the period provided in paragraph (a) of this section shall be a

monetary penalty unless the Board determines that other disciplinary action is appropriate. The disciplinary action for a licensee who failed to obtain the minimum CPE hours before the date for correction of the delinquency under paragraph (a) of this section or who completed the minimum CPE hours after notice of noncompliance under paragraph (b) of this section may be suspension of the license unless the Board determines other disciplinary action to be appropriate.

- (d) A licensee who has been suspended pursuant to this section may file a petition for reinstatement which shall state the reasons for noncompliance, that the licensee is presently in compliance, any other material information and that the licensee has not performed any of the services set forth in A.C.A. § 17-12-505 since the suspension under this section. The petitioner may request a hearing and the Board may require additional CPE hours as a condition of reinstatement. Any reinstatement shall be subject to the provisions of Rule 13.8

### **13.7 INACTIVE STATUS**

(a) A licensee who complies with this Rule ~~13.6~~ 13.7 shall be granted an exception to the continuing education requirement of A.C.A. §17-12-502.

(b) To qualify for this exception, the licensee must annually pay the appropriate inactive status registration fee as determined by the Board and complete a form prescribed by the Board.

(c) A licensee on inactive status shall not perform any of the services set forth in A.C.A. §17-12-505. If the licensee performs any such services, he shall be subject to discipline by the Board pursuant to A.C.A. § 17-12-601, et seq. or §17-12-105.

(d) A person on inactive status may convert to active status as follows:

(1) Complete a form prescribed by the Board and submit payment of the appropriate fee(s) (initial or upgrade) for active status.

(2) Comply with CPE requirements under these rules for the renewal period following reinstatement on a pro rata basis, such hours to be computed at a rate of 3 1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs.

(3) Comply with the appropriate condition below:

(e) If inactive for three (3) years or more, the licensee must develop and deliver to the Board a proposed program of CPE as specified in Rule 13.2(a) (to include four hours of accounting professional conduct and ethics). All work must be completed during the 36-month period preceding the date of application.

### **13.8 ACTIVATION OF DELINQUENT, SUSPENDED OR REVOKED LICENSES**

(a) A person whose license is delinquent, suspended or revoked and who applies for active status will be subject to the same CPE requirements as those who wish to activate inactive licenses (see Rule 13.7).

**Rule 14 QUALITY REVIEW PROGRAM**

- 14.1** (a) There is hereby established a Quality Review Program (the "Program"). The purpose of the Program is to improve the quality of financial reporting and to assure that the public can rely on the fairness of presentation of financial information on which licensees issue reports. The Program emphasizes education and rehabilitation rather than disciplinary action. Appropriate educational programs or procedures will ordinarily be recommended or required where reporting does not comply with appropriate professional standards. However, when a licensee is unwilling or unable to comply with such standards, or a licensee's professional work is so egregious as to warrant disciplinary action, such action may be taken as the appropriate means of protecting the public interest.
- (b) The Board will annually appoint a Quality Review Committee (the "Committee") to assist in the implementation and administration of the Program. The Committee will consist of no fewer than nine (9) members, all of whom must be holders of currently valid licenses issued under A.C.A. §17-12-501. The Committee's responsibilities will include:
- (1) Developing procedures for the internal operation of the Committee,
  - (2) Developing criteria for assignment of reviewers to specific tasks taking into account such factors as geographic location, size of firm, technical skill requirements and such other criteria as the Board determines appropriate,
  - (3) Assisting the Board in the selection and training of reviewers of reports as described in Subsection (c),
  - (4) Developing and recommending to the Board a system for selection of reports to be reviewed,
  - (5) Evaluating the findings of the reviewers of reports and making reports and recommendations to the Board,
  - (6) Compiling and reporting to the Board statistics on the impact and effect of the Program, and
  - (7) Considering such other matters and performing such other duties regarding the Program as may be assigned to it by the Board from time to time.
- (c) Annually, one-third (1/3) of all practice units will be selected and required to submit in connection with their license renewal for the following calendar year one copy of each of the following kinds of reports, if issued, by that practice unit during the previous twelve (12) month period (July-June).
- (1) Compiled financials (with disclosures if issued),
  - (2) Reviewed financials,
  - (3) Audited financials,
  - (4) An audit report issued in accordance with Government Auditing Standards and,
  - (5) An examination of prospective financial information.

A practice unit is considered to be any firm registered with the Board and any licensee not employed by or associated with a firm but who has issued any of the reports listed above.

The selection of practice units will be accomplished in such a manner that each practice unit will be required to submit reports for review every three (3) years. Any practice unit selected for review which can submit a copy of a successful Peer/Quality Review, acceptable by the Board, which has been completed within the previous three (3) years shall be granted an exemption from the Quality Review requirement.

- (d) Any work product submitted in accordance with Subsection (c) shall omit the name and address of the client, but the nature of the enterprise shall be identified.
- (e) The identities of the sources of financial statements and reports received by the Board shall be preserved in confidence. Reports submitted to the Committee pursuant to Subsection (c), and comment of reviewers, the Committee and the Board on such reports or working papers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the Board to the licensee who issued the financials.

- (f) The Committee shall annually review the reports submitted in accordance with Subsection (c).
- (g) The Committee shall determine, with respect to each financial statement reviewed, the following:
  - (1) Whether the report and financials are in general conformity with applicable professional standards and
  - (2) If not, in what respects the report is substandard or seriously deficient and
  - (3) Any recommendations for improvement of the quality of the report.
- (h) The Board shall review the determinations and recommendations regarding reviews of reports by the Committee pursuant to Subsection (g), and in any case where the Committee has determined, and the Board concurs, that a report is in general conformity with applicable professional standards, the Board shall forward the Committee's determination and recommendations, if any, to the person in charge of the practice unit which submitted the work,
- (i) If the Board concurs with the Committee that a report referred to the Board by the Committee is substandard or seriously deficient with respect to applicable professional standards, the Board may take appropriate action such as:
  - (1) The Board may submit to the practice unit a letter of comment detailing the perceived deficiencies noted and request comments related thereto. A response from the practice unit will be subject to follow-up review by the Board.
  - (2) The Board may require any individual licensee with primary responsibility for issuance of the report or who substantially participated in preparation of the report and/or the related working papers to complete successfully specific courses or types of continuing education as specified by the Board. The cost of any of the course or courses shall be borne by such licensee.
  - (3) The Board may direct that review of the working papers be conducted. The review of the working papers shall be conducted by a person other than the person who performed the original review of the report. The findings of any such review shall be transmitted directly to the Board. The cost of any such review shall be borne by the practice unit.
  - (4) The Board may require that the practice unit responsible for the substandard report submit all or specified categories of its reports to a pre-issuance review in a manner and for a duration prescribed by the Board.
  - (5) If it appears that the professional conduct reflected in the substandard report is so serious as to warrant consideration of possible disciplinary action, the Board may initiate an investigation pursuant to the Act and these Rules.

**Rule 15 - SAFE HARBOR LANGUAGE**

15.1A.C.A. §17-12-107(b) provides that non-licensees are not prohibited from issuing any compilation report prescribed by the Statements on Standards for Accounting and Review Services (SSARS) on any services to which those standards apply, indicating that the services were performed in accordance with standards established by the AICPA, provided that the report discloses that the person does not hold a license.

15.2 Non-licensees must use the following disclaimer language in reports issued in connection with compiled financial statements to not be in violation of the Act:

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

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

I (we) am (are) not licensed by the Arkansas State Board of Public Accountancy.

In addition, the following language must appear on each page of the financials that contain the non-licensee's name: "*See accompanying report*".

**16 EXPERIENCE REQUIRED**

The experience required to be demonstrated for issuance of an initial certificate pursuant to A.C.A. §17-12-308 shall meet the requirements of this rule:

- (a) Experience may consist of providing any type of services or advice using accounting, attest, management advisory, financial advisory, tax or consulting skills.
- (b) The applicant shall have their experience verified to, and on a form approved by, the Board by a licensee as defined in the Act or from another state. Acceptable experience shall include employment in industry, government, academia or public practice. The Board shall look at such factors as the complexity and diversity of the work.
- (c) One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in (a) above.

**APPENDIX ONE**

The principal office and official address of the Board is as follows: Arkansas State Board of Public Accountancy 101 East Capitol Avenue, Suite 430, Little Rock, Arkansas 72201, Telephone (501) 682-1520

**APPENDIX TWO****CODE OF PROFESSIONAL CONDUCT****PREAMBLE**

This Code of Professional Conduct is promulgated under the authority granted by the Public Accountancy Act of 1975, as amended, codified as A.C.A. §17-12-101 et.seq., (hereafter referred to as "the Act") which delegates to the Arkansas State Board of Public Accountancy the power and duty to prescribe rules of professional conduct for establishing and maintaining high standards of competence and integrity in the profession of public accountancy.

The Rules of Conduct set out below rest upon the premises that the reliance of the public in general and of the business community in particular on sound financial reporting, and on the implication of professional competence which inheres in the authorized use of legally restricted title relating to the practice of public accountancy, imposes on persons engaged in such practice certain obligations both to their clients and to the public. These obligations, which the Rules of Conduct are intended to enforce where necessary, include the obligation to maintain independence of thought and action, to strive continuously to improve one's professional skills, to observe where applicable generally accepted accounting principles and generally accepted auditing standards, to promote confidence, to uphold the standards of the public accountancy professional, and to maintain high standards of personal conduct in all matters affecting one's fitness to practice public accountancy.

Acceptance of licensure to engage in the practice of public accountancy, or to use titles which imply a particular competence so to engage, involves acceptance by the licensee of such obligations, and accordingly of a duty to abide by the Rules of Conduct.

The Rules of Conduct are intended to have application to all kinds of professional services performed in the practice of public accountancy, including tax and management advisory services, and to apply as well to all licensees, whether or not engaged in the practice of public accountancy except where the wording of a Rule clearly indicates that the applicability is more limited.

A licensee who is engaged in the practice of public accountancy outside the United States will not be subject to discipline by the Board for departing, with respect to such foreign practice, from any of the Rules, so long as his or her conduct is in accordance with the standards of professional conduct applicable to the practice of public accountancy in the country in which he or she is practicing. However, even in such a case, if a licensee's name is associated with financial statements in such manner as to imply that he or she is acting as an independent Public Accountant and under circumstances that would entitle the reader to assume that United States practices are followed, he or she will be expected to comply with Rules 201, 202 and 203.

In the interpretation and enforcement of the Rules of Conduct, the Board will give consideration, but not necessarily dispositive weight, to relevant interpretations, rulings and opinions issued by the Boards of other jurisdictions, and by appropriately authorized committees on ethics of professional organizations.

## **RULES OF CONDUCT**

### **INDEPENDENCE, INTEGRITY AND OBJECTIVITY**

#### **Rule 101-Independence.**

A licensee in public practice shall be independent in the performance of professional services as required by professional standards as defined in Board Rule 8.2.

When a licensee or registered firm is associated with a non-licensed office or business, the licensee or registered firm shall disclose the licensee's or registered firm's lack of independence when performing attest services or compilation services for a client who has paid or is expected to pay a commission or contingent fee to such non-licensed office or business.

#### **Definition of "Associated With:"**

For purposes of Rules 101, 406, 407 and 408, the term "associated with" shall include (1) any written or non-written contractual relationship between the licensee or registered firm and non-licensed office or business whereby compensation is paid to or received from the non-licensed office or business by the licensee or registered firm in connection with the performance of professional services, (2) a situation where a relative (spouse, child, parent or sibling) of the licensee owns an interest in the non-licensed office or business, or (3) a situation where any (licensed) owner or employee of the firm, registered firm or licensee owns an interest in the non-licensed office or business.

#### **Definition of "Registered Firm:"**

For purposes of Rules 101, 406, 407 and 408, the term "registered firm" shall be defined as any partnership, corporation, professional corporation, and limited liability company of certified public accountants or public accountants registered with the Board pursuant to A.C.A. §17-12-401 et seq.

#### **Rule 102-Integrity and Objectivity.**

In the performance of professional services, a licensee shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts-nor subordinate his or her judgment to others. In tax practice, however, a licensee may resolve doubt in favor of his or her client as long as there is reasonable support for his or her position.

#### **Rule 103-Incompatible Occupations.**

A licensee shall not concurrently engage in the practice of public accountancy and in any other business or occupation which impairs his or her independence or objectivity in rendering professional services.

## **COMPETENCE AND TECHNICAL STANDARDS**

#### **Rule 201- General Standards.**

A licensee shall comply with the following standards:

- (A) The licensee or licensee's firm shall undertake only those professional services that can reasonably be expected to be completed with professional competence.
- (B) The licensee shall exercise due professional care in the performance of professional services.
- (C) The licensee shall adequately plan and supervise the performance of professional services.
- (D) The licensee obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

**Rule 202- Compliance with Standards.**

A licensee who performs auditing, review, compilation, management consulting, tax, or other professional services shall comply with professional standards as defined in Board Rule 8.2.

**Rule 203-Accounting Principles.**

A licensee shall not (1) express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles or (2) state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles, if such financial statements or data contain any departure from an accounting principle promulgated by bodies identified in Board Rule 8 to establish such principles that has a material effect on the financial statements or data taken as a whole, unless the licensee can demonstrate that by reason of unusual circumstances the financial statements or data would otherwise have been misleading. In such a case, the licensee's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement. For purposes of this Rule generally accepted accounting principles are considered to be defined by pronouncements issued by the Financial Accounting Standards Board and its predecessor entities and similar pronouncements issued by other entities having similar generally recognized authority.

**Rule 204- Prospective Financial Statements or Data.**

A licensee shall not in the performance of professional services permit his or her name to be used in conjunction with any prospective financial statements or data in a manner which may reasonably lead to the belief that the licensee vouches for the achievability of the prospective financial statements or data.

**RESPONSIBILITIES TO CLIENTS****Rule 301-Confidential Client Information.**

A licensee shall not without the consent of his or her client disclose any confidential information pertaining to his or her client obtained in the course of performing professional services.

This Rule does not

- (A) relieve a licensee of any obligations under Rules 202 and 203,
- (B) affect in any way a licensee's obligation to comply with a validly issued subpoena or summons enforceable by order of court, or prohibit a licensee's compliance with applicable laws and government regulations,
- (C) prohibit review of a licensee's professional practice under Board authorization, or
- (D) preclude a licensee from initiating a complaint with, or responding to any inquiry made by the Board or any investigative or disciplinary body established by law or formally recognized by the Board.

Members of the Board and professional practice reviewers shall not use to their own advantage or disclose any confidential client information which comes to their attention in carrying out those activities. This prohibition shall not restrict licensee's exchange of information in connection **with** the investigative or disciplinary proceedings described in (D) above or the professional practice reviews described in (C) above.

**Rule 302-Records.**

A licensee shall furnish to his or her client or former client, upon request made within a reasonable time after original issuance of the document in question

- (A) A copy of a tax return of the client, and
- (B) A copy of any report, or other document, issued by the licensee to or for such client, and

- (C) Any accounting or other records belonging to, or obtained on behalf of, the client which the licensee removed from the client's premises or received for the client's account, but the licensee may make and retain copies of such documents when they form the basis for work done by him or her, and
- (D) A copy of the licensee's working papers on completed engagements, to the extent that such working papers include information not reflected in the client's books and records (with the result that the client's financial information is incomplete) and such information is not otherwise available to the client. However, the licensee may require that fees due the licensee with respect to such completed engagements be paid before such information is provided.

## **OTHER RESPONSIBILITIES AND PRACTICES**

### **Rule 401-Discreditable Acts.**

A licensee shall not commit any act discreditable to the profession.

### **Rule 402-Acting Through Others.**

A licensee shall not permit others to carry out on his or her behalf, either with or without compensations, acts which, if carried out by the licensee, would place him in violation of the Rules of Conduct.

### **Rule 403-Advertising and Other Forms of Solicitation.**

A licensee shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading, or deceptive. Solicitation by the use of coercion, over-reaching, or harassing conduct is prohibited.

### **Rule 404 - Firm Names.**

A licensee may practice public accounting only in a form of organization permitted by the Act. A licensee shall not practice public accountancy under a name which is misleading in any way, as to the legal form of the firm, or as to the persons who are partners, managers, members, officers or shareholders of the firm, or as to any matter with respect to which public communications are restricted by Rule 403. However, names of one or more past partners, members or shareholders may be included in the firm name of a partnership, limited liability company or corporation or its successor, and a partner or member surviving the death or withdrawal of all other partners or members may continue to practice under a partnership or limited liability company name for up to two (2) years after becoming a sole practitioner.

A fictitious firm name (that is, one not consisting of the names or initials of one or more present or former partners, members or shareholders) may not be used by a CPA firm unless such name has been registered with and approved by the Board as not being false or misleading.

### **Rule 405 - Practice in Un-registered Entity.**

A licensee shall not practice public accountancy in association with a sole proprietor, partnership, corporation or other entity which is not registered with the Board, unless the appropriate disclaimer is used as provided in §17-12-404 of the Act.

### **Rule 406-Notification by Licensees Who Are Associated With a Non-licensed Office or Business.**

A licensee or registered firm that is associated with a non-licensed office or business which performs professional services as defined in §17-12-103(12) of the Act shall notify the Board of such offices or businesses within 30 days after the creation of the relationship. Notice must be similarly given by the licensee or firm when the relationship terminates. No form is provided for such notices, but they must be in writing and whether in letter form or otherwise, they must clearly be labeled with "Notice of Association With, or Ownership of, Non-Licensed Office or Business." A separate notice must be provided for each such non-licensed office or business.

Information to be contained in the notices shall include:

- Name of Non-licensed Office or Business
  - Name of Owner(s), and Percentage of Ownership of Each (if more than one)
  - Name of Manager of Office or Business
  - Address of Office or Business
  - Phone Number of Office or Business
  - Nature of Professional Services Performed
  - Effective Date of Relationship or Termination.
- Additional information may be requested by the Board.

**Rule 407-Referral or Recommendation between a Licensee or Firm in Which a Licensee is an Owner or Employee and a Non-licensed Office or Business Performing Professional Services With Which the Licensee or Firm is Associated.**

Any licensee or registered firm that accepts a client that results from a recommendation or referral by a non-licensed office or business with which the licensee or firm is associated shall disclose such association or ownership to the client at the time the client is accepted. Similarly, a licensee or registered firm that refers or recommends a client to a non-licensed office or business with which the licensee or firm is associated must disclose that relationship to the client at the time of the referral or recommendation. No form is provided for such notices, but they must be in writing and delivered to the client.

**Rule 408-Notification to Client of Acceptance of Commissions or Referral Fees.**

A licensee or registered firm that is paid or expects to be paid a commission or who accepts a referral fee shall disclose the existence of such commission or referral fee to the client at the time the referral is made.

A licensee or registered firm who pays a referral fee to obtain a client shall disclose to the client the existence of such payment of the fee prior to accepting the client. No form is provided for such notices, but they must be in writing and delivered to the client.

**Rule 409 - Communications.**

A licensee shall, when requested, respond to communications from the Board within thirty (30) days of the mailing of such communications by registered or certified mail.

**Rule 410 - Change of Address or Business Affiliation.**

A licensee shall comply with Board Rule 9 regarding change of address or business affiliation.

**Rule 411 - Failure to File Tax Returns.**

The willful failure by the licensee to file an income tax return, including his or her own, and the resulting conviction, plea of guilty or nolo contendere in connection therewith, shall be considered conduct discreditable to the public accounting profession.