North Carolina State Board of Certified Public Accountant Examiners
1101 Oberlin Rd., Ste. 104 • PO Box 287 • Raleigh, NC 27605 • (919) 733-4222 • Fax (919) 733-4209 • www.nccpaboard.gov

Rules Effective February 1, 2016

On October 22, 2015, the North Carolina State Board of CPA Examiners conducted a rule-making hearing to:

- adopt the rules cited as 21 NCAC 08N .0301 and .0410;
- readopt with substantive changes the rules cited as 21 NCAC 08A .0301; 08F .0103; 08M .0106; 08N .0208, .0209, .0211, .0214, .0215, .0302, .0304, .0307, .0308, .0401, .0403-.0406, .0409, and
- readopt without substantive changes the rules cited as 21 NCAC 08A .0307-.0309; 08B .0508; 08F .0105, .0111, .0302, .0401, .0410, .0502; 08G .0401 .0403 .0404, .0406, .0410; 08I .0104; 08J .0101, .0105, .0107, .0111; 08M .0105; 08N .0101-.0103, .0201-.0207, .0212, .0213, .0301, .0303, .0305, .0306, .0402, and .0408.

On January 21, 2016, the Rules Review Commission (RRC) of the North Carolina Office of Administrative Hearings (OAH) approved the changes with **an effective date of February 1, 2016**.

For the purposes of rule-making, the following definitions apply:

- Adoption - adopt the national industry standards and international standards respectively for Personal Financial Planning Services and International Standards on Auditing.
- Readoption with Substantive Changes – readopt these rules pursuant to the existing rules review process as outlined in NCGS 150B-21.3A. The changes in these rules include new and updated definitions; correcting word usage; correcting formatting issues; conforming with the Uniform Accountancy Act; and conforming with statute changes.
- Readoption without Substantive Changes – readopt these rules pursuant to the existing rules review process as outlined in NCGS 150B-21.3A. The changes in these rules include correcting word usage, formatting issues, and making no changes to eight rules in this group.

The following pages show the changes made to the rules. Pursuant to 26 NCAC 02C .0405, deleted portions of a rule are identified by striking through [~~example~~] the affected text and added portions of a rule are identified by underlining [example] the text. In some cases, a highlight [example] has been added to indicate changes made to the text after the rules were published in the *North Carolina Register, Vol. 30-07*.

When the Board receives a final "clean" copy of the rules, those will be incorporated into the rules as published on the Board's website, www.nccpaboard.gov.

If you have questions about the rules or the rule-making process, please contact the Board's Executive Director, Robert N. Brooks, by email at rbrooks@nccpaboard.gov.

21 NCAC 08A .0301 is readopted with changes as published in 30:07 NCR 741 as follows:

21 NCAC 08A .0301 DEFINITIONS

(a) The definitions set out in G.S. 93-1(a) apply when those defined terms are used in this Chapter.

(b) In addition to the definitions set out in G.S. 93-1(a), ~~other definitions in this Section, and~~ the following definitions apply when these terms are used in this Chapter:

(1) "Active," when used to refer to the status of a person, describes a person who possesses a North Carolina certificate of qualification and who has not otherwise been granted "Inactive" status;

(2) ~~"Agreed-upon procedures"~~ "Agreed-upon procedures" means a professional service whereby a CPA is engaged to issue a report of findings based on specific procedures performed on ~~financial information prepared by a party;~~ identified subject matter;

(3) "AICPA" means the American Institute of Certified Public Accountants;

(4) "Applicant" means a person who has applied to take the CPA examination or applied for a certificate of qualification;

(5) ~~"Attest service or assurance service" means:~~ "Attest service" means a professional service whereby a CPA in the practice of public accounting is engaged to issue or does issue:

(A) any audit or engagement to be performed in accordance with the Statements on Auditing Standards, Statements on Generally Accepted Governmental Auditing Standards, Public Company Accounting Oversight Board Auditing ~~Standards;~~ Standards, and International Standards on Auditing;

(B) any review or engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services;

(C) any compilation or engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services; or

(D) any ~~agreed-upon procedure or~~ engagement to be performed in accordance with the Statements on Standards for Attestation Engagements;

(6) "Audit" means a professional service whereby a CPA is engaged to examine financial statements, items, accounts, or elements of a financial statement prepared by management, in order to express an opinion on whether the financial statements, items, accounts, or elements of a financial statement are presented in conformity with ~~generally accepted accounting principles or other comprehensive basis of accounting;~~ an applicable reporting framework, that enhances the degree of confidence that intended users can place on the financial statements, items, accounts, or elements of a financial statement;

(7) "Calendar year" means the 12 months beginning January 1 and ending December 31;

(8) "Candidate" means a person whose application to take the CPA examination has been accepted by the Board and who may sit for the CPA examination;

(9) "Client" means a person or an entity who orally or in writing agrees with a licensee to receive any professional services performed or ~~delivered in this State;~~ delivered;

(10) "Commission" means compensation, except a referral fee, for recommending or referring any product or service to be supplied by another person;

(11) "Compilation" means a professional service whereby a CPA is engaged to present, in the form of financial statements, information that is the representation of management without undertaking to express any assurance on the statements;

(12) "Contingent fee" means a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service;

(13) "CPA" means certified public accountant;

(14) "CPA firm" means a sole proprietorship, a partnership, a professional corporation, a professional limited liability company, or a registered limited liability partnership that uses "certified public accountant(s)" or "CPA(s)" in or with its name or offers to or renders any attest services in the public practice of accountancy;

(15) "CPE" means continuing professional education;

(16) "Disciplinary action" means revocation or suspension of, or refusal to grant a certificate, or the imposition of a reprimand, probation, constructive comment, or any other penalty or condition;

(17) "FASB" means the Financial Accounting Standards Board;

~~(18) "Forecast" means prospective financial statements that present, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions the entity expects to exist and the course of action the entity expects to take;~~

(18) "Firm network" means an association of entities that includes one or more firms that cooperate for the purpose of enhancing the firms' capabilities to provide professional services and share one or more of the following characteristics:

(A) [~~The~~] the use of a common brand name, including initials, as part of the firm name;

(B) [~~Common~~] common control among the firms through ownership, management, or other means;

(C) [~~Profits~~] profits or costs, excluding costs of operating the association; costs of developing audit methodologies, manuals, and training courses; and other costs that are immaterial to the firm;

(D) [~~Common~~] common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are accountable for performance pursuant to that strategy;

(E) [~~Significant~~] significant part of professional resources; or

(F) [~~Common~~] common quality control policies and procedures that firms are required to implement and that are monitored by the association;

(19) "GASB" means the Governmental Accounting Standards Board;

(20) "Inactive," when used to refer to the status of a person, describes a person who has requested inactive status and has been approved by the Board and who does not use the title "certified public ~~accountant",~~ accountant," nor does he or she allow anyone to refer to him or her as a "certified public accountant," and neither he nor she nor anyone else refers to him or her in any representation as described in Rule .0308(b) of this Section;

(21) "IRS" means the Internal Revenue Service;

(22) "Jurisdiction" means any state or territory of the United States or the District of Columbia;

(23) "License year" means the 12 months beginning July 1 and ending June 30;

(24) "Member of a CPA firm" means any CPA who has an equity ownership interest in a CPA firm;

(25) "NASBA" means the National Association of State Boards of Accountancy;

(26) "NCACPA" means the North Carolina Association of Certified Public Accountants;

(27) "North Carolina office" means any office physically located in North Carolina;

(28) "Person" means any natural person, corporation, partnership, professional limited liability company, registered limited liability partnership, unincorporated association, or other entity;

(29) "Professional" means arising out of or related to the particular knowledge or skills associated with CPAs;

~~(30) "Projection" means prospective financial statements that present, to the best of the responsible party's knowledge and belief, given one or more hypothetical assumptions, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflection conditions it expects would exist and the course of action it expects would be taken given such hypothetical assumptions;~~

~~(31)~~(30) "Referral fee" means compensation for recommending or referring any service of a CPA to any person;

~~(32)~~(31) "Revenue Department" means the North Carolina Department of Revenue;

~~(33)~~(32) "Review" means a professional service whereby a CPA is engaged to perform procedures, limited to analytical procedures and inquiries, to obtain a reasonable basis for expressing limited assurance on whether any material modifications should be made to the financial statements for them to be in conformity with generally accepted accounting principles or other comprehensive basis of accounting;

~~(34)~~(33) "Reviewer" means a member of a review team including the review team captain;

~~(35)~~(34) "Suspension" means a revocation of a certificate for a specified period of time. A CPA may be reinstated after a specific period of time if the CPA has met all conditions imposed by the Board at the time of suspension;

~~(36)~~(35) "Trade name" means a name used to designate a business enterprise;

~~(37)~~(36) "Work papers" mean the CPA's records of the procedures applied, the tests performed, the information obtained, and the conclusions reached in attest services, tax services, consulting services, special report services, or other engagements. Work papers include programs used to perform professional services, analyses, memoranda, letters of confirmation and representation, checklists, copies or abstracts of company documents, and schedules of commentaries prepared or obtained by the CPA. The forms include handwritten, typed, printed, word processed, photocopied, photographed, and computerized data, or in any other form of letters, words, pictures, sounds or symbols; and

~~(38)~~(37) "Work product" means the end result of the engagement for the client ~~which~~ that may include a tax return, attest or assurance report, consulting report, and financial plan. The forms include handwritten, typed, printed, word processed, photocopied, photographed, and computerized data, or in any other form of letters, words, pictures, sounds, or symbols.

(c) Any requirement to comply by a specific date to the Board that falls on a weekend or federal holiday shall be received as in compliance if postmarked by U.S. Postal Service cancellation by that date, if received by a private delivery service by that date, or received in the Board office on the next business day.

History Note: *Authority G.S. 93-1; 93-12; 93-12(3);*
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. January 1, 2014; February 1, 2011; January 1, 2006; January 1, 2004; April 1, 1999; August 1, 1998; February 1, 1996; April 1, 1994; September 1, 1992;
Readoption Eff. February 1, 2016.

21 NCAC 08A .0307 is readopted with changes as published in 30:07 NCR 743 as follows:

21 NCAC 08A .0307 PUBLIC PRACTICE OF ACCOUNTANCY OR ACCOUNTING

(a) A person is engaged in the "public practice of accountancy" who:

(1) holds himself or herself out to the public as a certified public accountant or an accountant; and

(2) in consideration of compensation received or to be received, offers to perform or does perform for other persons services ~~which~~ that involve:

(A) preparing, ~~auditing~~ auditing, or verifying financial transactions, books, accounts, or ~~records,~~ records; ~~or~~

(B) preparing, verifying or certifying financial, ~~accounting~~ accounting, and related statements intended for publication, including preparing tax ~~returns,~~ returns; ~~or~~

(C) rendering professional services or assistance in or about any and all matters of principle or detail relating to accounting procedure and ~~systems,~~ systems; or

(D) recording, presenting or ~~certifying~~ certifying, and interpreting such service (including tax, consulting or management advisory services) through statements and reports.

(b) Services, as described in Subparagraph (a)(2) of this Rule, may be performed on a full-time, part-time or temporary basis in the various accounting fields, ~~including, but not limited to,~~ including public accounting, governmental or other not-for-profit accounting, industrial, commercial or financial accounting, taxation and tax-related ~~matters~~ matters, or accounting education.

History Note: *Authority G.S. 93-1; 93-12;*
Eff. October 1, 1984;
Amended Eff. April 1, 1994; March 1, 1990;
Readoption Eff. February 1, 2016.

21 NCAC 08A .0308 is readopted with changes as published in 30:07 NCR 743 as follows:

21 NCAC 08A .0308 HOLDING OUT TO THE PUBLIC

(a) The phrase "holds himself out to the public as a certified public accountant," as used in defining "public practice of accountancy" in G.S. 93-1(a)(5) and in these rules, means any representation that a person holds a certificate of qualification, if that representation is made in connection with an offer to perform or the performance of accountancy services for the public, regardless of whether that representation is made by the person, someone associated with that person, or someone serving as that person's agent. Any such representation is presumed to invite the public to rely upon the professional skills implied by the certificate in connection with the professional services offered to be performed or performed by the person.

(b) For purposes of this Rule, a ~~representation~~ "representation" shall be deemed to include any oral, electronic, or written communication indicating that the person holds a certificate, including without ~~limitation~~ limitation, the use of titles or legends on letterheads, reports, business cards, brochures, resumes, office signs, telephone directories, websites, the Internet, or any other advertisements, news articles, publications, listings, tax return signatures, signatures on experience or character affidavits for exam or certificate applicants, displayed membership in CPA associations, displayed CPA licenses from this or any other jurisdiction, and displayed certificates or licenses from other organizations which have the designation "CPA" or "Certified Public Accountant" by the person's name.

History Note: *Authority G.S. 93-1(a)(5); 93-12;*
Eff. September 1, 1988;
Amended Eff. January 1, 2006; April 1, 1999; April 1, 1994; May 1, 1989;
Readoption Eff. February 1, 2016.

21 NCAC 08A .0309 is readopted with changes as published in 30:07 NCR 743 as follows:

21 NCAC 08A .0309 CONCENTRATION IN ACCOUNTING

(a) A concentration in accounting includes:

(1) at least 30 semester hours, or the equivalent in quarter hours, of undergraduate accountancy courses ~~which~~ that shall include no more than six semester hours of accounting principles and no more than three semester hours of business law; or

(2) at least 20 semester hours or the equivalent in quarter hours, of graduate accounting courses that are open exclusively to graduate students; or

(3) a combination of undergraduate and graduate courses ~~which~~ that would be equivalent to Subparagraph (1) or (2).

(b) In recognition of differences in the level of graduate and undergraduate courses, one semester (or quarter) hour of graduate study in accounting is considered the equivalent of one and one-half semester (or quarter) hours of undergraduate study in accounting.

(c) Up to four semester hours, or the equivalent in quarter hours, of graduate income tax courses completed in law schools may count ~~toward~~ towards the semester hour requirement of Paragraph (a) of this Rule.

(d) ~~Where,~~ When, in the Board's determination, an accounting course duplicates another course previously taken, only the semester (or quarter) hours of one of the courses shall be counted in determining if the applicant has a concentration in accounting.

(e) Accounting courses include such courses as principles courses at the elementary, intermediate and advanced levels; managerial accounting; business law; cost accounting; fund accounting; auditing; and taxation. There are many college courses offered that would be helpful in the practice of accountancy, but are not included in the definition of a concentration in accounting. Such courses include business finance, business management, computer science, economics, writing skills, accounting internships, and CPA exam review.

History Note: *Authority G.S. 93-12(5);*
Eff. May 1, 1989;
Amended Eff. February 1, 2011; January 1, 2001; April 1, 1994;
Readoption Eff. February 1, 2016.

21 NCAC 08B .0508 is readopted with changes as published in 30:07 NCR 743 as follows:

21 NCAC 08B .0508 REQUESTS FOR INFORMAL OPINIONS

Requests to Board employees or legal counsel, or requests to Board members not in accordance with ~~21 NCAC 08B .0501,~~ Rule 08B .0501 of this Section, for opinions concerning the application of the Board's rules or any statutes are discouraged. If ever an opinion is given, it ~~is non-binding~~ shall not be binding on the Board. Applicants, licensees, and any other persons who act in reliance on such opinions do so at their own risk.

History Note: *Authority G.S. 93-12(3); 93-12(9); 150B-17;*
Eff. December 1, 1987
Amended Eff. May 1, 1989;
Readopted Eff. February 1, 2016.

21 NCAC 08F .0103 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08F .0103 FILING OF EXAMINATION APPLICATIONS AND FEES

(a) All applications for CPA examinations shall be filed with the Board and accompanied by the examination fee. The Board sets the fee for each examination at the amount that enables the Board to recover its actual costs of examination services. If a check or credit card authorization fails to clear the bank, the application shall be deemed incomplete and returned. CPA Exam applications and fee information are on the Board's website at www.nccpaboard.gov and may be requested from the Board.

(b) The initial application filed to take the examination shall include supporting documentation demonstrating that all legal requirements have been met, including:

(1) minimum legal age;

(2) education; and

(3) good moral character.

(c) Any person born outside the United States shall furnish to the Board office evidence of citizenship; evidence of resident alien status; or

(1) other bona fide evidence that the applicant is legally allowed to remain in the United States;

(2) a notarized affidavit of intention to become a U.S. citizen; or

(3) evidence that the applicant is a citizen of a foreign jurisdiction ~~which~~ that extends to citizens of this ~~state~~ State like or similar privileges to be examined.

(d) Official transcripts (~~originals~~ originals-, not photocopies) signed by the college registrar and bearing the college seal are required to prove [~~satisfaction of~~] education and degree requirements. A letter from the college registrar of the school may be filed as documentation that the applicant has met the graduation requirements if the degree has not been awarded and posted to the transcript. No examination grades shall be released until an official transcript is filed with the Board confirming the [~~satisfaction of~~] education requirement as stated in the college registrar's letter.

(e) ~~Applications~~ Applicants for re-examination shall not re-submit official transcripts, additional statements, or affidavits regarding education.

(f) To document good moral character as required by G.S. 93-12(5), three persons not related by blood or marriage to the applicant shall sign the application certifying the good moral character of the applicant.

(g) An applicant shall include as part of any application for the CPA examination a statement of explanation and a certified copy of the final disposition if the applicant has been arrested, charged, convicted or found guilty of, received a prayer for judgment continued, or pleaded nolo contendere to any criminal offense. An applicant [~~is not~~] shall not be required to disclose any arrest, charge, or conviction that has been expunged by the court.

(h) If an applicant has been denied any license by any state or federal agency, the applicant shall include as part of the application for the CPA examination a statement explaining such denial. An applicant shall include a statement of explanation and a certified copy of applicable license records if the applicant has been registered with or licensed by a state or federal agency and has been disciplined by that agency.

(i) Two identical photographs shall accompany the application for the CPA ~~examination and the application for the CPA certificate.~~ examination. These photographs shall be of the applicant alone, 2x2 inches in size, front view, full face, taken in normal street attire without a hat or dark glasses, printed on paper with a plain light background and taken within the last six months. Photographs may be in black and white or in color. Retouched photographs shall not be accepted. Applicants shall write their names on the back of their ~~photos.~~ photographs.

(j) If an applicant's name has legally changed and is different from the name on any transcript or other document supplied to the Board, the applicant shall furnish copies of the documents legally authorizing the name change.

(k) Candidates shall file initial and re-exam applications to sit for the CPA Examination on forms provided by the Board.

(l) Examination fees are valid for a six-month period from the date of the applicant's notice to schedule for the examination from the examination vendor.

(m) No application for examination shall be considered while the applicant is serving a sentence for any criminal offense. Serving a sentence includes incarceration, probation (supervised or unsupervised), parole, or conditionally suspended sentence, any of which are imposed as a result of having been convicted or having pled to a criminal charge.

History Note: *Authority G.S. 93-12(3); 93-12(4); 93-12(5); 93-12(7);*
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. January 1, 2014; February 1, 2011; January 1, 2006; January 1, 2004; August 1, 1998; February 1, 1996; April 1, 1994; March 1, 1990; May 1, 1989;
Readoption Eff. February 1, 2016.

21 NCAC 08F .0105 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08F .0105 CONDITIONING REQUIREMENTS

(a) Passing Grades. A candidate ~~must~~ shall pass all sections of the examination with a grade of 75 or higher on each section.

(b) Military Service. A candidate who is on active military service shall not have the time on active military service counted against Subparagraph (c)(1) of this Rule unless the candidate applies to take the examination during the active military service, in which case each month a candidate sits shall be counted toward Subparagraph (c)(1) of this Rule.

(c) A candidate is subject to the following conditioning requirements:

(1) ~~A~~ a candidate shall obtain a passing grade on all sections of the examination within an 18-month period;

(2) ~~A~~ a candidate may sit for any section of the examination individually;

(3) ~~A~~ a candidate may sit for each section of the examination up to four times during a one-year period but not more than one time in a three-month testing window as defined by the examination vendors(s); and

(4) ~~Credit~~ credit awarded by the Board for passage of a section of the examination is valid for an 18-month period beginning on the date the section is taken.

History Note: *Authority G.S. 93-12(3); 93-12(5);*
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. February 1, 2011; January 1, 2006; January 1, 2004; August 1, 1998; April 1, 1994; April 1, 1991; March 1, 1990;
Readoption Eff. February 1, 2016.

21 NCAC 08F .0111 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08F .0111 INELIGIBILITY DUE TO VIOLATION OF ACCOUNTANCY ACT

(a) A person may not be eligible to take the CPA examination or receive ~~the~~ a North Carolina certificate of qualification as a CPA if the Board determines that the person has engaged in conduct that would constitute a violation of ~~G.S. 93~~ Chapter 93 of G.S. or the Rules of Professional Ethics and ~~Conduct.~~ Conduct as set forth in Subchapter 08N of these rules.

(b) Any individual found to have engaged in conduct ~~which~~ that subverts, or attempts to subvert the CPA Examination process may have his or her scores on the examination withheld and declared invalid, be disqualified from holding the CPA ~~certification~~ certification, and may be subject to the imposition of other appropriate sanctions.

(c) Conduct ~~which~~ that subverts or attempts to subvert the examination process includes ~~but is not limited to:~~ the following:

(1) conduct ~~which~~ that violates the standard of the test administration such as communicating with any other examinee during the administration of the examination;

(2) having in one's possession during the administration of the examination any books, notes, written or printed material, or data of any other kind, other than the distributed examination materials;

(3) failure to cooperate with testing officials;

(4) conduct ~~which~~ that violates the credentialing process, such as falsifying or misrepresenting educational credentials or other information required for admission to the examination, impersonating an examinee, or having an impersonator take the examination on another's behalf;

(5) conduct ~~which~~ that violates the nondisclosure prohibitions of the examination or aiding or abetting another in doing so; ~~and~~ or

(6) retaking or attempting to retake an examination section by an individual holding a valid CPA certificate in this State or a candidate who has unexpired credit for having already passed the same examination ~~section~~ section, unless directed to do so by the Board.

History Note: *Authority G.S. 93-12(5); 93-12(9);*
Eff. May 1, 1989;
Amended Eff. April 1, 2003;
Readoption Eff. February 1, 2016.

21 NCAC 08F .0302 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08F .0302 EDUCATION AND WORK EXPERIENCE REQUIRED PRIOR TO CPA EXAM

(a) Applicants who intend to demonstrate their possession of sufficient education to become a CPA by showing that they possess a bachelor's degree shall submit official transcripts with their application to take the CPA examination. Official transcripts shall show the grades the applicant received on courses completed and shall also show degrees awarded. An official transcript bears the seal of the school and the signature of the registrar or assistant registrar.

(b) The Board may approve an application to take the CPA examination prior to the receipt of a bachelor's degree, if:

(1) the concentration in accounting ~~which~~ that shall be included in or supplement the bachelor's degree is already complete or is reasonably expected to be completed by the end of the school term within which the examination falls; and

(2) an applicant reasonably expects to receive the bachelor's degree within 120 days after the application is received by the Board. However, if the applicant fails to receive the degree within the specified time, the CPA examination grades shall not be released and if the applicant wishes to retake the examination, the applicant shall reapply.

History Note: *Authority G.S. 93-12(3); 93-12(5);*
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. February 1, 2011; August 1, 1998; April 1, 1994; May 1, 1989; September 1, 1988; April 1, 1987;
Readoption Eff. February 1, 2016.

21 NCAC 08F .0401 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08F .0401 WORK EXPERIENCE REQUIRED OF CANDIDATES FOR CPA CERTIFICATION

(a) G.S. 93-12(5)c sets forth work experience alternatives, one of which is required of candidates applying for CPA certification. In connection with those requirements, the following provisions apply:

(1) ~~The~~ the work experience shall be acquired prior to the date a candidate applies for ~~certification.~~ certification; and

(2) ~~All~~ all experience ~~which~~ that is required to be under the direct supervision of a CPA shall be under the direct supervision of a CPA on active status.

(b) The following provisions apply to all candidates seeking to meet the work experience requirement of G.S. 93-12(5)c.3 by working in the field of accounting:

(1) One year of work experience is 52 weeks of full-time employment. The candidate is employed full-time when the candidate is expected by the employer to work for the employer at least 30 hours each ~~week for an indefinite period or for a set period of at least one year.~~ week. Any other work is working part-time.

(2) All weeks of actual full-time employment are added to all full-time equivalent weeks in order to calculate how much work experience a candidate has acquired. Dividing that number by 52 results in the years of work experience the candidate has acquired.

(3) Full-time-equivalent weeks are determined by the number of actual part-time hours the candidate has worked. Actual part-time hours do not include hours paid for sick leave, vacation leave, attending continuing education ~~courses~~ courses, or other time not spent directly performing accounting services. For each calendar week during which the candidate worked actual part-time hours of 30 hours or more, the candidate receives one full-time-equivalent week. The actual part-time hours worked in the remaining calendar weeks are added together and divided by 30. The resulting number is the additional number of full-time-equivalent weeks to which the candidate is entitled.

(4) The candidate shall submit experience affidavits on a form provided by the Board from all of the relevant employers; provided that when such experience was not acquired while employed with a CPA firm, the candidate shall also submit details of the work experience and supervision on a form provided by the Board. Experience affidavits for part-time work shall contain a record of the actual part-time hours the candidate has worked for each week of part-time employment. Both the experience affidavit and the form for additional detail shall be certified by the employer's office supervisor or an owner of the firm who is a certificate holder.

(c) ~~21 NCAC 08F .0409~~ Rule 08F .0409 of this Section applies to teaching experience acquired pursuant to G.S. 93-12(5)c.2 and 4.

History Note: *Authority G.S. 93-12(3); 93-12(5);*
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Temporary Amendment Eff. June 17, 1982 for a period of 120 days to expire on October 12, 1982;
Legislative Objection Lodged Eff. July 20, 1982;
Amended Eff. February 1, 2011; January 1, 2006; August 1, 1998; March 1, 1990; July 1, 1989;
December 1, 1988; September 1, 1988;
Readoption Eff. February 1, 2016.

21 NCAC 08F .0410 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08F .0410 EDUCATION REQUIRED OF CANDIDATES FOR CPA CERTIFICATION

(a) G.S. 93-12(5)a sets forth the education required of candidates applying for CPA certification. The 150 semester hours required include a concentration in accounting, as defined by ~~21 NCAC 08A .0309,~~ Rule 08A .0309 of this Chapter; and

(b) 24 semester hours of coursework ~~which~~ that include one three semester hour course from at least eight of the following 10 fields of study:

(1) communications;

(2) computer technology;

(3) economics;

(4) ethics;

(5) finance;

(6) ~~humanities/social science;~~ humanities or social science;

(7) international environment;

(8) law;

(9) management; or

(10) statistics.

~~(b)~~ (c) Anyone applying for CPA certification who holds a Master's or more advanced degree in accounting, tax law, economics, finance, business administration, or a law degree from an accredited college or university ~~or the equivalent thereof~~ is in compliance with Paragraph ~~(a)~~ (b) of this Rule.

History Note: *Authority G.S. 93-12(5);*
Eff. January 1, 2001;
Amended Eff. February 1, 2011; January 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08F .0502 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08F .0502 APPLICATION FOR CPA CERTIFICATE

(a) A person applying for a certificate of qualification ~~must~~ shall file with the Board an application and an experience affidavit on forms provided by the Board and supporting documentation to determine that the applicant has met the statutory and rule requirements. CPA certificate applications and fee information are on the Board's website at www.nccpaboard.gov or may be requested from the Board.

(b) The application for a CPA certificate shall include three certificates of good moral character provided by the Board and completed by CPAs.

(c) An applicant shall include as part of any application for a CPA certificate a statement of explanation and a certified copy of final disposition if the applicant has been arrested, charged, convicted or found guilty of, received a prayer for judgment continued, or pleaded ~~*nolo contendere*~~ nolo contendere to any criminal offense. An applicant ~~is not~~] shall not be required to disclose any arrest, charge, or conviction that has been expunged by the court.

(d) If an applicant has been denied any license by any state or federal agency, the applicant shall also include as part of the application for the CPA certificate a statement explaining such denial. An applicant shall include a statement of explanation and a certified copy of applicable license records if the applicant has been registered with or licensed by a state or federal agency and has been disciplined by that agency.

(e) No application for a certificate shall be considered while the applicant is serving a sentence for any criminal offense. Serving a sentence includes incarceration, probation (supervised or unsupervised), parole, or conditionally suspended sentence, any of which are imposed as a result of having been convicted or having pled to a criminal charge.

History Note: *Authority G.S. 93-12(3); 93-12(5);*
Eff. December 1, 1982;
Amended Eff. January 1, 2014; March 1, 1990; May 1, 1989; October 1, 1984;
Readoption Eff. February 1, 2016.

21 NCAC 08G .0401 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08G .0401 CPE REQUIREMENTS FOR CPAS

(a) In order for a CPA to receive CPE credit for a course:

(1) the CPA ~~must~~ shall attend or complete the course and receive a certificate of completion as set forth in Rule .0403(c)(13) of this Section;

(2) the course ~~must~~ shall meet the requirements set out in Rule .0404(a) and (c) of this Section; and

(3) the course ~~must~~ shall increase the professional competency of the CPA.

(b) A course that increases the professional competency of a CPA ~~is~~ shall be a course in an area of accounting in which the CPA practices or is planning to practice in the future, ~~or~~ in the area of professional ethics, or an area of the profession.

(c) Because of differences in the education and experience of CPAs, a course may contribute to the professional competence of one CPA but not another. Each CPA ~~must~~ shall therefore exercise judgment in selecting courses for which CPE credit is claimed and choose only those that contribute to that CPA's professional competence.

(d) Active CPAs ~~must~~ shall complete 40 CPE hours, computed in accordance with Rule .0409 of this Section by December 31 of each year, except as follows:

(1) CPAs having certificate applications approved by the Board in April-June ~~must~~ shall complete 30 CPE hours during the same calendar year;

(2) CPAs having certificate applications approved by the Board in July-September ~~must~~ shall complete 20 CPE hours during the same calendar year; or

(3) CPAs having certificate applications approved by the Board in October-December ~~must~~ shall complete 10 CPE hours during the same calendar year.

(e) There ~~are~~ shall be no CPE requirements for inactive CPAs.

(f) Any CPE hours completed during the calendar year in which the certificate is approved may be used for that year's requirement even if the hours were completed before the certificate was granted. When a CPA has completed more than the required number of hours of CPE in any one calendar year, the extra hours, not in excess of 20 hours, ~~may~~ shall be carried forward and treated as hours earned in the following year. Ethics CPE hours may not be included in any carry forward hours. A CPA ~~may~~ shall not claim CPE credit for courses taken in any year prior to the year of certification.

(g) Any CPE hours used to satisfy the requirements for change of status as set forth in ~~21 NCAC 08J .0105,~~ Rule 08J .0105 of this Chapter, for reissuance as set forth in ~~21 NCAC 08J .0106,~~ Rule 08J .0106 of this Chapter, or for application for a new certificate as set forth in ~~21 NCAC 08I .0104~~ Rule 08I .0104 of this Chapter may be used to satisfy the annual CPE requirement set forth in Paragraph (d) of this Rule.

(h) It ~~is~~ shall be the CPA's responsibility to maintain records substantiating the CPE credits claimed for the current year and for each of the four calendar years prior to the current year.

(i) A non-resident licensee may satisfy the annual CPE requirements including ~~21 NCAC 08G .0401~~ Rule 08G .0401 of this Section in the jurisdiction in which he or she is licensed and currently works or resides. If there is no

annual CPE requirement in the jurisdiction in which he or she is licensed and currently works or resides, he or she ~~must~~ shall comply with Paragraph (d) of this Rule.

History Note: *Authority G.S. 93-12(3); 93-12(8b);*
Eff. May 1, 1981;
Amended Eff. January 1, 2014; January 1, 2007; January 1, 2004; August 1, 1995; April 1, 1994; May 1, 1989; September 1, 1988;
Readoption Eff. February 1, 2016.

21 NCAC 08G .0403 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08G .0403 QUALIFICATION OF CPE SPONSORS

(a) The Board shall not register either sponsors of CPE courses or CPE courses.

(b) Sponsors of continuing education programs that are listed in good standing on the NASBA National Registry of CPE Sponsors shall be considered by the Board as compliant with the CPE requirements of Paragraph (c) of this Rule.

(c) CPE providers not in good standing on the NASBA National Registry of CPE Sponsors shall meet the following requirements:

(1) have an individual who did not prepare the course review each course to be sure it meets the standards for CPE;

(2) state the following in every brochure or other publication or announcement concerning a course:

(A) the general content of the course and the specific knowledge or skill taught in the course;

(B) any prerequisites for the course and any advance preparation required for the course and if none, that shall be stated;

(C) the level of the course, such as basic, intermediate, or advanced;

(D) the teaching methods to be used in the course;

(E) the amount of sponsor recommended CPE credit a CPA who takes the course may claim; and

(F) the date the course is offered, if the course is offered only on a certain date, and, if applicable, the location;

(3) ensure that the instructors or presenters of the course are qualified to teach the subject matter of the course and to apply the instructional techniques used in the course;

(4) evaluate the performance of an instructor or presenter of a course to determine whether the instructor or presenter is suited to serve as an instructor or presenter in the future as follows:

(A) before the course's conclusion, provide for the attendees an opportunity to evaluate the quality of the course by questionnaires, oral feedback, or other means, in order to determine whether the course's objectives have been met, its prerequisites were ~~necessary or desirable,~~ necessary, the facilities used were satisfactory, and the course content was appropriate for the level of the course; and

(B) systematically review the evaluation process to ensure its effectiveness;

(5) encourage participation in a course only by those who have the education and experience for the level of the course;

(6) distribute course materials to participants;

(7) use physical facilities for conducting the course that are consistent with the instructional techniques used;

(8) ~~accurately~~ assign the number of CPE credits each participant may be eligible to receive by either:

(A) monitoring attendance at a group course; or

(B) testing in order to determine if the participant has learned the material presented;

(9) inform instructors and presenters of the results of the evaluation of their [~~performance;~~] performances;

(10) retain for five years from the date of the course presentation or completion:

(A) a record of participants completing course credit requirements;

(B) an outline of the ~~course (or equivalent);~~ course;

(C) the date and location of presentation;

(D) the participant evaluations or summaries of evaluations;

(E) the documentation of the instructor's qualifications; and

(F) the number of contact hours recommended for each participant;

(11) have a visible, continuous, and identifiable contact person who is charged with the administration of the sponsor's CPE programs ~~and~~ that has the responsibility and ~~is~~ shall be accountable for assuring and demonstrating compliance with this Rule by the sponsor or by any other organization working with the sponsor for the development, ~~distribution~~ distribution, or presentation of CPE courses;

(12) develop and promulgate policies and procedures for the management of grievances including tuition and fee refunds; and

(13) provide persons completing course requirements with written proof of completion indicating the participant's name, the name of the course, the date the course was held or completed, the sponsor's name and address, and the number of CPE hours calculated and recommended in accordance with ~~21 NCAC 08G .0409.~~ Rule 08G .0409 of this Section.

(d) Failure of a National Registry of CPE Sponsor to comply with the terms of this Rule shall be grounds for the Board to disqualify the sponsor as a CPE sponsor with this Board and to notify NASBA and the public of this action.

History Note: *Authority G.S. 93-12(3); 93-12(8b);*
Eff. May 1, 1981;
Amended Eff. January 1, 2014; January 1, 2007; January 1, 2004; March 1, 1990; May 1, 1989; August 1, 1988; February 1, 1983;
Readoption Eff. February 1, 2016.

21 NCAC 08G .0404 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08G .0404 REQUIREMENTS FOR CPE CREDIT

(a) A CPA shall not be granted CPE credit for a course unless the course:

(1) is in one of the seven fields of study recognized by the Board and set forth in Paragraph (b) of this Rule;

(2) is developed by an individual who has education and work experience in the subject matter of the course; and

(3) uses instructional techniques and materials that are current and ~~accurate.~~ accurate as set forth by Rule 08G .0403.

(b) The seven fields of study recognized by the Board are:

(1) Accounting and Auditing

(A) Accountancy

(B) Accounting – Governmental

(C) Auditing

(D) Auditing – Governmental

(2) Consulting Services

(A) Administrative Practice

(B) Social Environment of Business

(3) Ethics

(A) Behavioral Ethics

(B) Regulatory Ethics

(4) Management

(A) Business Law

(B) Business Management and Organization

(C) Finance

(D) Management Advisory Services

(E) Marketing

(5) Personal Development

(A) Communications

(B) Personal Development

(C) Personnel/HR

(6) Special Knowledge and Applications

(A) Computer Science

(B) Economics

(C) Mathematics

(D) Production

(E) Specialized Knowledge and Applications

(F) Statistics

(7) Tax

(c) The following may qualify as acceptable types of continuing education programs, provided the programs comply with the requirements set forth in Paragraph (a) of this Rule:

(1) professional development programs of national and state accounting organizations;

(2) technical sessions at meetings of national and state accounting organizations and their chapters;

(3) courses taken at regionally accredited colleges and universities;

(4) educational programs that are designed and intended for continuing professional education activity conducted within an association of accounting firms; ~~and~~ or

(5) correspondence courses that are designed and intended for continuing professional education activity.

(d) CPE credit may be granted for teaching a CPE course or authoring a publication as long as the preparation to teach or write increased the CPA's professional competency and was in one of the seven fields of study recognized by the Board and set forth in Paragraph (b) of this Rule.

(e) CPE credit shall not be granted for a self-study course if the material that the CPA must study to take the examination is not designed for CPE purposes. This includes periodicals, guides, magazines, subscription services, books, reference manuals and supplements ~~which~~ that contain an examination to test the comprehension of the material read.

(f) A CPA may claim credit for a course offered by a non–registered sponsor provided that the course meets the requirements of ~~21 NCAC 08G .0403(c), 21 NCAC 08G .0404, and 21 NCAC 08G .0409.~~ this Rule and Rules 08G .0403(c), [~~08G .0404,~~] and 08G .0409 of this Section. The CPA shall maintain documentation proving that the course met these standards.

History Note: *Authority G.S. 93-12(8b);*
Eff. May 1, 1981;
Amended Eff. January 1, 2007; January 1, 2004; August 1, 1998; February 1, 1996; March 1, 1990; May 1, 1989; August 1, 1988; February 1, 1983;
Readoption Eff. February 1, 2016.

21 NCAC 08G .0406 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08G .0406 COMPLIANCE WITH CPE REQUIREMENTS

(a) All active CPAs shall file with the Board a completed CPE reporting form by the July 1 renewal date of each year.

(b) If a CPA fails to complete the CPE requirements prior to the end of the previous calendar year but the CPA has completed them by June 30, the Board may:

(1) issue a letter of warning for the first such failure within a five calendar year period; and

(2) deny the renewal of the CPA's certificate for a period of not less than 30 days and until the CPA meets the reinstatement requirements set forth in ~~21 NCAC 08J .0106~~ Rule 08J .0106 of this Chapter for the second such failure within a five calendar year period.

History Note: *Authority G.S. 93-12(8b); 93-12(9)(e);*
Eff. May 1, 1981;
Amended Eff. January 1, 2007; January 1, 2004; April 1, 1994; March 1, 1990; May 1, 1989; October 1, 1988;
Readoption Eff. February 1, 2016.

21 NCAC 08G .0410 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08G .0410 PROFESSIONAL ETHICS AND CONDUCT CPE

(a) As part of the annual CPE requirement, all active CPAs shall complete CPE on professional ethics and conduct. ~~They~~ The CPA shall complete two contact hours in either a group study format or in a self-study format of a course on regulatory or behavioral professional ethics and conduct. This CPE shall be offered by a CPE sponsor registered with NASBA pursuant to Rule .0403(b) of this Section.

(b) A non-resident licensee whose primary office is in North Carolina ~~must~~ shall comply with Paragraph (a) of this Rule. All other non-resident licensees may satisfy Paragraph (a) of this Rule by completing the ethics requirements in the jurisdiction in which he or she is licensed as a CPA and works or resides. If there is no ethics CPE requirement in the jurisdiction where he or she is licensed and currently works or resides, he or she ~~must~~ shall comply with Paragraph (a) of this Rule.

History Note: *Authority G.S. 93-12(3); 93-12(8b); 93-12(9);*
Eff. January 1, 2005
Amended Eff. January 1, 2014; February 1, 2012; January 1, 2007; January 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08I .0104 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08I .0104 MODIFICATION OF DISCIPLINE

(a) A person whose certificate or CPA firm whose registration has been permanently revoked by the Board may apply to the Board for modification of the discipline at any time after five years from the date of the original ~~discipline or more often than three years after the Board's last decision on any prior application for modification.~~ discipline. If an application for modification of discipline is denied, the person or CPA firm may re-apply three years thereafter.

(b) The application for modification of discipline shall be in writing and show good cause for the relief sought. The application for ~~an individual~~ a person shall be accompanied by ~~at least~~ three or more supporting recommendations, made under oath, from CPAs who have personal knowledge of the facts relating to the revocation and of the activities of the applicant since the discipline was imposed. The application for a CPA firm shall be accompanied by ~~at least~~ three or more supporting recommendations, made under oath, for each CPA partner, CPA member, or CPA shareholder from CPAs who have personal knowledge of the facts relating to the revocation and of the activities of the CPA partner, CPA member, or CPA shareholder since the discipline was imposed.

(c) "Good cause" as used in Paragraph (b) of this Rule means that the applicant is rehabilitated with respect to the conduct that was the basis of the discipline. Evidence demonstrating such rehabilitation shall include evidence that:

(1) the person has not engaged in any conduct during the discipline period that, if that person had been licensed or registered during such period, would have constituted the basis for discipline pursuant to G.S. 93-12(9);

(2) the person has completed the sentence imposed with respect to any criminal conviction that constituted any part of the previous discipline; and

(3) restitution has been made to any aggrieved party with respect to a court order, civil settlement, lien or other agreement.

(d) In determining good cause, the Board may consider all of the applicant's activities since the disciplinary penalty was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the applicant was in good standing with the Board, the applicant's rehabilitative efforts, restitution to damaged parties in the matter for which the penalty was imposed, and the applicant's general reputation for truth and professional probity. For the purpose of this Paragraph, "applicant" shall, in the case of a CPA firm, include CPA partners, CPA members, or CPA shareholders.

(e) Any person who applies for a modification of discipline and for a new certificate after revocation shall, in addition to the other requirements of this Section, comply with all qualifications and requirements for initial certification as identified by the Board that existed at the time of the original application.

(f) No application for a new certificate or for modification of discipline shall be considered while the applicant is serving a sentence for any criminal offense. Serving a sentence includes incarceration, probation (supervised or unsupervised), parole, or conditionally suspended sentence, any of which are imposed as a result of having been convicted or having pled to a criminal charge.

(g) An application shall be ruled upon by the Board on the basis of the recommendations and evidence submitted in support thereof. However, the Board may make additional inquiries of any person or persons, or request additional evidence it deems appropriate.

(h) As a condition for a new certificate or modification of discipline, the Board may impose terms and conditions it considers suitable to ensure the licensee's or CPA firm's future compliance with the statutory and rule requirements of the Board including the rules of Professional Ethics and ~~Conduct.~~ Conduct as set forth in Subchapter 08N of these rules.

History Note: *Authority G.S. 55B-12; 57D-2-02; 93-2; 93-12(3); 93-12(7a); 93-12(7b); 93-12(9);*
Eff. September 1, 1982;
Temporary Amendment Eff. September 15, 1983, for a period of 108 days to expire January 1, 1984;
Amended Eff. January 1, 2014; April 1, 1999; August 1, 1998; February 1, 1996; April 1, 1994;
March 1, 1990; May 1, 1989;
Readoption Eff. February 1, 2016.

21 NCAC 08J .0101 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08J .0101 ANNUAL RENEWAL OF CERTIFICATE, FORFEITURE, AND REAPPLICATION

(a) All active CPAs shall renew their certificates annually by the first day of July. The fee for such renewal is the maximum amount allowed by ~~statute.~~ G.S. 93-12(8).

(b) To renew a certificate a CPA shall submit to the Board:

(1) a completed certificate renewal application form;

(2) a completed CPE report, as required by ~~21 NCAC 08G .0406(a);~~ Rule 08G .0406(a) of this Chapter; and

(3) the annual renewal ~~fee.~~ fee set forth in G.S. 93-12(8).

(c) Upon failure of a CPA to comply with any applicable part of Paragraph (b) of this Rule by July 1, the Board shall send notice of such failure in the form of a demand letter to the CPA at the most recent mailing address the Board has on file. Completed renewal application packages shall be postmarked with proper postage not later than 30 days after the mailing date of the demand letter, unless that date falls on a weekend, in which case the renewal package ~~must~~ shall be postmarked or received in the Board office on the next business day. For renewal packages sent via the U.S. Postal Service, only a U.S. Postal Service cancellation shall be considered as the postmark. If the renewal package is sent to the Board office via a private delivery service, the date the package is received by the delivery service shall be considered as the postmark. Subsequent failure of the CPA to comply with any applicable part of Paragraph (b) of this Rule within 30 days after such notice is mailed by the Board automatically results in forfeiture of the CPA's certificate, as required by G.S. 93-12(15).

(d) Upon forfeiture of a certificate, the certificate holder is no longer a CPA and the Board shall send notice of such forfeiture to the certificate holder by certified mail to the most recent mailing address the Board has on file. The certificate holder shall return the certificate to the Board office within 15 days after receipt of notice of forfeiture or, if the certificate has been destroyed or lost, shall submit an affidavit, on a form supplied by the Board, within 15 days of receipt of such notice that the certificate has been destroyed or has been lost and shall be returned to the Board if found.

(e) A person who has forfeited a certificate pursuant to G.S. 93-12(15) for failure to renew his or her certificate may apply for reissuance under ~~21 NCAC 08J .0106.~~ Rule 08J .0106 of this Section.

(f) If a check or credit card authorization for the annual renewal fee fails to clear the bank, the annual renewal shall be deemed incomplete and returned.

(g) Any active CPA serving in the armed forces of the United States and to whom an extension of time to file a tax return is granted pursuant to G.S. 105-249.2, ~~is~~ shall be granted the same extension of time to comply with the requirements of Paragraphs (a) and (b) of this Rule.

History Note: *Authority G.S. 93-12(7a); 93-12(8); 93-12(8a); 93-12(8b); 93-12(15), 93B-15;*
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Legislative Objection Lodged Eff. July 20, 1982;

Amended Eff.August 1, 1982;

Curative Amended Eff. August 1, 1982;

Temporary Amendment Eff. May 13, 1983 for a period of 111 days to expire on September 1, 1983;

Amended Eff. February 1, 2011; August 1, 1998; February 1, 1996; April 1, 1994; March 1, 1990;

May 1, 1989;

Readoption Eff. February 1, 2016.

21 NCAC 08J .0105 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08J .0105 INACTIVE STATUS: CHANGE OF STATUS

(a) A CPA may apply to the Board for change of status to inactive status provided the CPA meets the description of inactive status as defined in Rule 08A .0301 of this Chapter. Application for any status change shall be made on the form provided by the Board.

(b) A CPA who does not meet the definition of inactive may not remain on inactive status.

(c) A CPA on inactive status may change to active status by:

(1) paying the certificate renewal fee for the license year in which the application for change of status is received;

(2) furnishing the Board with evidence of satisfactory completion of 40 hours of CPE courses during the 12-month period immediately preceding the application for change of status. Eight of the required hours ~~must~~ shall be credits derived from a course or examination in North Carolina accountancy statutes and rules (including the Code of Professional Ethics and Conduct as set forth in Subchapter 08N of these rules contained therein) as set forth in Rule 08F .0504 of this Chapter; and

(3) submitting three certificates of good moral character ~~provided by the Board~~ and completed by CPAs.

History Note: *Authority G.S. 93-12(3); 93-12(8); 93-12(8b);*
Eff. December 1, 1982;
Curative Adopted Eff. January 25, 1983;
Legislative Objection Lodged Eff. January 31, 1983;
Amended Eff. January 1, 2014; February 1, 2012; February 1, 2011; August 1, 1998; August 1, 1995; April 1, 1994; March 1, 1990; May 1, 1989;
Readoption Eff. February 1, 2016.

21 NCAC 08J .0107 is readopted as published in 30:07 NCR 745 as follows:

21 NCAC 08J .0107 MAILING ADDRESSES OF CERTIFICATE HOLDERS AND CPA FIRMS

All certificate holders and CPA firms shall notify the Board in writing within 30 days of any change in home address and phone number; CPA firm address and phone number; business location and phone number; and email address.

History Note: Authority G.S. 55B-12; 57D-2-02; 93-12(3); 93-12(7b)(5);
Eff. October 1, 1984;
Amended Eff. January 1, 2014; April 1, 1999; April 1, 1991; August 1, 1986;
Readoption Eff. February 1, 2016.

21 NCAC 08J .0111 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08J .0111 COMPLIANCE WITH CPA FIRM REGISTRATION

If a CPA firm fails to comply with any part of ~~21 NCAC 08J .0108 or 08J .0110,~~ Rule 08J .0108 or Rule 08J .0110 of this Section, and continues to offer or render services, the Board may take disciplinary action against the CPA firm's members. ~~Such discipline may include~~ [~~a~~]~~:~~ As set forth in G.S. 93.12(9)(e), disciplinary action may include:

(1) one hundred dollars ($100.00) civil penalty for non-compliance of less than 60 days;

(2) two hundred dollars ($200.00) civil penalty for non-compliance in excess of 60 days but not more than 120 days;

(3) five hundred dollars ($500.00) civil penalty for each member for non-compliance in excess of 120 days.

History Note: *Authority G.S. 55B-12; ~~57-2-01;~~ 57D-2-02; 59-84.2; 93-12(8c); 93-12(9);*
Eff. April 1, 1994;
Amended Eff. February 1, 2011; January 1, 2004; April 1, 1999;
Readoption Eff. February 1, 2016.

21 NCAC 08M .0105 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08M .0105 PEER REVIEW REQUIREMENTS

(a) A CPA or CPA firm providing any of the following services to the public shall participate in a peer review program:

(1) audits;

(2) reviews of financial statements;

(3) compilations of financial statements; or

(4) ~~agreed-upon procedures or~~ any engagement to be performed in accordance with the Statements on Standards for Attestation Engagements.

(b) A CPA or CPA firm not providing any of the services listed in Paragraph (a) of this Rule is exempt from peer review until the issuance of the first report provided to a client. A CPA ~~of~~ or CPA firm shall register with the peer review program as listed in Paragraph (d) of this Rule within 30 days of the issuance of the first report provided to a client.

(c) A CPA, a new CPA firm, or a CPA firm exempt from peer review that starts providing any of the services in Paragraph (a) of this Rule shall furnish to the peer review program selected financial statements, corresponding work papers, and any additional information or documentation required for the peer review program within 18 months of the issuance of the first report provided to a client.

(d) Participation in and completion ~~of one of the following peer review programs is required:~~ of the AICPA Peer Review Program shall be required.

~~(1) AICPA Peer Review Program; or~~

~~(2) Any other peer review program found to be equivalent to Subparagraph (1) of this Paragraph with advance approval by the Board.~~

(e) CPA firms shall not rearrange their structure or act in any manner with the intent to avoid participation in peer review.

(f) A CPA firm that does not have offices in North Carolina and that has provided any services as listed in G.S. 93-10(c)(3) to North Carolina clients ~~is required to~~ shall participate in a peer review program.

(g) Subsequent peer reviews of a CPA firm are due three years and six months from the year end of the ~~12 month~~ 12-month period of the first peer ~~review~~ review, unless granted an extension by the peer review program.

History Note: *Authority G.S. 93-12(3); 93-12(8c);*
Eff. January 1, 2004;
Amended Eff. January 1, 2014; February 1, 2011; January 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08M .0106 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08M .0106 COMPLIANCE

(a) A CPA firm registered for peer review shall provide to the Board the following:

(1) ~~Peer~~ peer review due date;

(2) ~~Year~~ year end date;

(3) ~~Final~~ final Letter of Acceptance from peer review program within 60 days of the date of the letter; and

(4) ~~A~~ a package to include the Peer Review Report, Letter of Response, and Final Letter of Acceptance for all failed and second passed with deficiencies reports issued by a peer review program within 60 days of the date of the Final Letter of Acceptance.

(b) A peer review ~~is not~~ shall not be complete until the Final Letter of Acceptance is issued by the peer review program with the new due date.

(c) If a CPA firm fails to comply with ~~21 NCAC 08M .0105(c), (d), or (g).~~ Rule .0105(c), (d), or (g) of this Section, and continues to offer or render services, the Board may take disciplinary action against the CPA firm's members ~~which~~ that may ~~include:~~ include a suspension of each members' CPA certificate for a period of not less than 30 days and a civil penalty up to [~~one thousand dollars ($1,000~~).] one thousand dollars ($1,000) as set forth in G.S. 93-12(b)(9).

~~(1) one hundred dollar ($100.00) civil penalty for non compliance of less than 60 days;~~

~~(2) two hundred fifty dollar ($250.00) civil penalty for non compliance in excess of 60 days but not more than 120 days; and~~

~~(3) a suspention of each member's CPA certificate for a period of not less than 30 days and a civil penalty of five hundred dollars ($500.00) for non compliance in excess of 120 days.~~

History Note: *Authority G.S. 93-12(7b); 93-12(8c);*
Eff. January 1, 2004;
Amended Eff. February 1, 2011; January 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0101 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0101 SCOPE OF THESE RULES

(a) The rules in this Subchapter are the ~~rules of professional ethics and conduct~~ Rules of Professional Ethics and Conduct ~~which~~ that G.S. 93-12(9) authorizes the Board to adopt. As such, they complement the other statutory causes for discipline set out in G.S. 93-12 (9)(a) through (d) and other provisions of G.S. 93, 55B, ~~57C,~~ 57D, and ~~59-84.~~ 59-84.2. These ~~Rules~~ rules cover a broad range of behavior and ~~do~~ shall not enumerate every possible unethical act.

(b) In the interpretation and enforcement of these Rules, the Board will ~~give consideration, but not necessarily dispositive weight, to~~ consider the following without dispositive weight: relevant interpretations, rulings and opinions issued by the boards of other jurisdictions and by appropriately authorized ethics committees of professional organizations.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0102 is readopted as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0102 APPLICABILITY AND ORGANIZATION OF RULES

These ~~Rules~~ rules are ~~generally~~ applicable to all certificate holders. Rules in Section .0200 of this Subchapter relate to CPAs whether or not employed in the public practice of accountancy. Rules in Section .0300 of this Subchapter pertain to CPAs using the CPA title in connection with providing products or services to clients. Rules in Section .0400 of this Subchapter pertain to CPAs whenever engaged in attest services.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0103 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0103 RESPONSIBILITY FOR COMPLIANCE BY OTHERS

A CPA and CPA firm shall be responsible for assuring compliance with the rules in this Subchapter by anyone who is the CPA's partner, fellow shareholder, member, officer, director, licensed employee, unlicensed employee or agent or unlicensed principal, or by anyone whom the CPA supervises. A CPA or CPA firm shall not permit others (including affiliated entities) to carry out on the CPA's behalf, with or without compensation, acts ~~which~~ that if carried out by the CPA would be a violation of these ~~Rules.~~ rules.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. January 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0201 is readopted as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0201 INTEGRITY

The reliance of the public and the business community on sound financial reporting and advice on business affairs imposes on the accounting profession an obligation to maintain high standards of technical competence, morality, and integrity. ~~To this end, a~~ A CPA shall at all times maintain independence of thought and action, hold the affairs of clients in strict confidence, strive continuously to improve professional skills, observe generally accepted accounting principles and standards, promote sound and informative financial reporting, uphold the dignity and honor of the accounting profession, and maintain high standards of personal conduct.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0202 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0202 DECEPTIVE CONDUCT PROHIBITED

(a) A CPA shall not engage in deceptive conduct. "Deception" means any fraud, misrepresentations, representations, or omissions that a CPA either ~~knows~~ knew or should have known to have a capacity or tendency to be misleading. Deceptive conduct ~~is~~ shall be prohibited whether or not anyone has actually been deceived.

(b) Prohibited conduct under this Section includes deception in:

(1) obtaining or maintaining employment;

(2) obtaining or keeping clients;

(3) obtaining or maintaining certification, inactive status, or exemption from peer review;

(4) reporting CPE credits;

(5) certifying the character or experience of exam or certificate applicants;

(6) implying abilities not supported by education, professional attainments, or licensing recognition;

(7) asserting that services or products sold in connection with use of the CPA title are of a particular quality or standard when they are not;

(8) creating false or unjustified expectations of favorable results;

(9) using or permitting another to use the CPA title in a form of business not permitted by the accountancy statutes or rules;

(10) permitting anyone not certified in this ~~state~~ State (including one licensed in another ~~state~~ jurisdiction) to unlawfully use the CPA title in this ~~state~~ State or to unlawfully operate as a CPA firm in this ~~state;~~ State; or

(11) falsifying a review, report, or any required program or checklist of any peer review program.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(3); 93-12(9);*
Eff. April 1, 1994;
Amended Eff. January 1, 2014; January 1, 2004; April 1, 1999;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0203 is readopted as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0203 DISCREDITABLE CONDUCT PROHIBITED

(a) A CPA shall not engage in conduct discreditable to the accounting profession.

(b) Prohibited discreditable conduct includes:

(1) acts that reflect adversely on the CPA's honesty, integrity, trustworthiness, good moral character, or fitness as a CPA;

(2) stating or implying an ability to ~~improperly~~ influence a governmental agency or official;

(3) failing to comply with any order issued by the Board;

(4) failing to fulfill the terms of a peer review engagement contract;

(5) misrepresentation in reporting CPE credits; or

(6) entering into any settlement or other resolution of a dispute that purports to keep its contents confidential from the Board.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(3); 93-12(9);*
Eff. April 1, 1994;
Amended Eff. January 1, 2014; January 1, 2004; August 1, 1995;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0204 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0204 DISCIPLINE BY FEDERAL AND STATE AUTHORITIES

(a) Violations of Other Authorities' Laws or Rules. A CPA shall not act in a way that would cause ~~said~~ the CPA to be disciplined by federal or state agencies or boards for violations of laws or rules on ethics. CPAs who engage in activities regulated by other federal or state authorities (~~including but not limited to~~ may include the following agencies: ~~IRS,~~ Internal Revenue Service, Department of Revenue, ~~SEC,~~ U.S. Securities and Exchange Commission, State Bar, North Carolina Secretary of State, ~~PCAOB,~~ Public Company Accounting Oversight Board, ~~NASD,~~ National Association of Securities Dealers, Department of Insurance, ~~GAO,~~ Government Accountability Office, ~~HUD,~~ U.S. Department of Housing and Urban Development, State Auditor, State Treasurer, or Local Government Commission) ~~must~~ shall comply with all such authorities' ethics laws and rules.

(b) Prima Facie Evidence. A conviction or final finding of unethical conduct by a competent authority is prima facie evidence of a violation of this Rule.

(c) Notice to the Board Required. A CPA shall notify the Board in writing within 30 days of any conviction or finding against him or her of unlawful conduct by any federal or state court or regulatory authority.

History Note: *Authority G.S. 55B-12; ~~57C-2-0;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. January 1, 2006.
Readoption Eff. February 1, 2016.

21 NCAC 08N .0205 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0205 CONFIDENTIALITY

(a) Nondisclosure. A CPA shall not disclose any confidential information obtained in the course of employment or a professional engagement except with the consent of the employer or client.

(b) Exceptions. This Rule shall not be construed:

(1) to relieve a CPA of any ~~report~~ reporting obligations pertaining to Section .0400 of this Subchapter; ~~or~~

(2) to affect in any way the CPA's compliance with ~~a~~ an order of a court or a validly issued subpoena ~~or summons enforceable~~ by this ~~Board or by order of a court;~~ Board; ~~or~~

(3) to preclude the CPA from responding to any inquiry made by the AICPA Ethics Division or Trial Board, by a duly constituted investigative or disciplinary body of a state CPA society, or under state statutes; ~~or~~

(4) to preclude the disclosure of confidential client information necessary for the peer review process or for any quality review program; ~~or~~

(5) to preclude the CPA from assisting the Board in enforcing the accountancy statutes and rules; ~~or~~

(6) to affect a CPA's disclosure of confidential information to state or federal authorities when the CPA concludes in good faith based upon professional judgment that a crime is being or is likely to be committed; or

(7) to affect a CPA's disclosure of confidential information when such disclosure is required by state or federal laws or regulations.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. February 1, 2004; April 1, 2003;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0206 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0206 COOPERATION WITH BOARD INQUIRY

A CPA shall ~~fully cooperate with the Board~~ provide full cooperation in connection with any inquiry ~~it shall make.~~ made by the Board. Full cooperation includes responding within 21 days to all inquiries of the Board or representatives of the Board and claiming Board correspondence from the U.S. Postal Service, private delivery ~~service~~ service, or personal delivery.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994.
Amended Eff. February 1, 2011;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0207 is readopted as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0207 VIOLATION OF TAX LAWS

A CPA shall not knowingly violate any state or federal tax laws or regulations in handling the CPA's personal business affairs, ~~or~~ the business affairs of an employer or client, or the business affairs of any company owned by the CPA.

History Note: *Authority G.S. 93-12(9);*
Eff. April 1, 1994;
Amended Eff. February 1, 2011;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0208 is readopted with changes as published in 30:07 NCR 745 as follows:

21 NCAC 08N .0208 REPORTING CONVICTIONS, JUDGMENTS, AND DISCIPLINARY ACTIONS

(a) Criminal Actions. A CPA shall notify the Board within 30 days of any conviction or finding of guilt of, pleading of nolo ~~contendere~~ contendere, or receiving a prayer for judgment continued to any criminal offense.

(b) Civil Actions. A CPA shall notify the Board within 30 days of ~~the following:~~ any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration that:

~~(1) any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration;~~

~~(2)~~(1) ~~which~~ is grounded upon an allegation of professional negligence, gross negligence, dishonesty, fraud, misrepresentation, incompetence, or violation of any federal or state tax law; and

~~(3)~~(2) was brought against either the CPA or a North Carolina office of a CPA firm of which the CPA was a managing ~~partner.~~ owner.

(c) Settlements. A CPA shall notify the Board within 30 days of any settlement in lieu of a civil suit or criminal charge ~~which~~ that is grounded upon an allegation of professional negligence; gross negligence; dishonesty; fraud; misrepresentation; incompetence; or violation of any federal, state, or local law. Notification ~~is~~ shall be required regardless of any confidentiality clause in the settlement.

(d) Investigations. A CPA shall notify the Board within 30 days of any inquiry or investigation by the criminal investigation divisions of the Internal Revenue Service (IRS) or any state department of revenue ~~criminal investigation divisions~~ pertaining to any personal or business tax matters.

(e) Liens. A CPA shall notify the Board within 30 days of the filing of any liens by the Internal Revenue Service (IRS) or any state department of revenue regarding the failure to pay or apparent failure to pay for any amounts due ~~any~~ for any tax matters.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(3); 93-12(9);*
Eff. April 1, 1994;
Amended Eff. January 1, 2014; January 1, 2006; April 1, 2003; April 1, 1999;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0209 is readopted with changes as published in 30:07 NCR 746 as follows:

21 NCAC 08N .0209 ACCOUNTING PRINCIPLES

(a) Generally Accepted Accounting Principles. A CPA shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from an accounting principle ~~which~~ that has a material effect on the statements taken as a whole, unless the CPA can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases the CPA's report shall describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

(b) Financial Accounting Standards Board Accounting Standards Codification. The Financial Accounting Standards Board Accounting Standards Codification, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered generally accepted accounting principles for the purposes of Paragraph (a) of this Rule.

~~(c) Departures . In such cases the CPA's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.~~

~~(d)~~(c) Copies of Standards. Copies of the Financial Accounting Standards Board Accounting Standards Codification may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the FASB, Post Office Box ~~30816, Stamford, CT 06150~~ 5116, Norwalk, CT 06856 as part of the "FASB Accounting Standards." They are available at cost, which is ~~one hundred ninety five dollars ($195.00)~~ two hundred fifteen dollars ($215.00) in paperback ~~form as of the effective date of the last amendment to this Rule.~~ form.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. July 1, 2010;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0211 is readopted with changes as published in 30:07 NCR 746 as follows:

21 NCAC 08N .0211 RESPONSIBILITIES IN TAX PRACTICE

(a) Standards for Tax Services. A CPA shall not render services in the area of taxation unless the CPA has complied with the standards for tax services.

(b) Statements on Standards for Tax Services. The Statements on Standards for Tax Services issued by the AICPA, including subsequent amendments and editions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered as the standards for tax services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set forth in the statements.~~

~~(d)~~(c) Copies of Standards. Copies of the Statements on Standards for Tax Services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC, 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars ($169.00)~~ one hundred ninety-four dollars ($194.00) in paperback form or ~~four hundred eighty-six dollars ($486.00)~~ one hundred sixty-nine dollars ($169.00) in ~~looseleaf~~ online subscription ~~form as of the effective date of the last amendment to this Rule.~~ form.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. July 1, 2010; February 1, 2006; April 1, 2003;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0212 is readopted with changes as published in 30:07 NCR 746 as follows:

21 NCAC 08N .0212 COMPETENCE

A CPA shall perform professional services competently and shall:

(1) undertake only those engagements ~~which~~ that the CPA or CPA's firm can ~~reasonably~~ expect to complete with professional competence;

(2) exercise due professional care in the performance of an engagement;

(3) adequately plan and supervise an engagement; and

(4) obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0213 is readopted as published in 30:07 NCR 746 as follows:

21 NCAC 08N .0213 OTHER RULES

A CPA shall not willfully violate any other rule in this Chapter nor any other provision of the Accountancy Statutes, the Professional Corporation Act, the Partnership Act, ~~the Taxation Act,~~ or the North Carolina Limited Liability Company Act.

History Note: Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);
Eff. April 1, 1994;
Amended Eff. January 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0214 is readopted with changes as published in 30:07 NCR 746 as follows:

21 NCAC 08N .0214 OUTSOURCING TO THIRD-PARTY PROVIDERS

(a) A CPA shall provide a written disclosure in advance of the outsourcing to the client that he or she is using a third-party provider to assist the CPA in providing any professional services to the client.

~~(b) A CPA shall provide annual disclosure in a written statement of the services to be rendered by the third-party provider as well as the third-party provider's name, address, and phone number. The written statement shall be dated, signed by both the CPA and client in advance of the outsourcing, and a copy provided to the client.~~

~~(c)~~(b) A CPA outsourcing professional services to a third-party provider ~~is~~ shall be responsible for ensuring a third-party provider is in compliance with all rules of Professional of Conduct and Ethics in ~~21 NCAC 08N.~~ this Subchapter.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. January 1, 2006;
Amended Eff. July 1, 2010;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0215 is readopted with changes as published in 30:07 NCR 747 as follows:

21 NCAC 08N .0215 INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS

(a) International Financial Accounting Standards. A CPA shall not express an opinion that financial statements are presented in accordance with international financial accounting standards if such statements contain any departure from an accounting standard ~~which~~ that has a material effect on the statements, taken as a whole, unless the CPA can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases, the CPA's report shall describe the departure, the approximate effect thereof if practicable, and the reason(s) why compliance with the standard would result in a misleading statement.

(b) International Financial Accounting Standards consist of the following:

(1) International Financial Reporting Standards (IFRS) issued after 2001;

(2) International Accounting Standards (IAS) issued before 2001;

(3) Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) issued after 2001; and

(4) Standing Interpretations Committee (SIC) issued before 2001.

~~(c) Departures. The CPA's report must describe the departure, the approximate effect thereof if practicable and the reasons why compliance with the standard would result in a misleading statement.~~

~~(d)~~(c) Copies of Standards. Copies of International Financial Accounting Standards may be inspected in the office of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the International Accounting Standards Board, IASC Foundation Publications Department, 30 Cannon Street, London, EC4M6XH, United Kingdom. They are available at cost, which is approximately ~~thirty-four dollars ($34.00)~~ one hundred two dollars ($102.00) in paperback form or ~~three hundred eighty-three dollars ($383.00)~~ four hundred thirty-two dollars ($432.00) in loose-leaf subscription form.

History Note: *Authority G.S. 55-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. February 1, 2011;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0301 is readopted as published in 30:07 NCR 747 as follows:

21 NCAC 08N .0301 PROFESSIONAL JUDGMENT

(a) Professional Judgment. A CPA shall not subordinate the CPA's professional judgment to non-CPAs.

(b) Tax Practice. In tax practice, the CPA may resolve doubt in favor of the CPA's client as long as there is reasonable support for the CPA's position.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0302 is readopted with changes as published in 30:07 NCR 747 as follows:

21 NCAC 08N .0302 FORMS OF PRACTICE

(a) Authorized Forms of Practice. A CPA who uses CPA in or with the name of the business or offers or renders ~~attest or assurance services~~ audits, reviews, compilations, agreed-upon procedure or engagement services performed in accordance with the standards in 21 NCAC 08A .0301(b)(5) in the public practice of accountancy to clients shall do so only through a registered sole proprietorship, partnership, Professional Corporation, Professional Limited Liability Company, or Registered Limited Liability Partnership.

(b) Authorized Ownership. A CPA firm may have an ownership of up to 49 percent by non-CPAs. A CPA firm shall have ownership of at least 51 percent and be controlled in law and fact by holders of valid CPA certificates who have the unrestricted privilege to use the CPA title and to practice public accountancy in a jurisdiction and at least one of whom shall be licensed by this Board.

(c) CPA Firm Registration Required. A CPA shall not offer or render professional services through a CPA firm ~~which~~ that is in violation of the registration requirements of 21 NCAC 08J .0108, 08J .0110, or 08M .0105.

(d) Supervision of CPA Firms. Every North Carolina office of a CPA firm registered in North Carolina shall be actively and locally supervised by a designated actively licensed North Carolina CPA whose primary responsibility and a corresponding amount of time shall be work performed in that office.

(e) CPA Firm Requirements for CPA Ownership. A CPA firm and its designated supervising CPA ~~is~~ shall be accountable for the following in regard to a CPA owner:

(1) ~~A~~ a CPA owner shall be a natural person or a general partnership or a limited liability partnership directly owned by natural ~~persons~~. persons;

(2) ~~A~~ a CPA owner shall actively participate in the business of the CPA ~~firm.~~ firm; and

(3) ~~A~~ a CPA owner who, prior to January 1, 2006, is not actively participating in the CPA firm may continue as an owner until such time as his or her ownership is terminated.

(f) CPA Firm Requirements for Non-CPA Ownership. A CPA firm and its designated supervising CPA ~~partner is~~ owner shall be accountable for the following in regard to a non-CPA owner:

(1) a non-CPA owner shall be a natural person or a general partnership or limited liability partnership directly owned by natural persons;

(2) a non-CPA owner shall actively participate in the business of the firm or an affiliated entity as his or her principal occupation;

(3) a non-CPA owner shall comply with all applicable accountancy statutes and the ~~rules;~~ rules as set forth in Chapter 93 of G.S. and all rules in this Chapter.

(4) a non-CPA owner shall be of good moral character and shall be dismissed and disqualified from ownership for any conduct that, if committed by a licensee, would result in a discipline pursuant to G.S. 93-12(9); and

(5) a non-CPA owner shall report his or her name, home address, phone ~~number~~ number, social security number, and Federal Tax ID number (if any) on the CPA firm's ~~registration; and~~ registration.

~~(6) a non-CPA owner's name may not be used in the name of the CPA firm or held out to clients or the public that implies the non-CPA owner is a CPA.~~

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. February 1, 2011; January 1, 2006; April 1, 2003; April 1, 1999; August 1, 1995;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0303 is readopted with changes as published in 30:07 NCR 748 as follows:

21 NCAC 08N .0303 OBJECTIVITY AND CONFLICTS OF INTEREST

(a) Personal Financial Interest in Advice. When offering or rendering accounting or related financial, tax, or management advice, a CPA shall be objective and shall not place the CPA's own financial interests nor the financial interests of a third party ahead of the legitimate financial interests of the CPA's client or the public in any context in which a client or the public can reasonably expect objectivity from one using the CPA title.

(b) Expectation of Objectivity Presumed. If the CPA uses the CPA title in any way to obtain or maintain a client relationship, the Board ~~will~~ shall presume the reasonable expectation of objectivity.

(c) Acceptance of a Commission or Referral Fee. A CPA shall not ~~for a commission~~ recommend or refer to a client any product or ~~service, or~~ service for a ~~commission~~ commission; recommend or refer any product or service to be supplied by a ~~client,~~ client; or receive a commission, when the CPA also performs ~~for that client:~~ the following for the client:

(1) an audit or review of a financial statement; ~~or~~

(2) a compilation of a financial statement when the CPA expects, or reasonably might expect, that a third party will use the financial statement and the CPA's compilation report does not disclose a lack of independence; or

(3) an examination of prospective financial information.

This prohibition applies during the period in which the CPA is engaged to perform any of the services listed in Subparagraph (c)~~(2)~~ of this Rule and the period covered by any historical financial statements involved in such listed services.

(d) Acceptance of a Contingent Fee.

(1) The offering or rendering of professional services for, or the receipt of, a contingent fee by a CPA ~~is not~~ shall not be prohibited except for engaging to render or rendering by a CPA:

(A) of professional services for any person for whom the CPA also performs attest services, during the period of the attest services ~~engagement~~ engagement, and the period covered by any historical financial statements involved in such attest services; and

(B) for the preparation of original or amended tax returns or claims for tax refunds.

(2) Fees ~~are not~~ shall not be regarded as being contingent if fixed by courts or other public authorities or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies.

(e) A CPA shall communicate in advance to a client the scope of services or products to be rendered or referred for which the CPA will receive a commission, referral, or contingent fee. A CPA shall provide disclosure in a written statement within ten business days of the service or product to be rendered or referred with the commission, referral, or contingent fee to be charged or received by the CPA.

History Note: Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);

Eff. April 1, 1994;

Amended Eff. January 1, 2006; April 1, 1999;

Readoption Eff. February 1, 2016.

21 NCAC 08N .0304 is readopted with changes as published in 30:07 NCR 748 as follows:

21 NCAC 08N .0304 CONSULTING SERVICES STANDARDS

(a) Standards for Consulting Services. A CPA shall not render consulting services unless the CPA has complied with the standards for consulting services.

(b) Statements on Standards for Consulting Services. The Statements on Standards for Consulting Services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for consulting services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the Statements on Standards for Consulting Services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars ($169.00)~~ one hundred ninety-four dollars ($194.00) in paperback form or ~~four hundred eighty-six dollars ($486.00)~~ one hundred sixty-nine dollars ($169.00) in ~~looseleaf~~ on-line subscription ~~form as of the effective date of the last amendment to this Rule.~~ form.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. July 1, 2010; January 1, 2006;
Readoption Eff. February1, 2016.

21 NCAC 08N .0305 is readopted with changes as published in 30:07 NCR 748 as follows:

21 NCAC 08N .0305 RETENTION OF CLIENT RECORDS

(a) Return ~~upon~~ Upon Demand. A CPA ~~must~~ shall return client records in his or her possession to the client after a demand is made for their return. The records ~~must~~ shall be returned ~~immediately~~ upon demand unless circumstances make some delay reasonable in order to retrieve a closed file or to extract the CPA's work papers described in Paragraph (f) of this Rule. If the records cannot be returned ~~immediately~~ upon demand, the CPA shall immediately notify the client of the date the records will be returned. Nothing in this Rule shall be interpreted to require a CPA to pay delivery costs when the records are returned to the client.

(b) Who ~~may~~ May Demand Client Records. If the client is a partnership, records shall be returned upon request to any of its general partners. If the client is a limited partnership or a registered limited liability partnership, records shall be returned upon request to its general partner(s) and the managing ~~partner~~ partner, or his or her designated individual respectively. If the client is a corporation, records shall be returned upon request to its president. If the client is a limited liability company, records shall be returned upon request to the manager. Joint records shall be returned upon request to any ~~party.~~ party to the record.

(c) Return of Original Records. If the engagement is terminated prior to completion or the CPA's work product has neither been received nor paid for the by the client, the CPA ~~is only required to return~~ shall be required to return only those records originally given to the CPA by the client.

(d) Retention to Force Payment. A CPA shall not retain a client's records in order to force payment of any kind.

(e) Work Papers Included in Client Records. Work papers are usually the CPA's property and need not be surrendered to the client. However, in some instances work papers ~~will~~ may contain data ~~which~~ that should ~~properly~~ be reflected in the client's books and ~~records~~ records, but for convenience have not been duplicated therein with the result that the client's records are incomplete. In such instances, the portion of the work papers containing such data constitutes part of the client's records, and copies shall be given to the client along with the rest of the client's records. Work papers considered part of the client's records include but are not limited to:

(1) ~~Worksheets~~ worksheets in lieu of original entry (~~e.g.,~~ such as listings and distributions of cash receipts or cash disbursements on columnar work paper);

(2) ~~Worksheets~~ worksheets in lieu of general ledger or subsidiary ledgers, such as accounts receivable, job cost and equipment ledgers, or similar types of depreciation records;

(3) ~~All~~ all adjusting and closing journal entries and supporting details not fully set forth in the journal entry; and

(4) ~~Consolidating~~ consolidating or combining journal entries and worksheets and supporting detail used in arriving at final figures incorporated in an end product such as financial statements or tax returns.

(f) Work Papers Belonging to the CPA. Work papers developed by the CPA incident to the performance of an engagement ~~which~~ that do not result in changes to the client's records, or are not in themselves part of the records ordinarily maintained by such clients, are ~~solely~~ the CPA's work papers and are not the property of the client. For

example, the CPA may make extensive analyses of inventory or other accounts as part of the selective audit procedures. These analyses are considered to be a part of the CPA's work papers, even if the analyses have been prepared by client personnel at the request of the CPA. Only to the extent these analyses result in changes to the client's records would the CPA be required to furnish the details from the work papers in support of the journal entries recording the changes, unless the journal entries themselves contain all necessary details.

(g) Reasonable Fees for Copies. Nothing in this Rule shall be construed to require the CPA to furnish a client with copies of the client's records already in the client's possession. However, if the client asserts that such records have been lost, or are otherwise not in the client's possession, the CPA shall furnish copies of the records and may charge a reasonable fee.

(h) Retention of Work Product and Work Papers. A CPA shall ensure that the work product and the work papers created in the performance of an engagement for a client are retained for ~~a minimum of~~ at least five years after the date of issuance of the work product unless the CPA is required by law to retain such records for a longer period.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. January 1, 2006; April 1, 2003;
Readoption Eff. February1, 2016.

21 NCAC 08N .0306 is readopted with changes as published in 30:07 NCR 748 as follows

21 NCAC 08N .0306 ADVERTISING OR OTHER FORMS OF SOLICITATION

(a) Deceptive Advertising. A CPA shall not seek to obtain clients by advertising or using other forms of solicitation in a manner that is deceptive.

(b) Specialty Designations. A CPA may advertise the nature of services provided to ~~clients~~ clients, but the CPA shall not advertise or indicate a specialty designation or other title unless the CPA has met the requirements of the granting organization for the separate title or specialty designation and the individual is currently on active status and in good standing with the granting organization for the separate title or specialty designation.

(c) The CPA firm shall offer to perform or perform professional services only in the exact name of the CPA firm as registered with the Board. The exact CPA firm name as registered with the Board shall be used on the following documents:

(1) ~~Letterhead;~~ letterhead;

(2) contracts;

(3) engagement letters;

(4) tax returns; and

(5) all professional services reports.

(d) The CPA firm may advertise professional services using the exact name of the CPA firm, a portion of the CPA firm name, or initials or acronyms derived from the exact CPA firm name as registered with the Board.

(e) Any CPA or CPA firm offering to or performing professional services via the Internet shall include the following information on the Internet:

(1) CPA business or CPA firm name as registered with the Board;

(2) principal place of business;

(3) business ~~phone;~~ phone number; and

(4) North Carolina certificate number and North Carolina as ~~state~~ jurisdiction of certification.

(f) The use of the phrase "certified public accountant(s)" or "CPA(s)" in the name of any business entity on letterhead, professional services reports, business cards, brochures, building signage, office signs, telephone directories, contracts, engagement letters, tax returns, Internet ~~directories~~ directories, or any other advertisements or forms or solicitation ~~is~~ shall be prohibited except for registered CPA firms.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Readopted Eff. February 1, 2016 with changes;
Amended Eff. February 1, 2011; April 1, 1999; February 1, 1996;
Readoption Eff. February1, 2016.

21 NCAC 08N .0307 is readopted with changes as published in 30:07 NCR 748 as follows:

21 NCAC 08N .0307 CPA FIRM NAMES

(a) Deceptive Names Prohibited. A CPA or CPA firm shall not trade upon the CPA title through use of any name that would have the capacity or tendency to deceive. The name or initials of one or more members of a new CPA firm, as defined in 21 NCAC 08A .0301, shall be included in the CPA firm name. The name of former members and the initials of former members that are currently in the CPA firm name and the name of current members and the initials of current members may be included in a new CPA firm name. The name, the portion of the name, the initials of the name or the acronym derived from the name of a ~~firm's association or~~ firm network that includes names that were not previous CPA members or are not current CPA members of the CPA firm may be included in the CPA firm name. ~~and the~~ The name or initials of a non-CPA member in a CPA firm name may be included in the CPA firm name if certified public accountant or CPA is not included in or with the CPA firm name. ~~is prohibited~~

(b) Style of Practice. It is misleading if a CPA firm practices under a name or style ~~which~~ that would tend to imply the existence of a partnership or registered limited liability partnership or a professional corporation or professional limited liability company of more than one CPA shareholder or CPA member or an association when in fact there is no partnership nor is there more than one CPA shareholder or CPA member of a CPA firm. For example, no CPA firm having just one CPA member may have as a part of its name the words "associates," "group," "firm," or "company" or their abbreviations. It is also misleading if a CPA renders non-attest professional services through a non-CPA firm using a name that implies any non-licensees are CPAs.

(c) Any CPA firm that has continuously used an assumed name approved by the Board prior to April 1, 1999, may continue to use the assumed name. A CPA firm (or a successor firm by sale, merger, or operation of law) using the name, or a portion of a name, or the initials of the name, or the acronym derived from the name of a firm association or firm network that was approved by the Board prior to April 1, 1999 may continue to use that name so long as that use is not deceptive. A CPA firm (or a successor firm by sale, merger, or operation of law) may continue to use the surname of a retired or deceased partner or shareholder in the CPA firm's name so long as that use is not deceptive.

(d) Any CPA firm registered in another jurisdiction that provides notification of intent to practice pursuant to G.S. 93-10(c)(3) may practice under the name as registered with that jurisdiction.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. February 1, 2011; January 1, 2006; April 1, 1999; August 1, 1995;
Readoption Eff. February1, 2016.

21 NCAC 08N .0308 is readopted with changes as published in 30:07 NCR 748 as follows:

21 NCAC 08N .0308 VALUATION SERVICES STANDARDS

(a) Standards for Valuation Services. A CPA shall not render valuation services of a business, a business ownership interest, security, or intangible asset unless the CPA has complied with the standards for valuation services.

(b) Statements on Standards for Valuation Services. The Statements on Standards for Valuation Services (including the definition of such services) issued by the AICPA, including amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for valuation services for the purposes of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the standards listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the statements on standards for valuation services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars ($169.00)~~ one hundred ninety-four dollars ($194.00) in paperback form or ~~four hundred eighty-six dollars ($486.00)~~ one hundred sixty-nine dollars ($169.00) in ~~looseleaf~~ on-line subscription ~~form as of the effective date of the last amendment to this Rule.~~ form.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. January 1, 2006;
Amended Eff. July 1, 2010;
Readoption Eff. February1, 2016.

21 NCAC 08N .0309 is adopted as published in 30:07 NCR 749 as follows:

21 NCAC 08N .0309 PERSONAL FINANCIAL PLANNING SERVICES

(a) Statement on Standards on Personal Financial Planning Services. A CPA shall not render personal financial planning services unless the CPA has complied with the applicable standards for personal financial planning services.

(b) Statement on Standards on Personal Financial Planning Services. The Statement on Standards on Personal Financial Planning Services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions, is hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for personal financial planning services for the purpose of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies of the Statement on Standards on Personal Financial Planning Services may be inspected in the office of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred sixty-nine dollars ($169.00) in paperback form or four hundred eighty-six dollars ($486.00) in online subscription [~~form as of the effective date of the last amendment of this Rule.~~] form.

History Note: *Authority G.S. 55-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. February 1, 2016.

21 NCAC 08G .0401 is readopted with changes as published in 30:07 NCR 744 as follows:

21 NCAC 08G .0401 CPE REQUIREMENTS FOR CPAS

(a) In order for a CPA to receive CPE credit for a course:

(1) the CPA ~~must~~ shall attend or complete the course and receive a certificate of completion as set forth in Rule .0403(c)(13) of this Section;

(2) the course ~~must~~ shall meet the requirements set out in Rule .0404(a) and (c) of this Section; and

(3) the course ~~must~~ shall increase the professional competency of the CPA.

(b) A course that increases the professional competency of a CPA ~~is~~ shall be a course in an area of accounting in which the CPA practices or is planning to practice in the future, ~~or~~ in the area of professional ethics, or an area of the profession.

(c) Because of differences in the education and experience of CPAs, a course may contribute to the professional competence of one CPA but not another. Each CPA ~~must~~ shall therefore exercise judgment in selecting courses for which CPE credit is claimed and choose only those that contribute to that CPA's professional competence.

(d) Active CPAs ~~must~~ shall complete 40 CPE hours, computed in accordance with Rule .0409 of this Section by December 31 of each year, except as follows:

(1) CPAs having certificate applications approved by the Board in April-June ~~must~~ shall complete 30 CPE hours during the same calendar year;

(2) CPAs having certificate applications approved by the Board in July-September ~~must~~ shall complete 20 CPE hours during the same calendar year; or

(3) CPAs having certificate applications approved by the Board in October-December ~~must~~ shall complete 10 CPE hours during the same calendar year.

(e) There ~~are~~ shall be no CPE requirements for inactive CPAs.

(f) Any CPE hours completed during the calendar year in which the certificate is approved may be used for that year's requirement even if the hours were completed before the certificate was granted. When a CPA has completed more than the required number of hours of CPE in any one calendar year, the extra hours, not in excess of 20 hours, ~~may~~ shall be carried forward and treated as hours earned in the following year. Ethics CPE hours may not be included in any carry forward hours. A CPA ~~may~~ shall not claim CPE credit for courses taken in any year prior to the year of certification.

(g) Any CPE hours used to satisfy the requirements for change of status as set forth in ~~21 NCAC 08J .0105,~~ Rule 08J .0105 of this Chapter, for reissuance as set forth in ~~21 NCAC 08J .0106,~~ Rule 08J .0106 of this Chapter, or for application for a new certificate as set forth in ~~21 NCAC 08I .0104~~ Rule 08I .0104 of this Chapter may be used to satisfy the annual CPE requirement set forth in Paragraph (d) of this Rule.

(h) It ~~is~~ shall be the CPA's responsibility to maintain records substantiating the CPE credits claimed for the current year and for each of the four calendar years prior to the current year.

(i) A non-resident licensee may satisfy the annual CPE requirements including ~~21 NCAC 08G .0401~~ Rule 08G .0401 of this Section in the jurisdiction in which he or she is licensed and currently works or resides. If there is no

annual CPE requirement in the jurisdiction in which he or she is licensed and currently works or resides, he or she ~~must~~ shall comply with Paragraph (d) of this Rule.

History Note: *Authority G.S. 93-12(3); 93-12(8b);*
Eff. May 1, 1981;
Amended Eff. January 1, 2014; January 1, 2007; January 1, 2004; August 1, 1995; April 1, 1994; May 1, 1989; September 1, 1988;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0402 is readopted with changes as published in 30:07 NCR 749 as follows:

21 NCAC 08N .0402 INDEPENDENCE

(a) A CPA, or the CPA's firm, who is performing an engagement in which the CPA, or the CPA's firm, will issue a report on financial statements of any client (other than a report in which lack of independence is disclosed) ~~must~~ shall be independent with respect to the client in fact and appearance.

(b) Independence is impaired if, during the period of the professional engagement, a covered person:

(1) ~~Had~~ had or was committed to acquire any direct or material indirect financial interest in the ~~client.~~ client;

(2) ~~Was~~ was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the client; and

(A) ~~The~~ the covered person (individually or with others) had the authority to make investment decisions for the trust or estate;

(B) ~~The~~ the trust or estate owned or was committed to acquire more than 10 percent of the client's outstanding equity securities or other ownership interests; or

(C) ~~The~~ the value of the trust's or estate's holdings in the client exceeded 10 percent of the total assets of the trust or ~~estate.~~ estate;

(3) ~~Had~~ had a joint closely held investment that was material to the covered ~~person.~~ person; or

(4) ~~Except~~ except as permitted in the AICPA Professional Standards Code of Professional Conduct and Bylaws, had any loan to or from the client or any officer or director of the client, or any individual owning 10 percent or more of the client's outstanding equity securities or other ownership interests.

(c) Independence is impaired if during the period of the professional engagement, a shareholder, a member, a partner or professional employee of the firm, his or her immediate family and close relatives, (as defined in the AICPA Code of Professional Conduct and Bylaws) or any group of such persons acting together owned more than five percent of a client's outstanding equity securities or other ownership interests.

(d) Independence is impaired if, during the period covered by the financial statements, or during the period of the professional engagement, a shareholder, a member, a ~~partner~~ partner, or professional employee of the firm was simultaneously associated with the client as a:

(1) ~~Director,~~ director, officer, employee, or in any capacity equivalent to that of a member of management;

(2) ~~Promoter,~~ promoter, underwriter, or voting trustee; or

(3) ~~Trustee~~ trustee for any pension or profit-sharing trust of the client.

(e) For the purposes of this Rule ~~"Covered" person~~ "covered person" is

(1) ~~An~~ an individual on the attest engagement team;

(2) ~~An~~ an individual in a position to influence the attest engagement;

(3) ~~A~~ a partner or manager who provides ~~nonattest~~ non-attest services to the attest client beginning once he or she provides 10 hours of ~~nonattest~~ non-attest services to the client within any fiscal year and ending on the later of the date:

(A) the firm signs the report on the financial statements for the fiscal year during which those services were provided; or

(B) he or she no longer expects to provide 10 or more hours of ~~nonattest~~ non-attest services to the attest client on a recurring basis;

(4) ~~A~~ a partner in the office in which the lead attest engagement partner primarily practices in connection with the attest engagement;

(5) ~~The~~ the firm, including the firm's employee benefit plans; or

(6) ~~An~~ an entity whose operating, financial, or accounting policies can be controlled (as defined by generally accepted accounting principles (GAAP) for consolidation purposes) by any of the individuals or entities described in Subparagraphs (1) through (5) of this Paragraph or by two or more such individuals or entities if they act together;

(f) The impairments of independence listed in this Rule ~~are not intended to be all inclusive.~~ shall not be interpreted to be an all inclusive list.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. February 1, 2011; April 1, 2003;
Readoption Eff. February1, 2016.

21 NCAC 08N .0403 is readopted with changes as published in 30:07 NCR 749 as follows:

21 NCAC 08N .0403 AUDITING STANDARDS

(a) Standards for Auditing Services. A CPA shall not render auditing services unless the CPA has complied with the applicable generally accepted auditing standards.

(b) Statements on Auditing Standards. The Statements on Auditing Standards issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered generally accepted auditing standards for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the Statements on Auditing Standards may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars ($169.00)~~ one hundred ninety-four dollars ($194.00) in paperback form or ~~four hundred eighty-six dollars ($486.00)~~ one hundred sixty-nine dollars ($169.00) in ~~looseleaf~~ on-line subscription ~~form as of the effective date of the last amendment to this Rule.~~ form.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. July 1, 2010; February 1, 2006;
Readoption Eff. February1, 2016.

21 NCAC 08N .0404 is readopted with changes as published in 30:07 NCR 749 as follows:

21 NCAC 08N .0404 ACCOUNTING AND REVIEW SERVICES STANDARDS

(a) Standards for Accounting and Review Services. A CPA shall not render accounting and review services unless the CPA has complied with the standards for accounting and review services.

(b) Statements on Standards for Accounting and Review Services. The Statements on Standards for Accounting and Review Services issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for accounting and review services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars ($169.00)~~ one hundred ninety-four dollars ($194.00) in paperback form or ~~four hundred eighty-six dollars ($486.00)~~ one hundred sixty-nine dollars ($169.00) in ~~looseleaf~~ on-line subscription ~~form as of the effective date of the last amendment to this Rule.~~ form.

History Note: *Authority G.S. 55B-12; ~~57C-2-01~~; 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. July 1, 2010; February 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0405 is readopted with changes as published in 30:07 NCR 749 as follows:

21 NCAC 08N .0405 GOVERNMENTAL ACCOUNTING STANDARDS

(a) Standards for Governmental Accounting. A CPA shall not permit the CPA's name to be associated with governmental financial statements for a client unless the CPA has complied with the standards for governmental accounting.

(b) Statements on Governmental Accounting and Financial Reporting Services. The Statements on Governmental Accounting and Financial Reporting Services issued by the GASB, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for governmental accounting for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in this Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the Statements on Governmental Accounting and Financial Reporting Standards, including technical bulletins and interpretations, may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the GASB, Post Office Box 30784, Stamford, CT 06150. They are available at cost, which is ~~two hundred twenty eight ($228.00~~) one hundred eighty-four dollars ($184.00). In addition to the basic set, an updating subscription service is available for ~~two hundred five dollars ($205.00)~~ two hundred twenty-five dollars ($225.00) ~~annually as of the effective date of the last amendment to this Rule.~~ annually.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1999;
Amended Eff. July 1, 2010; February 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0406 is readopted with changes as published in 30:07 NCR 750 as follows:

21 NCAC 08N .0406 ATTESTATION STANDARDS

(a) Standards for Attestation Services. A CPA shall not render attestation services unless the CPA has complied with the applicable attestation standards.

(b) Statements on Standards for Attestation Engagements. The Statements on Standards for Attestation Engagements issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered attestation standards for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in this Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the Statements on Standards for Attestation Engagements may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars ($169.00)~~ one hundred ninety-four dollars ($194.00) in paperback form or ~~four hundred eighty-six dollars ($486.00)~~ one hundred sixty-nine dollars ($169.00) in ~~looseleaf~~ on-line subscription ~~form as of the effective date of the last amendment to this Rule.~~ form.

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. April 1, 1994;
Amended Eff. July 1, 2010; February 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0408 is readopted as published in 30:07 NCR 750 as follows:

21 NCAC 08N .0408 PEER REVIEW STANDARDS

A CPA who is engaged to perform a peer review shall not violate the rules or standards as set in Subchapter 08M of the peer review program under which the review is made or the engagement contract connected with that peer review.

History Note: Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);
Eff. April 1, 1994;
Amended Eff. January 1, 2006;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0409 is readopted with changes as published in 30:07 NCR 750 as follows:

21 NCAC 08N .0409 GOVERNMENT AUDITING STANDARDS

(a) Standards for Government Audits. A CPA shall not render audit services to a government entity or entity that receives government awards and is required to receive an audit in accordance with Government Auditing Standards unless the CPA has complied with the applicable Generally Accepted Government Auditing Standards.

(b) Government Auditing Standards. The Government Auditing Standards issued by the United States Government Accountability Office, including subsequent amendments and additions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered Generally Accepted Government Auditing Standards for the purpose of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph shall be justified by those who do not follow them as set out in the standards.

~~(c) Departures. Departures from the statements listed in this Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Standards. Copies of the Government Auditing Standards may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the Government Printing Office, Washington, D.C. 20402-0001. They are available at a cost, which is ~~approximately twelve dollars and fifty cents ($12.50)~~ sixteen dollars ($16.00) in paperback form. [~~form as of the effective date of the last amendment to this Rule.~~]

History Note: *Authority G.S. 55B-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9);*
Eff. February 1, 2011;
Readoption Eff. February 1, 2016.

21 NCAC 08N .0410 is adopted as published in 30:07 NCR 750 as follows:

21 NCAC 08N .0410 INTERNATIONAL STANDARDS ON AUDITING

(a) International Standards on Auditing. A CPA shall not render auditing services unless the CPA has complied with the applicable international standards on auditing.

(b) Statement on International Standards on Auditing. The Statement on International Standards on Auditing issued by the International Auditing and Assurance Board, including subsequent amendments and additions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered International Standards on Auditing for the purpose of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph ~~must~~ shall be justified by those who do not follow them as set out in the standards.

(c) Copies of the Standards. Copies of the International Standards on Auditing may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the International Auditing and Assurance Board at 529 5th Avenue, 6th Floor, New York, NY 10017. They are available at a cost, which is [~~approximately~~] one hundred sixty dollars ($160.00) in paperback form.

History Note: *Authority G.S.55-12; ~~57C-2-01;~~ 57D-2-02; 93-12(9)*
Eff. February 1, 2016.