



Activity Review

North Carolina State Board of Certified Public Accountant Examiners

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Rules Effective January 1, 2014

On October 21, 2013, the North Carolina State Board of CPA Examiners conducted a public rule-making hearing to amend the following rules:

- 21 NCAC 08A .0301, *Definitions*;
- 21 NCAC 08F .0103, *Filing of Examination Applications and Fees*;
- 21 NCAC 08F .0502, *Application for CPA Certificate*;
- 21 NCAC 08G .0401, *CPE Requirements for CPAs*;
- 21 NCAC 08G .0403, *Qualification of CPE Sponsors*;
- 21 NCAC 08G .0409, *Computation of CPE Credits*;
- 21 NCAC 08G .0410, *Professional Ethics and Conduct CPE*;
- 21 NCAC 08I .0104, *Modification of Discipline and New Certificate*;
- 21 NCAC 08J .0105, *Retired and Inactive Status: Change of Status*;
- 21 NCAC 08J .0106, *Forfeiture of Certificate and Reissuance*;
- 21 NCAC 08J .0107, *Mailing Addresses of Certificate Holders and CPA Firms*;
- 21 NCAC 08M .0105, *Peer Review Requirements*;
- 21 NCAC 08N .0202, *Deceptive Conduct Prohibited*;
- 21 NCAC 08N .0203, *Discreditable Conduct Prohibited*;
- 21 NCAC 08N .0208, *Reporting Convictions, Judgments, and Disciplinary Actions*; and
- 21 NCAC 08N .0302, *Forms of Practice*.

The amendments were necessary to amend rules affected by the deletion of retired status; amend language regarding information and restrictions on Exam and certificate applications; amend language for CPE certificates of completion and language on computation of CPE credits; amend language to stop registering CPE sponsors; amend language regarding the modification of discipline process; amend language for additional address information; amend the date requirement for peer review; amend language for prohibited conduct; amend reporting requirement; and amend language for consistency.

At its November 18, 2013, meeting, the Board voted to adopt the amended rules, except 21 NCAC 08N .0302, from the October 21, 2013, public rule-making hearing. The Board voted to not adopt 21 NCAC 08N .0302; therefore the rule was not amended as proposed.

The Rules Review Commission of the North Carolina Office of Administrative Hearings approved the amendments, including the administrative changes promulgated by the Rules Review Commission, to the above-cited rules at its December 19, 2013, meeting, and set the effective date for the amended rules as January 1, 2014.

The text on pages 2-11 shows the amendments made to the rules. Language that was removed is indicated by a strike-through (**example**) and new language is underlined (**example**).

The final text of amended rules will be incorporated into the rules portion of the website (www.nccpaboard.gov/resources) when the Board receives the final copy from OAH.

If you have questions regarding the amended rules, please contact the Board's Executive Director by email at rbrooks@nccpaboard.gov or the Board's Deputy Director at dnance@nccpaboard.gov.

Wm. Hunter Cook, CPA, Appointed to Board

On December 13, 2013, Governor Pat McCrory appointed Wm. Hunter Cook, CPA, of Charlotte, to the Board for a three-year term expiring June 30, 2016. He succeeds John M. Kledis, CPA, whose term expired June 30, 2013.

Cook, a partner with Dixon Hughes Goodman, LLP, was previously appointed to the Board by Governor Bev Perdue and served on the Board 2009-2012. During his previous term on the Board, Cook served as Vice President and was a member of the Executive Committee, Professional Standards Committee, and Audit Committee.

He is a member and past chair of the NCACPA and a recipient of the *Raymond Rains Outstanding Service Award*. Cook is also a member of the AICPA and a member of the Auditing Standards Board.

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), ~~the following definitions and~~ other definitions in this ~~Section~~ 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 "Retired" or "Inactive" status;
- (2) "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 ~~responsible~~ party;
- (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:
 - (A) any audit or engagement to be performed in accordance with the Statements on Auditing Standards, Statements on Generally Accepted Governmental Auditing Standards, and Public Company Accounting Oversight Board Auditing Standards;
 - (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;
- (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;
- (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 which 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, ~~membership, 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;
- (19) "GASB" means the Governmental Accounting Standards Board;
- (20) "Inactive," when used to refer to the status of a person, describes ~~one a person~~ who has requested inactive status and been approved by the Board and who does not use the title "certified public 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 ~~21 NCAC 08A .0308(b)~~. 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 reflecting conditions it expects would exist and the course of action it expects would be taken given such hypothetical assumptions;
- (31) "Referral fee" means compensation for recommending or referring any service of a CPA to any person;
- ~~(32) "Retired," when used to refer to the status of a person, describes one possessing a North Carolina certificate of qualification who verifies to the Board that the applicant does not receive or intend to receive in the future any earned compensation for current personal services in any job whatsoever and will not return to active status. However, retired status does not preclude volunteer services for which the retired CPA receives no direct or indirect compensation so long as the retired CPA does not sign any documents, related to such services, as a CPA;~~
- ~~(33)~~(32) "Revenue Department" means the North Carolina Department of Revenue;
- ~~(34)~~(33) "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;
- ~~(35)~~(34) "Reviewer" means a member of a review team including the review team captain;
- ~~(36)~~(35) "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;
- ~~(37)~~(36) "Trade name" means a name used to designate a business enterprise;
- ~~(38)~~(37) "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 engagement 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 any other form of letters, words, pictures, sounds or symbols; and
- ~~(39)~~(38) ~~"Work~~ "Work product" means the end result of the engagement for the client which 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~~; 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.

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

(a) All applications for CPA examinations shall be filed with the ~~Board~~; 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, such as: including:

- (1) minimum legal age;
- (2) education; and
- ~~(3) experience, if required in order to qualify for the examination; and~~
- ~~(4)(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~~ States; for the purposes of becoming a U.S. citizen; or
- (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 extends to citizens of this state like or similar privileges to be examined.

(d) Official transcripts (originals – not photocopies) signed by the college registrar and bearing the college seal are required to prove 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. ~~However, no~~ No examination grades shall be released until an official transcript is filed with the Board confirming the information supplied in education requirement as stated in the college registrar's letter.

~~(e) In order to document good moral character as required by G.S. 93-12(5), three certificates of good moral character signed by persons not related by blood or marriage to the applicant shall accompany the application. Applications for re-examination shall not re-submit official transcripts, official additional statements, or affidavits regarding education. No additional statements or affidavits regarding education are required for applications for re-examination.~~

~~(f) No additional statements or affidavits regarding education are required for applications for re-examination. In order to document good moral character as required by G.S. 93-12(5), three certificates of good moral character signed by persons not related by blood or marriage to the applicant shall sign accompany 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~~ continued, or pleaded *nolo contendere* to any criminal offense.

(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. 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 thin paper with a plain light background and taken within the last six months. Photographs may be in black and white or in color. Photographs retouched so that the applicant's appearance is changed are unacceptable. Retouched photographs shall not be accepted. Applicants shall write their names on the back of their photos.

(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 an 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.~~

21 NCAC 08F .0502 APPLICATION FOR CPA CERTIFICATE

(a) A person applying for a certificate of qualification must file with the Board an application and an experience affidavit on forms provided by the Board and ~~such other evidence as the Board may require in order supporting documentation~~ to determine that the applicant has met the statutory and ~~regulatory rule requirement. 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) Three~~ The application for a CPA certificate shall include three certificates of good moral character provided by the Board and completed signed by CPAs CPAs. ~~shall be submitted with the application for a CPA certificate.~~

~~(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* to any criminal offense.~~

~~(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.~~

~~(d)(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.~~

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 attend or complete the course and receive a certificate of completion as set forth in 21 NCAC 08G .0403(c)(17); Rule .0403(c)(13) of this Section;
- (2) the course must meet the requirements set out in 21 NCAC 08G .0404(a) or (c); and Rule .0404(a) or and (c) of this Section; and
- (3) the course must increase the professional competency of the CPA.

~~(b) The Board registers sponsors of CPE courses. A CPE course provided by a registered sponsor is presumed to meet the CPE requirements set forth in 21 NCAC 08G .0404(a) if the sponsor has indicated that the course meets those requirements. However, it is up to the individual CPAs attending the course and desiring to claim CPE credit for it to assess whether it increases their professional competency.~~

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

~~(d)(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 therefore exercise judgment in selecting courses for which CPE credit is claimed and choose only those that contribute to that CPA's professional competence.~~

~~(e)(d) Active CPAs must complete 40 CPE hours, computed in accordance with 21 NCAC 08G .0409 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 complete 30 CPE hours during the same calendar ~~year, year;~~
- (2) CPAs having certificate applications approved by the Board in July-September must complete 20 CPE hours during the same calendar ~~year, year; or~~
- (3) CPAs having certificate applications approved by the Board in October-December must complete 10 CPE hours during the same calendar year.

~~(f)(e) There are no CPE requirements for **retired-or** inactive CPAs.~~

~~(g)(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 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 not claim CPE credit for courses taken in any year prior to the year of certification.

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

~~(i)(h)~~ It is 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.

~~(j)(i)~~ A non-resident licensee may satisfy the annual CPE requirements including 21 NCAC 08G .0401 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 comply with Paragraph ~~(e)(d)~~ of this Rule.

21 NCAC 08G .0403 QUALIFICATION OF CPE SPONSORS

(a) The Board registers shall not register either sponsors of CPE courses and not or CPE courses. The Board will maintain a list of sponsors which have agreed to conduct programs in accordance with the standards for CPE set forth in this Subchapter. Such sponsors shall indicate their agreement by signing a CPE program sponsor agreement form provided by the Board. These sponsors are registered sponsors.

(b) Notwithstanding Paragraph (a) of this Rule, sponsors Sponsors of continuing education programs which that are listed in good standing on the NASBA National Registry of CPE Sponsors maintained by NASBA are shall be considered to be registered CPE sponsors by the Board as compliant with the CPE requirements with the Board. of Paragraph (c) of this Rule. These sponsors are not required to sign a CPE program sponsor agreement form with this Board.

(c) In the CPE program sponsor agreement with the Board, the registered sponsor shall agree to: CPE providers not in good standing on the NASBA National Registry of CPE Sponsors shall meet the following requirements:

- ~~(1)~~ allow the Board to audit courses offered by the sponsor in order to determine if the sponsor is complying with the terms of the agreement and shall refund the registration fee to the auditor if requested by the auditor;
- ~~(1)(2)~~ have an individual who did not prepare the course review each course to be sure it meets the standards for CPE;
- ~~(2)(3)~~ 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 should 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 could 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)(4)~~ 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)(5)~~ 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; 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, 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)~~(6) encourage participation in a course only by those who have the **appropriate** education and **experience**; experience for the level of the course;
- ~~(6)~~(7) distribute course materials to **participants in a timely manner**; participants;
- ~~(7)~~(8) use physical facilities for conducting the course that are consistent with the instructional techniques used;
- ~~(8)~~(9) ~~assign accurately~~ 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;
- ~~(10)~~ ~~provide, before the course's conclusion, an opportunity for the attendees 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, the facilities used were satisfactory, and the course content was appropriate for the level of the course~~;
- ~~(9)~~(11) inform instructors and presenters of the results of the evaluation of their performance;
- ~~(12)~~ systematically review the evaluation process to ensure its effectiveness;
- ~~(10)~~(13) 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);
 - (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)~~(14) have a visible, ~~continuous~~ continuous, and identifiable contact person who is charged with the administration of the sponsor's CPE programs and has the responsibility and is accountable for assuring and demonstrating compliance with **these rules this Rule** by the sponsor or by any other organization working with the sponsor for the development, distribution or presentation of CPE courses;
- ~~(12)~~(15) develop and promulgate policies and procedures for the management of grievances ~~including, but not limited to~~; including tuition and fee refunds; and
- ~~(16)~~ ~~possess a budget and resources that are adequate for the activities undertaken and their continued improvement; and~~
- ~~(17)~~(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.

~~(d) Failure of a registered sponsor to comply with the terms of the CPE program sponsor agreement shall be grounds for the Board to terminate the agreement, to remove the registered sponsor's name from the list of registered sponsors and to notify the public of this action.~~

~~(e)~~(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 ~~to be registered~~ as a CPE sponsor with this Board and to notify NASBA and the public of this action.

21 NCAC 08G .0409 COMPUTATION OF CPE CREDITS

(a) Group Courses: Non-College. CPE credit for a group course that is not part of a college curriculum shall be given based on contact hours. A contact hour shall be 50 minutes of instruction. One-half ~~credits~~ credit shall be equal to 25 minutes after the first credit hour has been earned in a formal learning activity. For example, a group course lasting 100 minutes shall be two contact hours ~~and thus equaling~~ two CPE credits. A group course lasting 75 minutes shall be ~~only~~ one and one-half contact hours ~~and thus equaling~~ one and one-half CPE credits. When individual segments of a group course ~~shall be~~ are less than 50 minutes, the sum of the individual segments shall be added to determine the number of contact hours. For example, five 30-minute presentations shall be 150 minutes, which shall be three contact hours and three CPE credits. No credit shall be allowed for a segment unless the participant completes the entire segment. Internet based programs shall employ a monitoring mechanism to verify that participants are participating during the duration of the course.

(b) Completing a College Course. CPE credit for completing a college course in the college curriculum shall be granted based on the number of credit hours the college gives the CPA for completing the course. One semester hour of college credit shall be 15 CPE credits; one quarter hour of college credit shall be 10 CPE credits; and one continuing education unit (~~CPU~~) shall be 10 CPE credits. ~~However, under no circumstances shall~~ No CPE credit shall be given to a CPA who audits a college course.

(c) Self Study. CPE credit for a self-study course shall be given based on the average number of contact hours needed to complete the course. The average completion time shall be allowed for CPE credit. A sponsor must determine, on the basis of pre-tests or NASBA word count formula the average number of contact hours it takes to complete a course.

(d) Instructing a CPE Course. CPE credit for teaching or presenting a CPE course for CPAs shall be given based on the number of contact hours spent in preparing and presenting the course. No more than 50 percent of the CPE credits required for a year shall be credits for preparing ~~for and~~ or presenting CPE courses. CPE credit for preparing ~~for and~~ or presenting a course shall be allowed only once a year for a course presented more than once in the same year by the same CPA.

(e) Authoring a Publication. CPE credit for published articles and books shall be given based on the number of contact hours the CPA spent writing the article or book. No more than 25 percent of a CPA's required CPE credits for a year shall be credits for published articles or books. An article written for a CPA's client or business newsletter ~~is not applicable for this~~ shall not receive CPE credit.

(f) Instructing a Graduate Level College Course. CPE credit for instructing a graduate level college course shall be given based on the number of credit hours the college gives a student for successfully completing the course, using the calculation set forth in Paragraph (b) of this Rule. Credit shall not be given for instructing ~~an undergraduate level course; a course in which there is credit given towards an undergraduate degree. In addition, no more than 50 percent of the CPE credits required for a year shall be credits for instructing a college course and, if CPE credit shall also be claimed under Paragraph (d) of this Rule, no more than 50 percent of the CPE credits required for a year shall be credits claimed under Paragraph (d) and this Paragraph. CPE credit for instructing a college course shall be allowed only once for a course presented more than once in the same year by the same CPA.~~

(g) No more than 50 percent of the CPE credits required for a year shall be credits claimed under Paragraphs (d) and (f) of this Rule.

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 shall complete ~~either~~ 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 ~~the Board, or with~~ NASBA pursuant to ~~21 NCAC 08G .0403 (a) or (b); Rule .0403(b) of this Section.~~

(b) A non-resident licensee whose primary office is in North Carolina must 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 comply with Paragraph (a) of this Rule.

21 NCAC 08I .0104 MODIFICATION OF DISCIPLINE ~~AND NEW CERTIFICATE~~

(a) A ~~person~~ person whose certificate or CPA ~~firm~~ firm whose registration that has been disciplined permanently revoked by the Board may apply to the Board for modification of the discipline at any time after ~~the effective date of the Board's decision imposing it; however, if any previous application has been made with respect to the same discipline, no additional application shall be considered before the lapse of one year following the Board's decision on that previous application. Provided, however, that an application to modify permanent revocation shall not be considered until after~~ five years from the date of the original discipline, ~~nor~~ or more often than three years after the Board's last decision on any prior application for modification.

(b) The application for modification of discipline ~~or for a new certificate~~ shall be in writing; writing ~~shall set out and, as appropriate, shall demonstrate and show~~ good cause for the relief sought. The application for an individual shall be accompanied by at least three 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 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 **completely** rehabilitated with respect to the conduct ~~which that~~ was the basis of the discipline. Evidence demonstrating such rehabilitation shall include ~~evidence: evidence that:~~

- (1) ~~that such the~~ person has not engaged in any conduct during the discipline period ~~which, 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) ~~that, the person has completed the sentence imposed~~ with respect to any criminal conviction ~~which that~~ constituted any part of the previous ~~discipline, the person has completed the sentence imposed; discipline;~~ and
- (3) ~~that, restitution has been made to any aggrieved party~~ with respect to a court order, civil settlement, lien, or other [agreement, that] that restitution has been made to any aggrieved party. agreement.

(d) In determining good cause, the Board may consider all 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 which exist 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 plead having pled to a criminal charge.

(g) An application shall ordinarily 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.

21 NCAC 08J .0105 ~~RETIRED AND~~ INACTIVE STATUS: CHANGE OF STATUS

(a) A CPA may apply to the Board for change of status to ~~retired status or~~ inactive status provided the CPA meets the description of the appropriate inactive status as defined in ~~21 NCAC 08A .0301. Rule 08A .0301 of this Chapter.~~ Application for any status change may shall be made on the ~~annual certificate renewal form or another~~ form provided by the Board.

(b) A CPA who does not meet the description definition of inactive ~~or retired as defined in 21 NCAC 08A .0301~~ may not ~~be or~~ remain on inactive ~~or retired~~ status.

(c) A CPA on ~~retired 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 acceptable CPE courses during the 12-month period immediately preceding the application for change of status. Eight of the required hours must be credits derived from a course or examination in North Carolina accountancy statutes and rules (including the Code of Professional Ethics and Conduct contained therein) as set forth in ~~21 NCAC 08F .0504 Rule 08F .0504 of this Chapter; 08G .0401(a);~~ and
- (3) furnishing three certificates of moral character and endorsements as to the eligibility signed by CPAs holding valid certificates granted by any state or territory of the United States or the District of Columbia. submitting three certificates of good moral character provided by the Board and completed by CPAs.

~~(d) A CPA on retired status may request change to inactive status by application to the Board.~~

~~(e) Any individual on inactive status may change to active status by complying with the requirements of 21 NCAC 08J .0106(c).~~

21 NCAC 08J .0106 ~~FORFEITURE OR INACTIVATION OF CERTIFICATE AND REISSUANCE OR REIN-STATEMENT~~ FORFEITURE OF CERTIFICATE AND REISSUANCE

~~(a) A certificate holder who determines that the certificate of qualification issued by the Board is no longer needed or desired may request inactive status by application to the Board.~~

~~(b)(a)~~ A person who ~~is inactive or~~ has forfeited a certificate is no longer a CPA and thus is not subject to the renewal fee or CPE requirements contained in these Rules.

~~(c)(b)~~ A person who ~~desires to reinstate an inactive certificate or reissue~~ requests reissuance of a forfeited certificate shall make application and provide the following to the Board:

- (1) payment of the current certificate application fee;
- (2) three certificates of moral character ~~and endorsements as to eligibility signed by CPAs holding valid certificates granted by any state or territory of the United States or the District of Columbia; provided by the Board and completed by CPAs;~~ and
- (3) evidence of satisfactory completion of the CPE requirement described in ~~21 NCAC 08J .0105(c)(2); Rule .0105(c)(2) of this Section.~~

~~(d)(c)~~ The certificate may be ~~reinstated or~~ reissued if determined by the Board that the person meets the requirements as listed in Paragraph ~~(c)(b)~~ of this Rule.

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 address home address and phone number; CPA firm address and phone number; business location and phone number; and email address.

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; ~~and or~~
- (4) agreed-upon procedures or 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 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 ~~now 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 ~~24~~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:

- (1) AICPA Peer Review Program; or
- (2) Any other peer review program found to be ~~substantially~~ equivalent to Subparagraph (1) of this Paragraph ~~in advance 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 ~~which that~~ does not have offices in North Carolina and ~~which that~~ has provided any services as listed in G.S. 93-10(c)(3) to North Carolina clients is required to 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 period of the first peer review unless granted an extension by the peer review program.

21 NCAC 08N .0202 DECEPTIVE CONDUCT PROHIBITED

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

(b) ~~Prohibited Deception.~~ Prohibited conduct under this Section includes ~~but is not limited to~~ deception in:

- (1) obtaining or maintaining employment;
- (2) obtaining or keeping clients;
- (3) obtaining or maintaining certification, ~~retired~~ 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 laws statutes or rules;
- (10) permitting anyone not certified in this state (including one licensed in another state) to unlawfully use the CPA title in this state or to unlawfully operate as a CPA firm in this state; or
- (11) falsifying a review, report, or any required program or checklist of any peer review program.

21 NCAC 08N .0203 DISCREDITABLE CONDUCT PROHIBITED

- (a) ~~Discreditable Conduct~~. A CPA shall not engage in conduct discreditable to the accounting profession.
- (b) Prohibited ~~Discreditable Conduct~~. ~~Discreditable~~ discreditable conduct ~~includes but is not limited to:~~ includes:
- (1) acts that reflect adversely on the CPA's honesty, integrity, trustworthiness, good moral character, or fitness as a CPA in other respects; 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; ~~or~~
 - (4) failing to fulfill the terms of a peer review engagement ~~contract.~~ 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.

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

- (a) Criminal Actions. A CPA shall notify the Board within 30 days of any ~~charge or arrest or~~ conviction or finding of guilt of, pleading of *nolo 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, the basis of 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 which was brought against either the CPA or a North Carolina office of a CPA firm of which the CPA was a managing partner.~~
- (1) any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration;
 - (2) 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) that was brought against either the CPA or a North Carolina office of a CPA firm of which the CPA was a managing partner.
- (c) Settlements. A CPA shall notify the Board within 30 days of any settlement in lieu of a civil suit or criminal charge which 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 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 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 tax matters.

Although reasonable efforts have been made to produce an accurate copy of the amended rules as submitted to the OAH, individuals are encouraged to refer to actual texts as available on the OAH website, www.ncoah.com.



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Signature:	
Date:	Send mail to: <input type="checkbox"/> Home <input type="checkbox"/> Business

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Pursuant to 21 NCAC 08J .0107, all certificate holders & CPA firms shall notify the Board in writing within 30 days of any change in home address & phone number; CPA firm address & phone number; business location & phone number; & email address.