

STATE OF MINNESOTA
BOARD OF ACCOUNTANCY

IN THE MATTER OF THE PROPOSED AMENDMENT)
TO AND ADOPTION OF RULES OF THE STATE)
BOARD OF ACCOUNTANCY GOVERNING LICENSURE)
AND FEES, CONTINUING PROFESSIONAL)
EDUCATION AND THE PROFESSIONAL CONDUCT)
OF CERTIFIED PUBLIC ACCOUNTANTS AND)
LICENSED PUBLIC ACCOUNTANTS.)

STATEMENT OF NEED
AND REASONABLENESS

The Minnesota Board of Accountancy presents herein its statement of the need for and reasonableness of its proposed rules relating to the amendment to and adoption of rules governing licensure and fees, continuing professional education and the professional conduct of certified public accountants and licensed public accountants. The above-captioned rules are amendments to existing rules. These rules were last amended on October 19, 1979.

The authority of the Board of Accountancy to adopt these rules and the need for and reasonableness of the rules as proposed are as follows:

I. Authority Of The Board To Promulgate And Adopt Rules

Minn. Stat. §§ 214.06 and 214.12 empower the Board of Accountancy to set fees and to promulgate by rule requirements for the renewal of licenses designed to promote the continuing professional competence of licensees and to improve professional skills. In addition, Minn. Stat. § 326.18 (1980) authorizes the Board of Accountancy to promulgate and adopt rules necessary to implement and enforce the provisions of Minn. Stat. §§ 214.12 and 326.165 - 326.23, including rules of professional conduct, rules of continuing education for licensees, rules for the examination of licensees, and all other rules necessary and proper to carry into effect the purposes of Minn. Stat. §§ 326.165 to 326.23 (1980).

II. Rules Affecting The Licensure And Professional Conduct Of Licensed Public Accountants

The Board of Accountancy proposes to expand the scope of its existing rules governing the licensure and professional conduct

of certified public accountants by making the rules applicable to licensed public accountants. Licensed public accountants are a previously unregulated group of public accountants which were first made subject to the Board's regulatory authority in 1979, pursuant to Minn. Laws 1979 ch. 326, § 5. The 1979 legislation established licensed public accountants as a dying class in that only persons who had been actively engaged in public accounting practice for a specified time period as of July 1, 1979 were made eligible for licensure as licensed public accountants. Minn. Stat. § 326.191 (1980). All other persons desiring to be engaged in the practice of public accounting must obtain certified public accountant's licenses. It is the intent of these proposed rules to make uniform the licensing and regulatory requirements applicable to certified public accountants and licensed public accountants.

The proposed rules affected by this change, as renumbered, include 4 MCAR §§ 6.003, 6.004, 6.006, 6.009, 6.040, 6.041, 6.044-6.046, 6.050, 6.053, 6.060, 6.070-6.075, 6.110, 6.150, 6.160 and 6.200.

The proposed rules are reasonable and necessary to provide a uniform system of regulation and licensing for all accountants licensed by the Board. Minn. Stat. § 326.223 (1980) makes it clear that the Legislature contemplated that licensed public accountants be considered on a par with certified public accounts with respect to the performance of professional services required by statute or rule. Similarly, the public should be entitled to expect a minimum level of competence and professional integrity from accountants licensed by the State in their general practice of accounting. These proposed rules will serve to bring all licensed accountants under the same professional standards and code of professional ethics.

As the Board is aware that many licensed public accountants currently adhere to the auditing standards and accounting principles mandated under the proposed rules, and as the Board advised all licensed public accountants that they would be

expected to adhere to these rules at the time of licensure, there should be no substantial impact on the practices of most licensed public accountants. All licensees will, of course, have a continuing obligation to remain current with respect to the procedures and standards required by these rules in the future.

Similarly, the public has a right to expect that all accountants adhere to a uniform code of ethics. The code of ethics set forth in the proposed rules has been effective in governing the conduct of certified public accountants and should be made uniformly applicable to all licensed accounting professionals.

III. Rules Relating To The Two-Tier System Of Certification And Licensure

The Board of Accountancy has proposed certain technical changes in its rules to reflect the adoption by the Legislature of what is commonly known as a two-tier system of certification and licensure of certified public accountants. Under prior law, a person was not eligible for the certified public accountant's certificate and license until he had both passed an examination and satisfied the applicable work experience requirements. Pursuant to Minn. Laws 1980 ch. 591, a person may now receive a certificate upon successful completion of an examination, although a license to practice will not be issued until qualify public accounting experience has been obtained.

The proposed rules affected by this change, as renumbered, are 4 MCAR §§ 6.040-6.049 and 6.070-6.075.

The proposed rules are reasonable and necessary to reflect the legislative change authorizing the Board to issue certified public accountant's certificates to persons who have successfully completed an examination but are not otherwise eligible for the issuance of a license to practice as a certified public accountant.

IV. Rule Relating To Cheating On Examinations

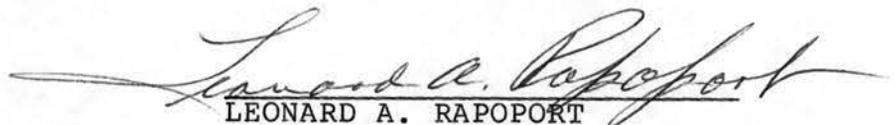
The Board proposes to amend 4 MCAR § 6.043(B) by adding specific language regarding instances of cheating on the certified

public accountant examination. The proposed rule is reasonable and necessary to advise the public of the Board's position with regard to those acts which may be considered cheating and the severe penalties that may be imposed for instances of cheating. The Board has, in the past, been concerned that its position regarding cheating was not clearly set forth in its rules and proposes this rule in order to remedy that situation.

V. Rule Relating To Fees For Licensed Public Accountants

The Board of Accountancy proposes to amend 4 MCAR § 6.110 to specify fees for the licensure of licensed public accountants. The proposed amendment is identical to a temporary rule which became effective on October 19, 1979. The proposed rule, which has been approved by the Commissioner of Finance in accordance with Minn. Stat. § 214.06 (2980), is reasonable and necessary to collect fees which the Board is required to assess by law to reimburse the State for the Board's anticipated expenditures during the biennium in the performance of its official duties.

Dated: May 13, 1981


LEONARD A. RAPOPORT
Chairman
Minnesota Board of Accountancy