

**DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS**

**DIRECTOR'S OFFICE**

**ACCOUNTING – GENERAL RULES**

(By authority conferred on the department of licensing and regulatory affairs by sections 205 and 721 of 1980 PA 299, MCL 339.205 and 339.721; and on the board of accountancy by section 308 of 1980 PA 299, MCL 339.308; and by Executive Reorganization Order No. 1996-2, 2003-1, 2011-4, 2011-5 and 2011-6, MCL 445.2001, MCL 445.2011, MCL 445.2030, MCL 445.2031, and MCL 445.2032.)

**PART 1. GENERAL PROVISIONS**

**R 338.5101 Definitions.**

Rule 101. (1) As used in these rules:

(a) "Act" means 1980 PA 299, MCL 339.101 to 339.2919, and known as the occupational code.

(b) "Audit" or "examination" means an examination applying generally accepted auditing standards, including any procedure undertaken to verify or test the reasonableness of financial information with a view of expressing an opinion or commenting on the fairness of the presentation.

(c) "Attest services" means an audit, review, or agreed upon procedures engagement performed in accordance with applicable professional standards pursuant to R 338.5101(l), R 338.5101(m), R 338.5102, and R 338.5103.

(d) "Board" means the Michigan state board of accountancy.

(e) "Certified public accountant" or "CPA" means a person holding a certificate of certified public accountant granted by the department, or an individual with practice privileges.

(f) "Client" means the person or persons or entity that retains an individual licensee, a firm licensee, individual with practice privileges, or an out-of-state firm, for the performance of professional services.

(g) "Continuing education period" means all or part of a year beginning July 1 and ending June 30.

(h) "Disclose" means to provide a written communication from a CPA or a CPA firm informing the client, prior to making a recommendation or referral, that the CPA or CPA firm will receive a commission, referral fee, or contingency fee from a third party for recommendations or referrals of products and/or services.

(i) "Enterprise" means a person, persons, or entity for which an individual licensee, a firm licensee, an individual with practice privileges, or an out-of state firm performs professional services.

(j) "Exam window" means the time in each calendar quarter in which the uniform CPA examination is offered. There are 4 exam windows in each calendar year, the first 2

months of each calendar quarter: January 1 to February 28 (or 29), April 1 to May 31, July 1 to August 31, and October 1 to November 30.

(k) "Financial statements" means statements and related footnotes that show financial position, results of operations, and cash flows on the basis of generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory services reports to support recommendations to a client and does not include tax returns and supporting schedules of tax returns.

(l) "Generally accepted accounting principles" means accounting principles of professional conduct, promulgated by the applicable nationally or internationally recognized professional standard setting organization, related to individual accounting engagements.

(m) "Generally accepted auditing standards" means the standards of professional conduct, promulgated by the applicable nationally or internationally recognized professional standard setting organization, related to individual audit engagements.

(n) "Individual with practice privileges" means an individual who practices in this state pursuant to MCL 339.727a.

(o) "Licensee" means the holder of an individual license under MCL 339.727 or the holder of a firm licensed under MCL 339.728.

(p) "Out-of-state firm" means a firm that is permitted to provide certain services and use the title "CPA firm" without obtaining a Michigan firm license under MCL 339.728 under the conditions in MCL 339.728(5) and (6).

(q) "Professional engagement" means an agreement between a client and an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm relative to the performance of professional services.

(r) "Professional services" means any services performed or offered to be performed by an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm for a client in the course of the practice of public accounting, pursuant to MCL 339.720.

(s) "Qualifying hours" means continuing education hours that comply with part 3 of these rules.

(t) "State" means the 50 states of the United States of America, Washington, D.C., Puerto Rico, Guam, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

(2) Terms defined in the act have the same meanings when used in these rules.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2007 AACS; 2013 AACS.

### **R 338.5102 Standards of professional practice adopted by reference.**

Rule 102. The standards specified in this rule are adopted in these rules by reference and are available for inspection and distribution to the public, at a cost as of the time of adoption of these rules, at the Department of Licensing and Regulatory Affairs, Bureau of Commercial Services, 2501 Woodlake Circle, Okemos, MI 48864. Copies of the standards may be obtained from the appropriate agency, organization, or association listed below. The standards adopted are as follows:

(a) "American Institute of Certified Public Accountants (AICPA) professional standards, as of June 1, 2011. The publication may be viewed for no charge at <http://www.aicpa.org/Research/Standards/Pages/default.aspx> and is available from the American Institute of Certified Public Accountants (AICPA) at 220 Leigh Farm Road, Durham, NC 27702-8110, or by calling 1-888-777-7077. Cost:–\$155.00 for members; \$193.75 for non-members.

(b)–The standards issued by the Public Company Accounting Oversight Board (PCAOB) in the publication entitled "PCAOB Standards and Related Rules," as of January, 2011. A copy of the publication may be viewed for no charge at <http://pcaobus.org/Pages/default.aspx> and may be purchased from the AICPA pursuant to subdivision (a) of this subrule. Cost: \$125.00 for members; \$156.25 for nonmembers.

(c) The auditing standards issued by the Government Accountability Office in the publication entitled "Government Auditing Standards," as of December, 2011. The publication may be downloaded and viewed for no charge at <http://www.gao.gov/assets/590/587281.pdf> and is available from the Government Accountability Office at U.S. Government Printing Office, P.O. Box 979050, St. Louis, MO 63197-9000, or by calling 1-866-512-1800. Cost: \$16.00.

(d) The auditing standards issued by the International Auditing and Assurance Standards Board (IAASB) in the publication entitled "2012 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements" as of July 31, 2012. The publication may be viewed for no charge at <http://www.ifac.org/auditing-assurance/publications-resources> and is available from the International Federation of Accountants (IFAC) at 529 5<sup>th</sup> Avenue, 6<sup>th</sup> Floor, New York, New York 10017; or by calling 1-212-286-9344. Cost: \$160.00

(e) The accounting standards issued by the Financial Accounting Standards Board (FASB) in the publication entitled "FASB Accounting Standards Codification" as of October 31, 2011. The publication may be viewed for no charge at <https://asc.fasb.org/> and is available from the FASB at 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116, or by calling 1-800-748-0659. Cost: \$215.00.

(f) The accounting standards issued by the Governmental Accounting Standards Board (GASB), in the publication entitled "GASB Codification" as of June 30, 2011. The publication is available for purchase at [www.gasb.org/store](http://www.gasb.org/store). Cost: \$100.00.

(g) The accounting standards issued by the International Accounting Standards Board (IASB) in the publication entitled "IFRS 2012 (Red Book)" as of January 1, 2012, may be viewed for no charge from the International Financial Reporting Standards (IFRS) Foundation at <http://www.ifrs.org/IFRSs/Pages/IFRS.aspx> and is available for purchase at <http://shop.ifrs.org>. Cost: \$94.16.

History: 2007 MR 22, Eff. Mar. 1, 2008; 2013 AACS.

### **R 338.5103 Rescinded.**

History: 1986 AACS; 1996 AACS; 1999 AACS; 2007 AACS; 2013 AACS.

### **R 338.5104 Retention of documents**

Rule 104. (1) With the exception of documents related to a peer review, all individual licensees, firm licensees, individuals with practice privileges, and out-of-state firms shall retain sufficient documentation, in any form, with regard to services performed while engaged in the practice of public accounting, as well as evidence obtained and conclusions reached, for a period of not less than 5 years.

(2) Documents related to a peer review shall be retained in accordance with the AICPA's professional standards and retention policies pursuant to R 338.5102(1)(a) or until final adjudication of a complaint related to a peer review, whichever is later.

(3) Documentation shall be consistent with that required by professional standards or promulgated by the applicable nationally or internationally recognized professional standards setting organizations.

History: 2007 AACCS; 2013 AACCS.

### **R 338.5105 Rescinded.**

History: 1979 AC; 1986 AACCS; 1998-2000 AACCS; 2003 AACCS; 2013 AACCS.

### **R 338.5110 Uniform CPA exam generally.**

Rule 110. (1) The department or its designee may permit a candidate to sit for the exam in another state if the candidate complies with all administrative rules.

(2) The department may excuse a candidate from an exam due to the sickness of the candidate or a member of the candidate's immediate family if substantiated by a doctor's certificate. A candidate may also be excused if the candidate provides the department with proof of a death in the candidate's immediate family, temporary military service, or another good reason acceptable to the department. A candidate shall make a request to be excused within 90 days of the date of the exam. If excused, an applicant's exam shall not count as a failure to write the exam.

(3) The department shall grant a candidate credit for exam grades of 75 or higher earned in another state if the candidate meets the educational requirements to sit for the exam and if the board determines the exam was equivalent to the exam provided by the department.

History: 1979 AC; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2013 AACCS.

## **PART 2. LICENSURE REQUIREMENTS**

### **R 338.5110a Uniform CPA exam procedures.**

Rule 110a. The following procedures shall apply:

(a) Applicants may take the required exam sections individually and in any order.

(b) Applicants shall pass all sections of the exam within the exam windows that fall within a rolling 18-month period beginning on the date that the first section is passed. If

all sections are not passed within the exam windows that fall within the rolling 18-month period, then credit for any section passed outside the 18-month period shall expire and must be retaken.

(c) The department may extend an exam window due to the sickness of the candidate or a member of the candidate's immediate family if substantiated by a doctor's certificate. An exam window may also be extended if the candidate provides the department with proof of a death in the candidate's immediate family, temporary military service, or another good reason acceptable to the department. A candidate shall make a request to be excused within 90 days of the date of the exam. If extended, an applicant's exam shall not count as a failure to write the exam.

(d) Applicants shall not retake any sections of the exam within the same exam window.

History: 2003 AACCS; 2013 AACCS.

### **R 338.5111 Exam scores.**

Rule 111. (1) The minimum passing grade for each subject is 75.

(2) The department shall notify each candidate of his or her grades within a reasonable time, but not later than 120 days after completion of the exam.

(3) A candidate shall appeal the grading of any paper to the department, in writing, within 30 days after grades are released.

History: 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2013 AACCS.

### **R 338.5112 Failure to write exam during specified period; reapplication required.**

Rule 112. A candidate who fails to write an exam for a period of 6 successive exam windows shall apply as a new applicant, unless excused under R 338.5110(2) or R 338.5110a(c).

History: 1986 AACCS; 1998-2000 AACCS; 2013 AACCS.

### **R 338.5114 Rescinded.**

History: 1998-2000 AACCS; 2007 AACCS; 2013 AACCS.

### **R 338.5115 Exam; qualifying educational requirement; adoption of accreditation standards by reference; board recognition of educational institutions; requirements for concentration in accounting.**

Rule 115. (1) As provided in section 725(2) of the act, the department shall regard a person as having completed a curriculum required for a baccalaureate degree with a concentration in accounting upon completion of an academic program consisting of not less than 120 semester hours including those delineated in subrule (3) of this rule at an educational institution pursuant to subrule (2) of this rule.

(2) For the purpose of identifying the educational institutions that meet the educational standards required by the board to satisfy section 725 of the act, all of the following provisions apply:

(a) The board adopts the criteria for accreditation of the North Central Association of Colleges and Schools, Commission on Institutions of Higher Education, including in the publication entitled "Handbook of Accreditation, Third Edition." Accreditation by the north central association of colleges and schools or an affiliated association is prima facie proof of having met the criteria. Copies of the criteria are available for purchase from the North Central Association of Colleges and Schools, The Higher Learning Commission, 30 N. La Salle Street, Suite 2400, Chicago, IL 60602-2501, at a cost of \$33.50 as of the time of adoption of these rules and may be downloaded for no charge at [www.ncahlc.org/](http://www.ncahlc.org/).

(b) The department may recognize an educational institution which demonstrates that the curricula required for its degrees are the equivalent of the curricula required for degrees granted by institutions accredited under subdivision (a) of this subrule.

(3) A concentration in accounting shall include all the following accounting and general business subjects, for which credit is transferable to any baccalaureate degree-granting institution recognized by the department:

(a) Auditing: 3 semester hours.

(b) General business subjects: 24 semester hours.

(c) Twenty one semester hours of accounting principles that shall include study in each of the following areas:

(i) Financial accounting and accounting theory.

(ii) Managerial accounting, including cost accounting.

(iii) Accounting systems and controls.

(iv) United States federal taxation.

(v) Governmental/fund accounting.

History: 1979 AC; 1982 AACCS; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2013 AACCS.

### **R 338.5116 Certificate of certified public accountant; credit hour requirements for concentration in accounting.**

Rule 116. (1) The department shall consider a person as having met the concentration in accounting requirements of section 725(1)(e) of 1980 PA 299, MCL 339.725, if the person provides proof of having completed 150 semester hours of academic credit at an accredited college or university, including either of the following:

(a) A master's degree in accounting or a master's degree in business administration that includes not fewer than 12 semester hours of graduate level accounting courses. The 12 semester hours of accounting courses shall not include tax or information systems courses.

(b) An academic program consisting of both of the following:

(i) Thirty semester hours of accounting subjects, including not more than 6 semester hours of taxation. Additional semester hours in accounting subjects may be applied toward the general business subject requirements of subdivision (b) (ii) of this subrule.

(ii) Thirty-nine additional semester hours with a minimum of 3 semester hours, but not more than 12 semester hours, in not fewer than 5 of the following areas:

- (A) Business law.
- (B) Economics.
- (C) Ethics.
- (D) Finance.
- (E) Management.
- (F) Marketing.
- (G) Taxation.
- (H) Statistics.
- (I) Business policy.

(2) A person may earn credit only once for an accounting or general business topic. If the department determines that 2 courses are duplicative, then only the semester hours of 1 course shall be counted toward the semester hour requirement.

(3) Academic credit earned during an internship shall apply toward the total 150 semester hour requirement; however, shall not apply to the required 30 semester hours of accounting subjects or the required 39 semester hours in subrule (1)(b)(ii) of this rule.

History: 2013 AACCS.

**R 338.5117 Certificate of certified public accountant; qualifying experience requirement.**

Rule 117. (1) An applicant applying for a CPA certificate shall have obtained not less than 2,000 hours of qualifying experience within a period of not less than 1 calendar year nor more than 5 calendar years.

(2) The department shall grant full credit for qualifying experience earned during a college or university internship, including the internships for which educational credit is provided.

(3) The department shall regard instruction as qualifying experience, if the applicant has completed not less than 4 academic semesters of an academic appointment in accounting at an institution recognized by the department. An instructor who has an academic appointment in accounting shall teach, as the principal instructor, not less than 6 credit hours per semester of accounting subjects above the elementary level.

History: 2013 AACCS.

**R 338.5120 Rescinded.**

History: 1979 AC; 1986 AACCS; 1998-2000 AACCS; 2013 AACCS.

**R 338.5125 Rescinded.**

History: 1979 AC; 1986 AACCS; 1997 AACCS.

**R 338.5130 Rescinded.**

History: 1979 AC; 1998-2000 AACS.

**R 338.5135 Rescinded.**

History: 1979 AC; 1986 AACS; 1997 AACS.

**R 338.5139 Practice privilege.**

Rule 139. An individual shall not, as a condition of qualification for the practice privilege granted under MCL 339.727a, be required to comply with the continuing professional education requirements of this state provided that the individual is in compliance with the continuing professional education requirements of the state of the individual's principal place of business.

History: 2013 AACS.

**R 338.5140 Permit for temporary practice.**

Rule 140. (1) An accountant who does not qualify for practice privileges under MCL 339.727a nor hold a license to practice public accounting in this state shall obtain a permit and pay the appropriate fee for each engagement in this state by this accountant, or on behalf of his or her firm, who does not hold a license to practice public accountancy in this state. The applicant shall hold a license as a certified public accountant of another state, or hold a title from a foreign country, recognized by the board as comparable to the Michigan certificate of certified public accountant and shall be practicing public accountancy under the certificate or license in the grantor state or country.

(2) If approved by the department, the term of the permit shall begin on the date approved unless otherwise specified and shall be for a specified period, but shall not be for more than 1 year.

(3) The temporary practice shall be performed by, or under the direct supervision of, a licensed certified public accountant, an individual with practice privileges under to MCL 339.727a or the holder of a title from a foreign country who is recognized under subrule (1) of this rule.

(4) A temporary permit is not required if the work relates to a Michigan-based division or subsidiary of an entity, if the parent entity is located in another state or foreign country and is a client of the certified public accountant, firm, or foreign accountant, and if a separate presentation of financial statements with a related independent auditor's report or review report, or an attestation regarding the reliability of a representation or estimate is not made for the division or subsidiary on a stand-alone basis.

(5) A temporary permit is not required if the work is to be performed through the applicant's employer who presently holds the license to practice public accountancy in this state.

(6) A temporary permit issued to an accountant shall also constitute a temporary permit for his or her firm, if his or her firm is not presently licensed in this state.

(7) If another jurisdiction charges a fee for providing an affidavit or certificate of professional standing for determining whether the applicant is qualified to practice public accountancy temporarily in this state, then the applicant shall pay the fee.

History: 1979 AC; 1998-2000 AACS; 2007 AACS; 2013 AACS.

**R 338.5145 Rescinded.**

History: 1979 AC; 1982 AACS; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2007 AACS; 2013 AACS.

**R 338.5147 Rescinded.**

History: 1996 AACS; 1998-2000 AACS.

**R 338.5150 Rescinded.**

History: 1979 AC; 1996 AACS; 1998-2000 AACS.

**R 338.5155 Rescinded.**

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

**R 338.5160 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5165 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5170 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5201 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5205 Rescinded.**

History: 1979 AC; 1986 AACS.

### PART 3. CONTINUING EDUCATION

#### **R 338.5210 Continuing education requirements; reporting; qualifying hours.**

Rule 210. (1) A licensee shall earn qualifying hours annually within the continuing education period and shall attest to compliance biennially on a form prescribed by the department.

(2) A licensure applicant or licensee is solely responsible for documenting the evidence to support the fulfillment of the requirements under this part and shall retain evidence to support fulfillment of the continuing education requirements for a period of 4 years after submission of the report under subrule (1) of this rule.

(3) A licensee is subject to audit under this rule and may be required to submit the documentation as described by subrule (2) of this rule upon request of the department.

(4) A licensee shall earn not fewer than 8 of the minimum qualifying hours annually in auditing and accounting, and not fewer than 2 of the minimum qualifying hours annually in ethics. The study of ethics may include, but is not limited to, the study of the code of conduct, ethical reasoning, ethics enforcement, non-attest services, and independence.

(5) The form and content of continuing education courses shall be acceptable to the department.

History: 1979 AC; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2007 AACCS; 2013 AACCS.

#### **R 338.5211 Renewal of license with insufficient qualifying hours permitted under certain circumstances; waiver of requirement for additional hours.**

Rule 211. (1) A licensee who does not earn sufficient qualifying hours during the continuing education period may be allowed to renew a license upon reporting 80 qualifying hours and an additional 4 hours of continuing education credit for each month of time needed to remove the deficiency. The additional 4 hours of continuing education credit for each month of time needed to remove the deficiency shall not apply toward the qualifying hours of continuing education credit required in a continuing education period for the renewal of a license.

(2) The department may waive the requirement for additional hours upon a showing by the licensee that the additional hours would present an undue hardship on the licensee.

History: 1986 AACCS; 1996 AACCS; 1998-2000 AACCS.

#### **R 338.5215 Measurement of continuing education hours; "continuous instruction" defined.**

Rule 215. (1) The department shall give continuing education credit based on the length of a qualifying program, with 50 minutes of continuous instruction constituting 1 qualifying hour. One-half-credit of continuing education shall be granted for every additional 25 minutes of instruction, after the first hour of credit is earned.

The department shall not allow credit for continuing education hours for time expended for outside study, except as provided under R 338.5218.

(2) For the purpose of this rule, "continuous instruction" means education time not including breakfast, lunch, or dinner periods, coffee breaks, or any other breaks in the program.

History: 1979 AC; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2003 AACCS.

### **R 338.5216 Group programs.**

Rule 216. (1) A licensure applicant or licensee shall receive continuing education credit for attendance at a group program that is in compliance with all of the following requirements:

- (a) The subject matter of the program is listed in R 338.5255.
- (b) The taking of attendance is required.
- (c) The program is not less than 50 minutes in duration.
- (d) The program is conducted by an instructor or discussion leader whose background, training, education, or experience makes it appropriate for him or her to lead a discussion on the subject matter.
- (e) The sponsor of the program maintains written records of individual attendance at each session and the program outline for a period of 4 years.
- (f) Written certification of hours of attendance, exclusive of any study or preparation time, and a program outline are issued by the sponsor to each attendee at the request of the attendee.

(g) A licensee shall not receive credit for repeating a group program that has substantially the same content during a continuing education period.

(2) The department shall measure the hours spent attending continuing education group programs as follows:

- (a) Each 50 minutes of attendance in a group program, other than an educational institution, equals 1 continuing education hour.
- (b) An academic semester credit hour earned from an educational institution equals 15 continuing education hours for the continuing education period in which completed.
- (c) Each classroom hour in noncredit study at an educational institution equals 1 continuing education hour.

History: 1986 AACCS; 1996 AACCS; 1998-2000 AACCS.

### **R 338.5217 Instruction.**

Rule 217. Each hour of classroom work as a teacher, instructor, speaker, or lecturer at an educational institution, or each hour spent conducting a group program under R 338.5216 as a teacher, instructor, lecturer, speaker, or seminar discussion leader, equals 3 continuing education hours for the initial session of the course or program taught. The licensee shall not be granted additional credit for subsequent repetitious sessions during the same continuing education period. The credit shall not exceed 50% of the minimum qualifying hours in any continuing education period.

History: 1986 AACCS; 1998-2000 AACCS; 2013 AACCS.

**R 338.5218 Self-study programs.**

Rule 218. (1) A licensure applicant or licensee shall receive continuing education credit for an individual self-study program that is in compliance with all of the following requirements:

(a) The program consists of an educational course designed for self-study and requires evidence of satisfactory completion.

(b) The subject matter of the program is listed in R 338.5255.

(c) Written certification of completion and a program outline and recommended qualifying hours are issued by the sponsor upon request.

(d) The sponsor maintains written records of the program outline and completion of the program for a period of 4 years.

(2) Credit for a self-study program shall not be more than 50% of the minimum qualifying hours in any continuing education period unless the department has pre-approved a waiver based on physical limitations precluding live attendance.

(3) A licensee shall not receive credit for repeating a self-study program or course or another self-study program or course that has substantially the same content during a continuing education period.

History: 1986 AACCS; 1996 AACCS; 2013 AACCS.

**R 338.5220 Rescinded.**

History: 1979 AC; 1986 AACCS; 1996 AACCS.

**R 338.5221 Rescinded.**

History: 1986 AACCS; 1998-2000 AACCS.

**R 338.5225 Rescinded.**

History: 1979 AC; 1986 AACCS; 1997 AACCS.

**R 338.5230 Relicensure; continuing education.**

Rule 230. (1) The department shall issue a license to an applicant applying for relicensure to practice public accounting upon submission of proof from the applicant that he or she has completed 40 hours of continuing education credit within the 12 months immediately preceding the date of application. Eight of the 40 hours shall be in auditing or accounting, or both, and 2 of the 40 hours shall be in ethics.

(2) The department shall prorate, from the month following the date of licensure, the qualifying hours required for the continuing education period in which the license is granted.

(3) The department shall deem a person granted an original certificate of certified public accountant to have complied with all continuing education requirements through the continuing education period ending June 30 of the year in which the certificate was granted.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2003 AACS; 2013 AACS.

**R 338.5235 Rescinded.**

History: 1979 AC; 1986 AACS; 1997 AACS.

**R 338.5240 Carryover of continuing education hours.**

Rule 240. (1) Except as provided in subrule (2) of this rule, any hours in excess of the required 40 hours for each continuing education period may be carried over to the following continuing education period up to a maximum of 40 hours.

(2) A licensee applicant or licensee may not apply more than 8 hours of accounting carryover or auditing carryover, or both, to meet the minimum accounting requirements or auditing requirements, or both, of the following continuing education period.

(3) A licensee applicant or licensee may not apply more than 2 continuing education hours of ethics as carryover to meet the minimum ethics requirements of the following continuing education period.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

**R 338.5245 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5250 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5255 Qualifying continuing education subjects.**

Rule 255. Subjects qualifying for continuing education include the following:

- (a) Accounting.
- (b) Auditing.
- (c) Management advisory services.
- (d) Information technology.
- (e) Mathematics, statistics, probability, and quantitative application to business.

- (f) Economics.
- (g) Finance.
- (h) Business law.
- (i) Business management.
- (j) Professional ethics for certified public accountants.
- (k) Taxation.
- (l) Financial advisory services.
- (m) Business valuations.
- (n) Any other subjects which contribute to the professional competency of a licensee and for which the responsibility for compliance rests solely with the licensure applicant or licensee.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2013 AACS.

**R 338.5260 Rescinded.**

History: 1979 AC; 1986 AACS; 2013 AACS.

**R 338.5265 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5270 Rescinded.**

History: 1979 AC; 1986 AACS; 2013 AACS.

**R 338.5275 Rescinded.**

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS.

**R 338.5280 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5285 Rescinded.**

History: 1979 AC; 1986 AACS; 1996 AACS.

**R 338.5301 Rescinded.**

History: 1979 AC; 1996 AACS.

**R 338.5303 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5304 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5305 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5309 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5311 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5313 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5315 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5317 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5319 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5321 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5323 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5325 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5327 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5329 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5331 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5333 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5335 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5337 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5339 Rescinded.**

History: 1979 AC; 1996 AACCS.

**R 338.5341 Rescinded.**

History: 1979 AC; 1996 AACS.

**R 338.5343 Rescinded.**

History: 1979 AC; 1996 AACS.

**R 338.5345 Rescinded.**

History: 1979 AC; 1998-2000 AACS.

**R 338.5347 Rescinded.**

History: 1979 AC; 1996 AACS.

**R 338.5349 Rescinded.**

History: 1979 AC; 1996 AACS.

**R 338.5351 Rescinded.**

History: 1979 AC; 1996 AACS.

## **PART 4. PROFESSIONAL CONDUCT**

**R 338.5401 Responsibility for conduct of supervised persons.**

Rule 401. (1) The department may hold a an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm responsible for compliance with the rules of professional conduct by all persons under their supervision. If the licensee is a firm, then the department shall hold the firm, and shall hold an out-of-state firm, responsible for compliance with the rules of professional conduct by all of its employees.

(2) An individual licensee, a firm licensee, and individual with practice privileges, or an out-of-state firm, shall not permit others to carry out on its behalf acts which, if carried out by the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm, would constitute a violation of the rules of professional conduct.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

**R 338.5405 Independence rule; adoption by reference.**

Rule 405. An individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm may express an opinion on financial statements of an enterprise only if the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm is independent from the enterprise. For the purpose of defining the impairment of independence, the board adopts by reference the AICPA professional standards, as of June 1, 2011, pursuant to R 338.5102(1)(a).

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2003 AACS; 2007 AACS; 2013 AACS.

**R 338.5410 Rescinded.**

History: 1979 AC; 1986 AACS; 1997 AACS.

**R 338.5415 Rescinded.**

History: 1979 AC; 1986 AACS; 1997 AACS.

**R 338.5420 Rescinded.**

History: 1979 AC; 1986 AACS; 1997 AACS.

**R 338.5425 Rescinded.**

History: 1979 AC; 1986 AACS; 1997 AACS.

**R 338.5430 Rescinded.**

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

**R 338.5435 Licensee competence required to undertake professional engagement.**

Rule 435. An individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm shall not undertake a professional engagement that the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm cannot competently complete.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

**R 338.5440 Rescinded.**

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

**R 338.5445 Rescinded.**

History: 1979 AC; 1986 AACCS; 1998-2000 AACCS.

**R 338.5446 Rescinded.**

History: 1986 AACCS; 1998-2000 AACCS; 2013 AACCS.

**R 338.5450 Rescinded.**

History: 1979 AC; 1986 AACCS; 1998-2000 AACCS.

**R 338.5460 Contingent fees.**

Rule 460. (1) As provided in section 730 of the act, a contingent fee is a fee paid by a client to an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm.

(2) An individual licensee, firm licensee, an individual with practice privileges, or an out-of-state firm who is paid or expects to be paid a contingent fee by a client shall disclose that fact to the client.

(3) As used in section 730(4) of the act, the term "tax matters" relates to the preparation of an original or amended tax return or claim for tax refund and includes giving advice on events that occurred before the time the advice is given if the advice is directly relevant to determining the existence, character, or amount of a schedule, entry, or other portion of a return of claim for refund.

(4) As provided in section 730(4) of the act, a fee is considered determined, based on the findings of a governmental agency, if the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm can demonstrate a reasonable expectation at the time of a fee arrangement of substantive consideration by the agency with respect to the client. An expectation of substantive consideration is deemed not reasonable for preparation of original tax returns.

History: 1979 AC; 1986 AACCS; 1998-2000 AACCS; 2013 AACCS.

**R 338.5465 Acts constituting discreditable conduct.**

Rule 465. Any of the following acts by an individual licensee, firm licensee, an individual with practice privileges, or an out-of-state firm, constitutes conduct that is discreditable to the accounting profession:

- (a) Using deceptive representations in connection with services performed.
- (b) Representing that services are of a particular standard when they are not.
- (c) Failing to perform, on a timely basis, services in accordance with the conditions, terms, or prerequisites of a public communication or any quotation.

- (d) Misrepresenting facts or failing to disclose relevant facts.
- (e) Creating false or unjustified expectations of favorable results.
- (f) Implying abilities not supported by valid educational or professional attainments or licensing recognition.
- (g) Implying the ability to influence improperly any court, tribunal, or other public body or official.
- (h) Making any other representation or implication that is false, deceptive, or misleading.
- (i) Employing or engaging a person to perform a discreditable act.
- (j) Engaging in a trade practice prohibited by law.
- (k) Retaining documents constituting the original books and records of a client after a demand has been made for their return.
- (l) Failing to respond, within a reasonable time, to inquiries of the board or its authorized representatives relative to the administration of the act.
- (m) Providing false or misleading information on the qualifying experience of an applicant for certified public accountant.
- (n) Stating or implying that the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm has received formal recognition as a specialist in any aspect of the practice of public accountancy if the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm has not received the recognition.
- (o) Representing that professional services can or will be competently performed for a stated fee when this is not the case, or making representations with respect to fees for professional services that do not disclose all variables which may reasonably be expected to affect the fees that will in fact be charged.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2013 AACS.

**R 338.5470 Rescinded.**

History: 1979 AC; 1986 AACS.

**R 338.5475 Payment or acceptance of commissions; "commission" defined.**

Rule 475. (1) As used in section 731 of the act, "commission" means any remuneration paid to an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm by a third party in connection with a recommendation or referral of a person to the third party.

(2) As provided in section 731(3) of the act, a referral fee is not a commission when received or paid by an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm for recommending or referring a client to another individual licensee, firm licensee, individual with practice privileges, or out-of-state firm for a service involving the practice of public accounting.

(3) An individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm who is paid or expects to be paid a commission or a referral fee shall disclose that fact to the client.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

**R 338.5480 Rescinded.**

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

**R 338.5501 Peer review.**

Rule 501. (1) Each firm or sole practitioner required to participate in a peer review program, pursuant to MCL 339.729(2), shall enroll in the program of a qualified sponsoring organization within 1 year of the earlier of the following:

(a) Its initial licensing date.

(b) The performance of services that require a peer review.

(2) Proof of a peer review shall not be required to be submitted to the department until the second renewal following initial licensure or the performance of services requiring a peer review.

(3) The department shall accept, as proof of compliance with MCL 339.729(2), the electronic submission of information from the facilitated state board access (FSBA) website.

(4) Qualified sponsoring organizations shall include the center for public company audit firms (CPCAF) peer review program, the American institute of certified public accountants (AICPA) peer review program, national conference of CPA practitioners (NCCPAP) peer review program, and such other entities that adhere to the peer review standards defined in R 338.5102(1)(a) as determined by the board. With respect to an out-of-state firm required to obtain a license under MCL 339.728(1)(b), a peer review sponsoring organization approved by another state in which that firm is licensed is presumed to be qualified in this state, with respect to that firm.

(5) A licensee subject to peer review shall not be required to become a member of any sponsoring organization.

(6) Out-of-state firms required to obtain a peer review under MCL 339.728(5) may, in lieu of enrolling in a program sponsored by an organization described in subrule (3) of this rule, comply with the peer review requirement applicable in the state where that firm is licensed, proof of which shall be furnished to the department upon the department's request.

History: 2007 AACS; 2013 AACS.

**R 338.5503 Peer review standards; change in sponsoring organization; deficient peer review reports; documentation.**

Rule 503. (1) If a firm is merged, otherwise combined, dissolved, or separated, the sponsoring organization shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(2) A firm choosing to change to another sponsoring organization may do so provided that the firm authorizes the previous sponsoring organization to communicate to the

succeeding sponsoring organization any outstanding corrective actions related to the firm's most recent review.

(3) The department may rely on a fail peer review report or a second consecutive pass with deficiencies peer review report as prima facie evidence of a violation of professional standards.

(4) Each peer review and reviewer must comply with the applicable review standards in place at the time of the review. The following apply:

(a) Documents related to a peer review shall be retained in accordance with the AICPA's retention policies pursuant to R 338.5102(1)(a), or until final adjudication of a complaint related to a peer review, whichever is later.

(b) The documents described in subdivision (a) of this subrule shall be available for inspection by the department during regular business hours with reasonable notice.

History: 2007 AACCS; 2013 AACCS.