

## DEPARTMENT OF REGULATORY AGENCIES

### State Board of Accountancy

## ACCOUNTANCY RULES AND REGULATIONS

### 3 CCR 705-1

*[Editor's Notes follow the text of the rules at the end of this CCR Document.]*

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#### 1.1 BOARD ORGANIZATION AND ADMINISTRATION

##### A. ACRONYMS

1. AICE Association of International Credential Evaluators
2. AICPA American Institute of Certified Public Accountants
3. CPA Certified Public Accountant
4. CPE Continuing Professional Education
5. CR&R Colorado Rules and Regulations. Also see Rule 1.1(B)
6. C.R.S. Colorado Revised Statutes
7. FASB Financial Accounting Standards Board
8. GASB Governmental Accounting Standards Board
9. GAAP Generally accepted accounting principles
10. GAAS Generally accepted auditing standards
11. IRS Internal Revenue Service
12. IQAB International Qualifications Appraisal Board
13. MRA Mutual Recognition Agreement
14. NACES National Association of Credential Evaluation Services
15. NASBA The National Association of State Boards of Accountancy
16. NIES NASBA's International Evaluation Services
17. PCAOB Public Company Accounting Oversight Board
18. SEC Securities and Exchange Commission

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**B. ABBREVIATIONS AND DEFINITIONS**

Except as otherwise provided, words and phrases capitalized in these Rules are defined in this Rule 1.1. In addition to the definitions found in section 12-100-103, C.R.S., the following apply:

1. Act  
Title 12, Article 100 of the Colorado Revised Statutes (sections 12-100-101 through 12-100-130, C.R.S.)
2. Active/Valid  
The status of a licensee's certificate, license, or registration, or other authority allowing the licensee to assume or use the CPA designation and to offer or perform any service for which an active certificate of CPA or active or valid registration is required pursuant to section 12-100-116(1), C.R.S.
3. AICPA Ethics Examination  
Pursuant to sections 12-100-108(1)(b), C.R.S., the professional ethics course and examination means *Professional Ethics: AICPA's Comprehensive Course*, a course of study concerning the subject of professional ethics and the related examination prepared and administered by the AICPA.
4. AICPA Code of Professional Conduct  
The Code of Professional Conduct issued by the AICPA in the "AICPA *Professional Standards*" incorporated herein by reference.
5. AICPA Professional Standards  
The AICPA *Professional Standards* issued by the AICPA and incorporated herein by reference.
6. Applicant  
An applicant is an individual who submits an application for an initial, renewal, reinstated, reactivated, retired, or inactive certificate.
7. Baccalaureate Degree  
A degree conferred by a college or university that demonstrates the recipient has obtained not less than 120 credit hours of higher education.
8. Board  
The Colorado State Board of Accountancy.
9. Candidate  
An individual who submits an application to sit for the examination.
10. Certificate  
A certificate of Certified Public Accountant.

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11. Certificate Holder  

An individual granted a Colorado certificate pursuant to the requirements in Article 100 of Title 12, C.R.S.
  12. Client  

An individual or entity that agrees with a licensee to receive any professional service.
  13. CPE  

Continuing professional education as required and described in section 12-100-115, C.R.S., and Rule 1.7 of these Rules.
  14. CPE Reporting Period  

A two-year period from January 1 of an even-numbered year through December 31 of an odd-numbered year during which the certificate holder must complete CPE.
  15. CR&R  

CPE covering sections 12-100-101 through 130 and 13-90-107(1)(f), C.R.S., and the Rules and Policies of the Board as provided in Rule 1.7(H).
  16. Ethics CPE  

CPE concerning professional ethical behavior in regulatory ethics or behavioral ethics as defined by the fields of study.
  17. Examination  

The Uniform CPA Examination.
  18. Expired  

The status of a certificate holder's certificate or firm's registration following a failure to renew the certificate or registration by the expiration date.
  19. Fields of Study  

The *NASBA CPE Fields of Study*, incorporated herein by reference.
  20. Financial Statements  

Statements and related disclosures that purport to show an actual or anticipated financial position that relates to a point in time, or results of operations, cash flow, or changes in financial position that relate to a period of time, on the basis of U.S. GAAP or another comprehensive basis of accounting. The term includes specific elements, accounts, or items of such statements, 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.

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21. Firm
- A business entity composed of one or more CPAs engaged in the practice of public accounting as a domestic or foreign partnership, professional corporation, or limited liability company; “partnership” means any form of partnership, including a registered limited partnership, limited liability partnership, and limited liability limited partnership.
22. He, His, Him
- Masculine pronouns when used also include the feminine.
23. Holding Out
- Any activity by an individual or entity that informs or implies or tends to indicate to others an active/valid status as a CPA or Firm. This includes, but is not limited to, any oral or written representation, such as business cards or letterhead, resumes, biographies, the display of a certificate evidencing a CPA designation, or the listing as a CPA or Firm in directories or on the internet. “Activity” includes any continuing representation caused or used by an individual or entity, including but not limited to, any oral or written representation, such as signage, directories, or the Internet.
24. Inactive
- The status of a certificate upon transfer of that certificate to the inactive list.
25. Individual
- A natural person.
26. Joint Standards
- The Joint AICPA/NASBA Statement on Standards for Continuing Professional Education (CPE) Programs jointly issued by the AICPA and NASBA.
27. Licensee
- An individual or firm authorized to hold out and offer and provide services as a CPA(s) under the Act as a certificate holder, registrant, or through mobility/practice privilege.
28. Mobility/Practice Privilege
- The privilege for a CPA or firm to practice accounting in this state pursuant to section 12-100-117(2), C.R.S., and Rule 1.11.
29. Network
- An association of two or more entities that includes at least one CPA firm that:
- a. Cooperates pursuant to an agreement for the purpose of enhancing the association members’ capabilities to provide professional services; and
  - b. Shares one or more of the following characteristics:
    - (1) Shares the use of a common brand name or shares common initials as part of the firm name;
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- (2) Shares common control among the members through ownership, management, or other means;
- (3) Shares profits or costs, excluding costs of operating the association, costs of developing audit methodologies, manuals, training courses, and other costs immaterial to the members;
- (4) Shares a common business strategy that involves ongoing collaboration among the members whereby the members are responsible for implementing the association's strategy and are held accountable for performance pursuant to that strategy;
- (5) Shares a significant part of professional resources, including but not limited to: common systems that enable members to exchange information, such as client data, billing, and time records; partners and staff are drawn from a shared pool; or technical departments to consult on technical or industry specific issues, transactions, or events for assurance engagements that the members are required to follow;
- (6) Members are required to follow common quality control policies and procedures, and compliance is monitored by the association.

30. Network Firm

A network firm is a firm or other entity that belongs to a network as defined in Rule 1.1(B)(29). This includes any entity (including another firm) that the network firm, by itself or through one or more of its owners, controls (as defined in FASB ASC 810), is controlled by, or is under common control with.

31. Owner

A shareholder of a corporation, a member of a limited liability company, a partner of a partnership, or any other person having an interest in any entity that is functionally equivalent to an owner's interest.

32. Peer Review Oversight Committee

A committee established by the Board to oversee the peer review requirement.

33. Peer Review

The study, appraisal, or review by an unaffiliated licensee of the professional accounting work of a certificate holder or registrant that issues attest or compilation reports.

34. Peer Review Program

A sponsoring organization's entire peer review process, including, but not limited to, the standards for administering, performing, and reporting on peer reviews, oversight procedures, training, and related guidance materials.

35. Peer Review Reports

Reports issued by the peer reviewer/reviewing firm in accordance with the Board-approved peer review standards.

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36. Peer Review Standards
- Board-approved professional standards for administering, performing, and reporting on peer reviews.
37. Peer Reviewer/Reviewing Firm
- A licensee responsible for conducting a peer review.
38. Person
- Includes individuals, any form of partnership, corporations, professional corporations, and limited liability companies.
39. Practice of Public Accounting
- Performing for a client or offering to perform for a client or potential client, one or more kinds, or any combination of services involving the use of accounting or attestation skills, including, but not limited to, issuance of reports on financial statements, or of one or more types of management advisory or consulting services, or the preparation of tax returns, or the furnishing of tax advice.
40. Practice Privilege/Mobility
- The privilege for a CPA or Firm to practice accounting in this state pursuant to section 12-100-117(2), C.R.S., and Rule 1.11.
41. Professional Business
- For the purposes of section 12-100-117(2), C.R.S., and these Rules, practicing in this state on “professional business” means that a CPA or foreign equivalent whose principle place of business is located in another state or jurisdiction is providing professional services in this state.
42. Professional Services
- Any service performed or offered to be performed by a licensee while holding out.
43. Reactivation
- The process by which an inactive or retired status certificate is returned to active status.
44. Registrant
- A firm that has been granted registration pursuant to the Act.
45. Reinstatement
- The process by which a certificate that has expired is returned to active, inactive, or retired status or by which a firm registration that has expired is returned to active/valid status.

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46. Renewal
- The process to retain a certificate in active, inactive, or retired status, and to retain a firm registration in active/valid status in accordance with a schedule established by the Division of Professions and Occupations.
47. Report Acceptance Body
- A sponsoring organization's committee responsible for the acceptance of peer review documents.
48. Responsible Party
- The firm partner, shareholder, or member designated to notify the Board of changes to the firm pursuant to section 12-100-114(2)(a)(III), C.R.S.
49. Retired
- The status of a certificate following the Board's approval of a certificate holder's application to transfer the certificate status to retired.
50. Sponsoring Organization
- A Board-approved professional society or other organization responsible for the facilitation and administration of peer reviews through use of its peer review program and peer review standards.
51. Substantial Equivalency
- A determination by the Board or its designee that the education, examination, and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to or exceed the education, examination, and experience requirements contained in the AICPA/NASBA *Uniform Accountancy Act* (UAA) or that an individual CPA's education, examination, and experience qualifications are comparable to or exceed the requirements contained in the UAA.
52. U.S. GAAP
- Generally accepted accounting principles as contained in the AICPA *Professional Standards* incorporated by reference in Rule 1.1(C).
53. U.S. GAAS
- Generally accepted auditing standards as contained in the AICPA *Professional Standards* incorporated by reference in Rule 1.1(C).

### C. INCORPORATION BY REFERENCE

The materials listed in this Rule 1.1(C) are incorporated by reference. These Rules do not include later amendments to or editions of the materials incorporated by reference in this Rule 1.1(C). (Note, however, that pursuant to law, licensees will be held to the requirements in those editions that were in effect at the time of the conduct at issue.) If a Rule of the State Board of Accountancy is inconsistent or otherwise differs from the materials incorporated by reference herein, the Rule of the State Board of Accountancy governs. Copies of these materials are available for public inspection during regular business hours at the Board's Office at 1560 Broadway, Suite 1350, Denver, Colorado, 80202 and at the Colorado State Publications Library or at the specific addresses and websites provided below. For information on obtaining or examining these materials, contact the Board's Office at 1560 Broadway, Suite 1350, Denver, Colorado, 80202 or via email at [dora\\_accountancy@state.co.us](mailto:dora_accountancy@state.co.us)

1. AICPA Code of Professional Conduct

The *Code of Professional Conduct* issued by the AICPA in the "AICPA *Professional Standards*," effective December 15, 2014. These materials may also be obtained at [AICPA.org](http://AICPA.org) or AICPA, 220 Leigh Farm Road, Durham, North Carolina 27707-8110.

2. AICPA Professional Standards

The *AICPA Professional Standards*, effective May 1, 2017, issued by the AICPA. These materials may also be obtained at [AICPA.org](http://AICPA.org) or AICPA, 220 Leigh Farm Road, Durham, North Carolina 27707-8110.

3. Fields of Study

The *NASBA CPE Fields of Study*, effective September 1, 2016, and available at [https://www.colorado.gov/dora/Accountancy\\_CPE](https://www.colorado.gov/dora/Accountancy_CPE) or at <https://www.nasbaregistry.org/the-standards> or NASBA, 150 Fourth Ave. North, Ste. 700, Nashville, TN, 37219-2417.

4. Joint Standards

The *Joint AICPA/NASBA Statement on Standards for Continuing Professional Education (CPE) Programs* jointly issued by the AICPA and NASBA, effective September 1, 2016, and available at [https://www.colorado.gov/dora/Accountancy\\_CPE](https://www.colorado.gov/dora/Accountancy_CPE) or at <https://www.nasbaregistry.org/the-standards> or NASBA, 150 Fourth Ave. North, Ste. 700, Nashville, TN, 37219-2417.

5. Statements of governmental accounting standards

The statements of governmental accounting standards issued as of the effective dates of these Rules and available at [www.gasb.org/store](http://www.gasb.org/store) or NASBA, 150 Fourth Ave. North, Ste. 700, Nashville, TN, 37219-2417.

6. FASB Accounting Standards Codification

The FASB Accounting Standards Codification issued as of the effective date of these Rules and available at [www.fasb.org/store](http://www.fasb.org/store) or NASBA, 150 Fourth Ave. North, Ste. 700, Nashville, TN, 37219-2417.



7. Governmental Auditing Standards, December 2011 Revision  
  
The Governmental Auditing Standards, December 2011 Revision issued by the U.S. Governmental Accountability Office and available at [www.gao.gov/yellowbook](http://www.gao.gov/yellowbook) or U.S. Government Publishing Office, 732 North Capitol Street, NW, Washington, DC 20401-0001.
8. Securities and Exchange Commission
  - a. *SEC Final Rules*, issued as of the effective date of these Rules, available at [www.sec.gov/rules/final.shtml](http://www.sec.gov/rules/final.shtml) or 100 F Street, NE, Washington, DC 20549.
  - b. *SEC Concept Releases*, issued as of the effective date of these Rules, available at [www.sec.gov/rules/concept.shtml](http://www.sec.gov/rules/concept.shtml) or 100 F Street, NE, Washington, DC 20549.
  - c. *SEC Interpretative Releases*, issued as of the effective date of these Rules, available at [www.sec.gov/rules/interp.shtml](http://www.sec.gov/rules/interp.shtml) or 100 F Street, NE, Washington, DC 20549.
  - d. *SEC Policy Statements*, issued as of the effective date of these Rules available at [www.sec.gov/rules/policy.shtml](http://www.sec.gov/rules/policy.shtml) or 100 F Street, NE, Washington, DC 20549.
9. Circular 230 Tax Professionals – (Rev. 6-2014)  
  
Circular 230, Catalog Number 16586R, published June 12, 2014, available at [www.irs.gov/Tax-Professionals/Circular-230-Tax-Professionals](http://www.irs.gov/Tax-Professionals/Circular-230-Tax-Professionals) or IRS Denver Office, 1999 Broadway, Denver, CO 80202.
10. Part 9904 - Cost Accounting Standards  
  
The standards of the Cost Accounting Standards Board (CASB) codified in Title 48, Chapter 99: Federal Acquisition Regulations System at Part 9904 – Cost Accounting Standards, as amended July 25, 2012, available at <https://www.whitehouse.gov/omb/federal-register/> or The Office of Management and Budget 725 17th Street, NW Washington, DC 20503.
11. The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended  
  
*The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended* as of June 30, 2017, available at <http://www.fasab.gov/accounting-standards> or FASAB, 441 G Street, NW, Suite 1155, Washington, DC 20548.

## 1.2 EDUCATION REQUIREMENTS FOR EXAMINATION AND CERTIFICATION

### A. GENERAL INFORMATION

1. Conversion of quarter hours to semester hours. For purposes of these Rules, four quarter hours equals three semester hours.
2. Transcripts. The applicant's claim to college or university credits for eligibility for examination and certification must be confirmed by an official transcript of credit forwarded by the institution to the Board's office or its designee. However, the Board may accept an official transcript from the applicant if the transcript is provided in an official envelope sealed by the granting institution.

3. The Board will not issue a certificate to an applicant who has not satisfied the requirements of Rule 1.2(E).
4. Any application that is not complete within one year of the receipt date will expire and be destroyed. The applicant must submit a new application along with all required information and fees.
5. The Board or its designee will not consider or review an incomplete application.
6. "College or university" for purposes of these Rules means an institution of higher education that:
  - a. Requires a high school diploma or equivalent as a condition of entry;
  - b. Delivers postsecondary education; and
  - c. Offers a degree that would be recognized by, or coursework that would be accepted for transfer by, an Accredited Baccalaureate Granting College as defined in Rule 1.2(B).

**B. COLLEGE OR UNIVERSITY ACCREDITATION**

1. "Accredited Baccalaureate Granting College" for the purposes of these Rules means a college or university: (1) that is deemed accredited under sections 12-100-103(1) and 12-100-108(1), C.R.S., that offers a Baccalaureate Degree or higher degree.
2. Baccalaureate Degree. The Board may deem a Baccalaureate Degree or higher degree obtained from a non-accredited college or university as conferred by an Accredited Baccalaureate Granting College if the applicant demonstrates that the degree would be unconditionally accepted into a graduate program at an Accredited Baccalaureate Granting College.
3. Coursework. The Board may deem coursework obtained from a non-accredited college or university as obtained from an Accredited Baccalaureate Granting College if the applicant demonstrates that the coursework would be acceptable for credit towards a Baccalaureate Degree or higher degree at an Accredited Baccalaureate Granting College.
4. The Board may require that an applicant submit his transcript to a generally recognized academic credential evaluation service for assistance in evaluating whether:
  - a. A degree would be unconditionally accepted into a graduate program at an Accredited Baccalaureate Granting College;
  - b. Coursework obtained from a non-accredited college or university would be acceptable for credit towards a Baccalaureate Degree or higher degree at an Accredited Baccalaureate Granting College;
  - c. An accounting program satisfies the requirements for program approval under section 12-100-110, C.R.S.;
  - d. Coursework is, or is equivalent to, a concentration in accounting;
  - e. A degree conferred by a non-accredited college or university meets the definition of Baccalaureate Degree; and

- f. The education otherwise satisfies the requirements of the Act and these Rules.
5. The Board will not accept an evaluation described in paragraph (4) of this Rule 1.2(B) unless it is prepared by NIES or an evaluation service that is a member of NACES, AICE, or another similar organization approved by the Board, or any other entity approved by the Board. The Board is not required to accept the results of an evaluation from any source.

**C. APPROVED ACCOUNTING PROGRAM**

1. An accounting program at an Accredited Baccalaureate Granting College is deemed approved by the Board.
2. The Board may deem an accounting program at any college or university as approved for the purposes of a specific application if the applicant demonstrates that an Accredited Baccalaureate Granting College would accept coursework or a degree obtained from the college or university for credit towards a Baccalaureate Degree or higher degree, or into a graduate program.

**D. EDUCATION REQUIREMENTS FOR EXAMINATION**

A person who has a Baccalaureate Degree or higher degree who has obtained not less than 120 credit hours of higher education, and who has fulfilled the requirements described in this Rule 1.2(D), has met the education requirements necessary to sit for the examination.

Notwithstanding the above, a person who does not have a Baccalaureate Degree has met the education requirements necessary to sit for the examination, if he has obtained not less than 120 credit hours of higher education and fulfilled the requirements described in this Rule 1.2(D), and he demonstrates that he is currently enrolled in a degree program at a college or university that: (1) requires a minimum 150 hours for graduation; and (2) does not offer a Baccalaureate Degree, but instead confers a Masters or higher degree, or offers a Baccalaureate Degree upon completion of a combined degree program.

1. An applicant must have completed at least twenty-seven semester hours of non-duplicative accounting coursework at the undergraduate or graduate level with awarded or acceptable for credit from an accredited college or university. The transcripts must indicate an accounting program code or the applicant must otherwise demonstrate that the coursework was in accounting. The twenty-seven semester hours must include the following:
  - a. Twenty-one semester hours of accounting courses, excluding introductory accounting courses, covering subject areas such as:
    - (1) Accounting Ethics
    - (2) Accounting Information Systems
    - (3) Accounting Research and Analysis
    - (4) Accounting Theory
    - (5) Auditing and Attestation Services
    - (6) Financial Accounting and Reporting of Business Organizations

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- (7) Financial Accounting and Reporting for Government and Not-for-Profit Entities
  - (8) Financial Statement Analysis
  - (9) Fraud Examination
  - (10) Internal Controls and Risk Assessment
  - (11) Managerial or Cost Accounting
  - (12) Taxation
  - (13) Tax Research and Analysis
  - (14) Forensic accounting
  - (15) Tax auditing
  - (16) Other areas as approved by the Board
- b. The twenty-one semester hours must include a three semester hour, or more, auditing course concentrating on U.S. GAAS. "Concentrating on U.S. GAAS" means that any course content referencing non-U.S. standards is incidental to the course.
  - c. Introductory accounting courses means courses such as principles of accounting, accounting and tax software courses, payroll accounting, and other basic accounting courses as determined by the Board. Such courses will not count towards the twenty-one hour requirement.
2. An applicant must successfully complete at least twenty-one semester hours of non-duplicative coursework in business administration at the undergraduate or graduate level that addresses subject areas such as:
- a. Behavior of Organizations, Groups, and Persons
  - b. Business or Accounting Communications
  - c. Business Ethics
  - d. Business Law
  - e. Computer Information Systems
  - f. Economics
  - g. Finance
  - h. Legal and Social Environment of Business
  - i. Management
  - j. Marketing

- k. Quantitative Applications in Business
  - l. Statistics
  - m. Other areas as approved by the Board
3. Of the twenty-one semester hours, no more than six semester hours can be in any single subject area. But semester hours in excess of the six-hour maximum may count toward the total 120 semester hour requirement.
  4. All coursework must address subject areas as provided in paragraph (2) of this Rule 1.2(D), but the coursework need not be taken within the business or accounting department.
  5. The courses required in this Rule 1.2(D) must be taken at an Accredited Baccalaureate Granting College or: (1) such a college must accept the courses by including them in its official transcript or verify to the Board that it would accept the courses for credit towards graduation; (2) the courses must be acceptable for transfer to such a college pursuant to a transfer articulation agreement approved or accepted by the Colorado Department of Higher Education or what the Board determines to be an equivalent regulatory agency of another jurisdiction; or (3) the Board may accept the findings of an academic credential evaluation provided pursuant to Rule 1.2(B).

#### **E. EDUCATION REQUIREMENTS FOR CERTIFICATION**

An individual who has a Baccalaureate Degree or higher degree and who has fulfilled the requirements described in this Rule 1.2(E) has met the education requirements necessary for certification.

1. An Applicant must have successfully completed a total of 150 semester hours of non-duplicative coursework at the undergraduate or graduate level.
2. The Applicant must have completed at least thirty-three semester hours of non-duplicative accounting coursework at the undergraduate or graduate level with awarded or acceptable for credit from an accredited college or university.
  - a. All courses must be designated by an accounting program code or the Applicant must otherwise demonstrate that the coursework was in accounting;
  - b. The thirty-three semester hours must include twenty-seven semester hours of accounting courses, excluding introductory accounting courses, covering the subject areas described in Rule 1.2(D)(1)(a);
  - c. Of the twenty-seven semester hours required in paragraph (b), a total of six semester hours must be in auditing, which must include a three semester hour, or more, course concentrating on U.S. GAAS. "Concentrating on U.S. GAAS" means that any course content referencing non-U.S. standards is incidental to the course. The remaining semester hours required under this subsection (c) may be in advanced auditing or a subset of basic auditing such as fraud examination, forensic accounting, or information technology auditing;
  - d. Introductory accounting courses means courses such as principles of accounting, accounting and tax software courses, payroll accounting, and other basic accounting courses as determined by the Board. Such courses will not count towards the twenty-seven hour requirement.

- e. The twenty-seven hours required in paragraph (B) must include a three-semester hour, or more, course concentrating on accounting or business ethics, which may include the following topics: the ethical responsibilities of accountants, both personal and professional; ethical dilemmas facing accountants; ethical theory; the various accounting codes of conduct and ethical guidance for accountants; and the application of ethical theory, codes of conduct, and professional standards.
3. The applicant must have successfully completed at least twenty-seven semester hours of non-duplicative coursework in business administration at the undergraduate or graduate level, which must include:
    - a. Of the twenty-seven semester hours, no more than nine semester hours can be in any single subject area. But semester hours in excess of the nine-hour maximum may count toward the total 150 semester hour requirement.
    - b. All coursework must address subject areas as provided in Rule 1.2(D)(2), but the coursework need not be taken within the business or accounting department.
  4. The courses required in this Rule 1.2(E) must be taken at an Accredited Baccalaureate Granting College or: (1) such a college must accept the courses by including them in its official transcript or verify to the Board that it would accept the courses for credit towards graduation; (2) the courses must be acceptable for transfer to such a college pursuant to a transfer articulation agreement approved or accepted by the Colorado Department of Higher Education or what the Board determines to be an equivalent regulatory agency of another jurisdiction; or (3) the Board may accept the findings of an academic credential evaluation provided pursuant to Rule 1.2(B).

### **1.3 EXAMINATION GENERAL REQUIREMENTS AND PROHIBITED CONDUCT**

#### **A. APPLICATIONS**

Application to sit for the examination shall be made in a manner prescribed by the Board or its designee. An application is deemed complete at the time all required information and fees are received. Any application that is not complete within one year of the receipt date will expire and be destroyed. The applicant must submit a new application along with all required information and fees. The Board or its designee will not consider or review an incomplete application.

#### **B. EXAMINATION ELIGIBILITY**

A candidate may be eligible to sit for the examination after satisfying the education requirements as provided in Rule 1.1(B).

#### **C. OFFICIAL TRANSCRIPTS**

A candidate must supply an official transcript to the Board or its designee when applying to sit for the examination. An additional official transcript may be required at the time the candidate applies for certification. These official transcripts must be sent from the granting college or university directly to the Board or its designee. However, the Board may accept an official transcript from the candidate if the transcript is provided in an official envelope sealed by the granting college or university.

**D. WITHDRAWALS**

1. A candidate may withdraw from the examination by filing a written request with the Board's designee. If a request is filed less than thirty days prior to the examination date, the examination fee will be forfeited unless the failure to timely file the request was due to:
  - a. The health condition of the candidate or a member of his immediate family substantiated by a physician's statement;
  - b. The death of a member of the candidate's immediate family substantiated by a death certificate;
  - c. The candidate entered military service and is unable to sit for the examination; or
  - d. For other good cause deemed adequate by the Board.
2. For the purposes of this Rule 1.3(D), "immediate family" means directly related family members, including grandparents, parents, spouse, sibling, child, or grandchild, including "step" relationships.

**E. CANDIDATE CONDUCT DURING EXAMINATION**

1. A candidate shall conduct himself in a manner that does not violate the standards of test administration. Violations of test administration standards include, but are not limited to:
  - a. Making a false, fraudulent, or materially misleading statement or a material omission on, or in connection with, any application for evaluation and examination to become a CPA of this state. The withdrawal of any application does not deprive the Board of its authority to take action against the applicant;
  - b. Failing to comply with written guidelines of conduct to be adhered to by candidates during the examination or oral guidance by a testing center administrator at any examination location; and
  - c. Cheating, subverting, or attempting to cheat or subvert, or aiding, abetting, or conspiring to cheat on the examination;
  - d. Cheating, subverting, or attempting to cheat or subvert, or aiding, abetting, or conspiring to cheat on the examination includes, but is not limited to, engaging in, soliciting, attempting, or procuring any of the following:
    - (1) Any form of communication between the candidate and anyone, other than a proctor or examination administrator, while the examination is in progress;
    - (2) Any form of communication between the candidate and anyone at any time concerning the content of the examination including, but not limited to, any examination question or answer, unless the examination has been publicly released by the preparer of the examination;
    - (3) Taking by another of all or any part of the examination for the candidate;

- (4) Possession or use at any time during the examination or while the candidate is in the examination testing center of any device, material, document, or other thing that is not expressly authorized for use by examinees during the examination including, but not limited to, notes, crib sheets, books, and electronic devices; or
  - (5) Using or referring at any time after the commencement of the examination and prior to the conclusion of the examination, including all breaks during the examination, to any person, device, material, document, or other thing that is not expressly authorized for use by candidates.
2. A violation of this Rule 1.3(E) is cause for sanctions including disqualification. Sanctions may range from entering a failing grade on all parts of the examination in which cheating occurred, suspension, or total prohibition from sitting for future examinations, other conditions or limitations, or any combination of these sanctions.
3. Any candidate observed violating this Rule 1.3(E) or who otherwise disrupts the examination may be immediately removed from the testing center.
4. The voluntary departure or removal from an examination does not deprive the Board of its authority to take action against the candidate.
5. Any candidate suspected of violating this Rule 1.3(E) or who may have been observed violating this Rule 1.3(E) may be requested to remain for a reasonable period of time following an examination session and may be questioned by test center officials. Test center officials must report any alleged violation of this Rule 1.3(E) to the Board.
6. If more than one candidate is knowingly involved in a connected violation of this Rule 1.3(E), all persons involved are subject to sanctions, although not necessarily of the same severity.
7. Other jurisdictions to which a candidate may apply for the examination will be notified of the sanction imposed by the Board.
8. If, upon a full investigation, the Board has objective and reasonable grounds to believe and finds that the candidate has violated the provisions of this Rule 1.3(E), it may impose the sanctions described in paragraph (2) of this Rule 1.3(E). The Board shall incorporate the findings in its order. For purposes of this paragraph (8), "full investigation" means a reasonable ascertainment of the underlying facts on which the Board's action is based.
9. The candidate, within sixty days after the date of service of the order, may request a hearing before the Board as provided in section 24-4-105, C.R.S., on the issue of whether the candidate committed a violation of this Rule 1.3(E). The action of the Board after any hearing shall be subject to judicial review as provided in section 24-4-106, C.R.S.
10. This Rule 1.3(E) does not limit the Board's authority to impose penalties or take any other action authorized under the Act.

**F. CONDITIONING REQUIREMENTS**

1. Granting of Credit



- a. Candidates are allowed to sit for each section of the examination individually and in any order.
- b. Candidates retain credit for any section(s) passed for eighteen months, without having to attain a minimum score on failed sections and without regard to whether they have taken other sections.
- c. Candidates must pass all four sections of the examination within a “rolling” eighteen- month period that begins on the date of the notification letter (i.e. candidate score summary) documenting a passing grade of the first section.
- d. In the event all four sections of the examination are not passed within the rolling eighteen-month period, credit for any section(s) passed outside the eighteen-month period will expire and the section(s) must be retaken.
- e. Written requests for exceptions to the requirements set forth above may be granted at the discretion of the Board for individual hardship or other good cause demonstrated in a timely manner.

**G. NOTICE TO SCHEDULE (NTS)**

1. After a candidate has been determined eligible to take any section of the examination and the candidate has paid the required fee, the Board’s designee will send the candidate an NTS authorizing the candidate to take the section or sections of the examination.
2. The candidate has six months from the date of the NTS to take the examination section for which the candidate is eligible.
3. A candidate who fails to take the approved examination section within six months must reapply to the Board’s designee for establishment of new eligibility.

**1.4 EXPERIENCE REQUIREMENTS FOR CERTIFICATION**

The following requirements apply to applicants who seek to qualify for certification pursuant to sections 12-100-107 and 12-100-108, C.R.S.

**A. GENERAL EXPERIENCE AND VERIFICATION REQUIREMENTS**

1. An applicant has satisfied the experience requirement necessary to be issued a certificate upon completion of 1,800 qualifying work hours verified by one or more verifiers as defined in Rule 1.4(A)(5).
  - a. The work hours must be obtained within the five years immediately preceding the date the application is received by the Board or its designee.
  - b. The work hours may include any combination of full-time and part-time work. Academic internship hours may be included if not claimed under Rule 1.2 for education credit.
  - c. Except as provided in Rule 1.4(A)(4), the work hours must be obtained while employed by one or more employers.
  - d. The work hours must be obtained over a period of not less than one year and not more than three years.

2. The work experience must involve the application of appropriate technical and behavioral standards, such as the AICPA Code of Professional Conduct and other standards contained in the AICPA *Professional Standards*, U.S. GAAP, U.S. GAAS, *Statements on Standards for Attestation Engagements (SSAE)*, *Statements on Standards for Accounting and Review Services (SSARS)*, *Statements on Standards for Tax Services (SSTS)*, *Statements on Standards for Management Consulting Services*, or other such standards as determined by the Board.
3. “Qualifying work hour(s)” means hours spent primarily applying the standards described in Rule 1.4(A)(2). Holidays, vacations, and family/employee sick leave shall not be included as qualifying work hours. Clerical experience does not count toward qualifying work hours. Clerical experience includes, but is not limited to, mere data entry, mere mathematical calculations, mere account analysis of information already recorded, and merely recording information in the general ledger.
4. Comparable work experience not specifically addressed by these Rules may be considered by the Board on a case-by-case basis, but must include application of the standards described in Rule 1.4(A)(2).
5. “Verifier” means a CPA who is, for the entire period verified, actively licensed in any State. The verifier cannot be subordinate to or otherwise under the supervision or control of the applicant. The verifier must attest to having direct and continuous knowledge of the work done by the applicant and to having performed contemporaneous periodic review and evaluation of the Applicant’s work. The Board in its discretion may grant exceptions to the requirements in this subsection for good cause.
6. The applicant must submit a certificate of experience from all relevant employers including details of the work experience and verification in a manner prescribed by the Board or its designee. Certificates of experience for part-time work must contain a record of the actual hours the applicant has worked for each week of part-time employment. The certificate of experience and all additional details must be signed by the verifier.
7. The Board may request and review information regarding the work experience submitted, including, but not limited to, evidence of experience with the standards described in Rule 1.4(A)(2), work papers, reports, syllabi, course materials, and/or time records. The Board may also interview applicants, verifiers, and any other person who might possess relevant information.

## **B. PUBLIC ACCOUNTING**

Qualifying public accounting experience, for purposes of this Rule, consists of performing services for a client or potential client, including, but not limited to, any combination of services involving the use of accounting or attestation skills, the issuance of reports on financial statements, management advisory or consulting services, preparing tax returns, or furnishing advice on tax matters. Such work consists of employment by a CPA or Firm performing services primarily involving the application of the standards described in Rule 1.4(A)(2).

## **C. INDUSTRY**

Qualifying industry experience consists of performing services, including for an employer, primarily involving the application of the standards described in Rule 1.4(A)(2). Such services may include, but are not limited to, internal audit, installation of internal control systems, preparing Financial Statements, management advisory or consulting services, preparing tax returns, or furnishing advice on tax matters.

**D. GOVERNMENT**

Qualifying government experience consists of employment by a federal, state, or local government entity. Such work consists of employment performing services primarily involving the application of the standards described in Rule 1.4(A)(2). Such services may include, but are not limited to, internal or external audit, installation of internal control systems, preparing Financial Statements, management advisory or consulting services, or regulatory reporting on financial matters.

**E. ACADEMIA**

1. Qualifying academic experience consists of teaching in the accounting discipline for academic credit at a regionally accredited college or university. The teaching must include at least two different accounting courses taught above the introductory level involving the standards described in Rule 1.4(A)(2). One year of experience consists of teaching no less than twelve semester hours or the equivalent in quarter hours. Courses outside the field of accounting do not count toward the experience requirement. Such non-qualifying courses include, but are not limited to, business law, finance, computer applications, personnel management, marketing, economics, and statistics.
2. In addition to a certificate of experience, the applicant must submit with the application a letter from each institution where the qualifying hours were taught, signed by the dean or department head at that institution. The letter must include: (a) the number of credit hours that the applicant taught for the relevant years; and (b) the name and academic level, course description, and syllabus for each course taught. The verifier must be the department chair or a faculty member, who shall also be a CPA as described in Rule 1.4(A)(5).

**1.5 REQUIREMENTS FOR CERTIFICATION**

**A. GENERAL PROVISIONS**

1. An applicant must complete and submit an application with applicable fees as prescribed by the Board or its designee.
2. Education, training, or experience gained in military service as outlined in section 12-20-202(4), C.R.S., will be accepted towards satisfying the requirements for certification upon presentation of evidence deemed satisfactory to the Board that the education, training, or experience meets the standards otherwise applicable at the time of receipt of the application. The applicant must provide timely and complete evidence for review and consideration. The Board will consider the evidence on a case-by-case basis.
3. Individuals granted a certificate who issue attest or compilation reports must enroll in a peer review program within thirty days following the date the Board grants the initial certificate, pursuant to Rule 1.8 of these Rules.
4. A certificate holder may engage in the practice of public accounting as a sole proprietor.
5. A certificate holder (including a sole proprietor) must register any form of partnership, professional corporation, or limited liability company as provided in Rule 1.12 before he can hold out or engage through that legal entity in any activity for which an active or valid certificate or registration is required under section 12-100-116(1), C.R.S.
6. Upon issuance, certificates and certificate holders are subject to the certificate maintenance, Continuing Professional Education, and other requirements described in Rules 1.6 and 1.7 and all of these Rules.

**B. GENERAL CERTIFICATION REQUIREMENTS**

1. An applicant has met the requirements necessary for certification if he has:
  - a. Met the minimum education requirements as described in Rule 1.2;
  - b. Taken and passed the Uniform CPA Examination;
  - c. Taken the AICPA Ethics course and passed the AICPA Ethics Examination with a score of ninety percent or better within two years immediately preceding the application receipt date; and
  - d. Met the experience requirements described in Rule 1.4.
2. The applicant must complete two hours of CR&R within six months after the date the Board grants the initial certificate. CR&R completed within the six months immediately preceding the date the Board grants the initial certificate will satisfy this requirement.
  - a. CR&R completed within the six months immediately preceding the date the Board grants the initial certificate will satisfy this requirement. CR&R that is not completed within the six months preceding or after that date will not satisfy this requirement, but it may count towards general CPE credit, if it otherwise satisfies the requirements of Rule 1.6(G).
  - b. CR&R courses completed under this requirement may satisfy the CR&R requirement under paragraph (2)(b) of Rule 1.6(G).

**C. EXAMINATION MORE THAN 10 YEARS PRIOR TO THE CERTIFICATION APPLICATION DATE**

1. If an applicant applies for licensure with examination scores obtained more than ten years prior to the application receipt date, in addition to satisfying the requirements of Rule 1.5(B), the applicant must:
  - a. Complete eighty hours of CPE within the two years immediately preceding the application receipt date. No education in personal development, as defined by the fields of study, may be counted toward the eighty hours; or,
  - b. Provide the Board proof of experience as described in Rule 1.4 obtained within the five years immediately preceding the application receipt date.

**D. VERIFICATION OF EXAM SCORES FOR CERTIFICATION**

If examination scores cannot be verified through the Board's records or the records of the Board's designee, the Board may require the applicant to qualify and sit for the examination again prior to applying for licensure.

**E. RECIPROCITY REQUIREMENTS**

1. The Board may issue a certificate to an applicant who holds an active certificate or license issued by another state, provided the applicant:

- a. Possessed the requirements necessary for issuance of a certificate in Colorado on the date that the applicant's certificate or license was issued by the other state, or the applicant meets the Substantial Equivalency requirements defined in Rule 1.1;
  - b. Provides verification that he holds an active certificate or license issued by another state; and
  - c. Attests to having completed all CPE required by the other state as of the application receipt date.
2. The applicant must complete two hours of CR&R within 6 months following the date the Board grants the initial certificate. CR&R completed within the six months immediately preceding the date the Board grants the initial Certification will satisfy this requirement.
  3. An applicant who holds a certificate or license issued by another state based upon passage of the examination but who does not hold a certificate or license to practice is not eligible for reciprocity through that certificate or license.
  4. The Board may rely on NASBA, the AICPA, and other professional bodies deemed acceptable to the Board in determining whether an applicant meets the requirements of this Rule 1.5(E).

**F. INTERNATIONAL APPLICANTS - MUTUAL RECOGNITION AGREEMENT (MRA)**

1. The Board recognizes the IQAB, a joint body of NASBA and the AICPA, which is charged with:
  - a. Evaluating the professional credentialing process of CPAs, or their equivalents, from other countries; and
  - b. Negotiating principles of reciprocity agreements with the appropriate professional and governmental organizations of other countries seeking recognition as having requirements substantially equivalent to the requirements for the U.S. CPA certificate.
2. The Board may issue a certificate to an individual holding an active certificate or designation from an organization that has entered into a MRA with the IQAB, provided that the applicant has:
  - a. Passed the International Qualifications Examination (IQEX) or the Examination;
  - b. Has one year of work experience in accordance with the requirements of Rule 1.4; and
  - c. Completed the AICPA Ethics course and passed the AICPA Ethics Examination with a score of ninety percent or better within two years immediately preceding the application receipt date.
3. The applicant must complete two hours of CR&R within six months following the date the Board grants the initial certificate. CR&R completed within the six months immediately preceding the date the Board grants the initial certification will satisfy this requirement.

**G. INTERNATIONAL APPLICANTS – NO MUTUAL RECOGNITION AGREEMENT (MRA)**

1. If the applicant holds a certificate or designation from an organization that has not entered into a MRA with the IQAB, the Board may issue a certificate, provided that:
  - a. The applicant meets the requirements in Rule 1.5(B); and
  - b. The Board may require that the applicant provide an education evaluation pursuant to Rule 1.2(B)(4).

**1.6 CERTIFICATE REQUIREMENTS, DISCIPLINE, MAINTENANCE, AND STATUS CHANGES**

This Rule sets forth the general rules regarding a certificate, including CPE requirements, and how a certificate holder may renew, reactivate, or reinstate a certificate, and obtain a retired or inactive status certificate. For specific CPE requirements also see Rule 1.7. A certificate holder is responsible for completing the renewal process when and as required if he wants to maintain his certificate in an active, retired, or inactive status.

**A. GENERAL INFORMATION**

1. No individual can hold out as defined in Rule 1.1 unless that individual holds an active certificate issued pursuant to the Act, except that:
  - a. An individual who holds an active CPA license or certificate issued by another state may use or assume the title or designation “certified public accountant” or “CPA” or similar designation followed or preceded by the name or abbreviation of the state issuing such license or certificate, such as “CPA NM” or “New Mexico CPA”;
  - b. An individual whose license or certificate is in an inactive status in this or another state may use or assume the title or designation “certified public accountant” or “CPA” or similar designation followed or preceded by the term “inactive”; or
  - c. An individual whose license or certificate is in a retired status in this or another state may use or assume the title or designation “certified public accountant” or “CPA” or similar designation immediately followed or preceded by the term “retired,” and
  - d. While practicing in this state under section 12-100-117(2), C.R.S., and Rule 1.11 (Practice Privilege/Mobility), an individual who holds an active CPA license or certificate issued pursuant to the laws of another state may use or assume the title or designation “certified public accountant” or “CPA” or similar designation and an individual holding equivalent authority in a non-U.S. jurisdiction may use or assume the equivalent designation authorized in his non-U.S. jurisdiction.
2. No individual, while holding out as defined in Rule 1.1, can perform for any client, employer, or other person, one or more kinds, or any combination of services involving the use of accounting or attestation skills, including, but not limited to, issuance of reports on financial statements, or of one or more types of management advisory or consulting services, or the preparation of tax returns, or the furnishing of tax advice unless that individual: (1) holds an active certificate issued pursuant to the Act, or (2) is authorized to provide such services pursuant to Rule 1.11 (Practice Privilege/Mobility).

3. A certificate holder offering or rendering services or using his CPA title in another state is subject to disciplinary action in this state for conduct in another state if that conduct violates the Act or these Rules or the laws or rules of that state.
4. Every certificate holder holding an active status certificate must complete CPE. CPE accrues at a rate of ten hours for every full quarter during which the certificate holder holds an active status certificate. The CPE must be completed on or before December 31 of the year ending the CPE reporting period in which the CPE obligation is incurred. Failure to complete accrued CPE on or before December 31 of the year ending the CPE reporting period in which the CPE obligation is incurred is cause for discipline up to and including revocation. A change to expired, inactive, or retired status does not eliminate the obligation to complete accrued CPE before applying for reactivation or reinstatement.
5. Falsely attesting or otherwise providing false information to the Board may violate sections 18-8-501(2)(a)(I), and 18-8-503, C.R.S., and is also grounds for discipline by the Board up to and including denial, suspension, or revocation of a certificate.

**B. NOTICES**

1. Certificate Holder Address and Name Changes
  - a. Certificate holders shall inform the Board of any name, assumed or trade name, address, telephone, or email change within thirty days of the change. The Board will not change a certificate holder's information without explicit notification provided in a manner prescribed by the Board. Individuals and firms must provide separate notices under this Rule. Information provided to the Board in a firm renewal or initial application and firm changes reported pursuant to Rule 1.12(C) do not fulfill the individual notice requirements under this Rule 1.6(B).
  - b. The Board requires one of the following forms of documentation to change a certificate holder's name or correct a social security number or individual taxpayer identification number:
    - (1) Marriage license;
    - (2) Divorce decree;
    - (3) Court order;
    - (4) Documentation from the Internal Revenue Service verifying the licensee's valid individual taxpayer identification number; or
    - (5) A driver's license or social security card with a second form of identification may be acceptable at the discretion of the Division of Professions and Occupations.
  - c. Board communications are sent to the last address furnished to the Board. Failure to respond to a Board communication within thirty days, as provided in section 12-100-121, C.R.S., is grounds for discipline up to and including revocation. Failure to notify the Board of a change of address does not relieve a certificate holder of the obligation to respond to a Board communication.
2. Renewal Notices to Certificate Holders.

- a. The Board may send notices for renewal of certificates according to a schedule established and in a manner approved by the Division of Professions and Occupations pursuant to section 12-20-202, C.R.S., to the last address furnished to the Board.
- b. There is a sixty-day grace period from the expiration date of the certificate within which to pay the renewal fee, plus a late fee. A certificate holder will not be disciplined for holding out or practicing public accounting with an expired certificate during the grace period.
- c. Failure to receive a renewal notice does not relieve the certificate holder of the obligation to renew a certificate.

**C. NAMES**

1. A certificate holder engaged in the practice of public accounting must not hold out, perform, or offer to perform professional services using a name that has not been provided to the Board.
2. A certificate holder shall not use an assumed or trade name unless:
  - a. The assumed or trade name is filed with the Colorado Secretary of State pursuant to section 7-71-101, C.R.S.;
  - b. The assumed or trade name has been provided to the Board in a manner prescribed by the Board; and
  - c. The assumed or trade name otherwise complies with these Rules.
3. The name under which a certificate holder holds out or engages in the practice of public accounting must not be misleading.
4. A name is considered misleading if the name:
  - a. Implies the existence of a corporation by the use of words or abbreviations such as "Corporation," "Incorporated," "P.C.," "Corp.," or "Inc.," if the CPA is not incorporated or is not a professional corporation.
  - b. Implies the existence of a partnership by the use of a designation such as "Smith & Jones," "C.P.A.s," "Partnership," "Ltd.," "LP," "LLP," or "LLLLP" if the CPA is not such an entity.
  - c. Implies the existence of a limited liability company by the use of abbreviations such as "Ltd.," "L.L.C.," "LLC," or "LC" if the CPA is not such an entity.
  - d. Implies that the CPA is associated with or employs another person by the use of terms such as "& Company," "& Associates," or "Group" if, in addition to the CPA, there is not at least one other owner or person employed by, professionally associated, or contractually related on a regular and continuous basis with the CPA.
  - e. Implies the existence of more than one CPA by the use of terms such as "CPAs," or "Certified Public Accountants" if no more than one CPA is an Owner or is employed by, or professionally associated, or contractually related on a regular and continuous basis with the CPA.



- f. Includes the name of a person who is neither a CPA in any State nor a CPA or legal equivalent in a foreign country if "CPA" is included in the name.
  - g. Indicates or implies an association with persons who are not associated with the CPA, except that a CPA who is a member of a network may include the brand name or initials of the Network provided that the name does not otherwise violate this Rule 1.6(C).
  - h. Contains any representation that would likely cause a reasonable person to be misled or confused about the CPA's legal entity type, e.g., corporation, partnership, limited liability company, or sole proprietorship, or about ownership.
  - i. Contains any representation that would likely cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities.
  - j. Claims or implies the ability to influence a regulatory body or official.
  - k. Includes the name of any CPA or Firm whose certificate, license, or registration has been revoked or disciplined whereby the CPA or Firm is prohibited from practicing public accounting or prohibited from using the title CPA or holding out if the name includes the designation "CPAs" or any other language or device tending to indicate the disciplined CPA or firm possesses an active certificate, license, or registration.
  - l. Contains other representations or implications that in reasonable probability would cause a reasonable person to misunderstand or be deceived.
5. A name must not be formulated in such a manner that the initials or parts of the name form a term, phrase, or imply an association that is misleading.

**D. OFFERING SERVICES VIA THE INTERNET**

Any certificate holder offering or performing professional services via the Internet must include the following information on the Internet site:

- 1. Name of the certificate holder;
- 2. Mailing and physical address of the principal location where the certificate holder offers and/or provides professional services;
- 3. Business telephone number; and
- 4. Colorado certificate number.

**E. DISCLOSURE - LICENSEES**

- 1. A licensee must notify the Board within forty-five days of any of the following events relating to the licensee:
  - a. Imposition of Discipline by:
    - (1) The SEC, PCAOB, or IRS.
    - (2) Another state board of accountancy for any cause other than failure to pay a professional license fee by the due date.

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- (3) Any other federal or state agency or any professional association or entity regarding the licensee's conduct while rendering professional services.
      - (4) Any federal or state taxing, insurance, or securities regulatory authority.
      - (5) Any non-U.S. authority or credentialing body that regulates the practice of accountancy.
    - b. Notice of disciplinary charges filed by the SEC, PCAOB, IRS, or another state board of accountancy, or a federal or state agency concerning the practice of public accounting or a non-U.S. authority or credentialing body that regulates the practice of public accounting.
    - c. Initiation of a civil proceeding or an alternative dispute resolution proceeding by a governmental entity relating to an audit report for a public or non-public company.
    - d. Judgment, settlement, or resolution of a civil proceeding or an alternative dispute resolution proceeding by a governmental entity relating to an audit report for a public or non-public company.
    - e. Initiation of an administrative proceeding or disciplinary proceeding by any federal, state, or non-U.S. agency, board, or administrative or licensing authority, or any professional association or entity regarding an audit report for a public or non-public company.
    - f. Any decision, judgment, settlement, or resolution of an administrative proceeding or disciplinary proceeding by any federal, state, or non-U.S. agency, board, or administrative or licensing authority, or any professional association or entity regarding an audit report for a public or non-public company.
    - g. Any judgment, award, or settlement of a civil action or arbitration proceeding of \$150,000 or more in which the licensee was a party if the action or proceeding included any allegation of negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of public accounting or during employment.
    - h. A criminal charge against or a conviction of the licensee, deferred prosecution, or a plea of guilty or *nolo contendere* to a crime by the licensee if:
      - (1) The crime is a felony under the laws of any state, or of the United States, or of any territory or insular possession of the United States, or the District of Columbia or any non-U.S. jurisdiction; or
      - (2) An element of the crime is dishonesty or fraud.
    - i. Occurrence of any matter that must be reported by the licensee to the PCAOB pursuant to the Sarbanes-Oxley Act of 2002, 15 U.S.C. sec. 7201 et seq., and PCAOB Rules and forms adopted pursuant thereto.
  2. The notice to the Board shall include the following information regarding the reportable event:
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- a. If the reportable event is a disciplinary proceeding, alternative dispute resolution proceeding, administrative proceeding, or civil action by any entity referenced in Rule 1.6(E)(1)(a), the name of the entity, its jurisdiction, the case name, the docket or proceeding or case number by which it is designated, a description of the matter, or a copy of the document initiating the action or proceeding and, if the matter has been adjudicated or settled, a copy of the consent decree, order, or decision.
  - b. If the reportable event is a criminal conviction or plea, the court, its jurisdiction, the case name, the case number, and a description of the matter or a copy of the indictment or charges, and, if the matter has been adjudicated, a copy of the judgment of conviction.
  - c. If the reportable event concerns a civil action or arbitration proceeding, the court or arbiter, the jurisdiction, the case name, the case number, a description of the matter, or a copy of the complaint, and a copy of the verdict, the court or arbitration decision, or, if settled, the court's order of dismissal.
3. The reporting licensee may submit a written explanatory statement to be included in the Board's records.
  4. Documents provided to the Board shall be closed to public inspection if federal or state statute, rule, or regulation so provides.
  5. This Rule shall apply to any reportable event that occurs on or after the Rule's effective date.

#### **F. APPLICATION FOR BOARD ACTION**

A certificate holder or a person wishing the Board to take any action regarding the status of a certificate shall apply in a manner prescribed by the Board, except as otherwise provided under Rule 1.6(H)(1) (transfer to inactive status).

#### **G. ACTIVE CERTIFICATE**

An active certificate expires and must be renewed according to the schedule established by the Division of Professions and Occupations pursuant to section 12-20-202, C.R.S., in order to maintain the certificate in active status.

1. CPE hours completed prior to certification, but within the CPE reporting period, may be eligible for CPE credit upon Renewal of the initial certificate if the hours were not used to meet the education requirements for initial certification or taken in preparation for the examination.
2. A certificate holder, including the holder of an initial certificate, must complete ten hours of CPE for each full quarter in which the certificate holder is actively licensed during a CPE reporting period.
  - a. No more than twenty percent of CPE can be in Personal Development, as defined by the Fields of Study.
  - b. Four hours of CPE must be in Ethics, of which two hours may be in CR&R.
  - c. As of January 1, 2014, no more than fifty percent of CPE can be in any combination of teaching or publishing an article or book.

3. As a condition of renewal, certificate holders shall attest that they have complied with the requirements of this Rule 1.6(G).
4. The Board cannot renew the certificate of a certificate holder who issues attest or compilation reports unless he attests to having undergone a peer review as provided in Rule 1.8.
5. As a condition of renewal, a certificate holder shall attest that he has complied with the requirements of Rule 1.9(K).

## **H. INACTIVE STATUS CERTIFICATE**

An inactive certificate expires and must be renewed according to the schedule established by the Division of Professions and Occupations pursuant to section 12-20-201, C.R.S., to maintain the certificate in inactive status.

### **1. Transfer of a Certificate to Inactive Status**

To transfer a certificate to inactive status, a certificate holder must submit notice in a manner prescribed by the Board or provide written notice by first class mail to the Board.

### **2. Conditions of an Inactive Certificate**

- a. Inactive certificate holders are not required to comply with CPE requirements for the period during which the certificate is inactive.
  - b. Inactive status must be indicated by the word "Inactive" (e.g., Inactive CPA or Inactive Certified Public Accountant) if the certificate holder uses the CPA designation in any manner.
  - c. A certificate holder with a certificate in inactive status cannot hold out or perform any service for which an active certificate is required under section 12-100-116(1), C.R.S.
3. A certificate holder may transfer a certificate to inactive status whether or not he has complied with his current CPE requirements. However, transferring a certificate to inactive status does not relieve the certificate holder of the obligation to complete any CPE accrued but not completed as of the date he transferred the certificate to inactive status. The certificate holder may be subject to discipline for failure to timely complete such CPE and he must complete that CPE prior to returning the certificate to active status (i.e., to reactivate the certificate) as provided in Rule 1.6(K).
  4. A certificate may be reactivated to active status as provided in Rule 1.6(K).

## **I. RETIRED STATUS CERTIFICATE**

A retired certificate expires and must be renewed according to the schedule established by the Division of Professions and Occupations pursuant to section 12-20-202, C.R.S., to maintain the certificate in retired status.

1. A certificate holder may transfer a certificate from active, inactive, or expired status to retired status. To transfer a certificate to retired status, the certificate holder must:
  - a. Submit an application in a manner prescribed by the Board;

- b. Be at least fifty-five years old; and
  - c. Have held an active certificate in good standing issued by any State for a total of at least fifteen years and must have held an active Colorado certificate for at least two of those years.
2. Conditions of a Retired Certificate
    - a. A retired certificate holder is not required to comply with CPE requirements for the period during which the certificate is in retired status.
    - b. Retired status must be indicated by the word "Retired" (e.g., Retired CPA or Retired Certified Public Accountant) if the certificate holder uses the CPA designation in any manner.
    - c. A retired certificate holder cannot hold out or perform any service for which an active certificate is required under section 12-100-116(1), C.R.S.
  3. A certificate in retired status may be reactivated to active status pursuant to Rule 1.6(K).

**J. EXPIRED STATUS CERTIFICATE**

1. A certificate that is not renewed on or before the expiration date will expire; however, there is a sixty-day "grace period" from the expiration date within which the certificate may be renewed, subject to a late fee. A certificate holder will not be disciplined for holding out or practicing public accounting with an expired certificate during the grace period.
2. Conditions of an Expired Certificate
  - a. After the grace period, a certificate holder whose certificate has expired cannot hold out or perform any service for which an active certificate is required under section 12-100-116(1), C.R.S.
  - b. A certificate holder is not required to comply with CPE requirements for the period in which his certificate is in expired status.
3. An expired certificate may be transferred to Inactive status as provided in Rule 1.6(H)(1).
4. Allowing a certificate to expire does not relieve the certificate holder of the obligation to complete any CPE accrued but not completed as of the date the certificate expired. The certificate holder may be subject to discipline for failure to timely complete such CPE and he must complete that CPE prior to reinstating the certificate to active status as provided in Rule 1.6(K).
5. An expired certificate may be reinstated to active status as provided in Rule 1.6(K).

**K. REACTIVATION OF A RETIRED OR INACTIVE STATUS CERTIFICATE, AND REINSTATEMENT OF AN EXPIRED CERTIFICATE**

1. Conditions of Reactivation/Reinstatement - Less Than 2 Years

When a certificate has been in retired, inactive or expired status for less than two years, it may be reactivated or reinstated, provided the certificate holder has met the following requirements preceding the application receipt date.

- a. Completed the minimum eighty hours of CPE required for the CPE reporting period immediately preceding the CPE reporting period in which the application for reactivation or reinstatement is received; and
  - b. Completed a minimum of ten hours of CPE for each full quarter during the current CPE reporting period in which the certificate was retired, inactive or expired, up to eighty hours.
  - c. No more than twenty percent of the required CPE can be in Personal Development, as defined by the Fields of Study, and no more than fifty percent can be in any combination of teaching or publishing an article or book.
2. Conditions of Reactivation/Reinstatement - 2 Years or More but Less Than 6 Years
- When a certificate has been in retired, inactive or expired status for at least two but less than six years, it may be reactivated or reinstated, provided the certificate holder has met the requirements set forth in section (1) of this Rule 1.6(K) and completes and passes the AICPA Ethics course and examination.
3. Conditions of Reactivation/Reinstatement - 6 Years or More
- When a certificate has been in retired, Inactive or expired status for six years or more, it may be reactivated or reinstated, provided the certificate holder has satisfied the conditions set forth in paragraphs (a), (b), or (c) of this Rule 1.6(K)(3).
- a. The certificate holder must:
    - (1) Meet the requirements of sections B of this Rule 1.6(K); and
    - (2) Obtain:
      - (a) One year of experience as provided in Rule 1.4, except that the experience must be obtained within two years immediately preceding the application receipt date; or
      - (b) A Master's degree or higher with a concentration in accounting deemed obtained from an Accredited Baccalaureate Granting College, as provided in Rule 1.2(B), within two years immediately preceding the application receipt date.
  - b. The certificate holder may reinstate or reactivate a certificate that has been retired, inactive or expired for six years or more by satisfying the same conditions as an applicant for initial certification, including passing the examination, meeting the education and experience requirements as established by statute and these Rules, and completing and passing the AICPA Ethics Course and Examination.
  - c. The certificate holder may reinstate or reactivate a certificate that has been retired, inactive or expired for six years or more if the certificate holder holds a certificate, license or other recognized qualification in full force and effect from a foreign country that has entered into an MRA as provided in Rule 1.5(F), or a certificate or license in active status issued by another state provided the other state meets the substantial equivalency requirements defined in Rule 1.1.

- (1) The certificate holder must submit with the application for reinstatement or reactivation an official verification of licensure from the other state or foreign country; and
  - (2) Attest to having completed eighty hours of CPE as described in this Rule 1.6(K).
4. The certificate holder must meet the requirements for reinstatement or reactivation to active status based on the total combined period during which the certificate was expired, retired, or inactive. For example, if a certificate had been in an inactive status for three years and a retired status for four years, the certificate holder must meet the reactivation requirements pertaining to six years or more per Rule 1.6(K)(3).

**L. CPE REQUIRED AFTER REACTIVATION OR REINSTATEMENT TO ACTIVE STATUS**

1. When a certificate is reactivated or reinstated to active status, the CPE required for the current CPE reporting period is ten hours for each full quarter remaining in the CPE reporting period in which the certificate was reinstated or reactivated. No more than twenty percent of the CPE can be in Personal Development, as defined by the Fields of Study and, no more than fifty percent can be in any combination of teaching or publishing an article or book. Two hours of CPE must be in Ethics, which cannot be in CR&R.
2. CPE used for reactivation or reinstatement to active status cannot be used to satisfy the requirements of this Rule 1.6(L).

**M. EXCEPTIONS**

The Board in its discretion may grant exceptions to the requirements in this Rule 1.6 for reasons of individual hardship or other good cause.

**1.7 CONTINUING PROFESSIONAL EDUCATION (CPE)**

**A. GENERAL INFORMATION**

1. As indicated in Rule 1.6(A)(4), a certificate holder must complete ten hours of CPE for every full quarter during which his certificate is in active status. (See also Rule 1.6(G)(2) for specific CPE requirements including Ethics.) Changing the certificate status to retired, inactive, or expired does not eliminate the obligation to complete CPE that was accrued but not completed as of the date of such change. Failure to complete required CPE is cause for discipline up to and including revocation.
2. Active certificate holders must participate in learning activities that maintain and/or improve their professional competence as a CPA and assure reasonable currency of knowledge. A certificate holder's field of employment does not limit the need for CPE.
3. Certificate holders performing professional services need to have a broad range of knowledge, skills, and abilities. Accordingly, acceptable CPE encompasses programs that contribute to the development and maintenance of both technical and non-technical professional skills.
4. Learning activities that do not maintain and/or improve professional competence as a CPA will not be accepted for credit towards CPE. Learning activities that do not maintain and/or improve professional competence as a CPA include, but are not limited to, activities that teach fundamental accounting skills such as, or comparable to, first and second semester principles of accounting or their equivalent.

5. It is the responsibility of certificate holders to be aware of and comply with all CPE requirements under these Rules.
6. The Board will not grant credit for CPE that does not meet the requirements of this Rule 1.7.

**B. CPE STANDARDS**

1. Certificate holders, program sponsors, and program developers must comply with the joint standards as defined in Rule 1.1 and incorporated herein by reference. If a Rule of the State Board of Accountancy is inconsistent or otherwise differs from the materials incorporated by reference herein, the Rule of the State Board of Accountancy governs. It is ultimately the responsibility of certificate holders to ensure that any CPE completed complies with the joint standards and these Rules.
2. For internet based CPE programs, a minimum of seventy-five percent of the polling questions, if used as a monitoring mechanism, must be answered by the CPA in order to receive credit for the CPE activity.
3. Program sponsors will be deemed in compliance with Joint Standard 14 of the joint standards regarding CPE credit for self-study learning activities if the program developer or vendor pilot tests the representative completion time, or computes the recommended CPE credit using the prescribed word count formula, or attests to the appropriateness of the recommended CPE credit for the self-study learning activity.

**C. SUBJECT MATTER**

1. The following are acceptable subjects for CPE courses as defined in the Fields of Study:
  - a. Accounting
  - b. Accounting (Governmental)
  - c. Auditing
  - d. Auditing (Governmental)
  - e. Behavioral Ethics\*
  - f. Business Law
  - g. Business Management and Organization
  - h. Communications and Marketing
  - i. Computer Software and Applications
  - j. Economics
  - k. Finance
  - l. Information Technology
  - m. Management Services



- n. Personal Development
  - o. Personnel/HR
  - p. Production
  - q. Regulatory Ethics
  - r. Specialized Knowledge
  - s. Statistics
  - t. Taxes
2. CPE in Behavioral Ethics or Regulatory Ethics as listed in this Rule 1.7(C) shall not satisfy any requirements that the licensee or applicant complete and pass the AICPA Ethics Course and Examination. Additionally, for the purpose of CPE, Behavioral Ethics is not considered to be Personal Development.
3. The two hours of CR&R allowed or required as CPE under these Rules count as Regulatory Ethics as listed in this Rule 1.7(C). Satisfactory CR&R course presentations need not be limited to two hours but may comprise and grant credit for as many hours as necessary to satisfy the requirements of Rule 1.7(H). However, CR&R course credit hours granted in excess of two hours will not be considered CR&R or Ethics CPE, but the excess hours will count as Specialized Knowledge as listed in this Rule 1.7(C).

**D. CPE CREDIT AND RECORDS DOCUMENTATION AND RETENTION**

The Board may grant CPE credit to a certificate holder for participation in the activities listed in this Rule 1.7(D). The certificate holder is responsible for accurate reporting and documentation of all CPE hours completed. Certificate holders must retain documentation for a minimum of five years from the end of the year in which the CPE was completed. The documentation must be submitted to the Board upon request.

1. CPE Programs

Documentation for CPE Programs must include a Certificate of Completion, Certificate of Attendance, or Firm Transcript that includes:

- a. Name and contact information of CPE program sponsor;
- b. Participant's name;
- c. Title of program;
- d. Fields of Study, as described in Rule 1.7(C);
- e. Date(s) the program was offered or completed;
- f. Location of program, if applicable;
- g. Type of instruction/delivery method;
- h. Number of CPE credits completed; and

- 
- i. Verification by the CPE program sponsor (verification may be in the form of a signature, seal, or other similar indicia).
2. Teaching Credit for CPE or College or University
    - a. For purposes of this Rule 1.7, “teaching” for CPE credit means providing instruction. To qualify for CPE, the instruction must enhance the teaching certificate holder’s professional competence, as provided in Rule 1.7(A).
    - b. The instruction must be provided either for the first time or be substantially revised from the previous time(s) it was taught by the certificate holder. “Substantially revised” means the majority of the presentation and/or course content has been significantly modified. Such significant modifications may be required due to legislative changes, changes in principle, rules, practices, or standards, for example. Simple updates to a textbook or edition change do not constitute a significant modification.
    - c. Documentation for teaching credit must include:
      - (1) The name and contact information of the CPE program sponsor or college or university;
      - (2) Verification from the CPE program sponsor or college or university of teaching the course or activity, the number of in-classroom hours taught, and the Fields of Study as described in Rule 1.7(C);
      - (3) For teaching CPE, an attestation from a qualified third party, including, but not limited to, any one of the program sponsor, developer, or author, that the course or activity was new or substantially revised, or if the credit is for a college or university course, an attestation from the accounting department chair that the course was new or substantially revised;
      - (4) A statement from the certificate holder describing how the activity maintained and/or improved the certificate holder’s professional competence as a CPA;
      - (5) Activity/course syllabus or outline; and
      - (6) The certificate holder’s qualifications to present the subject matter.
  3. Panel Presentations
    - a. To qualify for CPE, the panel presentation must enhance the presenting certificate holder’s professional competence, as provided in Rule 1.7(A).
    - b. CPE credit will be granted for the total number of hours of attending the panel presentation plus preparation time equal to two times the total length of the panel presentation divided by the number of presenters. Panel presentation hours will be included as teaching hours for purposes of the limit on teaching hours specified in Rule 1.6.

- c. The panel presentation must be provided either for the first time or be substantially revised from the previous time(s) it was presented by the certificate holder. "Substantially revised" means the majority of the subject matter content has been significantly modified. Such significant modifications may be required due to legislative changes, changes in principles, rules, practices, or standards, for example.
- d. Documentation for panel presentation credit must include:
  - (1) The name and contact information of the program provider/sponsor;
  - (2) Verification of the number of panel hours;
  - (3) The Fields of Study as described in Rule 1.7(C) or a description of the subject material addressed by the panel;
  - (4) If the subject matter has been previously presented by the certificate holder, the certificate holder must provide a statement demonstrating that the subject matter presented was substantially revised;
  - (5) A statement from the certificate holder describing how the activity maintained and/or improved the certificate holder's professional competence as a CPA;
  - (6) A presentation syllabus, outline, or agenda; and
  - (7) The certificate holder's qualifications to present the subject matter.

2. Published Article or Book

Documentation for published article or book credit must include:

- a. Proof of publication and independent review of the article or book;
- b. The name and contact information of the independent reviewer and publisher. "Independent reviewer" means an individual who demonstrates expertise regarding the same or closely-related subject matter and who is not affiliated with the certificate holder personally;
- c. A summary of hours and identify the CPE Field of Study claimed, as described in Rule 1.7(C), with detail of time spent, with dates, and research performed; and
- d. A statement from the certificate holder describing how the activity maintained and/or improved the certificate holder's professional competence as a CPA.

5. College or University Coursework

Documentation for college or university coursework must include:

- a. For a credit course, an original official transcript or grade card from a college or university; and
- b. For a non-credit course, a certificate of attendance issued by the college or university.

6. Specialized Industry Programs

Documentation for specialized industry programs that do not comply with all applicable CPE requirements must include:

- a. Provider-generated documentation indicating completion or attendance;
- b. A statement from the certificate holder that demonstrates that the learning activity satisfies, or is equivalent to an activity that satisfies, the joint standards;
- c. Documentation that includes the elements outlined in Rule 1.7(D)(1)(a) through 1.7(D)(1)(i); and
- d. The number of CPE hours claimed and how those hours were computed.

**E. HARDSHIP EXCEPTIONS**

A certificate holder may seek an exception to the CPE requirements by submitting a written request justifying the exception to the Board. The Board will decide on a case-by-case basis whether good cause has been demonstrated to waive the CPE.

**F. CPE COMPLIANCE**

1. CPE records of certificate holders may be audited after renewal periods to verify compliance with the requirements described in Rules 1.6 and 1.7. The CPE reporting period is a two-year period from January 1 of an even-numbered year through December 31 of an odd-numbered year during which the certificate holder must complete CPE.
2. A certificate holder must provide all documentation and information requested regarding CPE compliance in a manner prescribed by the Board within thirty days of a Board request unless otherwise provided by these Rules.

**G. FAILURE TO COMPLY WITH CPE REQUIREMENTS**

1. If upon review, the Board or its designee finds that a certificate holder has failed to comply with the CPE requirements, the certificate holder has thirty days from the date of the notice of such finding to:
  - a. Provide further evidence that the hours submitted meet the CPE requirements established by these Rules; or
  - b. Provide documentation described in Rule 1.7(D) demonstrating completion of additional CPE hours during the CPE reporting period that meet the requirements established by these Rules.
2. If the Board finds that a certificate holder failed to comply with the CPE requirements, the Board may impose discipline and/or include the certificate holder in the CPE audit of subsequent CPE reporting periods.

**H. BOARD ACCEPTANCE OF COLORADO RULES AND REGULATIONS (CR&R) COURSES**

1. The Board will not accept or consider courses in CR&R that do not cover current Colorado Revised Statutes and Board Rules and comply with the content outline set forth in this Rule 1.7(H).

2. The CR&R Content Outline represents only a general description of the materials that must be addressed in the CR&R course. A CR&R course must address all provisions of the applicable Colorado Revised Statutes, Board Rules, and Board Policies.
3. The failure of a CR&R course to cover all Colorado Revised Statutes and Board Rules and Policies is not a defense to a violation of the Act or these Rules.
4. For the purposes of CR&R, Colorado Revised Statutes, Board Rules, and legislative documents may be considered by program sponsors as instructional materials and not as reference or supplements to the instructional materials. The use of these documents by program sponsors when providing CR&R courses will be considered compliant with the Joint Standards.

5. CR&R Content Outline:

This course discusses the Colorado Statutes and Rules that pertain to CPAs licensed to practice in the State of Colorado. Students will become familiar with the Colorado Revised Statutes, the Rules of the State Board of Accountancy, and the Policies adopted by the Board currently in effect and how the statutes, rules, and policies pertain to them.

a. Overview of Regulatory Requirements

- (1) Review of Colorado Revised Statutes (as they pertain to accountancy), Board of Accountancy Rules, and Policies.
- (2) Legislative changes affecting the accounting profession, as applicable.

b. State Board of Accountancy

- (1) Organization and duties of the Board
- (2) State Board of Accountancy Website (overview)

c. Certified Public Accountant Designation

- (1) Proper use - Holding Out
- (2) Types of Certificates
- (3) Status and maintenance of Certificates
- (4) Licensure – Examination and certification
- (5) Continuing professional education
- (6) Disclosures
- (7) Names
- (8) Mobility/Practice Privilege and reciprocity
- (9) Peer Review

- d. Professional Conduct
  - (1) Unlawful Acts
  - (2) Accountant/Client Privilege
  - (3) Grounds for disciplinary Action
  - (4) Client Records
- e. Firms
  - (1) Firm Registration
  - (2) Firm Names
  - (3) Peer Review
  - (4) Disclosures

CR&R course materials and/or certificates of completion must include the date on which the current version offered/taught was last updated.

## **1.8 PEER REVIEW REQUIREMENT**

### **A. INTRODUCTION**

In the interest of public protection, the Board requires all certificate holders and registrants issuing attest and/or compilation reports to be enrolled in and undergo peer review at least once every three years.

Upon renewal of an active certificate or registration, all certificate holders and registrants, except those exempt from peer review as described in Rule 1.8(B), must attest to having undergone a peer review as provided in Rule 1.8(M) within the previous three years.

### **B. EXEMPTION FROM PEER REVIEW**

1. A registrant that does not issue attest or compilation reports is exempt from the peer review requirements of this Rule 1.8.
2. A certificate holder who does not issue attest or compilation reports is exempt from the peer review requirements of this Rule 1.8.
3. A certificate holder who performs public accounting within a partnership, professional corporation, or limited liability company is exempt from the peer review requirements of this Rule 1.8 because the partnership, professional corporation, or limited liability company within which he performs public accounting is subject to the peer review requirements of this Rule 1.8 if it issues attest or compilation reports.

**C. APPROVED PEER REVIEW SPONSORING ORGANIZATIONS, PROGRAMS, AND PEER REVIEW STANDARDS**

1. The Board shall approve peer review Sponsoring Organizations, programs, and standards and may establish a Peer Review Oversight Committee (PROC) to make recommendations to the Board for its approval of such organizations, programs, and peer review standards. The Board adopts the AICPA as an approved Sponsoring Organization and its peer review program and other peer review programs administered by entities fully involved in the administration of the AICPA Peer Review Program. The Board may approve other Peer Review Sponsoring Organizations and programs.
2. Any Board approved peer review program and any peer reviewer performing a peer review under this Rule 1.8 must utilize the standards for performing and reporting on peer reviews of the American Institute of Certified Public Accountants as provided in sections 12-100-107(4) and 12-100-114(7), C.R.S., or equivalent standards promulgated by a recognized national accountancy organization whose standards are generally accepted by other regulatory authorities in the United States and are acceptable to the Board.
3. The Board may terminate its approval of a sponsoring organization for cause following notice and opportunity for hearing. For purposes of this paragraph, "cause" includes, but is not limited to, failure to comply with the requirements of this Rule 1.8. The Board may approve the peer review program and standards of a peer review program organization not specifically identified in these regulations as Board-approved if the organization submits evidence satisfactory to the Board that the overall program and standards are at least equivalent to those of the AICPA Peer Review Program. At a minimum, the evidence must include the standards, procedures, guidelines, oversight process, training materials, and related documents used by those administering reviews, performing reviews, having reviews, and those considering reviews for acceptance. The Board may request any other documents/information from a peer review program organization that it determines appropriate in deciding whether to grant approval.
4. No certificate holder or registrant is required to become a member of any peer review sponsoring organization.

**D. PEER REVIEWER QUALIFICATIONS AND DUTIES**

1. A peer reviewer must hold an active certificate, license, or active/valid registration to practice public accounting, in good standing, issued by any state.
2. A peer reviewer must meet the peer reviewer requirements established in the Board-approved peer review standards.
3. A peer reviewer is subject to all provisions of the Act and the Rules when providing peer review services.
4. A peer reviewer must comply with all applicable provisions of the peer review standards when performing a peer review.

**E. RETENTION OF DOCUMENTS RELATING TO PEER REVIEWS**

1. Certificate holders and registrants subject to peer review must maintain all documentation necessary to establish that all peer reviews conformed to peer review standards. The documentation maintained by the certificate holder or registrant must include the following:

- a. Documentation of the peer reviewer/reviewing firm qualifications;
  - b. Copies of all the peer review documents described in Rule 1.8(F);
  - c. All correspondence that indicates the certificate holder's or registrant's concurrence or non-concurrence with the results of the peer review; and
  - d. All proposed remedial actions and all information relevant to those remedial actions, including the implementation of the remedial actions.
2. The documents described in Rule 1.8(E)(1) must be retained by the certificate holder or registrant until the completion of the two most recent subsequent peer reviews or for a period of five years from the date the peer review is accepted by the sponsoring organization, whichever is longer. If the certificate holder or registrant ceases to practice or merges with another certificate holder or registrant, the original certificate holder or responsible party for the original registrant must retain all peer review documents described in Rule 1.8(E)(1) for a period of five years from the date the peer review is accepted by the sponsoring organization.

**F. SUBMISSION OF PEER REVIEW DOCUMENTS**

1. Submission of peer review Documents by certificate holders and registrants.

Certificate holders and registrants that have participated in a peer review must submit upon request within thirty days all documents listed in Rule 1.8(E) and the following documents to the Board:

- a. Peer Review Report (accepted by the Sponsoring Organization);
  - b. The certificate holder's or registrant's letter of response (accepted by the sponsoring organization);
  - c. The acceptance letter from the sponsoring organization;
  - d. Letter(s) signed by the certificate holder or registrant accepting the documents with the understanding that the certificate holder or registrant agrees to take any actions required by the sponsoring organization; and
  - e. Letter signed by the sponsoring organization notifying the certificate holder or registrant that all required actions have been appropriately completed.
2. Submission of Peer Review Documents by Sponsoring Organizations.
- a. The peer review documents required in Rules 1.8(F)(1)(a) through 1.8(F)(1)(c) shall be made available by the sponsoring organization to the Board via a secure website within thirty days of the date of the sponsoring organization's acceptance.
  - b. The peer review letter required in Rule 1.8(F)(1)(d) shall be made available by the sponsoring organization to the Board via a secure website within thirty days of the date that the certificate holder or registrant signs such letter.



- c. The peer review letter required in Rule 1.8(F)(1)(e) shall be made available by the sponsoring organization to the Board via a secure website within thirty days of the date of the letter from the sponsoring organization notifying the certificate holder or registrant that the required actions have been appropriately completed.

**G. EXTENSIONS FOR COMPLETING PEER REVIEWS**

The Board will accept an extension for completing peer reviews granted by a sponsoring organization that does not affect a renewal period if the Board is notified by the certificate holder or registrant within fourteen days following the date of the letter from the sponsoring organization granting the extension. Extensions may be granted for the following reasons:

1. Health;
2. Military service; or
3. Other good cause clearly outside the control of the reviewed certificate holder or registrant.

**H. BOARD ACTIONS**

1. The Board may require sponsoring organizations to provide a list of certificate holders or registrants that are enrolled with the sponsoring organization and a list of those whose enrollment in the peer review program has been dropped or terminated.
2. Based upon the peer review outcome, the Board may require remedial actions, including specified CPE courses that the certificate holder or Board-designated members, partners, shareholders, or other CPAs within the registered firm must complete as a condition of renewal.
3. Information in peer review reports and other documents listed in Rules 1.8(E) and 1.8(F) are deemed reasonable grounds to initiate a complaint and/or investigation under section 12-100-124, C.R.S.

**I. CHANGE OF REGISTRATION STATUS – PEER REVIEW STATUS**

In the event a certificate holder's or registrant's practice is sold, dissolved, or merged with the practice of another certificate holder or firm, determination of the successor or predecessor's peer review year-end(s) and other peer review due date(s), if any, will be made in accordance with the sponsoring organization's guidance.

**J. CONFIDENTIALITY OF PEER REVIEW INFORMATION**

Peer reviewers shall not disclose or use for their own benefit any confidential information that comes to their attention from certificate holders or firms in carrying out their responsibilities, except that they may furnish such information in response to a legally enforceable subpoena.

**K. PEER REVIEW PROGRAM OVERSIGHT COMMITTEE (PROC)**

1. The Board may establish a committee to oversee sponsoring organizations' administration of their peer review programs. The committee may consist of not more than five members appointed by the Board.

2. Members are appointed for terms of three years, except that the terms of those first appointed shall be arranged so that, to the extent possible, an equal number of members will rotate off annually. There is no limit to the number of consecutive terms a member may serve.
3. The committee may fill vacancies occurring during a term for the unexpired term with members approved by the Board.
4. Each member must hold an active Colorado CPA certificate or an Active CPA certificate from a substantially equivalent jurisdiction.
5. Each member must have undergone and received a peer review report with a rating of pass on the most recent peer review for himself or his Firm.
6. No committee member may be a member of any state board of accountancy or one of its committees or perform any enforcement-related work for a state board.
7. Committee responsibilities may include but are not limited to:
  - a. Recommending to the Board the approval of sponsoring organizations, peer review programs, and peer review standards;
  - b. Monitoring and assessing the effectiveness of the sponsoring organizations, peer review programs, and peer review standards; and
  - c. Reporting to the Board whether sponsoring organizations are administering and facilitating peer review programs in conformity with Board-approved peer review standards.
8. No member of the committee may disclose information to the Board that would identify any specific certificate holder, registrant, or peer reviewer/reviewing firm except as required in this Rule 1.8.
9. Committee members shall not disclose or use for their own benefit any confidential information that comes to their attention in the course of performing their duties as members of the committee except as required under the Act, these Rules, or in response to a legally enforceable subpoena.

**L. PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)**

For certificate holders or registrants registered with and inspected by the PCAOB, the Board approves the PCAOB's inspection process for reviewing practices subject to its authority to the extent that such practices are not included in the scope of peer review programs. Certificate holders or registrants receiving inspections under the PCAOB must also undergo a peer review under a Board-approved peer review program that covers the portion of the certificate holder's or registrant's practice not subject to the PCAOB inspection process, should it have such a practice.

**M. PEER REVIEW REQUIREMENT**

1. Pursuant to sections 12-100-107(4) and 12-100-114(7), C.R.S., any certificate holder or registrant subject to peer review that is licensed, registered, or issues attest or compilation reports:

- a. Must enroll in an approved peer review program the earlier of within thirty days of licensure, registration, or immediately upon issuing the first attest or compilation report;
  - b. If the date of licensure, registration, or issuing the first attest or compilation report is less than eighteen months prior to the renewal of the certificate holder or registrant, the certificate holder or registrant must submit evidence of enrollment in an approved peer review program with the renewal application;
  - c. Must complete the peer review. "Complete" the peer review means the peer review documents have been submitted to the sponsoring organization's report acceptance body as defined in the Board-approved peer review standards within eighteen months following the report date of the initial engagement performed. Failure to timely complete a peer review as required in this paragraph is grounds for discipline including revocation; and,
  - d. Must undergo subsequent peer reviews in accordance with Board-approved peer review standards.
2. A certificate holder or registrant that satisfies the requirements of Rule 1.8(M)(1) is deemed to have undergone a peer review for the purposes of renewal.

#### **N. RENEWAL ATTESTATION**

As a condition of renewal, certificate holders and registrants must attest that they either: (1) have undergone a peer review as defined in Rule 1.8(M); or (2) that they are exempt from the peer review requirement pursuant to Rule 1.8(B).

#### **1.9 RULES OF PROFESSIONAL CONDUCT**

##### **Authority**

The Rules of Professional Conduct are promulgated under the authority granted under section 12-100-105(1)(c), C.R.S., to establish and maintain high standards of competence and integrity in the public accounting profession. The Rules of Professional Conduct apply with equal force to all licensees, except where the wording of a specific rule indicates otherwise. As specifically provided in Rules 1.9(M) and 1.9(N), these Rules incorporate by reference additional standards and rules from other entities. All licensees must comply with the Board's Rules of Professional Conduct in addition to all standards and rules incorporated by reference. If a Rule of the State Board of Accountancy is inconsistent or otherwise differs from the materials incorporated by reference herein, the Rule of the State Board of Accountancy governs.

##### **Applicability**

Title 12, Article 100 of the C.R.S., requires that all licensees adhere to the Rules of Professional Conduct.

The Rules of Professional Conduct that follow apply to all services performed except (a) where the wording of the rule indicates otherwise and (b) that a licensee who is practicing outside the United States will not be subject to discipline for departing from any of the rules stated herein as long as the licensee's conduct is in accord with the rules of the organized accounting profession in the country in which the licensee is practicing. However, where a licensee's name is associated with financial statements under circumstances that would entitle the reader to assume that United States practices were followed, the licensee must comply with the requirements of Rules 1.9(B), 1.9(E), and 1.9(F).

**A. DEFINITIONS**

1. Integrity

An element of character fundamental to professional recognition which requires a licensee to: (1) be honest and candid within the constraints of client confidentiality; (2) observe both the form and the spirit of technical and ethical standards; and (3) keep service and the public trust above personal gain and advantage. It is the quality from which the public trust derives and the benchmark against which a licensee must ultimately test all decisions. It can accommodate the inadvertent error and the honest difference of opinion. It cannot accommodate dishonesty, deceit, or subordination of principle.

2. Objectivity

Requires a licensee to: (1) be impartial, intellectually honest, and free of conflicts of interest, except as otherwise provided under Rule 1.9(C)(5); (2) protect the integrity of their work regardless of service or capacity; and (3) avoid any subordination of their judgment.

3. Independence

The absence of relationships that impair or appear to impair a licensee's objectivity in performing an engagement in which the licensee will issue an attestation report or opinion, unless the lack of independence is disclosed in the report or opinion.

4. Due Care

The discharge of responsibilities to clients, employers, and the public with diligence and competence which requires a licensee to: (1) render services carefully and in a timely manner; (2) be thorough; (3) observe applicable technical and ethical standards; and (4) plan and supervise adequately any professional activity for which the licensee is responsible.

5. Competence

The knowledge and ability to assure that the quality of the services rendered meets professional standards. It requires a licensee to: (1) be responsible for assessing and evaluating whether the education, experience, and judgment of the licensee and/or the personnel providing the services is adequate for the responsibility assumed; and (2) maintain a commitment to learning and professional improvement that continues throughout a licensee's professional life.

6. Contingent Fee

A fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specific finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. Solely for purposes of these Rules, fees are not regarded as being contingent if fixed by courts or governmental entities acting in a judicial or regulatory capacity, or in tax matters if determined based upon the results of judicial proceedings or the findings of governmental agencies acting in a judicial or regulatory capacity, or there is a reasonable expectation of substantive review by a taxing authority.

## B. INDEPENDENCE

When a licensee provides auditing or other attestation services, they shall be independent in fact and appearance and shall conform to the independence standards provided in the *AICPA Professional Standards*, whether or not the individual CPA or Firm are members of the AICPA. When the licensee performs services regulated by the SEC, PCAOB, or the U.S. General Accounting Office (GAO), they also shall conform to the independence standards established by those bodies for those services in effect and incorporated by reference in Rule 1.1(C).

## C. INTEGRITY AND OBJECTIVITY

In the performance of any professional service, licensees shall maintain objectivity and integrity, shall be free of conflicts of interest except as otherwise provided in paragraph (5) of this Rule 1.9(C), and shall not knowingly misrepresent facts or subordinate their judgment to others.

1. A licensee shall not engage in fraud, deceit, or any form of dishonesty in connection with or relating to offering or providing a professional service, including, but not limited to, knowingly obtaining or exercising control over anything of value without authorization, as a result of, in connection with, or otherwise relating to offering or providing a professional service.
2. A licensee shall not engage in fraud, deceit, or any form of dishonesty in relation to the Board, including, but not limited to, any act or omission, any response, representation, application, form, or communication with or to the Board whether oral or written.
3. A licensee shall not knowingly misrepresent facts or subordinate his judgment to others.
  - a. Misrepresentations of fact or subordination of judgment include, but are not limited to:
    - (1) Knowingly making, or permitting or directing another to make, false or misleading entries in an entity's financial statements or records;
    - (2) Misrepresenting or failing to disclose material facts to an external or internal auditor, or accountant; and

Taking a position in a tax return or advising a tax client to take a position that does not have a realistic possibility of being sustained on its merits in an administrative or judicial review unless the position is not frivolous and is adequately disclosed as provided in the *AICPA Professional Standards*, Statements on Standards for Tax Services.

4. Subordination of judgment or principle. When disagreements and disputes arise in the course of providing professional services by a licensee related to the recording of transactions or preparing financial statements, a licensee shall determine whether (a) the entry or the failure to record a transaction in the records, or (b) the financial statement presentation or the nature or omission of disclosure in the financial statements, as proposed, represents the use of an acceptable alternative and does not materially misrepresent the facts.
  - a. If, after appropriate research or consultation, the licensee concludes that the matter has authoritative support or does not result in a material misrepresentation, the licensee need do nothing further.

- b. If the licensee concludes that the matter results in a material misrepresentation or misstatement, the licensee shall make any concerns known to the appropriate higher level(s) of management within the organization (for example, the supervisor's immediate superior, senior management, the audit committee or equivalent, the board of directors, or the company's owners). Licensees shall document their understanding of the facts, the accounting principles involved, the application of those principles to the facts, and the parties with whom these matters were discussed.
  - c. If, after discussing their concerns with the appropriate person(s) in the organization, the licensee concludes that appropriate action was not taken, he must assess his continuing relationship with the client or employer.
  - d. The licensee also must assess any responsibility that may exist to communicate to third parties, such as regulatory authorities or the client or employer's (former employer's) external accountant.
5. Conflict of Interest. A conflict of interest may occur if a licensee performs a professional service for a client or employer and the licensee has a relationship with another person, product, or service that could, in the licensee's professional judgment, be viewed by the client, employer, or other appropriate party as impairing the licensee's objectivity.
- a. The licensee may perform the professional service if:
    - (1) The licensee reasonably believes that the professional service can be performed with objectivity;
    - (2) The relationship is comprehensively disclosed to the client, employer, or other appropriate party; and
    - (3) The licensee obtains the informed written consent of the client, employer, or other appropriate party.
  - b. Certain professional engagements, including audits, reviews, and other attest services require Independence. Independence impairments cannot be eliminated by disclosure and consent.

**D. COMMISSIONS, REFERRAL FEES, AND CONTINGENT FEES**

- 1. Permitted Commissions and Contingent Fees. A licensee who holds out and who is not otherwise prohibited by this Rule from receiving a commission or contingent fee shall disclose to the recipient of professional services or the buyer of a product, in writing, the nature, amount, and source of any contingent fee or commission prior to performing the professional services or making the sale that generates the commission or contingent fee.
- 2. Referral Fees. A licensee who holds out and who accepts a referral fee for recommending or referring a service or product, or who pays a referral fee to obtain a client, shall disclose to that client, or the client or other person receiving the service or product, in writing, the nature, amount, and source of the referral fee. The written notification shall be provided to the client or other person prior to the time the client or other person engages the licensee or other service provider or makes the purchase that generates the referral fee.

3. Contingent Fees in Tax Matters. A licensee shall not prepare an original or amended tax return or claim for refund for a contingent fee. For purposes of this Rule, fees are not regarded as contingent if fixed by courts or other public authorities, or if based on the results of judicial proceedings or the findings of governmental agencies. A fee is considered to be based on the findings of a governmental agency if, at the time of a fee arrangement, a licensee can demonstrate a reasonable expectation of substantive consideration by an agency with respect to the licensee's client. In the case of the preparation of an original tax return, such expectation is not deemed reasonable.
4. Prohibited Commissions and Contingent Fees. A licensee that performs: (1) an audit or review of a financial statement; (2) a compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement when the licensee's compilation report does not disclose a lack of independence; or (3) an examination of prospective financial information, shall not:
  - a. Receive a commission or, for a commission, recommend or refer to that client any product or service, or, for a commission, recommend or refer to any person any product or service to be supplied by that client; or
  - b. Receive a contingent fee for performing the services listed in paragraph (4) of this Rule 1.9(D), nor shall the licensee perform for that client any other professional service for a contingent fee.

This prohibition on commissions and contingent fees shall apply during the fee period in which the licensee is or was engaged to perform any of the services listed in paragraph (4) of this Rule 1.9(D) and the period covered by any historical financial statements involved in such services.

**E. PROFESSIONAL COMPETENCE AND COMPLIANCE WITH APPLICABLE TECHNICAL STANDARDS**

A licensee shall comply with the following:

1. General Standards.
  - a. Professional Competence - A licensee shall undertake only those professional services that the licensee can reasonably expect to complete with professional competence.
  - b. Due Care - A licensee shall exercise due care in the performance of professional services.
  - c. Planning and Supervision - A licensee shall adequately plan and supervise the performance of services.
  - d. Sufficient Relevant Data - A licensee shall obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional service performed.

2. Auditing Standards.

A licensee shall not permit the licensee's name to be associated with financial statements in such a manner as to imply that the licensee is acting as an independent certified public accountant, unless the licensee has complied with all applicable auditing standards. Applicable auditing standards shall include those defined as generally accepted auditing standards by the AICPA, such as Statements on Auditing Standards and Government Auditing Standards as promulgated by the GAO or standards of any successor organizations, including interpretations.

3. Accounting Principles.

If financial statements or other financial data contain any material departure from an accounting principle(s) promulgated by the Financial Accounting Standards Board (FASB), the Government Accounting Standards Board (GASB), their predecessor entities and other entities having similar generally recognized authority or jurisdiction to establish such principle(s), a licensee shall not:

- a. 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
- b. State that the licensee is not aware of any material modifications that should be made to such statements or data for them to be in conformity with generally accepted accounting principles.

If, however, the statements or data contain such a departure and the licensee can demonstrate that unusual circumstances would have caused the financial statements to be otherwise misleading, the licensee can comply with this Rule by conspicuously disclosing and describing in the workpapers the departure, its approximate effects if practicable, and the reasons why compliance with the principle would result in a misleading statement.

4. Prospective Financial Information.

Licensees shall not permit their name to be used in conjunction with any prospective financial information in a manner that may lead to the belief that the licensees vouch for the achievability of the prospective financial information. Licensees must comply with standards in this area promulgated by the AICPA or by other entities having similar generally recognized authority or jurisdiction over the service provided.

5. Other Attestation Standards.

Licensees shall not permit their name to be associated with assertions or conclusions about the reliability of a written representation of another party unless they have complied with the Statements on Standards for Attestation Engagements (SSAE) promulgated by the AICPA or by other entities having similar generally recognized authority or jurisdiction over the service provided.



## F. OTHER PROFESSIONAL STANDARDS

In performing tax services, accounting, review and compilation services, attestation engagements, personal financial planning, business valuation, litigation support and expert witness services, and consulting services, a licensee shall conform with Rule 1.9(E), any other professional standards applicable to such services as contained in the AICPA *Professional Standards*, and any other rules established or incorporated by reference herein.

## G. ACTING THROUGH OTHERS

Licensees shall not knowingly permit others to carry out on their behalf, either with or without compensation, acts or omissions that, if carried out by the licensees, would place them in violation of these Rules or the Act. Similarly, in supervising subordinates, licensees shall not accept or condone conduct in violation of these Rules or the Act.

## H. CONFIDENTIAL CLIENT AND EMPLOYER INFORMATION

### 1. General Rule.

A licensee shall not without the specific consent of their client or employer disclose or use for his own benefit any personal or business related information pertaining to a client or the employer of the licensee, which information is obtained from any source or developed by the licensee in the course of employment or performing professional services. Such information is deemed confidential. Information obtained as part of a proposed acquisition or in evaluating the acquisition or merger of an accounting practice shall not be disclosed or used to the licensee's benefit.

### 2. Acceptable Disclosures. Rule 1.9(H)(1) shall not apply:

- a. If information is disclosed with the specific consent of the client or the employer of the licensee.
- b. If information is disclosed pursuant to a subpoena or summons issued with respect to the licensee or an entity with which the licensee is associated, where the subpoena or summons has been determined to be legally enforceable; or if information is disclosed to permit a licensee's compliance with applicable laws and government rules and regulations.
- c. If information is disclosed as part of the public record in a civil lawsuit (legal action) between the licensee and the client or employer.
- d. If information is disclosed in the course of a peer review of a licensee's professional services. Professional practice reviewers shall not disclose any confidential client information which comes to their attention from licensees in carrying out their responsibilities, except that they may furnish such information in response to a formal request from an investigative or disciplinary body of the kind referred to in paragraph (e) of this Rule 1.9(H)(2).

- e. If information is disclosed as part of the process of initiating a complaint with, or responding to an inquiry made by, the Board and the disclosure to the Board is in accordance with statutes regarding accountant-client privilege or the client waives the privilege; or if information is disclosed as part of the process of initiating a complaint with or responding to an investigative or disciplinary body established by law or formally recognized by the Board. Members of the Board shall not disclose or use for their own benefit any confidential client information that comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their responsibilities.
- f. If information is disclosed pursuant to a signed nondisclosure agreement as part of an acquisition or merger or proposed acquisition or merger of an accounting practice.

**I. ISSUING COPIES OF REPORTS, TAX RETURNS, OR OTHER DOCUMENTS**

- 1. Unless otherwise prohibited by law, upon request and reasonable notice, a licensee must furnish to a client or former client a copy of any report, tax return, or other document issued by the licensee to or for such client during the preceding five years. The licensee must furnish these copies in a timely manner. Unpaid fees for professional services do not constitute justification for withholding copies of these items.
- 2. The licensee may charge for the reasonable cost of providing the copies and may withhold such copies until that cost is paid.
- 3. Client for the purposes of this Rule 1.9(I) includes persons who are current owners or who were owners during the time period addressed by the report, tax return, or other document issued, unless otherwise restricted by contract or law.

**J. CLIENT RECORDS**

- 1. Client records are:
  - a. Accounting or other records belonging to the client that are obtained from or on behalf of the client, or that are otherwise within a licensee's possession or control.
  - b. Licensee's workpapers or records that contain data that should properly be reflected in the client's books and records, including, but not limited to:
    - (1) Adjusting, closing, combining, or consolidating journal entries; and
    - (2) Information normally contained in the books of original entry and general ledgers or subsidiary ledgers, such as accounts receivable, job cost, and equipment ledgers, or similar types of depreciation records.
  - c. Computer files that include client information normally contained in the books of original entry and general ledgers or subsidiary ledgers.
- 2. Obligation to retain, return, and provide Client records
  - a. A licensee must retain copies of documentation of work performed, including any report, tax return, or other document issued by the licensee, for a period of five years. If original client records or copies of client records are retained by the licensee, they must also be retained for a period of five years.

- b. A licensee must return or make available client records upon request and reasonable notice from a client or former client. If the records cannot be returned or made available to the client, former client, or his designee promptly, the licensee must immediately notify the client, former client, or designee of the date the records will be returned or made available. The licensee must return or make these records available in a timely manner.
  - c. A licensee must not retain client records in an attempt to force payment of any kind.
  - d. Upon completion of an engagement wherein the client's records have been returned to the client, any duplicate records requested by the client or former client must be furnished to the client upon reasonable notice for a reasonable charge. Such charge must be set to reflect the reasonable cost of providing the copies. A licensee may require that such charge be paid prior to the time duplicate records are provided to the client.
  - e. Upon request, a licensee must provide to the client or former client a copy of any computer files that constitute client records, without password protection and with the name of the software used to manage the accounting information. The licensee is under no obligation to provide the client or former client with a copy of any computer code, application program, or instructions for the software used to assemble the data.
3. Workpapers belonging to the Licensee
- a. A licensee is not required to furnish to the client any workpapers developed by the licensee that do not result in changes to the client's records or are not in themselves part of the records ordinarily maintained by a client.
  - b. Licensee's workpapers are solely the property of the licensee and are not the property of the client even if developed with the assistance of the client. For example, the licensee may make extensive analyses of inventory or other accounts as part of the selective audit procedures. These analyses are a part of the licensee's workpapers, even if client personnel has prepared the analyses at the request of the licensee. Only to the extent these analyses result in changes to the client's records would the licensee be required to furnish the details from the workpapers in support of the journal entries recording the changes. The licensee is not required to furnish such details if the journal entries themselves contain all necessary details.
4. Termination of Engagement. If an engagement is terminated prior to the completion of work, and the licensee's work product has neither been issued nor paid for by the client, the work product is solely and exclusively the property of the licensee.
5. Timely Manner. Unless otherwise provided, "timely manner" shall be within forty-five business days.

**K. SAFEGUARDING CLIENT RECORDS AND PROPERTY**

1. Every certificate holder has a duty to safeguard client records, funds, and property in his possession or under his control in the event that he is incapacitated, disappears, or dies.
2. The certificate holder shall provide for continuing services to a client or ensure that, in the event that he is incapacitated, disappears, or dies:

- a. Clients are promptly notified;
- b. Client records, property, and funds belonging to a client are securely maintained;  
and
- c. Those client records, property, and funds are promptly made available or  
returned to the respective clients.

**L. SOLICITATION**

A licensee shall not solicit an engagement to perform professional services by any communication or other means that:

1. Is false, misleading, or deceptive;
2. Would: (1) create false or unjustified expectations; (2) imply an ability to influence any court, tribunal, regulatory agency, or similar body or official; (3) contain a representation of unrealistic future fees; or (4) contain a representation likely to be misunderstood by a reasonable person;
3. Creates or uses coercion, duress, compulsion, intimidation, threats, overreaching, vexatious, or harassing conduct; or
4. Contains untruthful statements about the professional work product or competence of another licensee.

**M. INCORPORATION OF AICPA CODE OF PROFESSIONAL CONDUCT**

1. In addition to these Rules of Professional Conduct, the Board adopts and incorporates by reference the AICPA Code of Professional Conduct included in the AICPA *Professional Standards*, as provided in Rule 1.1. All licensees must comply with the Board's Rules of Professional Conduct and the AICPA Code of Professional Conduct in the performance of professional services.
2. When the AICPA Code of Professional Conduct refers to "Member" it is understood that the references apply to all licensees, regardless of whether the licensee is a member of the AICPA. When the AICPA Code of Professional Conduct uses the terms "should," "obligated," or "required", those terms are deemed mandatory and mean "must" for the purposes of these Rules.
3. If a Rule of the State Board of Accountancy is inconsistent or otherwise differs from the materials incorporated by reference herein, the Rule of the State Board of Accountancy governs.
4. In applying these Rules to deliberations in disciplinary or other proceedings, the Board may disregard or may consider as persuasive, but not necessarily conclusive, applicable interpretations and rulings in the AICPA Code of Professional Conduct.

**N. INCORPORATION OF STANDARDS**

1. Licensees must also comply with the requirements of the U.S. GAAS, U.S. GAAP, SEC, PCAOB, IRS, U.S. Government Accountability Office (GAO), Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), the Cost Accounting Standards Board (CASB), the Federal Accounting Standards Advisory Board (FASAB), and the Federal Office of Management and Budget (OMB) as described in the AICPA *Professional Standards*.
2. Licensees must comply with the AICPA *Professional Standards* and the following standards if such standards are applicable to the Professional Services being performed:
  - a. Statements of Governmental Accounting and Financial Reporting Standards issued by GASB;
  - b. Accounting Standards recognized by FASB;
  - c. Governmental Auditing Standards issued by GAO;
  - d. SEC Rules, Concept Releases, Interpretative Releases, and Policy Statements; and
  - e. IRS Circular 230.
3. If the professional services are governed by standards not included in this Rule 1.9(N), certificate holders and registrants, and all licensees who offer or render professional services in this state or for clients located in this state, must:
  - a. Maintain documentation of the justification for the departure from the standards listed in this Rule 1.9(N);
  - b. Determine and document what standards are applicable; and
  - c. Demonstrate compliance with the applicable standards.

**1.10 DECLARATORY ORDERS (SEE SECTION 24-4-105(II), C.R.S.)**

**A. SUBJECT MATTER OF DECLARATORY ORDERS**

Any person, as defined in section 12-100-103(7), C.R.S., may petition the Board for a declaratory order to terminate controversies or to remove uncertainties as either may relate to the applicability to the petitioner of any statutory provisions or of any rule or order of the Board.

**B. SCOPE OF BOARD RULINGS**

The Board will determine, in its discretion and without notice to petitioner, whether to rule upon any such petition. If the Board determines that it will not rule upon such a petition, the Board shall promptly notify the petitioner of its action and state the reasons for such action.

**C. BOARD RULING CONSIDERATIONS**

In determining whether to rule upon a petition filed pursuant to this Rule, the Board will consider the following matters, among others:

1. Whether a ruling on the petition will terminate a controversy or remove uncertainties as to the applicability of any statutory provision, rule, or order of the Board to the petitioner.
2. Whether the petition involves any subject, question, or issue which is the subject of a formal or informal matter or investigation currently pending before the Board or a court involving one or more of the petitioners.
3. Whether the petition involves any subject, question, or issue that is the subject of a formal or informal matter or investigation currently pending before the Board or a court but not involving any petitioner.
4. Whether the petition seeks a ruling on a moot or hypothetical question or will result in an advisory ruling or opinion.
5. Whether the petitioner has some other adequate legal remedy, other than an action for declaratory relief pursuant to Rule 57, Colorado Rules of Civil Procedure, that will terminate the controversy or remove any uncertainty as to the applicability to the petitioner of the statute, rule, or order in question.
6. Whether the petition contains enough information regarding the facts for the Board to adequately consider the application of the statutory provision, rule, or order of the Board identified.

**D. PETITION REQUIREMENTS**

Any petition filed pursuant to this Rule must set forth the following:

1. The name and address of the petitioner, and whether the petitioner is registered or holds a certificate issued pursuant to section 12-100-101, C.R.S., *et seq.*
2. The statute, rule, or order to which the petition relates.
3. A concise statement of all of the facts necessary to show the nature of the controversy or uncertainty and the manner in which the statute, rule, or order in question applies or potentially applies to the petitioner.

**E. BOARD RULING PROCEDURES**

If the Board determines that it will rule on the petition, the following procedures shall apply:

1. The Board may rule upon the petition based solely upon the facts presented in the petition. In such a case:
  - a. Any ruling of the Board will apply only to the extent of the facts presented in the petition and any Board permitted amendment to the petition.
  - b. The Board may order the petitioner to file a written brief, memorandum, or statement of position.
  - c. The Board may set the petition, upon due notice to the petitioner, for a non-evidentiary hearing.
  - d. The Board may dispose of the petition on the sole basis of the matters set forth in the petition.

- e. The Board may request the petitioner to submit additional facts, in writing. In such event, such additional facts will be considered as a Board permitted amendment to the petition.
  - f. The Board may take administrative notice of facts pursuant to the Administrative Procedure Act section 24-4-105(8), C.R.S., and may utilize its experience, technical competence, and specialized knowledge in the disposition of the petition.
  - g. If the Board rules upon the petition without a hearing, it shall promptly notify the petitioner of its decision.
2. The Board may, in its discretion, set the petition for hearing, upon due notice to petitioner, for the purpose of obtaining additional facts or information or to determine the truth of any facts set forth in the petition, or to hear oral arguments on the petition. The notice to the petitioner setting such hearing shall set forth, to the extent known, the factual or other matters into which the Board intends to inquire. For the purpose of such a hearing, to the extent necessary, the petitioner has the burden of proving all of the facts stated in the petition, all of the facts necessary to show the nature of the controversy or uncertainty, and the manner in which the statute, rule, or order in question applies or potentially applies to the petitioner, and any other facts the petitioner desires the Board to consider.

#### **F. DEFINED PARTIES**

The parties to any proceeding pursuant to this Rule 1.10 shall be the Board and the petitioner. Any other person may seek leave of the Board to intervene in such a proceeding, and leave to intervene will be granted at the sole discretion of the Board. A petition to intervene shall set forth the same matters as required by Rule 1.10(D). Any reference to a "petitioner" in this Rule also refers to any person who has been granted leave to intervene by the Board.

#### **G. AGENCY ACTION**

Any declaratory order or other order disposing of a petition pursuant to this Rule 1.10 shall constitute agency action subject to judicial review pursuant to section 24-4-106, C.R.S.

#### **1.11 PRACTICE PRIVILEGE/MOBILITY (SEE SECTION 12-100-117(2), C.R.S.)**

##### **A. SCOPE OF THE PRACTICE PRIVILEGE**

A licensee who qualifies for the Practice Privilege under Rule 1.11(B) may provide Professional Services in this state and shall be deemed to have all the privileges of a certificate holder or registrant without the need to obtain a Colorado certificate or firm registration. No notice or other submission shall be required of any such licensee. Such licensee is subject to the provisions of section 12-100-117(2)(c), C.R.S., and these Rules.

##### **B. REQUIREMENTS**

1. Individual Practice Privilege requirements.
  - a. An individual shall be presumed to have qualifications substantially equivalent to this state's requirements and shall have all the privileges of a certificate holder without the need to obtain a certificate under section 12-100-107, C.R.S., if:

- (1) The individual's principal place of business is not in this state. For purposes of this Rule 1.11, "Principal Place of Business" is presumed to be the location designated by the individual, but the presumption will be overcome if: (1) the individual establishes residency in this state; and (2) the individual provides or offers professional services to his employer or to a client or potential client located in this state. Provided further that if the individual submits an application for a Colorado certificate within sixty days of establishing residency in this state, the individual may continue to have all the privileges of a certificate holder until such time as a Colorado certificate is granted or denied; and
- (2) The individual holds an active certificate or license issued by any state that NASBA's national qualification appraisal service has verified to be substantially equivalent to the CPA licensure requirements of the AICPA/NASBA *Uniform Accountancy Act* (UAA); or
- (3) The individual holds an active certificate or license issued by any state that NASBA's national qualification appraisal service has not verified to be substantially equivalent with the CPA licensure requirements of the UAA, but such individual obtains from NASBA's national qualification appraisal service verification that such individual's CPA qualifications are substantially equivalent to the CPA licensure requirements of the UAA. Any individual who has passed the examination and holds an active certificate or license issued by any other state prior to January 1, 2012, shall be exempt from the education requirements in the UAA.

2. Firm Practice Privilege requirements.

Notwithstanding section 12-100-114, C.R.S., a foreign partnership, corporation, limited partnership, limited liability limited partnership, or limited liability company that has an active/valid certificate, license, or registration to practice public accountancy issued by another state that satisfies the requirements of section 12-100-117(2)(a), C.R.S., may engage in the practice of accountancy in this state without registering with the Board.

3. Contact information required.

Every licensee providing professional services in this state shall provide contact information to clients as required under section 12-100-112(2), C.R.S.

**C. DISCIPLINE FOR HOLDERS OF THE PRACTICE PRIVILEGE**

1. Practice Privilege Holders.

Licensees who hold a practice privilege are subject to the jurisdiction and the disciplinary authority of the Board pursuant to section 12-100-117(2)(c), C.R.S. The Board may deny, revoke, suspend, or impose other conditions and limitations on the practice privilege, or may fine, issue a letter of admonition, place on probation, or impose other conditions or limitations on a licensee practicing under the practice privilege for any of the grounds for discipline specified in section 12-100-120(1), C.R.S., with the exception of section 12-100-120(1)(h), (i), and (n).

2. Licensees holding the practice privilege are subject to the disclosure requirements as described in Rules 1.6(E) and 1.12(G).



**D. FOREIGN INDIVIDUALS**

1. An individual who holds a degree, certificate, or license in a foreign country to practice public accounting may provide professional services in this state without a certificate issued under the Act or a certificate or license issued by another U.S. jurisdiction, provided that: The degree, certificate, or license is a recognized qualification for the practice of public accounting in that country and the certificate or license is active and in good standing;
2. The individual's principal place of business, as defined in Rule 1.11(B), is not in this state; and
3. The practice is incident to the individual's regular practice outside this state. "Incident to" means the professional services provided are temporary and a subordinate component of professional services otherwise performed outside of this state.
4. Individuals who practice public accounting under this Rule 1.11(D) are subject to the jurisdiction and disciplinary authority of the Board. The Board may deny, revoke, suspend, or impose other conditions and limitations on the privilege to practice under this Rule 1.11(D) (the "Foreign Practice Privilege"), or may fine, issue a letter of admonition, place on probation, or impose other conditions or limitations on an individual practicing under the foreign practice privilege any of the grounds for discipline specified in section 12-100-120(1), C.R.S., with the exception of section 12-100-120(1)(h), (i), and (n).
5. An individual who meets the requirements of Rule 1.11(D)(1) is not required to submit any notice or fee to the Board as a condition of practicing. But the individual must respond to all Board communications within thirty days and must submit all information as requested in connection with an investigation or action initiated under Rule 1.11(D)(2).

**E. REQUIREMENT TO REPORT DISCIPLINE**

1. If the certificate, license, registration, or other authority to practice of an individual or firm is limited or subject to any form of discipline while the individual or firm is exercising its practice privilege under this Rule 1.11, the individual or firm must notify the Board, in a manner prescribed by the Board, of the limitation or discipline within forty-five days of the action taken.

**1.12 FIRM REQUIREMENTS**

**A. FIRM REGISTRATION**

1. Any firm required to register under section 12-100-114, C.R.S., shall apply for a registration by submitting an application and fee in the manner prescribed by the Board.
2. Any firm registered under section 12-100-114, C.R.S., must comply with all provisions of the Act and these Rules.
3. Except as provided in section 12-100-117(2), C.R.S., a firm, including a firm consisting of a sole owner, shall not hold out or engage in this state in activities for which a valid registration is required under section 12-100-116(1), C.R.S., until its application for registration has been approved by the Board.
4. Each registrant must designate and submit to the Board the name and contact information of a responsible party who will be responsible for fulfilling all notice and reporting requirements under the Act and these Rules regarding the registrant.

5. No firm can hold out in this state as defined in Rule 1.1 unless that firm holds an active/valid registration pursuant to the Act, except that:
  - a. A firm actively registered in another state may use or assume the title or designation "certified public accountants" or "CPAs" or similar designation so long as the firm clearly and prominently discloses the state where it is registered by any reasonable means, such as "NM CPAs" or "New Mexico CPAs"; and
  - b. A firm actively registered in another state may use or assume the title or designation "certified public accountants" or "CPAs" or similar designation while practicing in this state under section 12-100-117(2), C.R.S., and Rule 1.11 (Practice Privilege/Mobility).
6. No firm, while holding out as defined in Rule 1.1, can engage in the practice of public accounting in this state unless that firm: (1) holds an active/valid registration pursuant to the Act, or (2) is authorized to provide such services pursuant to section 12-100-117(2), C.R.S., and Rule 1.11 (Practice Privilege/Mobility).

**B. CPA FIRM NAMES**

1. The name under which a firm holds out or engages in the practice of public accounting must not be misleading.
2. A registrant shall not use an assumed or trade name when holding out or when performing or offering to perform professional services unless:
  - a. The registrant has filed the assumed or trade name with the Colorado Secretary of State pursuant to section 7-71-101, C.R.S.;
  - b. The registrant has provided the assumed or trade name to the Board in a manner prescribed by the Board;
  - c. The assumed or trade name clearly indicates that the firm is engaged in providing accounting services; and
  - d. The assumed or trade name otherwise complies with these Rules.
3. Network Firms.
  - a. A firm that is a network firm may use the network name as the firm's name.
  - b. A firm that is a network firm may include the brand name or initials of the network as part of the firm name.
  - c. The following types of network firm names are not in and of themselves misleading and are permissible so long as they do not violate the provisions of this Rule 1.12(B):
    - (1) A firm name that uses a common brand name, or shares common initials, as part of the firm name, provided the firm is a network firm as defined in Rule 1.1; or
    - (2) A firm name that uses the network name if it shares one or more of the characteristics described in Rule 1.1(B)(29).

4. A registrant's name is deemed misleading if the name:
  - a. Of a corporation or professional corporation is not ended by words or abbreviations such as "Corporation," "Incorporated," "P.C.," "Corp.," or "Inc."
  - b. Of a partnership is not ended by words or abbreviations permitted pursuant to the law under which the partnership was organized such as "LP," "LLP," or "LLLP."
  - c. Of a limited liability company is not ended by the words "Limited Liability Company" or the abbreviation "LLC," provided that the word "limited" may be abbreviated as "Ltd.," and the word "company" may be abbreviated as "Co."
  - d. Includes the name of an owner who has withdrawn from the firm or otherwise terminated his association with the firm other than by retirement or by death. The name of the former owner must be removed from the firm's name and the name change reported to the Board within thirty days after the withdrawal or termination.
  
5. A firm name, including a registrant's name, is considered misleading if the name:
  - a. Implies the existence of a corporation by the use of words or abbreviations such as "Corporation," "Incorporated," "P.C.," "Corp.," or "Inc.," if the firm is not incorporated or is not a professional corporation.
  - b. Implies the existence of a partnership by the use of a designation such as "Smith & Jones," "C.P.A.'s," "Partnership," "Ltd.," "LP," "LLP," or "LLLP" if the firm is not such an entity.
  - c. Implies the existence of a limited liability company by the use of the abbreviations such as "Ltd.," "L.L.C.," "LLC" or "LC" if the firm is not a limited liability company.
  - d. Implies that the firm is comprised of more than one person by the use of terms such as "& Company," "& Associates," or "Group," if, in addition to the owner, the firm is not comprised of at least one other owner or person employed, professionally associated, or contractually related on a regular and continuous basis with the firm.
  - e. Implies that more than one individual in the firm is a CPA by the use of terms such as "CPAs" or "Certified Public Accountants" if no more than one CPA is an owner or is employed by, or professionally associated, or contractually related to the firm on a regular and continuous basis.
  - f. Includes the name of a person who is not a CPA in any state or is not a CPA or its legal equivalent in a foreign country if the title "CPA" is included in the firm's name.
  - g. Indicates or implies an association with persons who are not members of the firm, unless the firm is a network firm as defined in Rule 1.1(B) and the associated persons are members of the network.
  - h. Contains any representation that would likely cause a reasonable person to be misled or confused about the firm's legal entity type, e.g., corporation, partnership, or limited liability company, or about the ownership or membership of the firm.

- i. Contains any representation that would likely cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities.
  - j. Claims or implies the ability to influence a regulatory body or official.
  - k. Includes the name of any licensee whose license or registration has been revoked or disciplined, whereby the licensee is prohibited from practicing public accounting or prohibited from using the title CPA or similar designation or holding out if the firm's name includes the designation "CPA" or any other language or device tending to indicate the disciplined CPA or Firm possesses an active certificate, license, or registration.
  - l. Contains other representations or implications that in reasonable probability would cause a reasonable person to misunderstand or be deceived.
6. A firm name must not be formulated in such a manner that the initials or parts of the name form a term, phrase, or imply an association that is misleading.
7. A registrant engaged in the practice of public accounting may not hold out, perform or offer to perform professional services using a name that is not stated in its firm registration.

#### C. NOTIFICATIONS

1. A registrant must notify the Board, in a manner prescribed by the Board, within thirty days of any of the following changes to the registrant (individuals and firms must provide separate notices under this Rule. Information provided to the Board in an individual's initial or renewal application for his certificate and changes reported under Rule 1.6(B) do not fulfill the firm notice requirements under this Rule 1.12(C):
  - a. Location or addition/deletion of offices;
  - b. Dissolution or other termination of the firm;
  - c. Legal entity type of the firm, e.g., partnership, professional corporation, or limited liability company;
  - d. Name of the firm registered with the Office of the Secretary of State of Colorado or equivalent authority if registered in another state;
  - e. Assumed or trade name of the firm;
  - f. Responsible party for the firm;
  - g. Change in ownership including addition or withdrawal of any partner, principal, shareholder, member, or equivalent, only if the identity of the majority owner is changed, or if the change causes the firm to be non-compliant with section 12-100-114, C.R.S.; and
  - h. Identities and numbers of partners, shareholders, members, managers, or officers.

**D. RENEWAL**

1. A registrant must complete the renewal process according to the schedule established by the Division of Professions and Occupations pursuant to section 12-20-202, C.R.S., to remain active/valid.
2. Renewal Notices.
  - a. The Board sends notices for renewal of firm registrations according to a schedule established and in a manner prescribed by the Division of Professions and Occupations pursuant to section 12-20-202, C.R.S., to the last address furnished to the Board.
  - b. There is a sixty-day grace period from the expiration date of the firm registration within which to pay the renewal fee, plus a late fee. A registrant will not be disciplined for holding out or practicing public accounting with an expired registration during the grace period.
  - c. Failure to receive a renewal notice does not relieve the registrant of the obligation to renew its registration.
  - d. A registrant's failure to properly notify the Board of any change of contact information does not excuse that registrant of the obligation to respond to Board communications or to timely renew its registration.
3. The Board cannot renew the registration of a registrant that issues attest or compilation reports unless it has attested to having undergone a peer review as provided in Rule 1.8.

**E. GENERAL INFORMATION CONCERNING FIRM REGISTRATIONS**

Every certificate of registration, while it remains in the possession of the registrant, must be preserved by the registrant, but the certificate remains the property of the Board. In the event that a firm's registration is suspended or revoked, its certificate of registration must be promptly returned to the Board.

**F. OFFERING SERVICES VIA THE INTERNET**

Any registrant, offering or performing professional services via the internet must include the following information on the internet site:

1. Name of the registrant;
2. Mailing and physical address of the principal location where the registrant offers or provides professional services;
3. Business telephone number; and
4. Colorado certificate number of the responsible party and Colorado firm registration number.

**G. DISCLOSURES**

1. A licensee must notify the Board in a manner prescribed by the Board within forty-five days of any of the following events relating to the licensee:
  - a. Imposition of discipline by:

- (1) The SEC, the PCAOB, or the IRS.
  - (2) Another board of accountancy for any cause other than failure to pay a registration fee by the due date.
  - (3) Any other federal or state agency or any professional association or entity regarding the registrant's conduct in providing professional services.
  - (4) Any federal or state taxing, insurance, or securities regulatory authority.
  - (5) Any non-U.S. authority or credentialing body that regulates the practice of accountancy for any cause other than failure to pay a registration fee by the due date.
- b. Notice of disciplinary charges concerning the practice of accountancy filed by the SEC, PCAOB, IRS, or another board of accountancy, or a federal or state agency, or a non-U.S. authority or credentialing body that regulates the practice of accountancy.
  - c. Initiation of a civil proceeding or an alternative dispute resolution proceeding by a governmental entity relating to an audit report for a public or non-public company.
  - d. Judgment, settlement, or resolution of a civil proceeding or an alternative dispute resolution proceeding by a governmental entity relating to an audit report for a public or non-public company.
  - e. Initiation of an administrative proceeding or disciplinary proceeding by any federal, State, or non-U.S. agency, board, or administrative or registration authority, or any professional association or entity regarding an audit report for a public or non-public company.
  - f. Decision, judgment, settlement, or resolution of an administrative proceeding or disciplinary proceeding by any federal, state, or non-U.S. agency, board, or administrative or registration authority, or any professional association or entity regarding an audit report for a public or non-public company.
  - g. Any judgment, award, or settlement of a civil action or arbitration proceeding of \$150,000 or more in which the licensee was a party if the action or proceeding included any allegation of gross negligence, violation of a specific standard of practice, fraud, or misappropriation of funds in the practice of public accounting or during an engagement.
  - h. A criminal charge against or a conviction of the licensee, deferred prosecution, or a plea of guilty or *nolo contendere* to a crime by the licensee if:
    - (1) The crime is a felony under the laws of any state, or of the United States or of any territory or insular possession of the United States, or the District of Columbia or any non-U.S. jurisdiction; or
    - (2) An element of the crime is dishonesty or fraud.
  - i. Occurrence of any matter that must be reported by the licensee to the PCAOB pursuant to the Sarbanes-Oxley Act of 2002, U.S.C. sec. 7201 *et seq.*, and PCAOB Rules and forms adopted pursuant thereto.

2. The notice to the Board must include the following information regarding the reportable event:
  - a. If the reportable event is a disciplinary proceeding, alternative dispute resolution proceeding, administrative proceeding, or civil action by any governmental entity or professional association or entity, the name of the agency, its jurisdiction, the case name, the docket or proceeding or case number by which it is designated, a description of the matter, or a copy of the document initiating the action or proceeding, and, if the matter has been adjudicated or settled, a copy of the consent decree, order, or decision.
  - b. If the reportable event is a criminal conviction, charge, or plea, the court, its jurisdiction, the case name, the case number, and a description of the matter or a copy of the indictment or charges, and, if the matter has been adjudicated, a copy of the judgment of conviction.
  - c. If the reportable event concerns a civil action or arbitration proceeding, the court or arbiter, the jurisdiction, the case name, the case number, a description of the matter, or a copy of the complaint, and a copy of the verdict, the court or arbitration decision, or, if settled, the court's order of dismissal.
3. The licensee may submit a written explanatory statement to be included in the Board's records.
4. Documents provided to the Board shall be closed to public inspection if federal or state statute, rule, or regulation so provides.
5. This Rule shall apply to any reportable event that occurs on or after the Rule's effective date.

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### **Editor's Notes**

#### **History**

Rules 1.1, 1.2, 1.5 eff. 05/30/2007. Rule 1.7 repealed eff. 05/30/2007.

Rules 3.7(A)(5), 4.1(E) eff. 07/30/2007.

Chapter 5, rules 7.6, 7.14 eff. 07/31/2008.

Chapters 1, 9 eff. 01/01/2009.

Chapters 5, 6 eff. 01/01/2010.

Chapter 4 emer. rule eff. 07/01/2010.

Entire rule eff. 10/30/2010.

Entire rule eff. 07/01/2013.

Entire rule eff. 11/14/2018.

Rules 3.6 A.3, 6.1 D, 6.11 A, 6.11 D, 6.12, 7.2 eff. 03/17/2019.

Rules 1.2 D.1, 1.2 E.2, 1.5 A.5, 1.11 C.1, 1.11 D.4-5, 1.11 E eff. 03/02/2021.

Rule 1.6 B.1.b eff. 11/14/2021.