

Rule 2 **Rule 3** EXAMINATIONS

3.1 SEMESTER HOUR; ACCREDITED COLLEGES, UNIVERSITIES, SCHOOLS AND PROGRAMS; CREDIT FOR COURSES

(a) As used in these Rules, a “semester hour” means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds.

(b) As used in these Rules, “accreditation” refers to the process of quality control of the education process. ~~There are three different levels of accreditation referred to in these Rules and the degree to which the Board relies on accreditation differs according to the level at which the degree-granting institution is accredited. The three levels of accreditation are:~~

~~1. Level 1 accreditation (accounting accreditation) is granted to a four-year, degree-granting college or university and its accounting program or department that have both business and accounting accreditation awarded by a national accreditation agency that is recognized by the Board, such as the AACSB INTERNATIONAL The Association to Advance Collegiate Schools of Business. Accounting programs or departments accredited in this manner have met standards substantially higher and much more specific than those required for Level 2 or Level 3 accreditation. For Level 1 accreditation, the accounting program or department must meet a stringent set of standards that addresses faculty credentials, student quality, physical facilities, curricula and continuous improvement.~~

~~2. Level 2 accreditation (business accreditation) is granted to a four-year degree-granting college or university that has business accreditation awarded by a national accreditation agency that is recognized by the Board such as the AACSB INTERNATIONAL The Association to Advance Collegiate Schools of Business. Business accreditation awarded in this manner is based on a specific and comprehensive examination of the institution’s strategic management, participants, and assurance of learning processes.~~

~~3. Level 3 accreditation (regional accreditation of the educational institution) is The applicant’s degree must have been granted by a four-year degree-granting college or university that is accredited by one or more recognized regional accrediting agencies (including their predecessor or successor agencies). In Level 3 accreditation, the institution is accredited, but neither the business school or program or its accounting program are separately accredited. The Board recognizes the following six (6) regional accrediting agencies.~~

Middle States Association of Colleges and Schools;
 New England Association of Schools and Colleges Commission on
 Institutions of Higher Education;
~~North Central Association of Colleges and Schools~~ The Higher Learning
 Commission;
 Northwest Commission on Colleges and Universities;
 Southern Association of Colleges and Schools Commission on Colleges;
 and the
 Western Association of Schools and Colleges Accrediting Commission for
 Senior Colleges and Universities.

Colleges and Universities accredited by these associations are listed in Accredited Institutions of Postsecondary Education published by the Council of Postsecondary

Accreditation of the American Council on Education.

(c) A candidate is considered as graduating from an accredited educational institution if at the time the educational institution grants the applicant's degree, it is accredited at the appropriate level as outlined in these Rules.

(d) If an educational institution was not accredited at the time an applicant's degree was received but is so accredited at the time the application is filed with the Board, the institution will be deemed to be accredited for the purpose of subsection (c), provided;

- (1) the educational institution certifies that the applicant's total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and
- (2) the educational institution furnishes the Board satisfactory proof, including college catalogue course numbers and descriptions, that the pre-accrediting courses used to qualify the applicant as an accounting major are substantially equivalent to post-accrediting courses, and
- (3) the applicant has met the educational requirements outlined in Section 3.2.

(e) If an applicant's degree was received at an accredited educational institution pursuant to subsection (c) or (d), but the educational program which was used to qualify the applicant as an accounting major included courses taken at non-accredited institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which applicant's degree was received, provided the accredited institution either –

- (1) has accepted such courses by including them in its official transcript; or
- (2) has certified to the Board that it will accept such courses for credit toward graduation.

(f) A graduate of a four-year degree-granting college or university not accredited at the time applicant's degree was received or at the time the application was filed will be deemed to be a graduate of an accredited educational institution if –

(1) a credentials evaluation service that is a member of the National Association of Credential Evaluation Services or one approved by the Board certifies that the applicant's degree is equivalent to a degree from an accredited educational institution defined in subsection (b); or

- (2) (A) an accredited educational institution as defined by subsection (b) accepts applicant's non-accredited baccalaureate degree for admission to a graduate business degree program;
- (B) the applicant satisfactorily completes at least fifteen semester hours, or the equivalent, in post-baccalaureate education at the accredited institution, of which at least nine semester hours, or the equivalent, shall be in accounting; and
- (C) the accredited educational institution certifies that the applicant is in good standing for the continuation in the graduate program, or has maintained a grade point average in these courses that is necessary for graduation.

(g) The advanced subjects completed to qualify under subsection (f)(2) may not be used to satisfy the requirements of section (h).

(h) The accounting and business concentration or equivalent shall consist of the semester hours specified in Rule 3. 2 below.

3.2 EDUCATION REQUIREMENT

~~(a) Prior to January 2008, an applicant will be deemed to have met the education requirement if the applicant has met any one of the following four conditions:~~

~~—————(i) Earned a graduate degree with a concentration in accounting from an accounting program or department that is accredited (Level 1 accreditation) by an accrediting agency recognized by the Board.~~

~~—————(ii) Earned a graduate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency recognized by the Board and completed 30 semester hours in accounting at the undergraduate (with a minimum grade of “C” in each course) or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not for profit accounting.~~

~~—————(iii) Earned at least 150 semester hours including a baccalaureate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency recognized by the Board and completed 30 semester hours in accounting at the undergraduate (with a minimum grade of “C” in each course) or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not for profit accounting.~~

~~—————(iv) Earned at least 150 semester hours including a baccalaureate or higher degree from an accredited educational institution (Level 3 accreditation) including:~~

~~—————(1) at least 30 semester hours of accounting at the undergraduate (with a minimum grade of “C” in each course) or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not for profit accounting; and~~

~~(2) at least 24 semester hours in business courses (other than accounting), with a minimum grade of “C” in each course, at the undergraduate or graduate level.~~

~~(3) no more than six semester hours will be recognized for internships.~~

~~(ba) Effective for applicants who first sit for the examination on or after January 1, 2008, an applicant will be deemed to have met the education requirement if the applicant has met any one of the following four conditions, including the rules in sections (c) — (i) below:~~

~~—————(1) Earned a graduate degree with a concentration in accounting from an accounting program or department that meets the criteria for Level 1 accreditation, defined in Section 3.1(b) as accounting accreditation. Applicants in this category are deemed to have satisfied both the business and accounting education requirements for the examination.~~

~~(2) Earned a graduate degree with at least 30 upper-level or 20 graduate hours in accounting (or a combination thereof) as listed in Section 3.2(c) from a college or university that meets the criteria for Level 2 accreditation, defined in Section 3.1(b) as business accreditation. Applicants in this category are deemed to have satisfied the business education requirements for the examination.~~

~~(3) Earned an undergraduate degree, including 150 hours with at least 30 upper-level or 20 graduate hours in accounting (or a combination thereof) as listed in Section 3.2(e), from a college or university that meets the criteria for Level 1 accreditation or Level 2 accreditation, defined in Section 3.1(b) as accounting and business accreditation respectively. Applicants in this category are deemed to have satisfied the business education requirements for the examination.~~

(4) ~~Ee~~ earned a graduate or an undergraduate degree either of which, includes ~~150 hours with~~ at least 30 hours in business as listed in Section 3.2(~~de~~) and at least 30 upper-level or 20 graduate hours in accounting (or a combination thereof) as listed in Section 3.2(~~be~~), from a college or university that meets the criteria for ~~Level 3~~ accreditation defined in Section 3.1(b) ~~as regional accreditation~~. Applicants ~~in this category~~ must meet the accounting education requirements defined in Section 3.2(~~eb~~) and the business education requirements defined in Section 3.2(~~ed~~).

(~~be~~) The accounting component of the applicant's educational program must include at least 30 semester credit hours (SCH) of undergraduate accounting courses above the principles level or 20 SCH of graduate-level accounting courses, or a combination thereof. The accounting component must include coverage of financial accounting, management accounting, governmental and not-for-profit accounting, federal taxation, auditing and attestation, and accounting information systems. The applicant must earn a grade of "C" or better in each course included in the accounting component.

(~~ce~~) The Board recognizes the essential need to include coverage of ethics and written communication in the accounting component and, therefore, encourages institutions to integrate coverage of both topics appropriately in the accounting component.

(~~de~~) The business component of the applicant's educational program must include at least 30 SCH of undergraduate courses in business, other than accounting, or 20 SCH of graduate business courses other than accounting (or a combination thereof). The applicant must earn a grade of "C" or better in each course included in the business component.

(~~ef~~) The Board recognizes the essential need to include coverage of ethics and written communication in the business component and, therefore, encourages institutions to integrate coverage of both topics appropriately in the business component.

(~~fg~~) Content areas specified in the accounting component may be covered in stand alone courses at some institutions or may be integrated or embedded within related courses at other institutions. Institutions that use an integrated approach that covers multiple subjects will be responsible for providing the Board with documentation to establish the courses within which each content area is covered.

(~~gh~~) Internship credit: The accounting or business component (but not both) may include a maximum of 3 SCH earned for an accounting internship. Internship credit may not be used to fulfill the subject matter requirements listed in 3.2(~~be~~). The business component may include a maximum of 3 SCH earned for a business internship, other than in accounting.

(~~hi~~) Independent study: The accounting or business component (but noth both) may

include a maximum of 3 SCH earned for an independent study. When appropriately documented by the institution, these hours may be used to fulfill part of the subject matter requirements listed in 3.2(be).

(j) Military credit: A maximum of 3 SCH for credit given by a university for military service may be used for meeting the 150 credit hour and business component requirements. Military credit may not be used to fulfill the accounting component requirement listed in 3.2(b)

3.3 APPLICATIONS FOR EXAMINATION

(a) Applications to take the Certified Public Accountant Examination must be made on a form provided by the Board and received by the Board on or before a date specified by the Board in the application form. See Rule 3.8

(b) An application will not be considered filed until the applicable fees required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board, official transcripts, proof the educational requirement has been satisfied, and proof that the Candidate has received the applicable degree, or certification from the school on a form prescribed by the Board that the degree has, in fact, been earned, but will be conferred at a later date. In the case where the degree is to be conferred at a later date, the Applicant shall not be credited with any score(s) until the official transcript showing that the degree has been conferred is received by the Board. All transcripts and verification of receipt of degree must be sent from the appropriate school officials directly to the Board.

(c) The candidate must cause official transcripts documenting the degree conferred to be received by the Board office within 30 days after the degree is conferred.

(d) The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.

3.4 TIME AND PLACE OF EXAMINATION

A Notice to Schedule (NTS) will be sent to eligible candidates via the address indicated on the application form. The candidate will have six months from the date the NTS is issued to schedule and take the approved examination sections. Utilizing the NTS, candidates are required to contact the test delivery provider identified by the Board to schedule the time and place for the examination at an approved test site. If a candidate requires rescheduling, the candidate must contact the test delivery provider. Scheduling reexaminations must be made in accordance with Rule 3.7 below.

3.5 EXAMINATION CONTENT

The examination required by A.C.A. § 17-12-301 shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.

3.6 DETERMINING AND REPORTING EXAMINATION GRADES

A Candidate shall be required to pass all Test Sections of the Certified Public Accountant Examination in order to qualify for a certificate. The Candidate must

attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board. Upon receipt of grades reported by the examination provider, the Board will review and may adopt the examination grades and will report the adopted grades to the qualified Candidate (one who has met all requirements of Rules 3. 2 and 3. 3 above).

3. 7 RETAKE AND GRANTING OF CREDIT REQUIREMENTS

(a) A Candidate shall be required to pass all Test Sections of the Certified Public Accountant Examination in order to qualify for a certificate. A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for eighteen months from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.

(1) Candidates must pass all four Test Sections of the Uniform CPA Examination within a rolling eighteen-month period, which begins on the date that the first Test Section(s) passed is taken.

(2) Candidates cannot retake a failed Test Section(s) in the same examination window. An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window.

(3) In the event all four Test Sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any Test Section(s) passed outside the eighteen-month period will expire and that Test Section(s) must be retaken.

~~(b) Candidates having earned conditional credits on the paper and pencil examination, as of the launch date of the computer based Uniform CPA Examination, will retain conditional credits for the corresponding Test Sections of the computer-based CPA examination as follows:~~

Paper and Pencil Examination	Computer-Based Examination
Auditing	Auditing and Attestation
Financial Accounting and Reporting (FARE)	Financial Accounting and Reporting
Accounting and Reporting (ARE)	Regulation
Business Law and Professional Responsibilities (LPR)	Business Environment and Concepts

~~(1) Candidates who have attained conditional status as of the launch date of the computer based Uniform CPA Examination will be allowed a transition period to complete any remaining Test Sections of the CPA examination. The transition is the maximum number of opportunities that Candidates who have conditioned~~

~~under the paper and pencil examination have remaining, at the launch of the computer-based CPA examination, to complete all remaining Test Sections, or the number of remaining opportunities under the paper and pencil examination, multiplied by six months, whichever is first exhausted.~~

~~(2) If a previously conditioned Candidate does not pass all remaining Test Sections during the transition period, conditional credits earned under the paper and pencil examination will expire and the Candidate will lose credit for the Test Sections earned under the paper and pencil examination. However, any Test Section(s) passed during the transition period is subject to the conditioning provisions of the computer-based examination as indicated in the aforementioned conditioning recommendation, except that a previously conditioned Candidate will not lose conditional credit for a Test Section of the computer-based examination that is passed during the transition period, even though more than eighteen months may have elapsed from the date the Test Section is passed, until the end of the transition period.~~

~~A Candidate shall retain credit for any and all Test Sections of an examination passed in another state if such credit would have been given, under then applicable requirements, if the Candidate had taken the examination in this State.~~

~~(be)~~ The Board may in particular cases extend the term of conditional credit validity notwithstanding the requirements of subsections (a), ~~(b), (c)~~ and ~~(d)~~, upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

~~(cd)~~ A Candidate shall be deemed to have passed the Uniform CPA Examination

once

the Candidate holds at the same time official credit for passing each of the four Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives official notice of the passing grade.

3.8 CANDIDATE TESTING FEE

(a) The Candidate shall, for each applicable Test Section pay to the Board or its designee fees charged by the AICPA, NASBA, and the Test Delivery Provider, as well as the application and section fees established by the State Board. The application and section fees are nonrefundable and nontransferable. The fees for AICPA, NASBA, and the Test Delivery Provider are collected by the Board and held for transfer to the entities. Those fees are nontransferable, but may be partially refunded if extreme hardship precludes the applicant from scheduling or taking the exam. Extreme hardship is defined as medical emergency of candidate or candidate's immediate family, or death in immediate family. Any other extreme hardship situation will be reviewed on a case-by-case basis by the Board. Documentation of such circumstances must be submitted along with written request as soon as possible, but no later than 30 days from the date the candidate was scheduled for the applicable section(s) or 30 days from the expiration of the NTS whichever occurs first. The fees to sit for the examination are enumerated in Rule 12.

(b) A first-time applicant is defined as an applicant who has never sat for any section of the CPA examination as an Arkansas applicant, or has never received official scores as an Arkansas candidate.

(c) A re-exam applicant is defined as an applicant taking any section of the CPA examination after sitting as a first-time Arkansas applicant.

3.9 CHEATING

(a) Cheating by a Candidate in applying for, taking or subsequent to the examination will be deemed to invalidate any grade otherwise earned by a Candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.

(b) For purposes of this Rule, the following actions or attempted activities, among others, may be considered cheating:

- (1) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
- (2) Communication between Candidates inside or outside the test site or copying another Candidate's answers while the examination is in progress;
- (3) Communication with others inside or outside the test site while the examination is in progress;
- (4) Substitution of another person to sit in the test site in the stead of a Candidate;
- (5) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the Candidate as part of the examination) inside or outside the test site while the examination is in progress.
- (6) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so.
- (7) Retaking or attempting to retake a Test Section by an individual holding a valid Certificate or by a Candidate who has unexpired credit for having already passed the same Test Section, unless the individual has been directed to retake a Test Section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a "secret shopper" program.

(c) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the Candidate involved from the examination or move the Candidate to a position in the Test Center away from other examinees where the Candidate can be watched more closely.

(d) In any case where the Board believes that it has evidence that a Candidate has cheated on the examination, including those cases where the Candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing consistent with the requirements of the state's Administrative Procedures Act following the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:

- (1) Whether the Candidate shall be given credit for any portion of the examination completed in that session; and
- (2) Whether the Candidate shall be barred from taking the examination and if so, for what period of time.

(e) In any case where the Board or its representative permits a Candidate to continue taking the examination, it may, depending on the circumstances:

- (1) Admonish the Candidate;
- (2) Seat the Candidate in a segregated location for the rest of the examination;
- (3) Keep a record of the Candidate's seat location and identifying information, and the names and identifying information of the Candidates in close proximity of the Candidate; and/or

(4) Notify the National Candidate Database and the AICPA and/or the Test Center of the circumstances, so that the Candidate may be more closely monitored in future examination sessions.

(f) In any case in which a Candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the Candidate may apply for the examination information as to the Board's findings and actions taken.

3.10 SECURITY AND IRREGULARITIES

Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, the release of grades, or the issuance of certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.

3.11 EDUCATION REQUIREMENT FOR LICENSURE

Any candidate who successfully completes the CPA examination must also complete 150 hours of education in order to be licensed. Successful candidates must complete this education requirement within 3 years of the date the last CPA exam section was passed. Candidates who are unable to complete this education requirement within 3 years due to extreme hardship (medical or other) may apply to the Board for an extension.

Effective as of 12/10/2005

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Rule 4 RECIPROCITY

4.1 ~~See A.C.A. §§ 17-12-303 and 17-12-308 for the qualifications for issuance of a reciprocal certificate.~~

(a) With regard to applicants that do not qualify for reciprocity under the substantial equivalency standard set out in § 17-12-311, the Board shall issue a certificate to a holder of a certificate, license, or permit to practice issued by another state upon showing that:

(1) The applicant passed the uniform CPA examination;

(2) The applicant had four years of experience of the type described by Rule 16, after passing the examination upon which the applicant's certificate was based and within the ten years immediately preceding the application; and

(3) If the applicant's certificate, license, or permit to practice was issued more than four years prior to the application for issuance of an initial certificate under this Section, that the applicant has fulfilled the requirements of continuing professional education that would have been applicable under Board Rule 13.

(b) As an alternative to the requirements of Rule 4.1(a), a certificate holder licensed by another state who establishes their principal place of business in this state shall request the issuance of a certificate from the Board prior to establishing such principal place of business. The Board shall issue a certificate to such person who obtains from the NASBA National Qualification Appraisal Service verification that such individual's CPA qualifications are substantially equivalent to the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act.

4.2 The fee for a reciprocal certificate is set forth in Rule 12.

4.3 An application for a reciprocal certificate is obtainable from the Board's office. See Rule 10.

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Rule 5 FOREIGN ACCOUNTANTS

5.1 See A.C.A. §17-12-308 (c) for the qualifications for issuance of a reciprocal certificate to the holder of a substantially equivalent foreign designation.

5.2 Such an applicant is also required to ~~submit the same reference in support of his moral character~~undergo a federal and state background check, as is required of applicants for certificate as a Certified Public Accountant.

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Rule 7 OWNERSHIP OF FIRMS

7.1 DEFINITIONS

(a) For purposes of these rules, "actively participate" means the providing of personal services in the business entity licensed in Arkansas to practice public accounting, in the nature of management, performance of services for clients, or similar activities. Individuals and entities whose primary source of income from the business entity is provided as a result of passive investment will not be considered as actively participating in the business entity.

(b) For purposes of these rules, an "owner" is defined as a person who actively participates in a business entity licensed in Arkansas to practice public accounting, and who (1) has an interest in profits and losses of such business entity, or (2) owns all, or any portion, of the equity capital of such business entity, or (3) has a vote with respect to matters of such business entity.

(c) For purposes of these rules, "profits and losses" are defined as the net taxable income or loss, determined prior to payment of any form of compensation to owners, of a business entity licensed in Arkansas to practice public accounting.

(d) For purposes of these rules, "equity capital" is defined as (a) capital stock, capital accounts, capital contributions, or undistributed earnings of a business entity licensed in Arkansas to practice public accounting; and (b) loans and advances to a business entity licensed in Arkansas to practice public accounting, made or held by its owners. "Equity capital" does not include an interest in bonuses, profit sharing plans or defined benefit plans or loans to a business entity licensed in Arkansas to practice public accounting from banks, financial institutions or other third parties that do not actively participate in such business entity.

(e) For purposes of these rules, a "business entity" is defined as a proprietorship, partnership, corporation, limited liability company or any other permissible form of practice which is licensed in Arkansas to practice public accounting.

(f)(1) "Good standing" as used in A.C.A. §§ 17-12-401, 17-12-402, 17-12-603 (d), and Rule 7.4 (a) is defined as a CPA or PA who holds an an active license for the current year issued by the applicable Board.

(2) "Good standing" as used in § 17-12-504(a) and (b) means a CPA, public accountant, or a firm whose license, registration, or inactive license has not lapsed pursuant to Ark. Code Ann. § 17-12-504(f)(2).

7.2 Corporations. Any corporation granted a license under the Act shall be subject to the Rules of Professional Conduct. Any shareholder who ceases to be eligible to be a shareholder shall be required to dispose of all of his or her shares within a reasonable period to a person qualified to be a shareholder or to the corporation.

7.3 Partnerships, Corporations, Limited Liability Companies, Sole Proprietorships and Other Permissible Forms of Practice; General Requirements; Ownership.

(a) A person who is not a certified public accountant or public accountant in this or some other state or jurisdiction but who actively participates within this state in the business conducted in Arkansas by a business entity licensed in Arkansas to practice public accounting may be an owner, director, officer, limited liability

company member, or manager in any such business entity, under the following conditions:

(1) Such person shall not hold himself or herself out as a certified public accountant or public accountant.

(2) The name of such person shall be provided to the Board by a business entity in connection with the granting or renewal of a license in Arkansas to such business entity.

(3) Such person shall not have ultimate responsibility for the performance of audits, reviews or compilations of financial statements or other forms of attestation related to financial information.

(b) Limitations; Equity Ownership. Persons who are not certified public accountants or public accountants in this or any other state or jurisdiction but who are owners of a business entity licensed in Arkansas to practice public accounting, shall ~~not~~ neither (a) hold, in the aggregate, more than a minority interest of such business entity's equity capital or voting rights, ~~or~~ nor (b) receive, in the aggregate, more than a minority interest of such business entity's profits or losses.

(c) Sole Proprietorships. A certified public accountant or public accountant operating as a sole proprietorship and engaged in Arkansas in the practice of public accounting is considered a firm.

(d) Other forms of practice. These rules shall be applied to individuals and to any business entity licensed in Arkansas to practice public accounting in a manner consistent with carrying out the intent of these rules.

(e) Eligibility; Disqualification; Owners. With respect to owners who are not licensed in this state or any other state or jurisdiction as certified public accountants or public accountants, if at any time the Board determines that any such owner no longer is eligible to be an owner by virtue of not being in compliance with the criteria set forth in the Public Accountancy Act and rules, such owner and the business entity in which ownership exists shall be notified that if a Board hearing is not requested within thirty (30) days of the date of mailing notification of such determination, an order will then be entered that such owner must divest himself or herself of ownership in the business entity within sixty (60) days of entry of the order.

(f) Corporations; Other Requirements. The principal executive officer of a corporation licensed in Arkansas to practice public accounting shall be a shareholder and a director who is a licensed certified public accountant or public accountant. Directors and officers who are not licensees shall not exercise any authority whatsoever over professional matters relating to the practice of public accountancy.

7.4

APPLICATION PROCEDURES; FORMS

(a) Each applicant for registration as any type of licensed business entity shall register with the Board of Public Accountancy prior to performing public accounting work in the state of Arkansas. Except as described below, such registration form must include an affidavit signed by a general partner, shareholder, or member of such business entity who is a certified public accountant or public accountant of Arkansas in good standing, attesting to the accuracy of the information in the application materials. In the case of an entity practicing under substantial equivalence, such registration form must include an

affidavit signed by a general partner, shareholder, or member of such business entity who holds a current valid license in good standing as a certified public accountant in Arkansas or some other state or jurisdiction of the United States attesting to the accuracy of the information in the application materials.

(b) After the Board has accepted the initial registration application and has issued a license to practice, the registered business entity may practice in the state of Arkansas under the title which appears on the license to practice as the name of the business entity.

(c) Arkansas registered business entities shall renew their registration on an annual basis, on forms provided by the Board. Failure or refusal to provide complete and accurate responses to all questions on the registration renewal forms by the deadline noted on such forms may be grounds for refusal to renew such registration.

(d) Arkansas registered business entities shall include on their initial registration with the Board, and subsequent renewal of such registration, a complete listing of the names and the state of residency of all owners and the percentage of ownership and voting rights of each owner.

(e) In the case of firms with multiple offices, the licensee shall identify on its original and each renewal application each office to be registered, as prescribed on a form approved by the Board.

7.5 NON-RESIDENT PUBLIC ACCOUNTANTS

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

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

7.6 Practice Privileges for Out-of-State Certified Public Accounting Firms

Non resident firms: Corporations, Limited Liability Companies, Partnerships, Sole Proprietorships, and other permissible forms of practice that are practicing in Arkansas under practice privileges are subject to the following:

(a) Ownership: A person who does not hold a current valid license as a certified public accountant in Arkansas or some other state or jurisdiction of the United States, but who actively participates within this state with a firm exercising practice privileges in Arkansas is subject to the following conditions.

- (1) Such person shall not hold himself or herself out as a certified public accountant or public accountant.
- (2) Such person shall not have ultimate responsibility for the performance of audits, reviews, or compilations of financial statements, PCAOB

engagements or any other form of attestation with regard to financial information.

- (b) Equity ownership limitations: Persons who are not certified public accountants or registered public accountants shall not (a) hold, in the aggregate, more than a minority interest of such firm's equity ownership or voting rights, or (b) receive, in the aggregate, more than a minority interest of said entity's profits or losses.
- (c) Corporations, Limited Liability Companies, Partnerships, Sole Proprietorships, other requirements: The principal executive officer, managing member, or managing partner shall be a shareholder, member, or partner who is a licensed certified public accountant or public accountant, who holds a current, valid license in this or another state or jurisdiction. Directors, members, partners, and officers who are not licensees shall not exercise any authority whatsoever over professional matters relating to the practice of public accounting.

7.7 NOTIFICATION OF FIRM CHANGES

Firms established pursuant to A.C.A § 17-12-401 and 17-12-402 shall file with the board a written notification of any of the following events concerning the practice of public accountancy within this State within ninety (90) days after its occurrence.

- (a) Formation of a new firm;
- (b) Addition of a partner, member or shareholder;
- (c) Retirement, withdrawal or death of a partner, member, manager, or shareholder;
- (d) Any change in the name of the firm;
- (e) Dissolution of the firm;
- (f) Change in the management of any office location registered in this State;
- (g) Establishment of a new office location providing accounting services in this state or the closing or change of address of an office location registered in this State; and
- (h) The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.

Rule 8 PROFESSIONAL STANDARDS

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

~~**8.2** “Professional standards” means the following, as in effect at the time the professional services were provided on September 12, 2005:~~

8.2

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

8.3 (a) Each licensee shall retain attest working papers for a minimum of five years from the report date and in a readily accessible form. Failure to comply with the more restrictive record retention provisions contained in the rules and regulations of other Federal Regulatory bodies such as the Internal Revenue Service, Securities and Exchange Commission, and the Public Company Oversight Board will constitute a violation of this rule.

(b) In the event that a Board investigation or disciplinary action is pending on the date identified in paragraph (a) of this rule or the licensee is notified by the Board to retain attest work papers for a longer time, the licensee shall retain the subject work papers until receipt of written notice from the Board that the investigation or disciplinary action has concluded or that the subject work papers need not be retained.

(c) The provisions of this rule are not applicable to engagements that are subject to the jurisdiction of the PCAOB or the Comptroller General of the United States which are specifically regulated as to the time for the licensee's retention of audit work papers.

Rule 9 COMMUNICATION, CHANGE OF ADDRESS OR BUSINESS AFFILIATION

- 9.1** Notice shall be given by the licensee to the Board within thirty (30) days of any new residence or business address or the address of any additional office opened for the practice of public accounting in this State. Address changes to be communicated to the board include mailing and electronic mail addresses. Notice must be similarly given by the licensee of the closing of any such offices. No form is provided for such notices, but they must be in writing and whether in letter form or otherwise, they must be clearly headed with "Notice of New Office", "Closing of Office", or similar wording, and, in the case of a new office, the name and the certificate or registration number of the resident manager is to be furnished. All offices of the practice of public accounting, on closing, must return any certificate of registration issued by the Board.
- 9.2** The Board shall be notified by the licensee within thirty (30) days of any change employment or business affiliation, together with the address (including e-mail address) of the new employer or business affiliate.
- 9.3** Upon the death or incapacity of a licensee or the closing of an accounting firm for any reason, including bankruptcy, the Board may in its discretion, based upon the merits and circumstances of each case, permit the accounting firm to continue operating for a period of time not to exceed one hundred eighty (180) days under the supervision of a person approved by the Board and subject to conditions prescribed by the Board.

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Rule 11 HEARINGS BEFORE BOARD-NOTICE-PROCEDURE-REVIEW

- 11.1** (a)(1) All investigations of possible violations of the Act, Code of Professional Conduct, or the Rules of the Board shall be investigated by the Board investigator under the supervision of the Board's Compliance Committee.
(2) The Compliance Committee shall be comprised of one member of the Board, appointed by the President, and the Board's Executive Director.
- (b) The major portion of possible violations may be expected to be of such nature that they can be disposed of informally by correspondence between the designee of the Board acting under the Board's instructions, and the person or persons involved.
- (c)(1) An investigation shall not be deferred or suspended without the approval of the Board even though the person being investigated is made a party to civil litigation or is prosecuted in a criminal action, notwithstanding that either of such proceedings involves the subject matter of the investigation. The prosecution of an accused in such criminal proceedings shall not be a bar to disciplinary proceedings, nor shall the finding, judgment or decree of any court in such civil proceedings to which the Board is not a part be binding on the Board.
(2) The Board may defer an investigation of a case in which the accountant is a party to litigation, civil or criminal, provided that the accountant executes an agreement in a form acceptable to the Board providing that the terms of any settlement and the product of discovery generated during the litigation shall be produced upon request by the Board.
- (d) The Board may conduct any investigation by a staff person and/or may designate investigating officer(s) to conduct investigations who shall be competent by reason of training or experience.
- (e) No person being investigated has a right to be present or to be heard during the investigation, but before any finding is recommended such person being investigated shall be advised of the nature of the conduct which is being investigated and he shall be given an opportunity to make a statement personally or by counsel, verbally or in writing, sworn or unsworn, explaining, refuting or admitting the alleged misconduct which shall be considered by the Compliance Committee in making any finding and recommendation to the Board as to the disposition of the investigation.
- (f) Upon completion of an investigation, the chair of the Compliance Committee shall present a summary of the result of the investigation and recommendation that the Board make a finding of probable cause to order a hearing or other action on alleged violations of the Act, Code of Professional Conduct, or these Rules or no probable cause of such a violation.

11.2 COMPLIANCE COMMITTEE RECOMMENDATION

- (a) The Board shall consider the recommendation by the Compliance Committee and may find
- (1) probable cause,
 - (2) no probable cause or
 - (3) instruct the investigating officer(s) to further investigate the matter.
- (b) A finding of no probable cause by the Board shall be final and after such finding no further proceedings shall be had in the matter by the Board unless new or

additional evidence not available or made known to the Board at the time of the finding is thereafter brought to the attention of the Board. The Board shall promptly notify the person being investigated and any complaining party of the Board's finding of no probable cause.

_____ (c) If the Board finds probable cause it may direct that one or more of the following actions may be taken:

- (1) ~~that~~ disciplinary action against a licensee be initiated under these rules by the filing of a complaint setting forth the particular act or acts of conduct for which the person is sought to be disciplined,
- (2) ~~that~~ an action be ~~instituted pursuant to A.C.A. § 17-12-104 or § 17-12-105~~ referred to the prosecuting attorney of the appropriate jurisdiction for possible action, or
- (3) ~~that~~ other appropriate action be taken.

(d) Pleadings and motions shall be filed ~~in triplicate~~ with the Board. When a complaint is filed, it shall be given a docket number and the answer and motions thereafter filed in the case shall refer to such docket number.

- (1) ~~At the time the complaint is filed~~ If the board determines that a hearing is necessary, a copy ~~thereof of the Notice of Hearing~~ shall be mailed, under the direction of the Board, by registered mail or certified mail, return receipt requested, to the respondent at his address as shown upon the records of the Board, ~~and with such copy of the complaint there shall be transmitted a notice that a hearing thereon will be held at a time and place to be specified, not less than thirty days after the mailing of such notice. The Notice of Hearing must specify the time and location at which the hearing will be held. Hearings may not be held less than thirty days after the mailing of such notice.~~ The notice of hearing shall state the legal authority and jurisdiction under which the hearing is to be held.

- (2) All pleadings, motions and orders filed in the case, except applications for witness subpoenas, shall be served on each party. Services shall be made by delivery of a copy of the document to be served to the party or his attorney or by mailing it to him at his last known address. Delivery of a copy within this rule shall mean: handing it to the attorney or to the party or, leaving it at his office with his secretary or other person in charge thereof, or, if there is no one in charge, leaving it in a conspicuous place therein. Or, if the office is closed or the person to be served has no office, leaving it at his usual place of abode with some person of his family above fifteen (15) years of age and informing such person of the contents thereof. Service by mail shall be deemed complete upon mailing. When an attorney makes the service, a certificate of service conforming to that required by the Arkansas Rules of Civil Procedure shall be taken as prima facie proof of such service in compliance with these rules.

(e) Respondent shall answer the complaint, incorporating all defenses and admitting, denying or stating he is without knowledge of ~~such each~~ allegation of the _____ complaint, ~~and as~~ a part thereof, respondent may challenge the sufficiency of the complaint and the jurisdiction of the Board. No defenses are to be raised by motion. The answer must be filed within twenty (20) days after receipt of a copy of the complaint by him, unless the time for filing pleadings is extended by the president or secretary of the Board. Upon the failure of the respondent to file a timely answer or to appear at the scheduled hearing, the Board may proceed to hear evidence against him and may

enter such order as shall be justified by the evidence, provided, however, that within thirty days from the date of any order, upon a showing of good cause for failure to respond, the Board may reopen said proceedings.

(f) Licensee subject to a hearing has a right to information pursuant to A.C.A. § 25-15-208 (a)(3).

(g) Hearings upon motions may be deferred until the final hearing and whenever held, rulings thereon may be reserved until conclusion of the final hearing.

11.3 COMPUTATION OF TIME

(a) In computing any period of time prescribed or allowed by these rules, the day of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday or legal holiday in which event the period shall run until the end of the next day which is neither Saturday, Sunday nor legal holiday. When the period of time prescribed or allowed is less than seven (7) days, intermediate Saturdays, Sundays and legal holidays shall be excluded in the computation.

(b) When a party has the right or is required to do some act or take some proceeding within a prescribed period after the service of a notice or other paper upon him and the notice or paper is served upon him by mail, three (3) days shall be added to the prescribed period.

11.4 SUBPOENAS

(a) Subpoenas for the attendance of the witnesses and for the production of documents at depositions and hearings shall be issued by the Board upon its own initiative or the written application of any party. The application shall state the name and address of the witness for whom the subpoena is to be issued, the party on whose behalf the witness is expected to testify, the time and place for the witness to appear, and designated books, papers, documents or tangible things, if any, to be produced.

(b) Subpoenas shall be served as required by Rule 45, Arkansas Rules of Civil Procedure, and the party at whose instance the subpoena is issued shall be responsible for obtaining service of the subpoena.

(c) Witness fees, expenses and mileage, if requested by the witness, shall be paid by the party at whose instance the witness is summoned and shall be the same as prescribed by Rule 45, Arkansas Rules of Civil Procedure.

11.5 HEARINGS BEFORE THE BOARD

(a) If the hearing on the complaint, including the taking of testimony, is to be conducted by the Board, its presiding officer, other member thereof, or designated hearing officer, the Board, the presiding officer, other member, or designated hearing officer shall have the authority to:

- (1) Administer oaths and affirmations,
- (2) Rule upon offers of proof and receive relevant evidence,
- (3) Regulate the course of the hearing,
- (4) Hold conferences for the settlement or simplification of issues by consent of the parties,
- (5) Dispose of procedural requests or similar matters.

However, the Board shall determine any issue that would dispose of the matter without a determination on the substance of the matters at issue.

(b) The Board, at the conclusion of the final hearing or within a reasonable time thereafter, shall make findings of fact and conclusions of law as to each item of misconduct with which the respondent is charged and enter an order stating the effective date and providing for the appropriate disciplinary action and recovery of the costs of the proceedings and investigations pursuant to A.C.A. § 17-12-602.

(c) The Board shall promptly notify the respondent and any complaining party of its findings and order.

11.6 HEARINGS BEFORE A HEARING EXAMINER OR MEMBER OF THE BOARD

(a) In the alternative, the Board may appoint a hearing examiner or member of the Board, who may conduct hearings in the absence of the Board and shall have the authority to:

- (1) Administer oaths and affirmations,
- (2) Rule upon offers of proof and receive relevant evidence,
- (3) Regulate the course of the hearing,
- (4) Hold conferences for the settlement or simplification of issues by consent of the parties,
- (5) Dispose of procedural requests or similar matters.

(b) In the event the respondent challenges the sufficiency of the complaint or the jurisdiction of the Board a recommended ruling in favor of the respondent shall be referred to the Board for decision. A recommended finding against the respondent shall be included in the report.

(c) Within thirty (30) days after the conclusion of the final hearing before the hearing examiner or member of the Board, or within such extended period of time as may be allowed by the Board for good cause shown, the hearing examiner or member of the Board shall make a report to the Board which shall include

- (1) Recommended findings of fact and conclusions of law as to each item of misconduct with which the respondent is charged,
- (2) Recommendations as to whether or not the respondent should be found guilty of misconduct justifying disciplinary measures;
- (3) Recommendations as to the disciplinary measures to be applied, if any, and
- (4) A recommended form of order.

(d) A copy of the hearing examiner's or member of the Board's report shall be served upon the respondent.

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

(a) Within ten (10) days after the hearing examiner or member of the Board files his report with the Board or within such extended time as may be allowed by the Board. The record of the proceedings, including the transcript of all the testimony and exhibits, shall be filed with the Board.

(b) Within thirty (30) days after the hearing examiner or member of the Board files his report, or within such extended time as may be allowed by the Board for good cause shown, the respondent may file with the Board exceptions to the hearing examiner's or member of the Board's report and may file a brief in support of such

exceptions. If the respondent files a brief, the counsel prosecuting the case may, within twenty (20) days after the respondent's brief if filed with the Board or within such extended time as may be allowed by the Board for good cause shown, file a brief in reply. The parties shall file six (6) copies of the brief with the Board and shall serve one (1) copy upon the opposing party or his counsel.

(c) The Board shall notify the respondent of the time and place of its meeting, at least ten (10) days in advance thereof, at which time it will review the hearing examiner's or member of the Board's report. The respondent or his counsel may attend and present oral argument in support of any exceptions filed under subparagraph (b) of this rule. If the respondent or his counsel presents such oral argument, the counsel prosecuting the complaint may present oral argument in reply. Each side will be allowed a stated amount of time designated by the Board for argument.

(d) The Board, after review of the record and the hearing examiner's report, and considering the briefs and oral argument, if any, shall within a reasonable time make findings of fact as to each item of misconduct with which the respondent is charged, conclusions of law and enter an order stating the effective date and the disciplinary action pursuant to A.C.A. § 17-12-602 et seq. or exonerating the respondent.

11.8 DISPOSITION OF PROCEDURAL REQUESTS

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

11.9 EVIDENCE

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

11.10 RECORD OF PROCEEDINGS

(a) An accurate record of the testimony, evidence and all proceedings made before a hearing examiner, a member of the Board or before the Board shall be reported, transcribed, indexed and bound by a court reporter supplied by the Board. Any party may contract with the court reporter for a transcript of the proceedings.

(b) In the event that judicial review is sought of any Board action taken pursuant to these rules, the Board shall prepare or have prepared a certified transcript of record, including all pleadings, motions, or other requests, certified transcripts of all proceedings, evidence, the hearing examiner's or member of the Board's report and exceptions here to and the Board's finding of fact and order, or so much of the foregoing as is essential, and submit the same to the reviewing court.

(c) The party or parties seeking judicial review of an order rendered by the Board may apply to the Board for a stay of that order. The stay may be granted upon such conditions as shall be reasonable, and the order granting a stay shall specify the conditions upon which the stay is granted.

11.11 PUBLICATION OF DISCIPLINARY/ADMINISTRATIVE SANCTIONS

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

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RULE 12 FEES

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

CPA EXAMINATION:

* Application Fees – First-Time and Section Fees (non-refundable and non-transferable):

First-time application fee	\$50
Applying for one section	\$75
Applying for two sections.....	\$90
Applying for three sections	\$105
Applying for four sections	\$120

* Other Costs:

Fees for the NASBA, AICPA, and Test Delivery Provider are also collected by the Board and held for the candidate for transfer to these entities. These entities set fees separate from the Board. The Board will display such fees on the examination application.

APPLICATION FEES (non refundable):

CPA/PA License.....	\$50
Reciprocal License.....	\$50
Registration as a Public Accountant	\$50
Firm Registration of Partnership, Limited Liability Company or Corporation Composed of CPAs.....	\$110
Firm Registration of Partnership, Limited Liability Company or Corporation Composed of PAs	\$110
Firm Registration of Sole Proprietor, Partnership, Limited Liability Company or Corporation Composed of CPAs required to register under Substantial Equivalency	\$110
Reinstatement	\$150
Duplicate or replacement certificate.....	\$ 40
Transfer of Credits From Another Jurisdiction:	
Transfer Fee for Each Part	\$10

ANNUAL REGISTRATION FEES

License to Practice.....	\$110
Inactive License Status.....	\$55
Inactive/Retired.....	\$30

Firm Registration: Partnership, Corporations and Limited Liability Company.....	\$110
Firm Registration of Sole Proprietor, Partnership, Limited Liability Company or Corporation Composed of CPAs required to register under Substantial Equivalency	\$110
Registration of each firm office in excess of one office.....	\$ 25
Late Fee - License to Practice/Firms.....per month	\$ 25
Late Fee - Inactive License Status.....per month	\$10

QUALITY REVIEW

Fee for First Report.....\$100

Fee for each additional type of report submitted.....\$50

Fees are due at the time reports are submitted for review in response to QR Survey.

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Rule 13 CONTINUING EDUCATION

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

13.1 DEFINITIONS THAT ARE APPLICABLE TO RULE 13:

(a) Continuing Professional education (CPE): An integral part of lifelong learning required to provide competent professional accounting service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence.

(b) Group Program: An educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants either in a classroom setting or using the Internet (non-interactive Internet courses will not qualify in this area).

(c) Independent Study: An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor (all independent study must be approved in advance by the Arkansas State Board of Public Accountancy).

(d) Self-study Program: An educational process designed to permit a participant to learn a given subject without major involvement of an instructor. Self-study _____ programs use a word count formula or a pilot test (a sampling of at least three individuals) to measure the average completion time from which the recommended CPE credit is determined.

(e) Authorship: An education process designed to permit a participant to increase professional competence through research and writing articles, books or CPE programs. For the writer to receive CPE credit, the article, book, or CPE program must be in the subject areas specified in Rule 13.2(a)(1) and formally accepted in writing for publication.

13.2 BASIC REQUIREMENTS

(a) An applicant for renewal of a license must have completed acceptable continuing education, except as otherwise provided in Section 13.2(b), in the amount of 120 hours within 36 months or 40 hours within 12 months immediately preceding January 1 of the year for which the license is renewed, and further provided that:

(1) All license holders shall complete at least 6050% of the required hours in the _____ subject areas of accounting, accounting ethics, ~~accounting ethics~~, attest, or taxation, ~~computer science~~ (see rule 13.3 h) or management advisory services.

(2) License holders engaged in any attest or compilation function shall complete at least 20% of the required hours in the subject areas of attest and accounting theory/practice.

(3) All license holders must complete at least 4 hours of CPE in the area of accounting professional conduct and ethics during the 36-months immediately preceding the expiration date of their current license. Licensees who received their initial license during the current calendar year are exempt from the ethics requirement until their first full calendar year of licensure. January 1, 2005. Beginning January 1, 2005, any 36-month reporting cycle must contain at least 4

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~~hours of CPE in the area of accounting professional conduct and ethics.~~

~~(4) Licensees who are in their first calendar year of licensure must obtain CPE hours pro rated based on the date of initial licensure.~~

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(b) The Board may make exceptions for reasons of individual hardship including, but not limited to, health, military service, foreign residency, or other good cause. No exception shall be made solely because of age or retirement.

(c) Responsibility for documenting the acceptability of the continuing education requirement rests with the applicant, who must retain such documentation for a period of five (5) years following the end of the year of completion of the continuing education hours.

13.3 PROGRAMS WHICH QUALIFY

(a) A program qualifies as acceptable continuing education if it is a formal program of learning which contributes directly to the professional competence of an individual licensed to practice as a public accountant. The responsibility for substantiating that a particular program meets the requirements of this paragraph rests solely upon the licensee.

- (b) Continuing education programs requiring attendance will qualify only if
- (1) An outline of the program is prepared in advance and preserved.
 - (2) The program is at least one hour (fifty-minute period) in length, excluding meal time and business session. Credit shall be based on contact hours. A 50-minute period will be considered as being equal to one hour. One-half CPE credit hours (equal to 25 minutes) are permitted after the first hour has been earned in a given program. Hours devoted to preparation by the participant shall not be counted as a contact hour.
 - (3) The program is conducted by a qualified instructor. A qualified instructor or discussion leader is anyone whose background, training, education or experience makes it appropriate for her/him to lead a discussion on the subject matter of the particular program. A lecturer or discussion leader shall be afforded CPE credit for preparation and presentation of a program for twice the number of CPE hours applicable for participants to the extent that the program contributes to the professional accounting competence of the applicant. Such credit does not pertain to the teaching of academic courses or other CPE courses that do not meet the criteria of Rule 13.3(a). Repetition of the same course material in the same year will not be allowable for credit as continuing education.
 - (4) A record of registration or attendance is maintained.
 - (5) The sponsor of the program is either approved registered or exempt from registration pursuant to the provisions of Rule 13.4.

(c) The following programs are examples deemed to qualify, provided Subsection 13.3(a) and (b) are met:

- (1) Programs or seminars sponsored by accredited higher educational institutions [see Rule 13.4(f)(2)], government agencies, NASBA, professional organizations of Certified Public Accountants and Public Accountants, firms of Certified Public Accountants and Public Accountants, and industrial firms that meet the guidelines of Rule 13.3(b).
- (2) Technical sessions at meetings of recognized national and state accounting organizations and their chapters.
- (3) University or college courses offered by accredited institutions [see Rule

13.4(f)(2)] through classroom, correspondence, or distance learning. Courses taught must be upper level college courses and may only be used for CPE one time in a three year period.

Credit courses. Each semester hour credit shall equal 15 hours towards the requirement. A quarter hour credit shall equal 10 hours.

Non-credit short courses. Credit is computed by contact hours.

(d) Individual study programs, distance learning, independent study and self study for which evidence of satisfactory completion is issued by the provider organization prior to January 1 of the year for which the licensee is being renewed may qualify. The Board shall accept the hours of continuing education credit recommended by the provider organization (subject to the constraints of Rule 13.3(b)(2)). NASBA's Quality Assurance Services (QAS) hours will be accepted if the course is QAS registered. Sponsors of such programs, excluding those offered by providers listed in paragraphs (c1), (c2), and (c3) above, must be registered or exempt from registration pursuant to the provisions of Rule 13.4 (see Rule 13.3(f) below).

(e) Articles, books, or CPE programs, as indicated in Rule 13.1(a)(5), may qualify for self-declared CPE credit if the article, book or CPE program contributes to the professional competence of the licensee and has been formally accepted for publication in writing prior to the effective date of the license year (see Rule 13.3(f) below).

(f) Combined credit awarded in paragraphs 13.3(d) and 13.3(e) above shall not exceed 60 percent of the total CPE hours required.

(g) Acceptable continuing education will not include any education leading to completion of the requirements to acquire a CPA certificate. Included in this category is (1) any academic work necessary to qualify to take the CPA Examination [per Board Rule 3.3(b)] and (2) any CPA Review courses or course(s) offered for the specific purpose of preparing to take the CPA Examination.

~~_____~~(h) Computer science courses include those courses related to computing, networks, communications, and the internet; system software; application software involving web browsers, word processing, spreadsheets, database management systems and presentation software. These courses must have a connection to the practice of accounting, auditing, or taxation. Computer science (see Rule 13.2(a)(1) above) does not include tutorials and/or related videos. Computer Science courses may not be used to meet the attest and accounting requirements of Rule 13.2(a)2.

(i) Continuing education programs offered in other jurisdictions that have comparable CPE rules to the Arkansas Board's rules will be accepted. The burden of proof on comparable CPE lies with the licensee.

(j) In the case of an Arkansas reciprocal license, continuing education programs that have been accepted for fulfillment of the CPE credit in the jurisdiction of the original licenses will be accepted.

(k) Specialized knowledge courses are those courses that are related to a concentrated, specialized skill set. This field of study also includes subjects related to specialized industries, such as not-for-profit organizations, health care, or oil and gas. Specialized knowledge courses may not be used to meet the requirements of Rule 13.2(a)1.

(l) Programs in the following subject areas are not acceptable continuing education: spirituality, personal health and/or fitness, sports and recreation, foreign languages and

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cultures and other subjects which will not contribute directly to the professional competence of the licensee.

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13.4 APPROVED SPONSORS

(a) The sponsor of any continuing education program(s), which is not exempt under Rule 13.4(f), must, prior to offering such program(s) register as follows:

(1) Those sponsors offering programs totaling more than 16 credit hours per year, or offering programs more than 5 times per year must register with the National Registry of CPE Sponsors, administered by the National Association of State Boards of Accountancy (NASBA) sponsors of such programs in self-study format may register with NASBA's QAS as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.

(2) Those sponsors offering programs which total 16 credit hours or less per year and offering programs 5 times or less per year must either register with the National Registry of CPE Sponsors administered by NASBA or register with the Board annually using a registration form prescribed by the Board; sponsors of such programs in self-study format may register with NASBA's Quality Assurance Services as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.

(b) The sponsor of any continuing education program registered with NASBA's National Registry of CPE Sponsors or Quality Assurance Service shall comply with the requirements of the Registry. Those sponsors registering with the Board as well as those exempt under Rule 13.4(f) shall keep detailed records of the following:

- (1) The date and location of the program presentation;
- (2) The names of each instructor or discussion leader;
- (3) A list of licensees attending each program presentation, and the license numbers of such attendees; and
- (4) A written outline of the program presentation.

(c) The records required by subparagraph 13.4(b) shall be retained for a period of 5 years after the end of the year of each program presentation.

(d) The sponsor of any continuing education program approved or exempt from registration pursuant to this rule must advise attendees of such approval or exemption, together with the sponsor number, subject code and the number of continuing education hours allowable.

(e) The Board may withdraw approval of any continuing education program if the sponsor of such program fails to comply with the provisions of this Rule.

(f) The following are exempt from registering with the Board and the NASBA Registry of CPE Sponsors:

- (1) Professional accounting and legal organizations such as the American Institute of Certified Public Accountants, the Arkansas Society of Certified Public Accountants, the National Society of Public Accountants, the Arkansas Society of Public Accountants, NASBA, the Institute of Management Accountants, the American Accounting Association, the American Bar Association, the Arkansas Bar Association, and other similar organizations;

- (2) Universities or colleges that are accredited per Rule 3.1;
- (3) Firms, both accounting and industrial, offering organized in-firm education programs which meet the requirements of Rule 13.3(a); and
- (4) Governmental entities.

13.5 CPE REPORTING REQUIREMENTS

(a) Applicants for renewal of a license must submit with their annual registration a representation that the applicant has met the CPE requirement for issuance of a license together with a CPE statement, in a form prescribed by the Board, showing the continuing education programs and hours completed during the twelve months immediately preceding January 1 of the year for which the license is being renewed. The applicant must retain all supporting documentation for the programs and hours for five (5) years following the end of the year of completion.

(b) The CPE statement shall show the following:

- (1) NASBA registration number or an E, if the sponsor is exempt;
- (2) Sponsoring organizations;
- (3) Location of program;
- (4) Title of program or description of content;
- (5) Dates attended and/or completed and submitted;
- (6) Field of Study
- ~~(7)~~ Hours claimed; and
- ~~(8)~~ Other information as designated by the Board.

(c) On an annual basis, the Board will audit the CPE statements of a selected number of licensees, and those licensees will be required to submit support documentation acceptable to the Board as part of the audit process.

13.6 NONCOMPLIANCE AND SANCTIONS

(a) Should a licensee report less than the required number of CPE hours, the licensee shall complete the balance of the CPE hours for the reporting period and provide the Board with appropriate documentation no later than January 31 of the following CPE reporting period. Delinquent CPE hours reported to the Board under Section 13.6 shall first apply to the deficiency and any remaining CPE hours shall be applied to the current CPE reporting period.

(b) Should a licensee fail to timely report CPE hours in conjunction with the renewal application or fail to timely file a report on completion of the balance of the CPE hours as provided in paragraph (a) of this section, the Board shall serve notice of noncompliance upon the licensee. The notice shall state the nature of the noncompliance. The licensee shall, within thirty (30) days of the date of the notice, deliver acceptable documentation to the Board that the licensee has successfully completed the minimum CPE hours to correct the noncompliance.

(c) In addition to the notice of noncompliance described above, the Board may institute a proceeding to impose disciplinary action against a licensee who fails to comply with any provision under Rule 13. The disciplinary action for a licensee who completes the minimum number of CPE hours during the period provided in paragraph (a) of this section shall be a monetary penalty unless the Board determines that other disciplinary action is appropriate. The disciplinary action for a licensee who failed to obtain the minimum CPE hours before the date for correction of the delinquency under paragraph (a) of this section or who completed the minimum CPE hours after notice of noncompliance under paragraph (b) of this

section may be suspension of the license unless the Board determines other disciplinary action to be appropriate.

(d) A licensee who has been suspended pursuant to this section may file a petition for reinstatement which shall state the reasons for noncompliance, that the licensee is presently in compliance, any other material information and that the licensee has not performed any of the services set forth in A.C.A. § 17-12-505 since the suspension under this section. The petitioner may request a hearing and the Board may require additional CPE hours as a condition of reinstatement. Any reinstatement shall be subject to the provisions of Rule 13.9.

13.7 INACTIVE STATUS

(a) A licensee on inactive status shall not perform any of the services set forth in A.C.A. § 17-12-505. If the licensee performs any such services, he shall be subject to discipline by the Board pursuant to A.C.A. § 17-12-602, et seq. or § 17-12-105.

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

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

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

1. Complete a form prescribed by the Board and submit payment of the appropriate fee(s) (initial or upgrade) for active status.
2. Comply with CPE requirements under these rules for the renewal period following reinstatement on a pro rata basis, such hours to be computed at a rate of 3 1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs.
3. Comply with the appropriate condition below:

(A) If inactive for less than three (3) years, the licensee must deliver documentation acceptable to the Board showing completion of forty (40) hours of CPE, qualified pursuant to Rule 13.2, for each consecutive (12) month period the licensee was on inactive status. For any period of less than twelve (12) consecutive months, whether alone or as part of a period exceeding twelve (12) months, the number of CPE hours shall be prorated at the rate of 3 1/3 hours of CPE per month of inactive status.

(B) If inactive for less than (1) year, the licensee will be considered not to have been inactive for CPE reporting purposes.

(C) If inactive for three (3) years or more, the licensee must develop and deliver to the Board a proposed program of CPE as specified in Rule 13.2(a) (to include four hours of accounting professional conduct and ethics). After the Board's approval of the CPE program, the licensee shall complete all of the CPE hours during the 36-month period immediately preceding the date of the licensee's application for active status. The licensee shall attach to said application documentation acceptable to the Board showing successful completion of all of the CPE hours comprising said CPE program.

(D) Applicants who have been inactive for three (3) years or more must have their experience verified by a form approved by the Board from a licensee as

defined in the Act or from another state. This experience must have been earned within the five years preceding the application for active status. If an individual is unable to meet the experience requirement, in lieu of this requirement the licensee may complete 120 hours of CPE in content areas prescribed in Rule 13.2(a)(1).

13.8 ~~INACTIVE/RETIRED~~

~~(a) A licensee who has reached the age of 65 years and does not perform any services set forth in A.C.A. § 17-12-505 may renew his license by payment of the inactive/retired fee identified in Rule 12. In order to convert to a license to practice or to resume the practice of public accountancy, the licensee shall comply with the provisions of Rule 13.7(d). Any Licensee who is no longer employed because of retirement may notify the board of that status. A retired CPA or PA is not required to comply with the continuing professional education requirements set forth in Rule 13 or to make payment of annual license fees. To qualify for this status the CPA or PA must represent in writing to the Board that he or she does not intend to receive in the future any earned compensation for current personal services in any job whatsoever. Retired CPAs or PAs may not perform any services set forth in A.C.A. § 17-12-505, but this status does not preclude volunteer services for which the retired CPA or PA receives no direct or indirect compensation so long as the individual does not sign any documents related to such services as a CPA. If a retired CPA or PA wishes to return to active status he or she must comply with the provisions of Rule 13.7(d).~~

(b) Licensees who have attained the ~~inactive/~~retired status may use the term "retired" adjacent to their CPA title, or PA title in lieu of "inactive" as required in A.C.A. § 17-12-505.

13.9 ACTIVATION OF DELINQUENT, SUSPENDED OR REVOKED LICENSES

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

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Rule 14 QUALITY REVIEW PROGRAM

14.1 There is hereby established a Quality Review Program (the "Program"). The purpose of the Program is to improve the quality of financial reporting and to assure that the public can rely on the fairness of presentation of financial information on which licensees issue reports. The Program emphasizes education and rehabilitation rather than disciplinary action. Appropriate educational programs or procedures will ordinarily be recommended or required where reporting does not comply with appropriate professional standards. However, when a licensee is unwilling or unable to comply with such standards, or a licensee's professional work is so egregious as to warrant disciplinary action, such action may be taken as the appropriate means of protecting the public interest.

14.2 QUALITY REVIEW COMMITTEE

(a) The Quality Review Committee (the Committee) will assist in the implementation and administration of the Program. The Committee's responsibilities will include:

- (1) Developing procedures for the internal operation of the Committee,
- (2) Developing criteria for assignment of reviewers to specific tasks,
- (3) Assisting the Board in the selection and training of reviewers of reports,
- (4) Evaluating the findings of the reviewers of reports and making reports and recommendations to the Board,
- (5) Compiling and reporting to the Board statistics on the impact and effect of the Program, and
- (6) Considering such other matters and performing such other duties regarding the Program as may be assigned to it by the Board from time to time.

(b) The composition of the Committee:

- (1) The Committee shall be comprised of nine licensees appointed by the Board.
- (2) The President shall annually appoint one member of the Board who shall be chair.
- (3) The remaining members shall be selected at the Board's discretion from nominees submitted by professional accounting associations or from other qualified licensees identified by the Board. Their terms shall be three years and shall be staggered.

(c) The qualifications for serving as a member are:

- (1) Licensed by and in good standing with the Board.
- (2) The licensee or firm with which he is associated has completed an acceptable peer review, pursuant to Rule 14.3(d), or has completed the Board's Quality Review, both including a minimum of one category of compilation, review, and/or audit with no substandard report within three years immediately preceding the appointment; and
- (3) The licensee or his firm has no pending investigations or disciplinary matters by the Board.

(d) The chair shall vote only in case of a tie.

14.3 QR SURVEY

Quality Review (QR) is to be conducted annually on one third of the licensees on a rotating basis. QR may be required more frequently as provided herein.

(a) The Board will mail a QR survey to one-third of its licensees annually. The recipient shall return the completed survey form within the time specified and submit reports, for QR purposes, when reports have been issued during the QR period as stated in the instructions in said survey form.

(b) Failure to respond to the QR survey mailed by the Board or to submit reports for QR purposes, when reports were issued during the subject period, shall be a basis for the non-renewal of the license, after notice and hearing, as provided by Ark. Code Ann. § 17-12-507.

(c) In response to the QR survey, the licensee shall submit ~~an~~ the most recently issued audit report, review report, governmental audit report, examination of prospective financial information, agreed upon procedures report, and compilation report with disclosures if any were issued and, if not, a compilation report without disclosures, ~~issued~~ issued by the licensee during the 12 month period identified in the QR surveys since initial licensure by the Board or since June 30th of the year the latest QR survey was completed by the licensee.

(d) Submission to the Board of an acceptable peer review report, performed by a CPA, PA or firm, licensed in this or another state, and the individual CPA or PA is qualified pursuant to the provisions of Rule 14.4-14.5(a)-(e), or 14.11, which is conducted consistent with a peer review program authorized by a professional accounting organization and approved by the Board, dated within the QR period or the twenty-four months immediately preceding the QR period, will exempt the licensee from QR on that type of report. For purposes of this paragraph, acceptable peer review reports shall be those classifications designated by the peer review program that are generally comparable to acceptable and marginal QR reports as defined in Rule 14.8, and which the Board identifies in its approval of the individual peer review program as comparable to acceptable and marginal QR reports.

(e) A firm or licensee registered in a jurisdiction other than Arkansas that is not required to register in this state pursuant to A.C.A. § 17-12-311 or A.C.A. § 17-12-401 and that performs engagements for clients in this state that are performed in accordance with Statements on Standards for Accounting and Review Services (SSARS), such as compilations and review, must receive an acceptable peer review performed by a CPA, PA or firm in lieu of the Quality Review required under Rule 14.3 or must receive an acceptable quality review performed under the rules of the state of licensure.

14.4 QR REVIEWERS

The QR reviewers shall have the following qualifications:

(a) Licensed by and in good standing with the Board,

(b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review both including a minimum of one category of compilation, review, and/or audit with no

substandard report within three years immediately preceding the appointment,

(c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and

(d) Shall have a minimum of 5 years experience in accounting and auditing, including experience in the type of report he will be reviewing.

14.5 TEAM CAPTAINS

Team captains shall have the following qualifications:

(a) Licensed by and in good standing with the Board,

(b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review both including a minimum of one category of compilation, review, and/or audit with no substandard report within three years immediately preceding the appointment,

(c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and

(d) Shall have a minimum of 5 years experience in accounting and auditing, including experience in the type of report he will be reviewing.

(e) Shall have served as a quality reviewer for a minimum of one year, and

(f) Shall be approved by the QR Consultant.

14.6 QR CONSULTANT

The QR consultant shall have the following qualifications:

(a) Licensed by and in good standing with the Board,

(b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review both including a minimum of one category of compilation, review, and/or audit with no substandard report within three years immediately preceding the appointment,

(c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and

(d) Shall have a minimum of 5 years experience in accounting and auditing, including experience in the type of reports he will be reviewing, and

(e) Shall be approved by the Board.

14.7 QR PROCEDURE

The QR process shall include:

(a) Review and classification of the report and a statement of reasons for the classification by an assigned reviewer.

(b) Review of that classification and reasons therefore by the QR team captain who may make appropriate changes after consulting with the assigned reviewer.

(c) Review of that classification and reasons therefore by the Board's QR Consultant who may make appropriate changes after consulting with both the assigned reviewer and team captain.

14.8 QR CLASSIFICATIONS

The QR will result in a determination whether each report is acceptable, marginal, or substandard.

(a) "~~Acceptable~~Pass" means that the report contains no deficiencies or only minor deficiencies.

(b) "~~Marginal~~Pass with Deficiencies" means that the report contains more serious deficiencies, such as departures from the technical reporting or accounting standards set forth in Board Rule 8, but of the type that will not render the statement materially inaccurate or misleading.

(c) "~~Substandard~~Fail" means that the report is materially inaccurate or misleading; such a report violates one or more significant reporting standards, seriously departs from Generally Accepted Accounting Principles, or does not include material disclosures necessary for a fair presentation.

(d) "Deficiency" means a failure to comply with any provision in the Professional Standards identified in Board Rule 8.

14.9 NOTIFICATION AND RESPONSE

(a) The licensee will be notified in writing of the QR classification of each report. Notice of ~~marginal pass with deficiencies~~ and ~~substandard fail~~ reports shall be by certified mail, return receipt requested. No response is necessary for an "~~acceptable~~pass" or "~~marginal~~pass with deficiencies" classification, and QR will be closed. If the licensee who has received a ~~marginal pass with deficiencies~~ classification disagrees, he should notify the Board in writing within 30 days. The notification will instruct the licensee who has received a ~~substandard fail~~ classification to reply to the Board in writing within 30 days.

(b) ~~Marginal~~Pass with deficiencies Classification. If the licensee agrees with the ~~marginal pass with deficiencies~~ classification, no reply is necessary and the QR is complete. However, if the licensee disagrees with the classification, he may, but is not required to file a notice including an explanation of his objection, citations to applicable professional standards, and any relevant documentation supporting his objection to the classification for consideration by QR Consultant. This notice must be written and filed with the Board within 30 days. After reconsideration of the Summary of Deficiencies and Comments, original documents from the licensee, and any supplemental information from the licensee that may have been requested by the QR Team, the QR Consultant will affirm the classification of or reclassify the licensee's report. The licensee will be notified of this result in writing for informational purposes. The QR will be closed and the licensee will remain in the same QR cycle.

(c) ~~Substandard~~Fail Classification.

- (1) First ~~substandard-fail~~ classification.
- (A) Within 30 days the licensee shall respond in writing to the Board's notification of a first ~~substandard-fail~~ classification stating whether he agrees or disagrees with that classification.
- (B) If the licensee agrees with the ~~substandard-fail~~ classification, the Board shall request that the licensee obtain 16 hours of CPE in specific subjects. In the event there is another ~~substandard-fail~~ classification on a different type of report in the same QR cycle, additional CPE may be requested. Said CPE is intended to be educational, for the purpose of improving the quality of the licensee's reports, rather than disciplinary in nature, shall not be self-study, and shall be approved in advance by the Board's Executive Director. The licensee shall complete said CPE hours and deliver acceptable documentation thereof to the Board on or before June 30 of the following year.
- (C) If the licensee disagrees with the ~~substandard-fail~~ classification, he may deliver written notice to the Board within 30 days explaining the objection to the classification, citation to applicable professional standards and any relevant documentation supporting the licensee's objection to the classification. The QR Consultant shall review the Summary of Deficiencies and Comments, original documents from the licensee, and any supplemental information from the licensee that may have been requested by the QR Team, and will affirm the classification of, or reclassify the licensee's report. The licensee will be provided written notice of the QR Consultant's review of the report by certified mail, return receipt requested.
- (D) The licensee can request that the QR Committee review the QR Consultant's reconsideration of the classification of the licensee's report. Said request shall be filed with the Board in writing within 30 days.
- (E) The QR Committee will consider the classification based upon all records considered by the QR Consultant as described by paragraph (b) and determine the appropriate classification for the report. The licensee will be notified of the Committee's classification of the report in writing by certified mail, return receipt requested.
- (F) The licensee can appeal the QR Committee's decision on the classification, and obtain a hearing by the Board by filing a written notice of appeal with the Board within 30 days. The Board shall notify the licensee of the time and place of the hearing and shall consider the classification of the report based solely upon the record considered by the QR Consultant and QR Committee, as per paragraph (b). When the evidence of record that the report is substandard is considered, the Board will consider all relevant facts. Should the facts show convincingly that the report ~~is should be classified as "fail,"-substandard~~, the Board will consider the report ~~as substandard"fail"~~. If the evidence of record is equally balanced, or the Board cannot find that the facts are convincing, the Board shall determine that the report ~~is not substandard~~ ~~should not be classified as "fail."~~. Should the Board find that the report ~~is substandard~~ ~~should be classified as "fail"~~, it may require appropriate action by the licensee that is designed to assure that the licensee's professional services are performed consistent with applicable professional standards as provided under these procedures.
- (G) Following any first ~~substandard-fail~~ classification of the report that becomes final prior to appeal to the Board, the licensee will be requested

to obtain the 16 hours of CPE as stated in paragraph 14.9(c)(1)(B) above. Upon request of the licensee, or should the licensee not agree to obtain CPE described above, fail to complete said CPE, or fail to timely deliver satisfactory documentation thereof to the Board, the Board shall conduct a hearing to determine whether the licensee has failed to comply with the Code of Professional Conduct and the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq. and, if so, the necessary corrective action to be taken to improve the quality of the licensee's reports or to otherwise protect the public interest.

(2) Second consecutive substandard-fail report.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of a second substandard-fail classification stating whether he agrees or disagrees with that classification.

(B) If he agrees with the classification, the licensee will be requested to submit all of the types of reports classified as substandard-fail to a licensee approved by the Board for pre-issuance review pursuant to the Board's current Pre-Issuance Review Procedures that shall be provided to the licensee.

(C) If the licensee disagrees with the substandard-fail classification, he will be instructed to file notice including an explanation of his objection to the classification, citation to applicable professional standards, and any relevant documentation supporting his position for reconsideration by QR Consultant. The provisions set forth in subparagraph 14.9(c)(1)(D-G) for reconsideration by the QR Consultant, for review by the QR Committee and appeal to the Board are also applicable to second consecutive substandard-fail reports.

(D) Upon appeal, should the Board find that the report should be classified as fail, is-substandard, it may require that the licensee take action deemed appropriate by the Board to assure the licensee's professional services are performed consistent with applicable professional standards or to otherwise protect the public interest.

(E) If at any stage of the QR procedure in this subparagraph 14.9(c)(2) pertaining to second consecutive substandard-fail reports, the licensee fails to respond to the notice of the classification of the report as substandard-fail in the original review or upon reconsideration by the QR Consultant or review by the QR Committee, the Board will determine whether to schedule a hearing to find whether the licensee's report is substandard-should be classified as fail and whether the Board shall require the licensee to obtain pre-issuance review and subsequent QR pursuant to the Board's current Pre-Issuance Review Procedures or take other action appropriate to protect the public interest.

(3) Third consecutive substandard-fail report.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of third substandard-fail classification stating whether he agrees or disagrees with that classification.

(B) If the licensee agrees with the classification, the Board will determine whether to conduct a hearing to consider whether the licensee's report violates the Board's Code of Professional Conduct and the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq.

(C) If the licensee disagrees with the substandard-fail classification, he will be instructed to file notice including an explanation of the objection to the classification, citation to applicable professional standards and any

relevant documentation supporting his position for consideration by QR Consultant.

(D) The procedure set forth in subparagraph 14.9(c)(1)(D-G) for reconsideration by the QR Consultant, for review by the QR Committee and appeal to the Board are also applicable to third consecutive substandard-fail reports.

(E) Upon appeal, should the Board find that the report is in violation of the Code of Professional Conduct or the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq., it may take appropriate action to protect the public interest.

(F) If at any stage of the QR procedure in this paragraph 14.9(c)(3), the licensee fails to respond to the notice of the classification of the report as substandard-fail in the original review or upon review by the QR Consultant or review by the QR Committee, the Board will determine whether to schedule a hearing to determine whether the licensee has violated the Board's Code of Professional Conduct or the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq., and the appropriate action to be taken as a result of the violations found.

(G) Consent orders. At any stage in the QR process, when a licensee will agree not to perform any further reports that have been classified as substandard-fail or to other appropriate action to protect the public interest, the Board may resolve the controversy by an appropriate Consent Order.

14.10 PRE-ISSUANCE REVIEW PROCEDURES

(a) Pre-Issuance Reviewer (Reviewer) shall be a CPA or PA currently holding an Arkansas license to practice public accountancy, who has undergone quality or peer review within the past 3 years with reports thereon determined to be acceptable pursuant to Rule 14.3(d), and approved by the Board prior to performing pre-issuance reviews for the subject Accountant (Respondent). Prior to performing any pre-issuance review services, the Reviewer shall deliver a written confirmation to the Board to provide pre-issuance review of each financial statement or related attestation report (cumulatively "Report") prepared by the subject respondent for the period of the engagement. The Respondent whose Reports are being reviewed shall be solely responsible for any expense for the pre-issuance review.

(b) Reviewer shall review, prior to release to Respondent's client, each Report as identified above to determine compliance with professional standards identified in Board Rule 8 or otherwise applicable to the particular type of Report and shall authorize the release of a Report only after making a written determination that the Report complies with said standards. In the event a submitted Report does not comply with said standards, the reviewer shall provide written comments or instructions for the Respondent to revise the Report in compliance with applicable professional standards.

(c) Reviewer shall maintain a pre-issuance review file on each Report review performed. The file shall contain each original Report submitted to reviewer, the reviewer's written comments or instructions in any form regarding necessary revisions for the Report to comply with professional standards, any revised Report(s) and the Report approved for release to the client. Reports reviewed and found acceptable with no change shall be clearly noted on the file Report, "Accepted-No Change Required".

(d) Reviewer shall maintain the pre-issuance review files for a minimum of five years

after each pre-issuance review engagement is completed and shall make said records available to the Board upon request.

(e) Reviewer shall submit a written report to the Arkansas Board of Public Accountancy every ninety (90) days following the date of the Reviewer's confirmation to the Board. The report shall contain a summary of the number and type of Reports reviewed, number of Reports with no change required, and number of Reports requiring amendment. For Reports requiring change, a copy of each original Report submitted by Licensee, Reviewer notations, and/or comment sheet(s) and the revised and approved Report(s) must accompany the report.

(f) Reviewer may recommend in writing with accompanying supporting documentation that the Respondent be released from continuing pre-issuance review. Should the Board determine that the Respondent appears to have demonstrated an ability to issue Reports in compliance with applicable professional standards without the necessity of continuing pre-issuance review, it shall terminate the pre-issuance review, but may require the Respondent to participate in annual quality review for a specific or indefinite term.

14.11 PEER REVIEWER STANDARDS

(a) In order to qualify to perform peer review for the exemption from Quality Review requirements of 14.3, an individual licensee must have the applicable qualifications for reviewers set forth in Rules 14.4, or supervisors set forth in Rules 14.5, except 14.5(f) for team captains.

(b) An individual peer reviewer not licensed or registered in Arkansas under Ark. Code Ann. § 17-12-301 et seq., shall meet the requirements set forth in Ark. Code Ann. § 17-12-311.

Rule 15 SAFE HARBOR LANGUAGE

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

15.2 Non-licensees must use the following disclaimer language in reports issued in connection with compiled financial statements to not be in violation of the Act:
 I (we) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners).
 I (we) have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.
 I (we) am (are) not licensed by the Arkansas State Board of Public Accountancy. In addition, the following language must appear on each page of the financials that contain the non-licensee's name: "*See accompanying report*".

15.3 A.C.A § 17-12-106(i) prohibits unlicensed firms or individuals from holding out to the public as an "accountant" or "auditor" by use of either or both of such words on any sign, card, electronic transmission, or letterhead or in any advertisement or directory without indicating thereon or therein that the person or firm does not hold such a license. Non licensees using the terms above must include the following statement within any signage, document or letterhead, advertisement, or electronic transmission:

"Not licensed by the Arkansas State Board of Public Accountancy"

This statement must not be abbreviated and must appear in legible fashion so that the public could reasonably be expected to be able to read and understand the statement.

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Rule 16 EXPERIENCE REQUIRED

The experience required to be demonstrated for issuance of an initial certificate pursuant to A.C.A. § 17-12-309 shall meet the requirements of this rule:

(a) Experience shall include providing any type of services or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills.

(b) The applicant shall have their experience verified ~~to, and on a form approved by,~~ the Board by a licensee as defined in the Act or from another state. Acceptable experience shall include employment in industry, government, academia or public practice. The Board shall look at such factors as the complexity and diversity of the work.

(c) One year of experience shall consist of full or part-time employment that ~~e~~Extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in (a) above. The one year of experience gained must have occurred within the 3 years preceeding the date of licensure application. Applicants may appeal to the board for an extension of time in cases of extreme medical or other hardships.

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Rule 17 **INVESTIGATION COSTS**

In the event any licensee is found to be in violation of any statute over which the Board has jurisdiction or of any Board Rule, the Board may order the licensee to reimburse the Board for any or all of the costs the Board reasonably incurred in investigating the violation or violations. Such costs may include, but are not limited to, the following:

- a) Reasonable travel expenses of Board staff or third parties engaged by the Board for investigative purposes;
- b) Costs associated with securing testimony from an expert witness or expert witnesses; and
- c) Other professional services secured by the Board or its staff in the course of investigating the violation or violations.