

Chapter 801 Secretary of State, Board of Accountancy
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DIVISION 1

PROCEDURAL RULES

801-001-0000

Notice of Proposed Rule

Prior to the adoption, amendment or repeal of any rule, the State Board of Accountancy shall give notice of the intended action:

(1) In the Secretary of State's Bulletin referred to in ORS 183.360 at least 21 days prior to the effective date of the rule.

(2) By mailing a copy of the notice to persons on the Board of Accountancy's mailing list established pursuant to ORS 183.335(7) at least 28 days before the effective date of the rule; and

(3) By mailing or furnishing a copy of the notice to:

(a) Capitol Press Room;

(b) Associated Press;

(c) Oregon Society of Certified Public Accountants; and

(d) Oregon Association of Independent Accountants.

Stat. Auth.: ORS Ch. 183, 670 & 673

Stats. Implemented: ORS Ch. 183

Hist.: 1AB 37, f. & ef. 12-3-75; 1AB 2-1982, f. & ef. 4-20-82; AB 4-1992, f. & cert. ef. 8-10-92; AB 1-1995, f. & cert. ef. 1-25-95

801-001-0005

Model Rules of Procedure

Pursuant to ORS 183.341, the State Board of Accountancy adopts the Attorney General's Model Rules of Procedure under the Administrative Procedures Act as amended and effective January 1, 1996.

Stat. Auth.: ORS Ch. 183

Stats. Implemented: ORS Ch. 183

Hist.: 1AB 20A, f. 1-17-72, ef. 2-1-72; 1AB 25, f. 9-15-72, ef. 10-1-72; 1AB 33, f. 11-6-73, ef. 11-25-73; 1AB 38, f. & ef. 2-10-76; 1AB 3-1978, f. & ef. 3-23-78; 1AB 1-1980, f. & ef. 2-26-80; 1AB 1-1982, f. & ef. 1-8-82; AB 5-1988, f. & cert. ef. 10-31-88; AB 6-1991, f. & cert. ef. 12-18-91; AB 3-1994, f. & cert. ef. 8-10-94; AB 1-1-96, f. & cert. ef. 1-29-96

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[ED. NOTE: The full text of the Attorney General's Model Rules of Procedure is available from the office of the Attorney General or the Board of Accountancy.]

801-001-0010
Screening and Selection Procedures for Personal Services Contracts

The Board of Accountancy hereby adopts by reference the "Screening and Selection Procedures for Personal Services Contracts Entered Into by Offices of the Oregon Secretary of State", July, 1992 Edition, as its procedures for entering into personal services contracts for the Board.

[ED. NOTE: The full text of the screening of selection procedures is available from the Board of Accountancy.]

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS Ch. 183
Hist.: AB 4-1992, f. & cert. ef. 8-10-92

801-001-0015
Board Agenda Items

All items to be listed on the Board agenda must be received and complete at least seven days prior to the Board meeting date in order to be listed on the Board agenda.

Stat. Auth.: ORS 670.310
Stats. Implemented: ORS 192.640
Hist.: AB 6-1995, f. & cert. ef. 10-2-95

DIVISION 5

DEFINITIONS AND SAFE HARBOR LANGUAGE

801-005-0010
Definitions

As used in ORS 673.010 to 673.455 and OAR Chapter 801:

(1) "Applicant" means a person applying for a permit to practice public accounting.

(2) "Candidate" means a person applying for the Uniform CPA Exam.

(3) "Client" or "Potential Client" means any person or entity to whom public accounting services are offered or for whom public accounting services are performed.

(4) "Direct supervision" means that there is a clear connection between the supervisor and the person being supervised in terms of planning, coordinating, guiding, inspecting, controlling, and evaluating activities, and in discharging the employe being supervised. The person supervised is next below in the usual line of authority.

(5) "Enterprise" means any person or entity, whether organized for profit or not, for which a licensee provides public accounting services.

(6) "Financial statements" means a presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein, and the results of operations for a period of time, in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles. Financial presentations included in tax returns are not financial statements. Incidental financial data included in management advisory services reports to support recommendations to a client are not financial statements. The method of preparation (for example, manual or computer preparation) is not relevant to the definition of a financial statement.

(7) "Firm" means a proprietorship, partnership, professional corporation, or other business form engaged in the practice of public accounting, including individual partner, shareholder, owner, member or comparable person thereof.

(8) "Generally accepted accounting principles" means accounting principles or standards generally accepted in the United States, including, but not limited to, and Statements of Financial Accounting Standards and interpretations thereof as published by the Financial Accounting Standards Board and

statements of Governmental Accounting standards and interpretations thereof as published by the Government Accounting Standards Board in effect as of December 11, 1995.

(9) "Generally accepted auditing standards" means the ten generally accepted auditing standards adopted by the American Institute of Certified Public Accountants, together with interpretations thereof, as set forth in Statements on Auditing Standards as published by the American Institute of Certified Public Accountants and, for Federal audits, the Single Audit Act of 1984 and related U.S. Office of Management and Budget Circulars the General Accounting Office (the 'Yellow Book' as it currently exists) in effect as of December 11, 1995.

(10) "Holding out as a CPA or PA or to 'hold out' as a CPA or PA" means to assume or use the titles or designations "certified public accountant" or "public accountant" or the abbreviations "CPA" or "PA" or any other title, sign, card or device tending to indicate that the person is a certified public accountant or a public accountant.

(11) "Licensee" means a person who holds a certificate issued under ORS 673.060 or a license issued under ORS 673.100, a partnership or any other business form registered under ORS 673.090, 673.130, or 673.132 and a corporation registered with the Board under ORS 58.345.

(12) "Other business form" means any form of business organization authorized by Oregon law that is not a proprietorship, partnership or professional corporation.

(13) "Practice of public accounting" means performance of or any offering to perform one or more services for a client or potential client involving the use of auditing or accounting skills, and including issuance of reports on financial statements, performance of management advisory or consulting services, the preparation of tax returns or the furnishing of advice on tax matters, including the performance of such services in the employ of another person.

(14) "Professional services" means any services performed or offered to be performed by a licensee for a client or potential client in the course of the practice of public accounting.

(15) "Standards for accounting and review services" means Statements on Standards for Accounting and Review Services published by the American Institute of Certified Public Accountants in effect as of December 11, 1995.

[Publications: The publication(s) referred to or incorporated by reference in this rule are available from the office of the Board of Accountancy.]

Stat. Auth.: ORS 673.310
Stats. Implemented: ORS 673.310

Hist.: 1AB 2-1982, f. & ef. 10-15-86 AB 1-1989, f. & cert. ef. 1-25-89; AB 2-1990, f. & cert ef. 4-9-90; AB 1-1992, f. & cert. ef. 2-18-92; AB 1-1993, f. 1-14-93, cert. ef. 1-15-93; AB 6-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94; AB 4-1994, f. & cert. ef. 9-27-94; AB 5-1994, f. & cert. ef. 11-10-94; AB 2-1995, f. & cert. ef. 3-22-95; AB 3-1995, f. & cert. ef. 5-19-95; AB 4-1995, f. & cert. ef. 8-8-95; AB 1-1996, f. & cert. ef. 1-29-96; AB 2-1996, f. & cert. ef. 9-25-96

801-005-0200
Report

For purposes of ORS 673.410(5), "report", when used with reference to financial statements, means an opinion, report, or other form of language that states or implies assurance as to the reliability of any financial statements and that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in accounting or auditing. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the issuer is an accountant or auditor, or from the language of the report itself. The term "report" includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply any positive assurance as to the reliability of the financial statements referred to or special competence on the part of the person or firm issuing such language; and it includes any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.

Stat. Auth.: ORS Ch. 670 & 673

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Stats. Implemented: ORS 673.410(5)

Hist.: 1AB 2-1986, f. & ef. 10-15-86; AB 1-1995, f. & cert. ef. 1-25-95

801-005-0300

Language not Constituting a Report

The following statement signed by a person who does not hold a permit issued under ORS 673.150 shall not constitute a report under ORS 673.320, so long as the statement is not accompanied by any wording indicating the person is an accountant or auditor or other language prohibited by ORS 673.020, 673.030 or 673.310:

“The accompanying balance sheet (or) of XYZ Company as of _____, 19XX and the related statements of income, (or retained earnings, or cash flows) for the year then ended have been prepared by me (us). The information presented in these financial statements is the representation of management (owners)”.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.320

Hist.: 1AB 2-1986, f. & ef. 10-15-86; AB 3-1990, f. 5-22-90, cert. ef. 5-23-90

DIVISION 10

**FEES, APPLICATIONS, REQUIREMENTS,
PROCEDURES, AND P.C.'S**

801-010-0010

Fees

For the purpose of ORS 297.670 to 297.740 and 673.010 to 673.455, fees charged shall be:

- (1) Examination Fees:
 - (a) All Subjects, \$150;
 - (b) Auditing, \$50;
 - (c) Business Law and Professional Responsibilities (LPR), \$50;
 - (d) Financial Accounting and Reporting (FARE), \$50;
 - (e) Accounting and Reporting (ARE), \$50;
 - (f) Proctor Fee, \$100.
- (2) Application Fees:
 - (a) Initial Permit, \$75;
 - (b) Certificate, \$100;
 - (c) Municipal Auditor, \$100;
 - (d) Firm, \$50.
- (3) Biennial Renewal Fees:
 - (a) Permit, \$100;
 - (b) Inactive/Retired Status, \$50;
 - (c) Municipal, \$100;
 - (d) Firm, \$100.
- (4) Late Renewal Penalty Fee:
 - (a) Permit, \$50;
 - (b) Inactive/Retired, \$35;
 - (c) Firm, \$35;
- (5) Qualify Review Fees:
 - (a) Administrative Fees, \$ 360 (per firm plus \$15 per professional over one)
 - (b) Technical Review Fee, \$60 (per hour plus expenses, if any)
- (6) Miscellaneous Fee:
 - (a) Lists:
 - (A) CPA/PA list, \$275;
 - (B) Exam Candidates, \$75;
 - (C) Candidates Passing Exam, \$50;
 - (D) Firms, \$50;
 - (E) Municipal Auditors, \$50; (will be provided gratis to municipal entities subject to audit law);
 - (F) Other lists by special request up to, \$500.
 - (b) Copies, \$2.50 (for up to five pages, then 25 cents per page.)

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 192.440(3), 297.680(2), 297.720, 673.050(5), 673.060(2), 673.090(2), 673.095(3), (4), 673.100(2), 673.150(3), (6),

673.220(3) & 673.455(10)

Hist.: 1AB 41, f. & ef. 12-2-76; 1AB 2-1979, f. & ef. 2-21-79; 1AB 2-1981, f. & ef. 1-6-81; AB 8-1989, f. & cert. ef. 10-3-89; AB 1-1990, f. & cert. ef. 1-26-90; AB 5-1990, f. & cert. ef. 8-16-90; AB 4-1991, f. & cert. ef. 7-1-91; AB 2-1992, f. & cert. ef. 2-18-92; AB 2-1993, f. 1-14-93, cert. ef. 1-15-93; AB 5-1993, f. & cert. ef. 8-16-93; AB 6-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94; AB 3-1994, f. & cert. ef. 8-10-94; AB 5-1994, f. & cert. ef. 11-10-94; AB 1-1995, f. & cert. ef. 1-25-95; AB 2-1995, f. & cert. ef. 3-22-95; AB 5-1995, f. & cert. ef. 8-22-95

801-010-0040

Certificate of C.P.A. to Remain Property of the Board

Every certificate of Certified Public Accountant and license of Public Accountant shall, while it remains in the possession of the holder, be preserved by the holder, but such certificate or license shall nevertheless remain the property of the Board. In the event that the certificate or license is revoked in the manner prescribed by law, it shall on demand be delivered by the holder to the Board of Accountancy.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.040

Hist.: 1AB 9, f. 6-24-60; 1AB 41, f. & ef. 12-2-76; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0050

Application for C.P.A. Examination

(1) Every application for examination must be made on a form provided by the Board. No application shall be accepted unless complete in every particular and accompanied by the statutory fee. The act of filing an application for examination shall be considered to be and shall constitute an agreement upon the part of the applicant that the applicant will observe and conform to the rules adopted by the Board.

(2) Effective January 1, 1996, every application for examination shall be accompanied by a statement signed by the candidate stating he/she will not violate the confidentiality of the non-disclosed exam.

(3)(a) The Board shall give examinations in May and November of each year and at such other times as the Board may direct; and

(b) Every applicant shall file an application for the May examination on or before March 1 of each year and for the November examination on or before September 1 of each year, and at such dates as the Board shall prescribe for any additional examinations.

(4)(a) Applicants for admission to the Uniform Certified Public Accountant Examination under the educational requirement, ORS 673.050(1), shall be graduated from a four-year accredited college or university recognized by the Board. The Board recognizes colleges or universities listed as accredited in the “Education Directory Colleges and Universities” published by the National Center for Education statistics;

(b) Applicants shall be responsible to have the college or university forward to the Board certified copies of all transcripts on file at any school attended. Transcripts must be forwarded directly to the Board by the school. Transcripts shall show the degree granted and successful completion of no less than 30 semester (45 quarter) hours in the study of accounting, business law, economics, and finance, of which no less than 20 semester (30 quarter) hours shall be in the study of accounting;

(c) Applicants do not need to show proof of residency; and

(d) Effective June 30, 1996, the requirements of subsection (a) and (b) of this section must be met before the application to sit for the exam can be submitted.

(5) Applicants possessing a college or university degree who did not complete the required hours of accounting, business law, economics or finance under ORS 673.050(1) may obtain the required hours by satisfactory completion of hours in accounting, business law, finance, and economics taken from divisions of continuing education extended from accredited four-year colleges or universities or from community colleges, providing the courses are transferable as equivalent courses to a four-year college or university. However, completion of courses taken from com-

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munity colleges or divisions of continuing education shall not be considered as being equivalent to graduation from a four-year degree granting college or university as stated in ORS 673.050(1).

(6) At least ten days prior to the date set for the examination, each qualified applicant shall be notified by letter, sent to the address given in the application, of the time and place appointed for holding such examination.

(7) The experience requirements as indicated in ORS 673.050(3) shall be those prescribed by OAR 801-010-0065(6) and (7).

(8) The experience used to qualify for admittance to the examination under ORS 673.050(3) cannot also be used to qualify for certification. An additional two years of public accounting experience, or the equivalent satisfactory to the Board, is required for certification.

(9) In addition to the specific grounds contained in ORS 673.170(2), the Board of Accountancy may deny admission to the examination for certified public accountant's certificate, and may refuse to issue any certificate described in ORS 673.040 to 673.080 or any public accountant's license to any applicant for such certificate or license if:

(a) The applicant has committed any act or engaged in any conduct that reflects adversely on the candidate's fitness to practice public accounting; or

(b) The applicant has committed any act or engaged in any conduct that reflects moral turpitude or which would cause a reasonable person to have substantial doubts about the applicant's honesty, fairness and respect for the rights of others and for the laws of the state and the nation.

(10) If the act or conduct in question resulted in a conviction of a crime other than a crime described in ORS 673.170(2)(h) or (i)-the act or conduct must be rationally connected to the applicant's fitness to practice public accounting.

(11) Effective January 1, 1996, violation of the confidentiality of the non-disclosed exam will result in the candidates scores being invalid and the candidate will be prohibited from taking the exam for ten years.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 670.050(1), 673.060(1)(a), (3), 670.280 & 670.310
Hist.: 1AB 10, f. 2-7-63; 1AB 14, f. 8-15-68; 1AB 20, f. 10-22-71, ef. 11-15-71; 1AB 34, f. 1-29-74, ef. 2-25-74; 1AB 41, f. & ef. 12-2-76; 1AB 44, f. & ef. 3-31-77; 1AB 48, f. & ef. 7-21-77; 1AB 6-1978, f. & ef. 6-22-78; 1AB 7-1981, f. & ef. 7-27-81; 1AB 2-1983, f. & ef. 9-20-83; AB 3-1988, f. & cert. ef. 6-9-88; AB 2-1989, f. & cert. ef. 1-25-89; AB 4-1991, f. & cert. ef. 7-1-91; AB 4-1994, f. & cert. ef. 9-27-94; AB 1-1995, f. & cert. ef. 1-25-95; AB 5-1995, f. & cert. ef. 8-22-95; AB 1-1996, f. & cert. ef. 1-29-96

801-010-0060

Qualifications for C.P.A. Examination

(1) If a candidate is found guilty of misconduct at any examination or a candidate is tardy to any session of the examination, the Board may deny such candidate the right to receive credit for that examination.

(2)(a) A candidate applying to take any part of the examination must take all parts of the examination for which the candidate has not previously received credit;

(b) The Board may waive the requirement of subsection (2)(a) of this rule upon demonstration satisfactory to the Board that a candidate's absence from part of the examination was caused by extraordinary circumstances over which the candidate had no control.

(3)(a) If, in a single sitting of the examination, a candidate receives a passing grade of no less than 75 percent in any two subjects of the examination and who receives a grade of at least 50 percent in the remaining subjects, the candidate shall be granted credit for subjects passed. However, such credit shall be granted on the condition that the candidate receives a grade of at least 75 percent in the remaining subjects on re-examination at any one or more of the next six successive examinations;

(b) A candidate who has received conditional credit under subsection (a) of this section and who subsequently receives a grade of 75 percent in any one subject and a grade of at least 50 percent in the remaining subject(s), shall be granted credit for the

subject(s) passed, on the condition that the candidate receives a grade of at least 75 percent in the remaining subject(s) on re-examination at any one or more examinations through the sixth successful examination following the first examination at which conditional credit was granted;

(c) A candidate who at one examination receives a passing grade of no less than 75 percent in any three subjects of the examination shall be granted credit for the subjects passed, regardless of the grade received on the remaining subject, on the condition that the candidate receives a grade of no less than 75 percent in the remaining subject on re-examination at any one or more of the next six successive examinations; and

(d) Conditional credit granted to a candidate under this rule shall remain valid for six successive exams;

(e) The time limitations stated herein may be extended by the Board because of illness or accident and shall be extended during the time a candidate is in active military service. In the case of military extensions, the candidate shall file a written request for extension upon entering military service. Within 60 days after the candidate is discharged, candidate shall furnish the Board with copy of the discharge papers and will then be required to sit for the next examination for which candidate is qualified.

(4) Subsequent to each examination, the Board shall notify each candidate of the grades received in the examination. All examination papers shall remain the property of the Board.

(5) In the event any examination papers are lost, the liability of the Board will be limited to the fee paid by the applicant for that examination.

(6) The Board may grant credit to any candidate for satisfactory completion of a written examination in any two or more subjects given by the licensing authority in any other state or jurisdiction as specified in ORS 673.060 if the Board shall determine:

(a) That the examination is the Uniform C.P.A. Examination; and

(b) That the candidate received a grade of no less than 75 percent in each subject in which the candidate was examined in another state, and that the candidate did not willfully circumvent the requirements under section (3) of this rule.

(7) Effective January 1, 1994 a candidate who has received a passing grade of no less than 75 percent in any two subjects shall be granted equivalent credit for portions of the examination as follows:

(a) Practice I and II transfers to Accounting and Reporting (ARE);

(b) Auditing transfers to Auditing;

(c) Business Law transfers to Business Law and Professional Responsibilities (LPR); and

(d) Accounting Theory transfers to Financial Accounting and Reporting (FARE).

(8) Cheating on the Uniform CPA Examination is prohibited.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.060, 673.075(1), (2) & 673.170

Hist.: 1AB 12, f. 3-30-65; 1AB 14, f. 8-15-68; 1AB 16, f. 1-30-70, ef. 2-25-70; 1AB 19, f. 10-22-71, ef. 11-15-71; 1AB 21, f. 3-2-72, ef. 3-15-72; 1AB 30, f. 9-18-73, ef. 10-1-73; 1AB 35, f. 10-29-74, ef. 11-25-74; 1AB 36, f. 1-28-75, ef. 2-25-75; 1AB 40, f. & ef. 5-5-76; 1AB 41, f. & ef. 12-2-76; 1AB 43, f. & ef. 3-31-77; 1AB 2-1978, f. & ef. 3-21-78; 1AB 11-1978, f. & ef. 12-1-78; 1AB 3-1979, f. & ef. 12-21-79; 1AB 2-1980, f. & ef. 4-8-80; 1AB 3-1980, f. 10-23-80, ef. 12-1-80; 1AB 5-1981, f. & ef. 7-27-81; 1AB 6-1981, f. & ef. 7-27-81; 1AB 3-1982, f. & ef. 4-20-82; 1AB 2-1984, f. & ef. 5-21-84; 1AB 3-1984, f. 12-19-84, ef. 1-1-85; AB 4-1991, f. & cert. ef. 7-1-91; AB 1-1994, f. & cert. ef. 1-21-94; AB 3-1994, f. & cert. ef. 8-10-94; AB 4-1994, f. & cert. ef. 9-27-94; AB 5-1995, f. & cert. ef. 8-22-95

801-010-0065

Qualifications for Certification

(1) Every applicant for the Certificate of Certified Public Accountant shall satisfactorily pass a written examination related to the **Code of Professional Ethics** promulgated and adopted by the Oregon Board of Accountancy.

(2) In order to fulfill the experience requirements set forth in ORS 673.050 and 673.060, the applicant shall obtain a portfolio

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of experience which encompasses the broad array of services provided by public accountants licensed in Oregon and certified public accountants as well as specific experience in the attest function sufficient that the applicant can plan, conduct and report on an audit, review, and compilation of an entity applying current practice standards and pronounce-ments with a minimum of supervision. Additional emphasis is placed on the attest function due to the third party reliance.

(3)(a) The portfolio of experience shall be obtained while:

(A) Employed in public practice on the staff of a Public Accountant licensed in Oregon, a Certified Public Accountant, or a firm of public accountants licensed in Oregon or certified public accountants; or

(B) Engaged in employment that is equivalent to that described in paragraph (3)(a)(A) of this rule

(C) Employment is equivalent to that described in paragraph (3)(a)(A) of this rule if it is with audit agencies, internal audit departments or other organizations:

(i) Conducting attest-oriented functions where third party reliance is an objective of the report;

(ii) Providing management or consulting services;

(iii) Preparing tax returns; or

(iv) Furnishing advice on tax matters where the audit agency, internal audit department or other organization is independent of the entity which is the subject of the service.

(b) The attest-related experience as required in sections (8) and (9) of this rule shall be obtained while:

(A) Employed in public practice on the staff of a public accountant licensed in Oregon, a certified public accountant, or a firm of public accountant's licensed in Oregon or certified public accountants; or

(B) Engaged in employment that is equivalent to that described in paragraph (3)(a)(A) of this rule;

(C) Employment is equivalent to that described in subsection (3)(a) of this rule if it is with audit agencies, internal audit departments or other organizations:

(i) Conducting attest-oriented functions where third party reliance is an objective of the report;

(ii) Preparing opinions in accordance with generally accepted accounting principles or other comprehensive basis of accounting financial statements;

(iii) Preparing financial statements with footnotes to generally accepted accounting principles or other comprehensive basis of accounting; and

(iv) The audit agency, internal audit department or other organization is independent of the entity.

(4) "Third party reliance" as used in subsection (3)(b) of this rule means:

(a) Actual third party reliance, such as takes place with respect to the reader of financial statements upon which an audit opinion has been rendered by a Public Accountant licensed in Oregon or a Certified Public Accountant;

(b) Audits performed by government agencies, including tax authorities, on organizations which are not subject to management control by the auditing agency; or

(c) Financial audits performed by independent working groups where the purpose of the audit is reliance by the board of directors on the fairness of the presentation of internally generated financial statements in accordance with generally accepted accounting principles or other comprehensive bases of accounting.

(5) The experience required under this rule shall consist solely of experience within activities generally performed by public accountants licensed in Oregon and certified public accountants for the public, including financial statement audits, financial statement reviews, financial statement compilations, management audits, operational audits, compliance audits, agreed upon procedure engagements, management advisory services, tax advisory services, tax return preparation, and financial planning services.

(6) All experience must be gained under the direct supervision of a Public Accountant licensed in Oregon or a Certified Public Accountant whose license is not revoked, suspended, lapsed or inactive.

(7) Two years of experience means at least 24 months of full-time employment, or a total of 4,160 hours of part-time employment. One hundred seventy-three (173) hours of part-time employment is equivalent to one month. Qualifying part-time employment shall be at least 20 hours per week. Overtime hours worked are not acceptable toward the experience requirement.

(8) The applicant shall show to the satisfaction of the Board that experience obtained has included all of the following:

(a) Experience in planning programs of audit work, including the selection of procedures to be followed;

(b) Experience in the preparation of audit working papers covering the examination of the accounts usually found in accounting records, including reviewing another accountant's workpapers;

(c) Experience in evaluating internal control structures, including relevant computer aspects;

(d) Experience in obtaining sufficient competent evidential matter through inspection, observation, inquiries, and confirmations;

(e) Experience in determining the appropriateness of generally accepted accounting principles, including the adequacy of disclosure; and

(f) Experience in reporting on and analysis of financial statements together with explanations and notes thereon.

(9) The applicant shall have gained significant experience in applying the auditing procedures normally applied during the audit of a small business, not-for-profit, or local government organization. In all cases, the applicant shall demonstrate an ability as both preparer and reviewer to document the evidence collected. Documentation includes the preparation of audit working papers and the preparation of written explanations and comments on the findings of an examination and on the content of accounting records. Auditing procedures shall include:

(a) Planning:

(A) Assessment of audit risk, inherent risk, control risk, and detection risk;

(B) Determination of tolerable rate of error for tests of controls and tolerable monetary error for substantive testing;

(C) Application of appropriate analytical procedures to asset, liability, equity, revenue, and expense accounts in planning the audit.

(b) Internal Control Structure:

(A) Understanding of an entity's internal control structure;

(B) Performance of tests of controls to support control risk assessment below the maximum.

(c) Collection of Sufficient Competent Evidence:

(A) Testing management assertions regarding existence or occurrence, completeness, rights and obligations, valuation or allocation, and presentation and disclosure in the major transaction cycles of revenue and collection, acquisition and payment, inventory and warehousing, payroll and personnel, and capital acquisition and repayment;

(B) Review of inventory procedures and verification of physical inventories, including physical observation;

(C) Testing inventory valuation and pricing;

(D) Verification of accounts receivable, including confirmation;

(E) Review and verification of accounts payable;

(F) Search for unrecorded liabilities;

(G) Testing accounting estimates, including accrual and allowance provisions;

(H) Review or preparation of corporate income tax provisions;

(I) Analysis and verification of changes in equity accounts or fund balances;

(J) Testing of revenue and purchase cutoff;

(K) Review for significant subsequent events;

(L) Testing of related party transaction disclosures;

(M) Review of pertinent legal documents;

(N) Application of appropriate analytical procedures to asset, liability, equity, revenue, and expense accounts as an overall review;

(O) Testing an entity's ability to continue as a going concern.

(10) The foregoing list is neither all inclusive nor exclusive. An applicant who has not achieved a portfolio of experience of the variety and diversity set forth in the foregoing list shall bear the burden of demonstrating to the satisfaction of the board that the portfolio of experience submitted is of sufficient quality and diversity that it fulfills the entry requirements objective as set forth in section (2) of this rule.

(11) In order to put additional emphasis on the attest function experience as part of the experience required in sections (5) and (7) of this rule and as modified by OAR 801-010-0070, 500 hours of experience in applying and performing the tests and procedures set out in sections (8) and (9) of this rule is the minimum an applicant must have to demonstrate her or his qualifications. Of this 500 hours, a minimum of 350 must be in audits, with the remaining 150 hours in reviews and full-disclosure compilations. Seventy-five hours is the maximum of the 150 hours that may be in full disclosure compilations. An applicant may use attendance at an AICPA staff school such as Basic Staff training, Semi-Senior training, Beginning-in-Charge training, or the equivalent, to substitute, on an hour by hour basis, for up to 80 hours of the 350 hour audit requirement.

(12) An applicant's employer shall attest that the applicant has gained experience under this rule.

(13) The experience and examination requirements shall be obtained within the eight years preceding the date of application.

(14) "Direct supervision" as used in this rule means that there is a clear connection between the supervisor and the person being supervised in terms of planning, coordinating, guiding, inspecting, controlling, and evaluating activities, and in discharging the employee being supervised. The person supervised is next below in the usual line of authority.

(15) Employees of the Internal Revenue Service, Oregon Department of Revenue may qualify under the equivalent experience subsection (3)(b) of this rule if they have participated in a program within their agency approved by the Board.

(16) Experience outside that described in sections (3) and (5) of this rule will be evaluated by the Board on a case by case basis.

(17) All applicant's files must be complete at least seven days prior to the Board meeting date in order to be listed on the Board agenda.

[Publications: The publication(s) referred to or incorporated by reference in this rule are available from the Board of Accountancy.]

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.060(1)

Hist.: 1AB 3-1984, f. 12-19-84, ef. 1-1-85; AB 2-1988, f. 3-31-88, cert. ef. 3-30-88; AB 7-1989, f. & cert. ef. 9-11-89; AB 1-1991, f. & cert. ef. 1-2-91; AB 4-1991, f. & cert. ef. 7-1-91; AB 2-1993, f. 1-14-93, cert. ef. 1-15-93; AB 4-1994, f. & cert. ef. 9-27-94; AB 1-1995, f. & cert. ef. 1-25-95; AB 5-1995, f. & cert. ef. 8-22-95

801-010-0070

Postbaccalaureate Education

(1) For the purpose of ORS 673.060 (1)(b), the completion of one year of college or university courses in accounting or related subjects beyond the baccalaureate degree or the equivalent thereof is defined as:

(a) A Master's degree from a school of business administration at an accredited college or university, including a minimum of 30 semester hours or 45 quarter hours, or the equivalent, in courses for which the applicant received graduate level credit, and which shall include at least ten semester hours or 15 quarter hours in the study of accounting; or

(b) A minimum of 30 semester hours or 45 quarter hours, or the equivalent, in courses for which the applicant received graduate level credit at an accredited college or university, and which shall include at least ten semester hours or 15 quarter hours in the study of accounting; the remaining 20 semester hours or 30 quarter hours shall be in accounting or related subjects.

(2) Related subjects under ORS 673.060(1)(b) are defined as business law, finance or economics.

(3) An accredited college or university is one listed as accredited in the "Education Directory of Colleges and Universities" published by the National Center for Education

Statistics. The college or university must be accredited at the time the degree or credits are earned.

(4) For the purpose of this rule, courses used to satisfy the requirements of ORS 673.050(1) may not be included in satisfying the requirements of ORS 673.060(1)(b). In other words, courses used to meet the education requirement to sit for the Uniform C.P.A. Examination may not be used again to meet this education requirement.

(5) For the purpose of ORS 673.060(1)(b), one year of public accounting experience shall be the same as the experience specified in OAR 801-010-0065, except that the total time shall be at least 12 months of full-time employment or a total of 2,080 hours of part-time employment. The experience shall meet all of the other requirements set forth in OAR 801-010-0065, including the 500 hour guideline of OAR 801-010-0065(11).

[Publications: The publication(s) referred to or incorporated by reference in this rule are available from the Board of Accountancy.]

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.060(1)(b) & (2)(a)

Hist.: 1AB 3-1984, f. 12-19-84, ef. 1-1-85; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0073

Certification of Applicant's Experience

(1) Any licensee who has been requested by an applicant to submit to The Board or to the licensing agency of another state evidence of the applicant's experience and has refused to do so shall upon request of The Board explain in writing or in person the basis for such refusal.

(2) Any licensee who has furnished evidence of an applicant's experience to The Board shall, upon request by The Board, document the information in writing, by exhibit, in person, or by combination of any of these, in any situation including, but not limited to, the following:

(a) Where there is an alleged disagreement between an applicant and any licensee as to dates, quality, and/or type of work performed;

(b) Where there is satisfactorily answered certification of experience submitted to the Board, but the period of experience appears to be unduly short;

(c) Where the Board seeks to verify on a sample basis information submitted by an applicant or attested thereto on a certification of experience; or

(d) Where the Board reasonably believes that the information in the certification of experience may be false or incorrect.

(3) Any false or misleading statement made by a licensee as to material matters in the certification of an applicant's experience shall constitute a violation of ORS 673.170(2)(a).

(4) Any applicant may be required to appear before the Board or its representative to supplement or verify evidence of experience in writing, by exhibit, in person, or by a combination of any of these.

(5) The Board may require inspection, by the Board itself or by its representative, of documentation relating to an applicant's claimed experience. The inspection may, at the option of the Board, be made at the Board's offices or such other places as the Board may designate. A licensee or audit agency or group who has custody of the documentation shall produce it upon request.

(6) Certification of experience shall be made on forms provided by the Board. A licensee who completes and submits a certification of experience shall certify to the Board in writing the following:

(a) The nature and extent of the experience, including a detailed list of the engagements on which the applicant gained the experience required under OAR 801-010-0065(7) through (9). The detailed list is the responsibility of the applicant for certification and must be completed by the licensee contemporaneously with the experience; and

(b) That the experience obtained under the licensee's supervision is sufficient to fulfill the entry requirements as set forth in OAR 801-010-0065.

(7) It shall be a violation of ORS 673.170(2)(a) for any licensee to fail to act or refuse to:

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(a) Complete and submit a certification of experience or to comply with a request for explanation of said certification; or

(b) Comply with a request for explanation of said certification;

(c) Comply with a request for inspection of documentation; or

(d) Commit an irresponsible act which jeopardizes an applicant's chances for obtaining a certificate in this or any other state or jurisdiction.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.060 & 673.170(2)(a)

Hist.: IAB 3-1984, f. 12-19-84, ef. 1-1-85; IAB 3-1986, f. & ef. 11-17-86; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0078

Experience as a Self-Employed Public Accountant

(1) A Public Accountant licensed in Oregon who is self-employed in the practice of public accounting may fulfill up to one year of the experience requirement set forth in ORS 673.050 and 673.060 from such self-employed public accounting experience. The applicant shall show to the satisfaction of the Board that:

(a) The applicant is a Public Accountant licensed in Oregon;

(b) The experience was gained while the applicant was employed full-time, or the equivalent of full-time, in the practice of public accounting. In no case will employment less than 30 hours per week be acceptable under this rule; and

(c) The experience meets all of the requirements of OAR 801-010-0065, except the requirement of direct supervision by a Public Accountant licensed in Oregon or a Certified Public Accountant.

(2) The period of self-employment shall be verified either by a qualified Public Accountant licensed in Oregon or a Certified Public Accountant approved by the Board who shall review the applicant's practice. The applicant shall submit the name of a proposed reviewer to the Board. The reviewer shall hold a valid permit to practice public accounting in Oregon and be in full-time practice. The reviewer shall not be or have been the subject of disciplinary action by the Board, be the subject of ongoing complaints, or have been found to have violated technical standards by the Quality Review Committee. The reviewer shall not be related to or financially affiliated with the applicant. The applicant shall reimburse the reviewer for expenses of the review.

(3) The reviewer shall certify to the Board the following:

(a) The length of time in full-time public practice;

(b) The nature and extent of the work performed by the applicant;

(c) That the work performed by the applicant demonstrates satisfactory knowledge of current practice standards and pronouncements of the accounting profession;

(d) That the applicant has been practicing public accounting as defined in OAR 801-005-0010(9); and

(e) That if not previously obtained, the experience is sufficient to meet the entry requirement objective set forth in OAR 801-010-0065(8).

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.100(1)(d)

Hist.: IAB 3-1984, f. 12-19-84, ef. 1-1-85; AB 6-1989, f. & cert. ef. 9-11-89; AB 1-1994, f. & cert. ef. 1-21-94; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0079

Experience Obtained in Foreign Countries

Experience obtained outside the United States claimed to be equivalent to public accounting experience obtained in the United States may be acceptable under ORS 673.060 provided that the experience meets all of the requirements of OAR 801-010-0065. The person who directly supervises the applicant's experience must be either a Public Accountant licensed in Oregon or a Certified Public Accountant and hold a valid permit to practice public accounting in the United States, and must certify to the Board that the experience is the same as experience obtained in the practice of public accounting in the United States.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.060

Hist.: IAB 2-1986, f. & ef. 10-15-86; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0080

Holders of Certificates in Other States or U.S. Territories

(1) An applicant for a certified Public Accountant certificate in Oregon who holds or has held a certificate or permit as a Certified Public Accountant issued under the laws of any state or U.S. Territory shall apply under the provisions of ORS 673.080.

(2) An application for a certified public accountant certificate under ORS 673.080 shall be made on a form provided by the Board.

(3) The applicant shall show to the satisfaction of the Board that:

(a) The applicant met all of the requirements of ORS 673.050 and 673.060 in effect at the time the original application in any state was made;

(b) The applicant holds a certified public accountant certificate and a permit to practice issued under the laws of any state or U.S. Territory which certificate and permit are currently valid and unrevoked at the time the application is made, and that such state or U.S. Territory requires two years public accounting experience or the equivalent, satisfactory to the Board as part of its certification requirements; or

(c) The applicant holds a certified public accountant certificate and a permit to practice under the laws of any state or U.S. Territory which certificate and permit are currently valid and unrevoked at the time the application is made, and has four years of public accounting experience or the equivalent, satisfactory to the Board, after completing the examination and within the ten years immediately preceding the application.

(4) The Board may approve a request to practice in this state as a Certified Public Accountant under ORS 673.080(2) provided that the applicant:

(a) Makes the request in writing to the Board;

(b) Shows to the satisfaction of the Board that the applicant holds a current and valid permit to practice as a Certified Public Accountant in the state or U.S. Territory which issued the certificate on which the application is based; and

(c) Files with the Board all of the documents required to complete the application within 90 days from the date of the application.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.080

Hist.: IAB 14, f. 8-15-68; IAB 22, f. 3-2-72, ef. 3-15-72; IAB 34, f. 1-29-74, ef. 2-25-74; IAB 3-1982, f. & ef. 4-20-82; IAB 1-1986, f. & ef. 10-1-86; AB 5-1990, f. & cert. ef. 8-16-90; AB 5-1993, f. & cert. ef. 8-16-93; AB 1-1994, f. & cert. ef. 1-21-94; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0085

Holders of Foreign Certificates, Credentials or Degrees

An applicant for a certified public accountant certificate or license in Oregon who has received a certificate, credential or degree in a foreign country which certificate, credential or degree is claimed to be comparable to a certificate or license issued by the Board, or an applicant who has been issued a certificate or license by a licensing body in the United States or U.S. Territories based upon the certificate, credential or degree granted by a foreign country must:

(1) Meet the education requirement of ORS 673.050 for admission to the Certified Public Accountant examination. An applicant must have his/her academic credentials evaluated by a credentialing agency that is a member of the National Association of Credential Evaluation Services, Inc. (NACES); and

(2) Pass the examination required by ORS 673.060(1); and

(3) Meet the experience requirement of ORS 673.060(1)(a) or (b) and rules adopted thereunder; or

(4) Have passed the Canadian Uniform Final Examination (UFE); and

(5) Have passed the Canadian Chartered Accountant Uniform CPA Qualification Examination (CAQEX), administered by the National Association of State Boards of Accountancy (NASBA) or by the board of another state or U.S. Territory; and

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(6) At the time the application is made in Oregon, hold a Canadian Chartered Accountant certificate which is valid and in good standing, and the province which issued such certificate required at least two years public accounting experience or the equivalent, satisfactory to the Board, as part of its certification requirements, or has four years of public accounting experience or the equivalent, satisfactory to the Board, after completing the UFE and within the ten years immediately preceding the application.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.080

Hist.: 1AB 2-1986, f. & ef. 10-15-86; AB 1-1994, f. & cert. ef. 1-21-94;

AB 4-1994, f. & cert. ef. 9-27-94; AB 5-1995, f. & cert. ef. 8-22-95

801-010-0100

Public Accountant Licenses

(1) Every Public Accountant license shall, while it remains in the possession of the holder, be preserved by the holder, but such license shall nevertheless remain the property of the Board. In the event that the license is revoked in the manner prescribed by law or the holder ceases to hold a permit issued under ORS 673.150, it shall on demand be delivered by the holder to the Board of Accountancy.

(2) No person shall display a public accounting license unless the person holds a permit issued under ORS 673.150 which is not revoked, suspended, or lapsed.

(3) For the purpose of ORS 673.100, one year of public accounting experience shall be the same as the experience specified in OAR 801-010-0065, except that the total time shall be at least 12 months of full-time employment or a total of 2,080 hours of part-time employment. The experience shall meet all of the other requirements set forth in OAR 801-010-0065, including the 500 hour guideline of OAR 801-010-0065(10).

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.040, 673.060 & 673.100

Hist.: 1AB 9, f. 6-24-60; 1AB 41, f. & ef. 12-2-76; 1AB 4-1982, f. & ef. 5-21-82; 1AB 3-1984, f. 12-19-84, ef. 1-1-85; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0110

Renewal of Permits

(1) Effective June 30, 1991, all Permits issued under ORS 673.150 ending in even numbers shall expire on June 30 of even-numbered years and all permits issued under ORS 673.150 ending in odd numbers shall expire on June 30 of odd-numbered years, if not renewed. To renew an unexpired permit, a certificate or license holder shall, before the time at which the permit would otherwise expire, apply for renewal on a form provided by the Board, pay the renewal fee prescribed by OAR 801-010-0010 and give evidence to the Board that the continuing education provisions and quality review requirements have been satisfied unless either of those requirements have been waived. Renewal of an unexpired permit shall continue the permit in effect for the two-year period ending on June 30 of the next even- or odd-numbered year, when it shall expire if it is not again renewed.

(2) The Board may waive the initial permit fee where the permit is issued less than 60 days before the date on which it will expire.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.150 & 673.150(2)

Hist.: 1AB 4-1981, f. & ef. 6-17-81; AB 3-1991, f. & cert. ef. 4-10-91; AB 4-1991, f. & cert. ef. 7-1-91; AB 5-1993, f. & cert. ef. 8-16-93; AB 3-1994, f. & cert. ef. 8-10-94; AB 4-1994, f. & cert. ef. 9-27-94; AB 1-1995, f. & cert. ef. 1-25-95

801-010-0115

Resignation of Licensee

(1) Certified public accountants may resign and surrender their certificates and permits issued under ORS 673.040 to 673.080 and ORS 673.150, and public accountants may resign and surrender their licenses and permits issued under ORS 673.100 and ORS 673.150, by filing with the Board a written resignation, together with their certificate and permit or license and permit, which shall be effective only upon acceptance by the Board.

(2) If charges of misconduct are under investigation by the Board or if disciplinary proceedings are pending against a licensee, then a resignation by such a licensee will be treated as a revocation for misconduct by the Board if the licensee applies in the future for a certificate or license. The Board may decline to accept such a resignation unless the written resignation includes an express acknowledgment that the resigning licensee:

(a) Is aware of the investigation or disciplinary proceedings and does not desire to contest or defend the matter; and

(b) Understands that upon any future application for a license will be treated by the Board as an application by a person whose certificate or license has been revoked for misconduct, and that upon such application, the licensee shall not be entitled to a reconsideration or re-examination of the facts, complaints, or instances of misconduct upon which investigations or disciplinary proceedings were pending at the time of the resignation.

(3) Unless otherwise ordered by the Board, any pending investigation or disciplinary proceeding shall be closed upon acceptance of the resignation.

(4) If no investigation or charges are pending against a licensee, then the licensee's resignation may not be accepted by the Board unless the licensee acknowledges or has been advised by the Board that:

(a) The resignation places the licensee upon reapplication in the same position as a new applicant; and

(b) The licensee must return the licensee's license or certificate to the Board.

(5) Upon resignation, a former licensee immediately shall:

(a) Take all reasonable steps to avoid foreseeable harm to any client; and

(b) Continue to comply with OAR 801-030-0015(1) (confidential information) and OAR 801-030-0015(2) (client records).

Stat. Auth.: ORS 673.185

Stats. Implemented: ORS 673.410

Hist.: AB 2-1996, f. & cert. ef. 9-25-96

801-010-0120

Inactive Status

(1)(a) "Inactive status" has the meaning given in ORS 673.220.

(b) A licensee who has retired from the practice of public accounting may apply for "retired status." "Retired status" is equivalent to "inactive status."

(2) An application for inactive/retired status shall be made on a form provided by the Board.

(3) The application shall be accompanied by a fee prescribed by OAR 801-010-0010.

(4) The applicant for inactive/retired status shall certify to the Board that:

(a) The applicant holds a permit issued under ORS 673.150 which is not revoked or suspended; and

(b) The applicant does not perform any public accounting services whatever during the period in which the applicant is granted inactive/retired status.

(5) A licensee who is granted inactive/retired status shall not be required to complete continuing education under ORS 673.165 or be subject to the Quality Review Program under 673.455 during the period in which the person is granted inactive status.

(6) A licensee who is granted inactive/retired status may display the person's Certified Public Accountant certificate or Public Accountant license and may use the title if the licensee:

(a) Includes the designation "inactive" or "retired" either before or after the title; and

(b) Does not otherwise violate OAR 801-030-0005(5).

(7) Except as provided in OAR 801-010-0120(6), a licensee who is granted inactive/retired status shall not hold out as a CPA or PA and the licensee shall be subject to disciplinary action under ORS Chapter 673 for violation of this provision.

Stat. Auth.: ORS 673.310

Stats. Implemented: ORS 673.310

Hist.: 1AB 2-1986, f. & ef. 10-15-86; AB 5-1989, f. & cert. ef. 8-2-89; AB 4-1991, f. & cert. ef. 7-1-91; AB 1-1994, f. & cert. ef. 1-21-94; AB 4-1994, f. & cert. ef. 9-27-94; AB 2-1995, f. & cert. ef. 3-22-95; AB 2-1996, f. &

cert. ef. 9-25-96

801-010-0125

Renewal of Inactive Status

(1) Inactive status granted under ORS 673.220 and rules adopted thereunder shall expire on June 30 of each expiration year according to OAR 801-010-0110 if not renewed.

(2) To renew inactive/retired status, a certificate or license holder shall, before the time at which inactive/retired status would otherwise expire, apply for renewal on a form provided by the Board.

(3) The application shall be accompanied by an application fee prescribed by OAR 801-010-0010.

(4) Renewal of unexpired inactive/retired status shall continue inactive/retired status in effect for the two-year period ending on June 30 of the expiration years as described in OAR 801-010-0110(1).

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.220

Hist.: 1AB 2-1986, f. & ef. 10-15-86; AB 4-1991, f. & cert. ef. 7-1-91; AB 4-1994, f. & cert. ef. 9-27-94; AB 2-1995, f. & cert. ef. 3-22-95

801-010-0130

Restoration to Active Status

(1) A person who is granted inactive/retired status under ORS 673.220 and rules adopted thereunder who subsequently applies to return to public accounting practice shall submit an application for restoration of the person's permit to practice public accounting. The application shall be made on a form provided by the Board.

(2) The applicant shall pay the permit fee for the renewal period in which restoration is made.

(3) The applicant shall meet the reinstatement continuing education requirement set forth in OAR 801-040-0090. The applicant shall not perform any public accounting services until after reinstatement requirements are met and the applicant has obtained approval of the Board.

(4) The applicant shall meet the quality review requirements set forth in OAR 801, Division 050.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.220

Hist.: 1AB 2-1986, f. & ef. 10-15-86; AB 3-1994, f. & cert. ef. 8-10-94; AB 2-1995, f. & cert. ef. 3-22-95

801-010-0170

Publication of Disciplinary Action

(1) The Board may in its discretion publicize disciplinary action taken under ORS 673.170 in such manner and for such period as it may direct.

(2) A certified public accountant or public accountant may be guilty of gross negligence in the practice of public accounting for:

(a) Failure to disclose a known material fact which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements complete or not misleading; or

(b) Failure to report any known material misstatement to appear in the financial statements.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.170(2)(b) & 673.220

Hist.: 1AB 9, f. 6-24-60; AB 4-1991, f. & cert. ef. 7-1-9; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0180 [Renumbered to 801-001-0005]

801-010-0190

Procedure for Complaints

Under ORS 673.185, the Board has sole authority to deal with complaints against certified public accountants and public accountants. The following procedures govern complaints against certified public accountants and public accountants, and all proceedings in relation to such complaints shall be substantially as follows:

(1) The Board shall take action upon receipt of a written

complaint which states in detail the offense alleged to have been committed, and presents the evidence in support of the complaint. The Board may initiate proceedings on its own motion and take action upon information received, if there is sufficient evidence that a violation of the statutes, rules, or regulations may have been committed.

(2) Any person submitting a complaint may be required to support it by personal appearance before the Board.

(3) The Board may employ private investigators to assist it in determining the pertinent facts in any case before it.

(4) The Board may give the individual against whom a complaint has been filed an opportunity to appear before the Board for an informal discussion of the complaint.

(5) The Board shall determine whether an offense as described in the complaint is alleged.

(6) If the Board believes, from the evidence submitted, that such offense has been committed, it shall submit the record to the Attorney General for his advice and guidance or if the matter does not warrant proceeding further, shall dismiss the complaint.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.185

Hist.: 1AB 9, f. 6-24-60; 1AB 24, f. 9-15-72, ef. 10-1-72; 1AB 5-1978, f. & ef. 5-16-78; 1AB 3-1982, f. & ef. 4-20-82; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0340

Professional Corporations

(1) A professional corporation organized under the provisions of ORS Chapter 58 for the practice of public accounting shall register with the Board as a corporation.

(2) All of the persons who are the shareholders and directors of the corporation must be registered to render the professional service for which the corporation is to be registered.

(3) Application for registration of a professional corporation to practice as Certified Public Accountant(s) or public accountant(s) shall be made to the Board in writing on a form provided by the Board and shall be accompanied by a copy of the articles of incorporation that have been accepted for filing by the office of the Secretary of State, Corporation Division, and any other documents which the corporation is required to file with the office of the Secretary of State, Corporation Division.

(4) Notification shall be given to the Board within 21 days of any change of the firm name, shareholders or directors of a professional corporation registered with the Board, or of any change of location(s) of the office(s) of such corporation. The Board shall issue an amended certificate of registration on receipt of notice of a change in the firm name of such corporation.

(5) The Board, upon receipt of an application to register as a professional corporation, finds that the shareholders are each licensed pursuant to ORS 673.060, 673.100, and 673.150, and upon payment of a registration fee, shall issue a certificate of registration which shall remain in effect until June 30 of the odd-numbered year following the date of such registration.

(6) On or before June 30 of each odd-numbered year, applications provided by the Board and accompanied by the registration fee shall be submitted for biennial registration of any professional corporation registered by the Board. Failure to renew a registration by the close of the renewal period shall require the professional corporation to pay a delinquent fee for each renewal period of delinquency.

(7) The certificate of registration issued by the Board shall be conspicuously posted at the office of the corporation.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.160

Hist.: 1AB 18, f. 11-25-70, ef. 12-25-70; 1AB 29, f. 4-25-73, ef. 5-15-73; 1AB 3-1982, f. & ef. 4-20-82; AB 5-1990, f. & cert. ef. 8-16-90; AB 4-1991, f. & cert. ef. 7-1-91; AB 4-1994, f. & cert. ef. 9-27-94

801-010-0345

Other Business Forms

(1) Any "Other Business Form" organized for the practice of public accounting shall register with the Board as an other business form.

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(2) All of the persons who are the owners of the "Other Business Form" must be registered to render the professional service for which the "Other Business Form" is to be registered.

(3) At least one owner, member or comparable person of an "Other Business Form" must be an active certified public accountant or an active public accountant in this state.

(4) Application for registration of an "Other Business Form" to practice as certified public accountant(s) or public accountant(s) shall be made to the Board in writing on a form provided by the Board and shall be accompanied by a copy of the articles of incorporation that have been accepted for filing by the office of the Secretary of State, Corporation Division, and any other documents which the corporation is required to file with the office of the Secretary of State, Corporation Division.

(5) Notification shall be given the Board within twenty-one days of any change of the firm name or owners of an "Other Business Form" registered with the Board, or of any change of location(s) of the office(s) of such other business form. The Board shall issue an amended certificate of registration on receipt of notice of a change in the firm name of such "Other Business Form".

(6) If the Board, upon receipt of an application to register as an "Other Business Form", finds that the owners are each licensed pursuant to ORS 673.060, 673.100, and 673.150, and upon payment of a registration fee, the Board shall issue a certificate of registration which shall remain in effect until June 30 of the odd-numbered year following the date of such registration.

(7) On or before June 30 of each odd-numbered year, applications provided by the Board and accompanied by the registration fee shall be submitted for biennial registration of any "Other Business Form" registered by the Board. Failure to renew a registration by the close of the renewal period shall require the "Other Business Form" to pay a delinquent fee for each renewal period of delinquency.

(8) The certificate of registration issued by the Board shall be conspicuously posted at the office of the "Other Business Form".

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.160

Hist.: AB 6-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94

801-010-0350

Temporary Practice

Temporary Practice, as permitted under ORS 673.350(2), shall be conducted in conformity with the law, regulations, and Code of Professional Ethics promulgated by the Board.

[Publications: The publication(s) referred to or incorporated by reference in this rule are available from the Board of Accountancy.]

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.350(2)

Hist.: 1AB 9, f. 6-24-60; 1AB 35, f. 10-29-74, ef. 11-25-74; AB 4-1991, f. & cert. ef. 7-1-91

DIVISION 20

MUNICIPAL AUDITS

801-020-0620

Bidding and Contracting for Municipal Audits

(1) Accountants who are sole proprietors or members of a partnership, professional corporation, or "Other Business Form" registered under the provisions of ORS 673.090, 673.130, or 58.345, if such sole proprietor or all such partners, shareholders owners, members or comparable person are on the roster of the State Board of Accountancy, of accountants authorized to conduct municipal audits, the sole proprietor, partnership, professional corporation, or "Other Business Form" may bid, contract or issue, in accordance with ORS 297.465, under their sole proprietor, partnership, professional corporation, or "Other Business Form" name.

(2) If a partnership, professional corporation, or "Other Business Form" registered under the provisions of ORS 673.090,

673.130, or 58.345, has at least one but not all members on the roster of the State Board of Accountancy of accountants authorized to conduct municipal audits, the partnership, professional corporation, or "Other Business Form" may bid, contract or issue, in accordance with ORS 297.465, in the partnership, professional corporation, or "Other Business Form" name only if the contract and the related audit report are both signed in the name of the partnership, professional corporation, or "Other Business Form" with the signature of a partner, a shareholder, owner, member or comparable person who is on the roster of accountants authorized to conduct municipal audits.

(3) Except as provided in sections (1) and (2) of this rule, no person may bid, contract or otherwise offer to issue or issue an audit under ORS 297.405 to 297.555.

Stat. Auth.: ORS Ch. 297, 670 & 673

Stats. Implemented: ORS 297.425

Hist.: 1AB 8, f. 8-17-54; 1AB 15, f. 4-23-69; AB 1-1988(Temp), f. 2-17-88, cert. ef. 2-22-88; AB 2-1991, f. & cert. ef. 2-28-91; AB 3-1992, f. & cert. ef. 2-18-92; AB 3-1993, f. 1-14-93, cert. ef. 1-15-93; AB 6-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94

801-020-0690

Qualifications for Admission to Roster

(1) Applicants to the roster of accountants authorized to conduct municipal audits required by ORS 297.425 shall meet the following procedures and qualifications established by the Board.

(2) The applicant must be a current Board licensee in good standing.

(3) Every application shall be on a form provided by the Board and shall be accompanied by a fee prescribed by OAR 801-010-0010.

(4) The act of filling out the application shall constitute an agreement between the applicant and the Board that the applicant will observe the requirements of this regulation.

(5)(a) In addition to the specific grounds contained in ORS 673.170(2), the Board of Accountancy may deny admission to the Roster for municipal auditors as described in ORS 297.680 if:

(A) The applicant has committed any act or engaged in any conduct that reflects adversely on the licensee's fitness to practice public accounting; or

(B) The applicant has committed any act or engaged in any conduct that reflects moral turpitude or which would cause a reasonable person to have substantial doubts about the applicant's honesty, fairness and respect for the rights of others and for the laws of the state and the nation.

(b) If the act or conduct in question resulted in a conviction of a crime other than a crime described in ORS 673.170(2)(h) or (i), the act or conduct must be rationally connected to the applicant's fitness to practice public accounting.

(6) The applicant shall show to the satisfaction of the Board that, within the two year period immediately preceding his/her application, he/she completed 40 hours of education in the following subjects with at least four (4) hours in each subject:

(a) Audits of state and local governmental units;

(b) Governmental Accounting and Financial Reporting Standards;

(c) Generally Accepted Governmental Auditing Standards;

(d) Single Audit Act of 1984 and related Office of Management and Budget circulars and supplements;

(e) Oregon Local Budget Law;

(f) Minimum standards of audits and reviews of Oregon Municipal Corporations.

(g) Other courses in governmental accounting and auditing may also qualify providing the applicant has obtained Board approval prior to enrollment. The courses are subject to all the requirements of OAR 801 Division 40, must provide the applicant with a comprehensive, working level knowledge of the subject, and would generally be identified in course promotional material as basic, intermediate, level 1, level 2, or introductory. Conferences and seminars do not qualify for admission to the Roster. The 40 hours of education required may be within the 80 hours of continuing education required for renewal of the CPA/PA license.

(7) When the application is approved, the Board will notify

the applicant in writing that he/she now holds a license for municipal auditing, his/her name shall be entered on the Roster, and the Secretary of State shall be so notified.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 297.680(2)(a)
Hist.: 1AB 8, f. 8-17-54; 1AB 32, f. 9-18-73, ef. 10-1-73; AB 1-1988(Temp), f. 2-17-88, cert. ef. 2-22-88; AB 4-1988, f. & cert. ef. 10-28-88; AB 3-1992, f. & cert. ef. 2-18-92; AB 5-1992, f. & cert. ef. 8-10-92; AB 6-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94; AB 4-1994, f. & cert. ef. 9-27-94; AB 1-1996, f. & cert. ef. 1-29-96

801-020-0700

Qualifications for Continuance on Roster

Members of the municipal roster shall have 24 hours continuing education (within the 80 hours of continuing education required for renewal of the CPA/PA license) which include courses and conferences (with any level of difficulty) in subjects directly related to the government environment and to governmental auditing. A minimum of 16 hours of the 24 must be in courses described in subsection (1) through subsection (6) of this rule. This would generally include the following subjects:

- (1) Audits of state and local governmental units;
- (2) Governmental Accounting and Financial Reporting Standards and updates;
- (3) Generally Accepted Governmental Auditing Standards and updates;
- (4) Single Audit Act of 1984 and related Office of Management and Budget circulars and supplements;
- (5) Oregon Local Budget Law
- (6) Minimum standards of audits and reviews of Oregon Municipal Corporations;
- (7) Courses in generally accepted auditing standards and procedures. These courses may include such topics as current developments in audit methodology, assessment of internal controls, and statistical sampling.

Stat. Auth.: ORS 297.680
Stats. Implemented: ORS 297.680
Hist.: AB 4-1988, f. & cert. ef. 10-28-88; AB 4-1990, f. & cert. ef. 7-17-90; AB 3-1992, f. & cert. ef. 2-18-92; AB 4-1994, f. & cert. ef. 9-27-94; AB 2-1996, f. & cert. ef. 9-25-96

801-020-0710

Biennial Fee for Inclusion on Roster

(1) Every accountant who wishes his/her name to be continued on the Roster shall make application to the Board and submit payment of the biennial fee as provided by ORS 297.720, in accordance with the biennial renewal period set forth under ORS 673.150, subsection (2).

(2) Any permit that is not renewed within 60 days after the close of the license period for which it was issued or renewed shall lapse. The Board of Accountancy shall give due notice at the last address shown by the records of the Board to each accountant whose name is on the roster and whose application for continuance has not been received. If, after such notice, the application and fee are not received within 30 days, the accountant's name shall be dropped from the roster, and the Secretary of State so notified.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 297.720
Hist.: 1AB 8, f. 8-17-54; 1AB 23, f. 3-2-72, ef. 3-15-72; 1AB 9-1978, f. & ef. 9-22-78; AB 1-1988(Temp), f. 2-17-88, cert. ef. 2-22-88; AB 4-1988, f. & cert. ef. 10-28-88; Renumbered from 801-20-720; AB 3-1992, f. & cert. ef. 2-18-92; AB 4-1994, f. & cert. ef. 9-27-94

801-020-0720

Removal From and Reinstatement to the Roster

Any accountant who fails to pay the biennial fee as provided by section (1) of OAR 801-020-0710, or who fails to comply with requirements as provided by ORS 297.465 and 297.680, or who fails to complete the required continuing education (except as provided in OAR 801-040-0160) will be removed from the Roster or suspended. The Board may publicize the removal or suspension.

(1) If a licensee is removed from the Roster the requirements in OAR 801-020-0690 (2) through (9) must be met before he/she can be reinstated to the roster.

(2) If a licensee is removed from the Roster because of failure to complete the continuing education requirements in OAR 801-020-0700, he/she may be reinstated by completing 40 hours of continuing education [(within the 80 hours of continuing education required for renewal of the CPA/PA license) of courses and conferences (with any level of difficulty)] within a two-year period in subjects directly related to the government environment and to governmental auditing.

Stat. Auth.: ORS 297.710
Stats. Implemented: ORS 297.710
Hist.: 1AB 8, f. 8-17-54; 1AB 32, f. 9-18-73, ef. 10-1-73; AB 1-1988(Temp), f. 2-17-88, cert. ef. 2-22-88; AB 4-1988, f. & cert. ef. 10-28-88; Renumbered from 801-20-710; AB 3-1992, f. & cert. ef. 2-18-92; AB 5-1992, f. & cert. ef. 8-10-92; AB 3-1993, f. 1-14-93, cert. ef. 1-15-93; AB 4-1994, f. & cert. ef. 9-27-94; AB 2-1996, f. & cert. ef. 9-25-96

DIVISION 30

CODE OF PROFESSIONAL CONDUCT

Codes of Conduct

801-030-0005

Independence, Integrity, and Objectivity

(1) Rule 101 - Independence. A licensee shall not express an opinion on financial statements of an enterprise in such a manner as to imply that he or she is acting as an independent public accountant with respect thereto unless he or she is independent with respect to such enterprise. Independence will be considered to be impaired if:

(a) During the period of the professional engagement, or at the time of expressing an opinion, the licensee:

(A) Had or was committed to acquire any direct or material indirect financial interest in the enterprise; or

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

(C) Had any joint closely-held business investment with the enterprise or any officer, director, or principal stockholder thereof which was material in relation to the net worth of either the licensee or the enterprise; or

(D) Had any loan to or from the enterprise or any officer, director, or principal stockholder thereof other than loans of the following kinds made by a financial institution under normal lending procedures, terms, and requirements:

(i) Loans obtained by the licensee which are not material in relation to the net worth of the borrower;

(ii) Home mortgages; or

(iii) Other secured loans, except those secured solely by a guarantee of the licensee.

(b) During the period covered by the financial statements, or during the period of the professional engagement, or at the time of expressing an opinion, the licensee:

(A) Was connected with the enterprise as a promoter, underwriter or voting trustee, a director or officer, or in any capacity equivalent to that of a member of management or as an employee; or

(B) Was a trustee for any pension or profit-sharing trust of the enterprise. The foregoing examples are not intended to be all-inclusive.

(2) Rule 102 - Integrity and objectivity. A licensee shall not in the performance of professional services knowingly misrepresent facts, nor subordinate his or her judgment to others. In tax practice, however, a licensee may resolve doubt in favor of his or her client as long as there is reasonable support for his or her position.

(3) Rule 103 - Commissions. A licensee shall not pay a commission to obtain a client, nor accept a commission for a referral to a client of products or services of others. This rule does

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not prohibit payments for the purchase of all, or a material part of an accounting practice, or retirement payments to persons formerly engaged in the practice of public accountancy, or payments to the heirs or estates of such persons.

(4) Rule 104 -Contingent fees.

(a) A certified public accountant or public accountant licensed to practice public accounting shall not:

(A) Perform for a contingent fee any professional services for, or receive such a fee from, a client for whom any of the following professional engagements are performed:

(i) An audit or review of a financial statement.

(ii) A compilation of a financial statement where the licensee's compilation report does not disclose a clear lack of independence.

(iii) An examination, review or compilation of prospective financial information.

(iv) An agreed-upon-procedures report on a financial statement.

(B) The prohibitions outlined in paragraph (a)(A) of this rule apply during the period in which the licensee or the licensee's firm is engaged to perform any of the services described in paragraphs (a)(A)(i), (a)(A)(ii), (a)(A)(iii), or(a)(A)(iv) of this rule, as well as during any period covered by any historical or prospective financial statements involved with the same aforementioned services.

(b) A contingent fee is a fee established for the performance of any service pursuant to an agreement 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. However, a certified public accountant's or public accountant's fees may vary depending, for example, on the complexity of the services rendered.

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

(5) Rule 105 - Incompatible occupations and use of CPA and PA Designation.

(a) If a licensee is engaged in a business or occupation other than the practice of public accounting, the licensee shall not hold out as a CPA or PA in the course of the other business if a person reasonably could believe that:

(A) the licensee is simultaneously engaged in the practice of public accounting; or

(B) the licensee is exercising the independence or objectivity of a CPA or PA in recommending the purchase of products or services or following a certain course of action.

(b) A Licensee shall not engage in any activity for which that licensee receives commissions or contingent fees while holding out to the public as a CPA or PA except as provided for under 801-030-0005(3) and (4).

Stat. Auth.: ORS 673.445

Stats. Implemented: ORS 674.445

Hist.: 1AB 1-1978, f. & ef. 1-11-78; AB 4-1994, f. & cert. ef. 9-27-94; AB 2-1995, f. & cert. ef. 3-22-95; AB 2-1996, f. & cert. ef. 9-25-96

801-030-0010

Competence and Technical Standards

(1) Rule 201 — Competence. A licensee shall not undertake any engagement for the performance of professional services which he or she cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with Rules 202 and 203.

(2) Rule 202 — Auditing standards. A licensee shall not permit his or her name to be associated with financial statements in such a manner as to imply that he or she is acting as an independent public accountant with respect to such financial statements unless he or she has complied with applicable generally accepted auditing standards. Statements on Auditing Standards issued by the American Institute of Certified Public Accountants, and other pronouncements having similar generally recognized authority, are considered to be interpretations of generally accepted auditing standards, and departures therefrom

must be justified by those who do not follow them.

(3) Rule 203 — Accounting principles. A licensee shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such financial statements contain any departure from such accounting principles which has a material effect on the financial statements taken as a whole, unless the licensee can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. In such a case, the licensee's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement. For purposes of this rule, generally accepted accounting principles are considered to be defined by pronouncements issued by the Financial Accounting Standards Board and its predecessor entities and similar pronouncements issued by other entities having similar generally recognized authority.

(4) Rule 204 — Other professional standards. A licensee, in the performance of management advisory services or accounting and review services, shall conform to the professional standards applicable to such services. For purposes of this rule such professional standards are considered to be defined by Statements on Management Advisory Services and Statements for Accounting and Review Services, respectively, in each instance issued by the American Institute of Certified Public Accountants, and by similar pronouncements by other entities having generally recognized authority.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.445

Hist.: 1AB 1-1978, f. & ef. 1-11-78; AB 3-1989, f. & cert. ef. 1-25-89; AB 4-1994, f. & cert. ef. 9-27-94

801-030-0015

Responsibilities to Clients

(1) Rule 301 — Confidential client information: A licensee shall not without the consent of his or her client disclose any confidential information pertaining to his or her client obtained in the course of performing professional services. This rule does not:

(a) Relieve a licensee of any obligations under Rules 202 and 203;

(b) Affect in any way a licensee's obligation to comply with a validly issued subpoena or summons enforceable by order of a court;

(c) Prohibit disclosures in the course of a quality review of a licensee's professional services;

(d) Preclude a licensee from responding to any inquiry made by the Board or any investigative or disciplinary body established by law or formally recognized by the Board;

(e) Members of the Board and professional practice reviewers shall not disclose any confidential client information which comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their responsibilities, except that they may furnish such information to an investigative or disciplinary body of the kind referred to above.

(2) Rule 302 — Records:

(a) Prior to issuance of a tax return, financial statement, report or other document prepared by a licensee for a client, a licensee shall, upon request made within a reasonable time, furnish to the client or former client any accounting or other records belonging to, or obtained from or on behalf of, the client which the licensee removed from the client's premises or received for the client's account, but the licensee may make and retain copies of such documents when they form the basis for work done by the licensee;

(b) Upon request made within a reasonable time after original issuance of the document in question, a licensee shall furnish to a client or former client:

(A) A copy of a tax return, financial statement, report, or other document, issued by the licensee to or for such client;

(B) Any accounting or other records belonging to, or obtained from or on behalf of, the client which the licensee removed from the client's premises or received for the client's account, but the licensee may make and retain copies of such do-

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cuments when they form the basis for work done by the licensee;

(C) A copy of documents, schedules or entries prepared by the licensee which would ordinarily be required to support a tax return, financial statement, report or other document issued by the licensee to or for such client, if they are necessary to complete the client's records and are not otherwise available to the client; and

(D) A licensee is not required to furnish records to a client or former client more than once.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.445

Hist.: IAB 1-1978, f. & ef. 1-11-78; IAB 2-1984, f. & ef. 5-21-84; AB 4-1994, f. & cert. ef. 9-27-94

801-030-0020

Other Responsibilities and Practices

(1) Professional Misconduct:

(a) A licensee shall not commit any act or engage in any conduct that reflects adversely on the licensee's fitness to practice public accounting.

(b) Professional misconduct may be established by reference to acts or conduct that reflect moral turpitude or to acts or conduct which would cause a reasonable person to have substantial doubts about the individual's honesty, fairness and respect for the rights of others and for the laws of the state and the nation. The acts or conduct in question must be rationally connected to the person's fitness to practice public accounting.

(2) Acting through others. A licensee shall not permit others to carry out on the licensee's behalf, either with or without compensation, acts which, if carried out by the licensee, would place the licensee in violation of the Code of Professional Conduct.

(3) Advertising. A licensee shall not use or participate in the use of any form of public communication, including advertising or soliciting by direct personal communication, having reference to the licensee's professional services which contains a false, fraudulent, misleading, or deceptive statement or claim. A false, fraudulent, misleading, or deceptive statement or claim includes, but is not limited to, a statement or claim which:

(a) Contains a misrepresentation of fact;

(b) Is likely to mislead or deceive because it fails to make full disclosure of relevant facts;

(c) Contains any testimonial or laudatory statement, or other statement or implication about the services that is not based on verifiable fact;

(d) Is intended or likely to create false or unjustified expectations of favorable results;

(e) Implies educational or professional attainments or licensing recognition not supported in fact;

(f) States or implies that the licensee has received formal recognition as a specialist in any aspect of the practice of public accounting, if this is not the case;

(g) Represents that professional services can or will be competently performed for a stated fee when this is not the case, or makes representations with respect to fees for professional services that do not disclose all variables affecting the fees that will in fact be charged; or

(h) Contains other representations or implications that would be likely to cause a reasonable person to misunderstand or be deceived.

(4) A licensee shall not represent that the licensee is a member of any professional society, association, organization or an association of firms, or that the licensee has a correspondent relationship with another Certified Public Accountant or firm, if such representation contains a false, fraudulent, misleading, or deceptive statement or claim within the meaning of OAR 801-030-0020(3).

(5) Form of practice:

(a) A licensee may practice public accounting only in a proprietorship, a partnership, a professional corporation, or any other business form, organized in accordance with statutory provisions.

(b) A licensee shall not enter into a partnership, or any other business form with a non-licensee to practice public accounting, or use public accounting titles or designations which represent to

the public that a public accounting partnership exists for the practice of public accounting.

(c) Any branch office shall be managed by a licensee holding a permit issued under ORS 673.150 to practice public accounting who shall be in residence at the branch office, on a full-time basis, during the time the branch office is open to the public. A licensee operating a branch office is responsible for managing the office, staff, and services rendered to the public. A licensee who is unable to personally manage the office on a full-time basis must submit for advance approval by the Board a written outline of the circumstances and proposed arrangements to adequately supervise the branch office.

(6) Firm names:

(a) A licensee shall not practice public accounting under a firm name which is misleading in any way as to the legal form of the firm, or as to the persons who are partners, officers, shareholders, owners, members or comparable person of the firm, or as to any matter with respect to which public communications are restricted by OAR 801-030-0020(3).

(b) A Certified Public Accountant in individual practice may use in a title or designation the individual's name in the singular form, which may be followed by the title "Certified Public Accountant."

(c) A Public Accountant in individual practice may use in a title or designation the individual's name in the singular form, which may be followed by the title "Public Accountant."

(d) A Certified Public Accountant in the individual practice of public accounting, in a partnership of Certified Public Accountants registered under ORS 673.090, in a professional corporation registered under ORS 58.345, or in any other business form registered under ORS 673.160(2) may use a plural title or designation, including words like "company", "and company", and "associates", and the plural form "accountants", only if the Certified Public Accountant employs at least one full-time staff person who has received a certificate as a Certified Public Accountant under ORS 673.040 to 673.080 and holds a permit issued under ORS 673.150 which is not revoked, suspended, lapsed or inactive.

(e) A Public Accountant in the individual practice of public accounting, in a partnership of Public Accountants registered under ORS 673.130, in a professional corporation registered under ORS 58.345, or in any other business form registered under ORS 673.160(2) may use a plural title or designation, including words like "company", "and company", and "associates", and the plural form "accountants", only if the Public Accountant employs at least one full-time staff person who is a Public Accountant and holds a permit issued under ORS 673.150 which is not revoked, suspended or lapsed, or unless such person has received a certificate as a Certified Public Accountant under ORS 673.040 to 673.080 and holds a permit issued under ORS 673.150 which is not revoked, suspended, lapsed or inactive.

(f) A Certified Public Accountant or Public Accountant in individual practice, in a partnership, a professional corporation, or in any other business form which uses a plural title or designation in accordance with subsection (d) or (e) of this section shall file with the Board a copy, certified by the Corporation Commissioner, of the assumed business name registration required to be filed with the Corporation Division, and shall notify the Board in writing of any change of address or parties of interest within 30 days of any such change.

(g) A Certified Public Accountant or Public Accountant in individual practice, in a partnership, a professional corporation, or in any other business form which uses a plural title or designation in accordance with subsection (d) or (e) of this section shall file with the Board at the time of payment of the permit renewal fee a list of the name and certificate or license numbers of all full-time licensed staff persons employed by the individual or entity.

(h) If at any time a Certified Public Accountant or Public Accountant in individual practice, as a proprietor, in a partnership, a professional corporation, or in any other business form which uses a plural title or designation in accordance with subsection (d) or (e) of this section no longer employs full-time licensed staff person and therefore does not meet the requirements of subsection

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(d) or (e) of this section, the licensee shall within 90 days of the date thereof:

(A) Employ a full-time licensed staff person and notify the Board in writing of compliance with subsection (d) or (e) of this section; or

(B) Cease using a plural title or designation and so notify the Board in writing, unless an extension of the 90-day period is applied for and approved by the Board.

(i) Names of one or more past partners, shareholders or owners, members or comparable persons may be included in the firm name of a partnership, professional corporation, or any other business form or its successor, and a partner or owners, members or comparable person surviving the death or withdrawal of all other partners or owners, members or comparable persons may continue to practice under a partnership, or other business form name provided that the firm meets the requirements of subsection (d) or (e) of this section.

(j) No licensee engaged in the practice of public accounting shall use an assumed business name (that is, one not consisting of the names of one or more present or former partners, shareholders or owners, members or comparable persons).

(k) The form of a partnership, professional corporation or other business form must contain words or abbreviations identifying the firm's business type as required by the laws under which the partnership, professional corporation or other business form is organized.

(7) Communications. A licensee shall, when requested, respond in writing to communications from the Board within 21 days of the mailing of such communications to the last known address or addresses furnished to the Board by licensee and appearing in the Board's licensing records and files.

(8) Notification of Change of Address.

(a) It shall be mandatory for every licensee to:

(A) File with the Board at the time of the payment of the renewal fee the licensee's business street address, residence address and business connection or employer; and

(B) Notify the Board in writing within 21 days of any change of address or business connection or employer occurring during the renewal period.

(b) A post office box is not acceptable unless a street address is also provided.

(9) In accordance with ORS 348.393 to 348.399, the Board shall provide the Oregon State Scholarship Commission ("Commission") with certification and licensing information which may be electronically cross-matched with the Commission's postdefault database.

(a) The Board shall refuse to issue or renew, or shall suspend, the certificate or license and permit to practice of a licensee if the licensee is in default on any student loan guaranteed or insured by the Commission and is not paying in a satisfactory manner as determined by the Commission and in accordance with federal regulations.

(b) Pursuant to ORS 348.393(3), the Board shall notify the certificate or license and permit holder of the action being taken against the license at the direction of the Commission, and shall refer the individual to the Commission for resolution.

(c) Upon notification by the Commission and receipt of a release notice that the individual has met satisfactory borrower repayment status, the Board shall issue, renew, or reinstate the certificate or license and permit to practice of a licensee upon compliance with any additional Board qualifications for issuance, renewal or reinstatement.

(10) In accordance with ORS 25.750 to 25.783, the Board shall provide the Support Enforcement Division of the Department of Justice with certification and licensing information which may be electronically cross-matched with Support Enforcement Division's records for persons under order of judgment to pay monthly child support and who are in arrears according to ORS 25.750(a), (b), and/or (c).

(a) The Board shall suspend the certificate or license and permit to practice if the Support Enforcement Division or the District Attorney identifies the individual holding a certificate or license and permit to practice as being in arrears with respect to

any judgment or order requiring the payment of child support and that the case is being enforced under the provisions of ORS 25.080.

(b) Pursuant to ORS 25.762 or 25.765, the Board shall notify the certificate or license and permit holder of the action being taken and refer the person to the Support Enforcement Division or the District Attorney for resolution.

(c) Upon notification by the Support Enforcement Division or District Attorney and receipt of a release notice that the conditions resulting in the action no longer exist, the Board shall reinstate the certificate or license and permit to practice upon compliance with any additional qualifications for renewal or reactivation.

(11) In accordance with ORS 305.385, the Board shall provide the Department of Revenue ("Department"), upon request, with certification and licensing information to determine if the holder has neglected or refused to file any return or to pay any tax without filing a petition with the department as stated in ORS 305.385(4)(a).

(a) The Board shall propose to take action against a licensee holding a certificate or license and permit to practice identified by the Department. Where the Board proposes to refuse to issue, renew or suspend a certificate or license, opportunity for hearing shall be accorded as provided in ORS 183.310 to 183.550 for contested cases.

(b) Upon notification by the Department and receipt of a certificate issued by the department that the certificate/license holder is in good standing with respect to any returns due and taxes payable to the department as of the date of the certificate, the Board shall renew or reinstate the certificate or license and permit to practice upon compliance with any additional Board qualifications for renewal or reinstatement.

Stat. Auth.: ORS 348, 25

Stats. Implemented: ORS 348, 25

Hist.: 1AB 1-1978, f. & ef. 1-11-78; 1AB 1-1981, f. 1-6-81, ef. 6-1-81; 1AB 3-1981, f. & ef. 1-6-81; 1AB 2-1984, f. & ef. 5-21-84; 1AB 3-1986, f. & ef. 11-17-86; AB 3-1989, f. & cert. ef. 10-3-89; AB 6-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94; AB 3-1994, f. & cert. ef. 8-10-94; AB 4-1994, f. & cert. ef. 9-27-94; AB 3-1996, f. & cert. ef. 9-25-96

DIVISION 40

CONTINUING EDUCATION REGULATIONS

801-040-0010

Basic Requirements

(1) Each biennial renewal period, certified public accountants and public accountants who apply to renew their permits under ORS 673.150 shall report with their renewal application form satisfactory evidence of having completed 80 hours of continuing education as defined in OAR 801-040-0030, unless those requirements have been waived.

(2) No less than 24 hours of the required 80 hours of continuing education shall be completed in each year of the renewal period. Carry forward hours do not count toward the 24 hours required in each year.

(3) To be eligible for credit, hours must be completed during the two-year period immediately preceding the renewal date, except for carry-over hours as defined in section (4) of this rule.

(4) In fulfilling renewal requirements for any period, a licensee may use a maximum of 20 hours carry forward from the previous period.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 5-1991, f. & cert. ef. 7-1-91; AB 1-1994, f. & cert. ef. 1-21-94; AB 4-1994, f. & cert. ef. 9-27-94

801-040-0020

Controls and Reporting

(1) An applicant to renew a permit under ORS 673.150 shall file a signed statement, provided by the Board, of the continuing

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education programs which the applicant claims to be acceptable.

(2) To obtain credit, the following program information pertaining to the continuing education program must be provided:

- (a) School, firm, or organization conducting the program;
- (b) Title of program or description of content;
- (c) Dates attended; and
- (d) Hours claimed.

(3) To obtain credit for published articles and books, the following information must be provided:

- (a) Publisher;
- (b) Title of publication;
- (c) Description of content;
- (d) Dates of publication; and
- (e) Hours claimed.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 6-1992, f. & cert. ef. 8-10-92; AB 4-1994, f. & cert. ef. 9-27-94

801-040-0030

Programs Which Qualify

(1) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of the individual. It is the obligation of each licensee to select a course of study which will contribute to his or her professional competence as a Certified Public Accountant or Public Accountant.

(2) Continuing education programs will qualify only if:

- (a) An outline of the program is prepared in advance and preserved;
- (b) The program is at least one hour (fifty minute period) in length;
- (c) The program is conducted by a qualified instructor;
- (d) A record of attendance is maintained.

(3) A qualified instructor or discussion leader is a person whose background, training, education, or experience makes it appropriate for the person to lead a discussion on the subject matter of the particular program.

(4) The following programs qualify provided they meet the requirements of OAR 801-040-0030(2):

- (a) Professional development programs of recognized national and state accounting organizations.
- (b) Technical sessions at meetings of recognized national and state accounting organizations and their chapters.
- (c) University or college courses:
 - (A) Credit courses. Each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.
 - (B) Non-credit short courses. Each classroom hour shall equal one qualifying hour.
- (d) Formal organized in-firm educational programs.
- (e) Programs sponsored by other recognized organizations regularly providing educational programs.

(5) Programs that do not qualify for CPE include:

- (a) Ethics courses required for licensure; and
 - (b) Any CPA exam review or study courses.
- (6) Formal correspondence or other individual study programs which require registration and provide evidence of satisfactory completion shall qualify, with the amount of credit to be determined by the Board.

Stat. Auth.: ORS 673.150

Stats. Implemented: ORS 673.150

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 1-1994, f. & cert. ef. 1-21-94; AB 2-1996, f. & cert. ef. 9-25-96

801-040-0040

Acceptable Subject Matter

(1) The following general subject matters are acceptable, so long as they meet the requirement of OAR 801-040-0030:

- (a) Accounting and auditing;
- (b) Taxation;
- (c) Management services;

(d) Computer science;

(e) Mathematics, statistics, probability, and quantitative applications in business;

- (f) Economics;
- (g) Business law;
- (h) Finance;

(i) Specialized areas of industry, for example, forest products or natural resources, real estate, farming, etc.

(2) Subject matter other than those listed in section (1) of this rule are limited to no more than 16 hours per renewal period and may be acceptable if the licensee can show to the satisfaction of the Board that they contribute to the licensee's professional competence. Subjects under this section may include:

- (a) Communication skills;
- (b) Interpersonal management skills;
- (c) Personal development skills;
- (d) Public relations;
- (e) Practice development;
- (f) Practice administration.

(3) The above list is illustrative, but not conclusive of non-technical subject matter. The responsibility for substantiating that a particular program is acceptable and meets the requirements rests solely with the licensee.

(4) Non-technical hours cannot be carried forward.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165

Hist.: 1AB 1-1985, f. & ef. 3-12-85; AB 5-1991, f. & cert. ef. 7-1-91; AB 4-1994, f. & cert. ef. 9-27-94; AB 1-1996, f. & cert. ef. 1-29-96

801-040-0050

Credit Hours Granted

- (1) Credit shall be given for actual hours attended.
- (2) Only class hours, or the equivalent, will be counted.
- (3) Student hours devoted to preparation are not acceptable.
- (4) Travel time is not acceptable.
- (5) Continuing education credit will be given for whole hours only, with a minimum of 50 minutes constituting one hour. As an example, 100 minutes of continuous instruction shall count for two hours; however, more than 50 but less than 100 minutes of continuous instruction shall count only for one hour.

(6) Credit for Individual Study Programs:

(a) In determining the amount of credit to be allowed for specific correspondence and individual study programs, including taped study programs, the Board may review the equivalency of the program to a comparable seminar or a comparable course for credit in an accredited educational institution. Generally, one-half of the average completion time is the recommended credit allowed;

(b) Licensees claiming credit for individual study programs must obtain evidence of satisfactory completion of the course from the program sponsor; and

(c) Credit shall be allowed for the renewal period in which the licensee received the Certificate of Completion.

(7) Credit for Service as Lecturer, Discussion Leader, or Speaker:

(a) Credit as an instructor, discussion leader, or speaker shall be allowed for any meeting or engagement provided that the session is one which would meet the continuing education requirements of the participants;

(b) Credit for one hour continuing education shall be awarded for each hour completed as an instructor or discussion leader only to the extent that it increases the instructor's professional competence;

(c) The credit allowed an instructor, discussion leader, or a speaker shall be on the basis of two hours for subject preparation for each hour of teaching;

(d) Credit shall be allowed for the first time a course is taught. No credit is allowed for repeat presentations unless an instructor can demonstrate that the program content was substantially changed and such change required significant additional study or research;

(e) The maximum credit for preparation and teaching under this section and published articles in the following section section

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together shall not exceed one-half of the renewal period requirement; and

(f) Credit for licensees attending not as instructors, discussion leaders, or speakers is limited to the actual meeting time.

(8) Credit for Published Articles:

(a) Credit may be allowed for published articles and books provided they contribute to the professional competence of the licensee;

(b) The maximum credit for published articles, which may be given on a self-declaration basis, under this section and for preparation and teaching under the previous section together shall not exceed one-half of the renewal period requirement;

(c) In exceptional circumstances, a licensee may request additional credit by submitting the article(s) or book(s) to the Board with an explanation of the circumstances which the licensee believes justify greater credit. The Board shall determine whether additional credit is allowed.

(9) Credit for Quality Review Committee Members: Members of the Board's Quality Review Committee shall be awarded two hours of continuing education credit up to 16 hours per year of the renewal period requirement for committee activities.

(10) Credit for Complaints Committee Members: Members of the Board's Complaints Committee shall be allowed one hour of continuing education credit per meeting attended up to eight hours per year of the renewal period requirement.

(11) Credit for Quality Reviews:

(a) Persons who conduct quality reviews on behalf of the Oregon Society of Certified Public Accountants' review committees shall be allowed continuing education credit up to 16 hours per year of the renewal period requirement;

(b) Persons who review reports on behalf of the Oregon Society of Certified Public Accountants' review committee shall be allowed two hours of continuing education credit per report reviewed up to 16 hours per year of the renewal period requirement.

(12) Credit for Government Finance Officers Association (GFOA) Certificate of Achievement Program: Persons who review reports for the Government Finance Officers Association (GFOA) Certificate of Achievement Program shall be allowed up to 16 hours of continuing education per year of the renewal period.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 5-1991, f. & cert. ef. 7-1-91; AB 7-1992, f. & cert. ef. 12-15-92; AB 4-1993, f. & cert. ef. 5-14-93; AB 4-1994, f. & cert. ef. 9-27-94; AB 5-1995, f. & cert. ef. 8-22-95

801-040-0060

Evidence of Completion

(1) Responsibility for documenting the acceptability of the program and the validity of credit rests with the applicant.

(2) Documentation shall be retained for a period of five years after the completion of the program.

(3) Satisfaction of the requirements under OAR 801-040-0030(2), including the retention of attendance records and written outlines, shall be accomplished as follows:

(a) Copy of the course outline prepared by the course sponsor along with the information required by OAR 801-040-0030(2);

(b) In the case of courses taken for academic credit from accredited universities and colleges, evidence of satisfactory completion of the course will be sufficient;

(c) For non-academic courses taken, a statement of the hours of attendance, is required; and

(d) For formal individual study programs, written evidence of completion is required.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 1-1995, f. & cert. ef. 1-25-95

801-040-0070

Verification

The Board will verify information submitted by licensees on

a test basis. If an application for renewal or reinstatement is not approved, the applicant will be so notified, and the applicant may be granted a period of time by the Board in which to correct the deficiencies noted.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 4-1994, f. & cert. ef. 9-27-94

801-040-0080

Reciprocity

A person who is issued a certificate by reciprocity under ORS 673.080 is required to comply with the continuing education requirement from the date of issuance of the permit on a pro rata basis computed at 3-1/3 hours per month to June 30 of the renewal period in which the permit is issued. Hours earned prior to the date of issuance of the permit are eligible for credit to meet this requirement provided the hours were earned within the renewal period in which the person's initial permit to practice public accounting was issued.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 5-1991, f. & cert. ef. 7-1-91

801-040-0090

Reinstatement Requirements/Lapsed to Active Status

(1) A person who applies to reinstate a permit to practice public accounting shall comply with the appropriate continuing education requirements set forth in this rule prior to reinstatement. Application shall be made on a form provided by the Board.

(2) A person who applies for reinstatement from lapsed to active status within the two-year renewal period immediately following expiration of an active permit, shall report with the application;

(a) The number of hours of qualifying continuing education credit required to renew the permit at its expiration date; and

(b) An additional 16 hours of qualifying continuing education as required by OAR 801-040-0160(1).

(3) A person who applies for reinstatement after 2 years and less than 5 years after expiration of the person's active permit shall report with the application,

(a) 80 hours of qualifying continuing education credit completed within the 12 month period immediately preceding the date of application which shall include at least 24 hours of qualifying continuing education courses in financial accounting and reporting; and

(b) Comply with continuing education requirements on a pro rata basis computed at 3-1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs.

(4) A person who applies for reinstatement more than 5 years after expiration of the person's active permit shall report with the application,

(a) 160 hours of qualifying continuing education credit completed within the 24-month period immediately preceding the date of the application which shall include at least 48 hours of qualifying continuing education courses in financial accounting and reporting; and

(b) Comply with continuing education requirements on a pro rata basis computed at 3-1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs; or,

(c) In lieu of reporting continuing education required by subsection (a) of this section, a person who applies for reinstatement under this section may elect to take and pass the Uniform CPA examination within the five years immediately preceding the date of application. A person who elects this option must meet the conditioning requirements of OAR 801-010-0060.

(5) A person whose certified public accountant certificate, public accountant license or permit to practice public accounting is suspended [or revoked] under ORS 673.170 and whose certificate or license and permit are subsequently reinstated by the Board shall meet the reinstatement requirements set forth in this rule.

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(6) A person who is retired and is granted a waiver of continuing education requirements under OAR 801-040-0150(1) who subsequently applies to return to public accounting practice shall meet the reinstatement requirements set forth in this rule and shall obtain approval of the Board before any public accounting services are performed.

Stat. Auth.: ORS 673.150

Stats. Implemented: ORS 673.150

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 5-1991, f. & cert. ef. 7-1-91; AB 1-1994, f. & cert. ef. 1-21-94; AB 3-1994, f. & cert. ef. 8-10-94; AB 4-1994, f. & cert. ef. 9-27-94; AB 2-1996, f. & cert. ef. 9-25-96

801-040-0095

Reinstatement Requirements / Inactive to Active Status

(1) A person who applies to reinstate a permit to practice public accounting shall comply with the appropriate continuing education requirements set forth in this rule prior to reinstatement. Application shall be made on a form provided by the Board.

(2) A person who applies for reinstatement from inactive to active status within the two-year renewal period immediately following when the permit was placed on inactive status, shall report with the application the number of hours of qualifying continuing education credit required to renew the permit at its expiration date.

(3) A person who applies for reinstatement to active status after 2 years and less than 5 years after their permit was placed on inactive status shall report with the application;

(a) 80 hours of qualifying continuing education credit completed within the 12 month period immediately preceding the date of application which shall include at least 24 hours of qualifying continuing education courses in financial accounting and reporting; and

(b) Comply with continuing education requirements on a pro rata basis computed at 3-1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs.

(4) A person who applies for reinstatement to active status more than 5 years after their permit was placed on inactive status shall report with the application;

(a) 160 hours of qualifying continuing education credit completed within the 24-month period immediately preceding the date of the application which shall include at least 48 hours of qualifying continuing education courses in financial accounting and reporting; and

(b) Comply with continuing education requirements on a pro rata basis computed at 3-1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs; or

(c) In lieu of reporting continuing education required by subsection (a) of this section, a person who applies for reinstatement under this section may elect to take and pass the Uniform CPA examination within the 5 years immediately preceding the date of application. A person who elects this option must meet the conditioning requirements of OAR 801-010-0060.

(5) A person whose certified public accountant certificate, public accountant license or permit to practice public accounting is suspended under ORS 673.170 and whose certificate or license and permit are subsequently reinstated by the Board shall meet the reinstatement requirements set forth in this rule.

(6) A person who is retired and is granted a waiver of continuing education requirements under OAR 801-040-0150(1) who subsequently applies to return to public accounting practice shall meet the reinstatement requirements set forth in this rule and shall obtain approval of the Board before any public accounting services are performed.

Stat. Auth.: ORS 673.150

Stats. Implemented: ORS 673.150

Hist.: AB 2-1996, f. & cert. ef. 9-25-96

801-040-0100

New Permits

(1) A person who receives an initial permit to practice public accounting in Oregon shall

comply with the continuing education requirements from the date of issuance of the permit on a pro rata basis computed at 3-1/3 hours per month to June 30 of the renewal period in which the permit is issued. Hours earned prior to the date of issuance of the permit are eligible for credit to meet this requirement provided the hours were earned within the renewal period in which the person's initial permit to practice public accounting was issued.

(2) A person who receives an initial certificate and permit to practice public accounting as a certified public accountant who, at the time of issuance, holds a permit to practice public accounting as an Oregon Public Accountant, shall, in addition to the requirement specified in this rule, report 3-1/3 continuing education hours for each month of the renewal period during which the person held a permit as a Public Accountant.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.150

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 4-1989, f. & cert. ef. 3-13-89; AB 4-1994, f. & cert. ef. 9-27-94

801-040-0150

Exceptions

For licensees other than inactive status under OAR 801-010-0120, the Board may waive continuing education requirements if:

(1) Reasons of health, certified by a medical doctor, prevent compliance by the licensee; or

(2) A licensee who is on extended active military duty, does not practice public accounting during the renewal period, and files a copy of orders to active military duty with the Board; or

(3) Other good cause exists. Cases of individual hardship will be reviewed by the Board on a case-by-case basis.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.165(5)

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 5-1991, f. & cert. ef. 7-1-91; AB 4-1994, f. & cert. ef. 9-27-94

801-040-0160

Failure to Comply

(1) A person who applies to renew a permit and who fails to complete the required number of continuing education hours within the appropriate period, or who fails to file the required report of continuing education on or before its due date, shall be required to complete an additional 16 hours of qualifying continuing education before the Board will approve an application to renew or reinstate.

(2) A licensee who applies to renew a permit issued under ORS 673.150 and who has failed to file with the Board an acceptable report of qualifying continuing education shall be ineligible to renew, unless continuing education requirements have been waived.

Stat. Auth.: ORS Ch. 670 & 673

Stats. Implemented: ORS 673.150

Hist.: 1AB 1-1985, f. & ef. 3-21-85; AB 5-1991, f. & cert. ef. 7-1-91; AB 4-1994, f. & cert. ef. 9-27-94

DIVISION 50

QUALITY REVIEW

801-050-0005

Purpose

The purpose of the quality review program authorized by ORS 673.455 is to monitor compliance with applicable accounting and auditing standards adopted by generally recognized standard-setting bodies as adopted by the Board (OAR 801-005-0010). The program emphasizes education, including appropriate education programs or remedial procedures which may be recommended or required where reporting does not comply with appropriate professional standards. In the event a practice unit/licensee is unwilling or unable to comply with established standards, or a practice unit's licensee's professional work is so egregious as to warrant disciplinary action, the Board shall take appropriate action to protect the public interest.

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Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 673.455
Hist.: AB 2-1994, f. & cert. ef. 4-28-94

801-050-0010

Definitions

(1) "Practice Unit" means each permit holder who practices public accounting as an individual or sole proprietor or each separate office of a sole proprietorship, partnership, professional corporation or other business form which practices public accounting, or a governmental organization which employs a permit holder in a public accounting capacity.

(2) "Quality Review" means a study, appraisal, or review of one or more aspects of the professional work of a person or firm in the practice of public accountancy, by a person or persons who hold certificates and who are not affiliated with the person or firm being reviewed

(3) "Quality Review Oversight Committee" means a Board Committee to oversee and monitor alternative quality review programs for compliance and implementation of the minimum standards for performing and reporting on quality reviews.

(4) "Quality Review Executive Committee" means the Quality Review Executive Committee of the American Institute of Certified Public Accountants.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 673.455
Hist.: AB 7-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94; AB 2-1994, f. & cert. ef. 4-28-94

801-050-0020

Requirements

(1) Every Certified Public Accountant or Public Accountant holding a permit issued under ORS 673.150, shall participate in a quality review program as described in ORS 673.455(1) as a condition of renewal of his or her permit/license.

(2) Individual permit holders may participate in quality review through their firms, if they have an individual practice as well, that practice unit must also participate in a quality review program.

(3) It is the obligation of the permit holder to take all steps necessary to undergo quality review when scheduled.

(4) Practice units located out-of-state must participate in a Board-approved quality review program in their home state.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 673.455
Hist.: AB 2-1994, f. & cert. ef. 4-28-94

801-050-0030

Functions of Quality Review Program

(1) Board of Accountancy Functions:

(a) Appoint Quality Review Oversight Committee;

(b) Approve alternative quality review programs;

(c) Receive reports from Quality Review Oversight Committee;

(d) Appoint Quality Review Committee members;

(e) Contract, as necessary, with qualified persons or organizations for any administration or technical review of Board of Accountancy Quality Review Program reviews;

(f) Other actions as appropriate to carry out function of quality review program; and

(g) Act as Quality Review Executive Committee where necessary.

(2) Quality Review Oversight Committee and Functions:

(a) Membership:

(A) May consist of three members;

(B) No members shall be a current member of the Board of Accountancy;

(C) At least two members must have a currently active license to practice accounting and have recent experience in accounting and auditing;

(D) One member may be a non-licensee with extensive experience in preparing and/or using financial statements.

(b) Functions:

(A) Oversee and monitor sponsoring organizations for compliance and implementation of the minimum standards for performing and reporting on quality reviews;

(B) Keep confidential the firm names and any information concerning a specific firm obtained by the Quality Review Oversight Committee during oversight activities; and

(C) Report to the Board of Accountancy any modifications in the approved programs.

(3) Quality Review Committee Members and Functions:

(a) Membership:

(A) Shall consist of no less than six;

(B) Each member of the committee charged with the responsibility for acceptance of reviews must be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in an approved practice-monitoring program as a partner, shareholder, owner, member, or comparable person, or as a manager or person with equivalent supervisory responsibilities;

(C) A majority of the members must also possess the qualifications required of on-site quality review team captains;

(D) No member shall be a current member of the State Board of Accountancy or any alternative quality review program or sponsoring entity's ethics committee; and

(b) Functions:

(A) The Committee will operate similar to a state society committee as described in the "Standards for Performing and Reporting on Quality Reviews" in accordance with the AICPA State Society Quality Review Program Administrative Manual as modified from time to time by the Board of Accountancy; and

(B) Continue current committee functions such as but not limited to reviewing the practice of any licensee referred to the Committee from the Board, other government agencies, or by individuals.

(C) The Committee will review all applications of alternative quality review programs and make a recommendation of approval or disapproval to the Board.

Stat. Auth.: ORS 673.455
Stats. Implemented: ORS 673.455
Hist.: AB 2-1994, f. & cert. ef. 4-28-94; AB 2-1996, f. & cert. ef. 9-25-96

801-050-0040

Reporting

(1) As part of biennial permit process, evidence of participation in an approved quality review program will be:

(a) Stating whether the practice unit is subject to quality review; and

(b) If subject to quality review, stating in which approved quality review program the practice unit is enrolled and the period covered by the practice unit's last review.

(2) It is the responsibility of the permit holder to notify the Board of Accountancy within 21 days if the practice unit becomes subject to quality review by engaging in any level compilation, review or audit having previously informed the Board they do not perform these services under OAR 801-050-0050.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 673.150(5)
Hist.: AB 2-1994, f. & cert. ef. 4-28-94

801-050-0050

Exemptions to Quality Review

(1) A practice unit is exempt from the quality review requirement if it biennially represents to the Board that it does not engage in the financial reporting areas of practice, including audits, reviews, compilations, and accounting services on prospective financial information; that it does not intend to engage in such a practice during the following two years; and that it will immediately notify the Board in writing if it engages in such a practice.

(2) The representation of exemption shall be made in writing upon forms provided by the Board. It shall be made at the time the practice unit applies for renewal of its permit or registration.

(3) If a practice under exemption notifies the Board that it has engaged in the financial reporting area of practice, it must

undergo a quality review within 18 months after its initial acceptance of an engagement.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 673.455
Hist.: AB 2-1994, f. & cert. ef. 4-28-94

801-050-0060

Confidentiality

(1) In accordance with ORS 673.455(9) the Board shall treat the reports of the reviewing firm and all records submitted to that firm by the firm subject to review as confidential information and shall not disclose such information to any persons other than staff members, legal counsel, and other persons retained by the Board to assist it in fulfilling its responsibilities.

(2) If a practice unit under review becomes the subject of a disciplinary proceeding pursuant to ORS 673.170, the Board may make such information public in accordance with ORS 673.170.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 673.170 & 673.455(9)
Hist.: AB 2-1994, f. & cert. ef. 4-28-94

801-050-0070

Application for Operation of Alternative Review Program

Application for operation of alternative review program should be made to the Board in writing and accompanied by the program operation materials.

Stat. Auth.: ORS Ch. 670 & 673
Stats. Implemented: ORS 673.455(1)
Hist.: AB 2-1994, f. & cert. ef. 4-28-94

801-050-0080

Standards For Review Programs

(1) All Board-approved quality review programs must meet these minimum standards.

(2) Standards for Reviewers:

(a) Independence must be maintained with respect to the reviewed firm by a reviewing firm, by review team members, and by any other individuals who participate in or are associated with the review. The concepts in the Oregon Administrative Rules, Code of Professional Conduct should be considered in making independence judgments;

(b) A reviewing firm or an individual participating in carrying out or administering a review must not have a conflict of interest with respect to the reviewed firm or those of its clients whose engagements are selected for review. Such firms and individuals should avoid contacts with clients or personnel of the reviewed firm that could be asserted to be evidence of a conflict of interest;

(c) A review team conducting an on-site quality review must have current knowledge of the type of practice to be reviewed. Individuals reviewing engagements, on-site or off-site, must have a familiarity with the specialized industry practices, such as those found in the governmental, banking and insurance industries, of the clients that should be selected for review; and

(d) Due professional care must be exercised in performing and reporting on the review. This imposes an obligation on all those involved in carrying out the review to fulfill assigned responsibilities in a professional manner similar to that of an independent auditor examining financial statements.

(3) Organization of the Review Team:

(a) A review team comprises one or more individuals, depending upon the size and nature of the reviewed firm's practice; and

(b) One member of the review team is designated the team captain. That individual is responsible for organizing and conducting the review, for communicating the review team's findings to the reviewed firm and to the entity administering the review, and for preparing the report and, if applicable, the letter of comments on the review. Team captains on on-site and off-site quality reviews should test the work performed by other reviewers to the extent deemed necessary in the circumstances.

(4) Qualifications for Service as a Reviewer:

(a) Performing and reporting on quality reviews requires the

exercise of professional judgment by peers.

(b) An individual serving as a reviewer (whether for on-site or off-site quality reviews) must:

(A) Be a licensee in good standing of a state accountancy board;

(B) Possess current knowledge of applicable professional standards;

(C) Be currently active in the practice of public accounting at a supervisory level in the accounting or auditing function of a firm enrolled in an Oregon State Board of Accountancy approved practice-monitoring program; and

(D) Have achieved the level of either:

(i) Partner, shareholder, owner, member or comparable person; or

(ii) Manager or person with equivalent supervisory responsibilities.

(5) Other Requirements for On-Site Reviewers of Firms with Audit Clients:

(a) All on-site team members and team captains must have at least 5 years of recent experience in the accounting and auditing function.

(b) Every team captain must:

(A) Be a partner, shareholder, owner, member or comparable person of a firm enrolled in an Oregon State Board of Accountancy approved practice-monitoring program;

(B) Be associated with an enrolled firm that has had an on-site quality review or peer review within the previous 3 years and received an unqualified opinion on its system of quality control; and

(C) Have completed, prior to carrying out the review, a training course that meets the requirements of the entity administering the review.

(c) An individual who serves as the team captain for two successive reviews of the same firm may not serve in that capacity for the firm's next quality review.

(d) Where required by the nature of the reviewed firm's practice, individuals with expertise in specialized areas who need not be CPAs or PAs may assist the review team in a consulting capacity. For example, computer specialists, statistical sampling specialists, actuaries, or educators expert in continuing professional education may participate in certain segments of the review.

(6) Other Requirement for Off-Site Reviewers of Firms with No Audit Client Include:

(a) Have at least 5 years of recent experience in the accounting or auditing function;

(b) Be associated with an enrolled firm that has had a quality or peer review within the previous 3 years and received either an unqualified opinion on its system of quality control, or a report on an off-site review that is not adverse or qualified for significant departures from professional standards; and

(c) Have completed a training course that meets the requirements established by the entity administering the review.

(7) On-site Review Standards:

(a) An on-site quality review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether during the year under review:

(A) The reviewed firm's system of quality control for its accounting and auditing practice met the objectives of quality control standards established by the AICPA (see Statement on Quality Control Standards No. 1, *System of Quality Control For a CPA Firm*);

(B) The reviewed firm's quality control policies and procedures were being complied with in order to provide the firm with reasonable assurance of conforming with professional standards.

(b) Firms that perform audits of historical or prospective financial statements must have on-site quality reviews because of the public interest in the quality of such audits and the importance to the accounting profession of maintaining the quality of those services.

(c) An on-site quality review should include a study and evaluation of the quality control policies and procedures that the

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reviewed firm had in effect for its accounting and auditing practice during a period of one year mutually agreed upon by the reviewed firm and the team captain. Unless the entity administering the review agrees to another period because of unusual circumstances, the review year must not end before the end of the previous calendar year.

(d) The AICPA Statement on Quality Control Standards No. 1 requires every CPA and PA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice. It states that a firm shall consider each of the following elements of quality control, to the extent applicable to its practice, in establishing its quality control policies and procedures: independence, assigning personnel to engagements, consultation, supervision, hiring, professional development, advancement, acceptance and continuance of clients, and inspection. Accordingly, the review team should obtain a general understanding of the reviewed firm's quality control policies and procedures with respect to each of those nine elements of quality control. The review team should also perform appropriate compliance tests related to broad functions.

(e) In smaller firms, senior personnel of the firm are usually directly involved in decisions with respect to assignment of personnel, hiring, advancement, and acceptance and continuance of clients. Various factors inherent in their operations (for example, the limitations imposed by the size of the firm, the relative infrequency of certain events, or the informal, cooperative style of management that might be followed by the firm) may make it efficient and perhaps necessary for senior personnel to make those decisions based on the application of professional judgment in the specific circumstances rather than by the application of previously defined criteria and policies. Similarly, those firms may find that ongoing supervision and monitoring of the practices by senior personnel is an effective way to achieve many of the objectives of a formal inspection program. When those circumstances exist in firms with up to ten professionals (defined as CPAs and PAs and those expected to seek that status) during the majority of the review year, the team captain would ordinarily decide to restrict compliance tests of broad functions (for example, tests of administrative and personnel files) to those related to independence, consultation, supervision, and professional development. This would be appropriate when the team captain concludes that the review of selected engagements and interviews with firm personnel will provide an adequate means of identifying failures, if any, to achieve the objectives inherent in the other five elements of quality control.

(f) On-site reviews should also include:

(A) Review of selected engagements, including the relevant working paper files and reports, with fiscal years ending during the review year--unless a more recent report has been issued--constituting a reasonable cross section of the reviewed firm's accounting and auditing practice. If the reviewer notes significant deficiencies in the performance of such engagements of the reporting thereon, he or she should identify actions the firm should consider taking to provide the firm with reasonable assurance that such deficiencies will not recur. In that connection, it might be necessary for the reviewer to expand compliance tests of broad functions to identify such actions. In addition, the reviewed firm shall consider whether it is required to take additional actions under relevant professional standards whenever the review team believes that the firm's report on previously issued financial statements may be inappropriate or that the firm's work may not support the report issued. In such cases, the reviewed firm shall provide the review team with its conclusions in writing;

(B) Attendance at an exit conference by senior members of the reviewed firm and at least the team captain to discuss the review team's findings and recommendations and the type of report it will issue;

(C) Preparation of a written report on the results of the review and, if applicable, a letter of comments;

(D) Preparation by the reviewed firm, if applicable, of a written response to the letter of comments outlining the actions the firm plans to take with respect to the recommendations made by the review team; and

(E) Appropriate consideration of the results of the review by the administering entity's operation committee. Such considerations should include, where applicable, an evaluation of the adequacy of the corrective actions the firm has represented it will take and a determination on whether other remedial, corrective actions and/or monitoring of the firm's action plan should be required.

(g) The approved program must authorize the issuance of programs and checklists, including engagement review checklists, to guide team captains and other members of the review team in carrying out their responsibilities under these standards. Failure to complete all relevant programs and checklists in a professional manner creates the presumption that the review has not been performed in conformity with these standards. Such a review cannot be accepted as meeting the requirements of the quality review program.

(8) Scope of Review:

(a) The review should cover a firm's accounting and auditing practice which, for purposes of quality reviews under these standards, is limited to all auditing, review, and compilation services covered by Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statement on Standards for Attestation Engagements Financial Forecasts and Projections, and standards for financial and compliance audits contained in *Government Auditing Standards* issued by the U.S. General Accounting Office (the "yellow book").

(b) The review should be directed to the professional aspects of the firm's accounting and auditing practice; it should not include the business aspects of that practice. Moreover, review team members should not have contact with or access to any client of the reviewed firm in connection with the review.

(c) The review team will be provided with basic background information about the reviewed firm by the entity administering the review. The review team captain should consider whether to request other useful information from the firm in planning the review. In all cases, the team captain should obtain the reviewed firm's last quality review or peer review report and, if applicable, the letter of comments and the response thereto and the letter accepting those documents. The team captain should consider whether the matters discussed in those documents require additional emphasis in the current review, and in the course of the review should evaluate the actions of the firm in response to the prior report and letter of comments.

(d) A divestment of a portion of the practice of a reviewed firm during the year under review may have to be reported as a scope limitation if the review team is unable to assess compliance for reports issued under the firm's name during that year. A review team captain who is considering whether a review report should be modified in these circumstances should consult with entity administering the review.

(e) A reviewed firm may have legitimate reasons for not permitting the working papers for certain engagements to be reviewed. For example, the financial statements of an engagement selected for review may be the subject of litigation or investigation by a government authority, or the firm may have been advised by a client that it will not permit the working papers for its engagement to be reviewed. In such circumstances, the review team should satisfy itself as to the reasonableness of the explanation. Also, in order to reach a conclusion that the excluded engagements do not have to be reported as a scope limitation, the review team needs to consider the number, size, and relative complexity of the excluded engagements, and should review other engagements in a similar area of practice as well as other work of the supervisory personnel who participated in the excluded engagements.

(f) In reviewing a practice office, the accounting and auditing practice to be reviewed includes reports issued for or to another office of the reviewed firm, a correspondent firm, or an affiliated firm. For those situations in which engagements selected in the practice office being reviewed include use of the work of another office, correspondent, or affiliate, the review team may limit its review to portions of the engagements performed by the practice office being reviewed but should evaluate the appropriateness of

the instructions issued by the reviewed office and the adequacy of the procedures followed to comply with professional standards.

(9) Study and Evaluation of Quality Controls:

(a) The review team should begin its review with a study and evaluation of the reviewed firm's quality control policies and procedures over its accounting and auditing practice in relation to the guidance material contained in Quality Control Policies and Procedures for CPA Firms, *Establishing Quality Control Policies and Procedures*, and in the program for reviewers issued by the AICPA Peer Review Board.

(b) Team captains on reviews of firms with up to ten professionals would ordinarily restrict compliance tests of broad functions to those related to the quality control elements of independence, consultation, supervision, and professional development. This study and evaluation, which should be continuously reevaluated during the course of the review, assists the review team in deciding whether the reviewed firm has adopted appropriately comprehensive and suitably designed policies and procedures that are relevant to the size and nature of its practice.

(10) Extent of Compliance Tests:

(a) Based on its consideration of the background information provided by the firm, including the results of the firm's last quality review or peer review, and on its study and evaluation of the reviewed firm's quality control policies and procedures, the review team should consider whether any modifications to the programs and checklists issued by the approved program are appropriate.

(b) The team captain should then develop a general plan for the conduct of the review, including the nature and extent of compliance tests. The compliance tests should be tailored to the practice of the reviewed firm and, taken as a whole, should be sufficiently comprehensive to provide a reasonable basis for concluding whether the reviewed firm's quality control policies and procedures were complied with to provide the firm with reasonable assurance of conforming with professional standards in the conduct of its accounting and auditing practice. Such tests should relate either to broad functions or to individual engagements. The tests should include:

(A) Review of selected engagements, including working paper files and reports, to evaluate their conformity with professional standards and compliance with relevant firm quality control policies and procedures in their conduct;

(B) Interviews with firm professional personnel at various levels and, if applicable, other persons responsible for a function or activity, to assess their understanding of and compliance with the firm's quality control policies and procedures; and

(C) Obtaining other evidential matter as appropriate, for example, by review of selected administrative or personnel files, correspondence files documenting consultations on technical or ethical questions, files evidencing compliance with continuing professional education requirements, and the firm's library.

(11) Selection of Offices:

(a) The process of office selection in a multi-office firm involves the exercise of considerable professional judgment. Visits to practice offices should be sufficient to enable the review team to evaluate whether the firm's quality control policies and procedures are adequately communicated throughout the firm and whether they are being complied with. Accordingly, the practice offices visited should provide a reasonable cross section of the reviewed firm's accounting and auditing practice and the office selection process should include consideration of the following factors:

(A) Number, size, and geographic distribution of offices;

(B) The degree of centralization of accounting and auditing practice control and supervision;

(C) The review team's evaluation, where applicable, of the firm's inspection program;

(D) Recently merged or recently opened offices; and

(E) The significance of industry concentrations (including concentrations of engagements in high-risk industries) and of specialty practice areas, such as governmental compliance audits or regulated industries, to the firm and to individual offices.

(b) Although the process of office selection is not subject to definitive criteria, a review team should select at least one of the larger offices and one to three others in a multi-office firm with up to fifteen offices and 15 to 25 percent of the offices in a firm with more than fifteen offices.

(c) Reviewers should ask the entity administering the review about any requirements of relevant state boards of accountancy that must be met for the review to be accepted by such board(s) as the equivalent of one performed under the board's own positive enforcement program.

(12) Selection of Engagements:

(a) When combined with other procedures performed, the number and type of accounting and auditing engagements selected by the review teams for review should be sufficient to provide the review team with a reasonable basis for its conclusions regarding whether the reviewed firm's quality control system met the objectives of quality control standards established by the AICPA and was being complied with during the year under review.

(b) Engagements selected for review should provide a reasonable cross section of the reviewed firm's accounting and auditing practice. However, the number of review and compilation engagements selected for review may be significantly limited when a substantial portion of the firm's accounting and auditing hours are devoted to audit engagements. Also, greater weight should be given to audit engagements that meet the following criteria:

(A) Engagements in which there is a significant public interest, such as publicly held clients, financial and lending institutions, brokers and dealers in securities and employee benefit plans;

(B) Engagements in other specialized industries;

(C) Engagements that are large, complex, or high-risk or that are the reviewed firm's initial audits of clients; and

(D) The sample of engagements selected for review should include at least one audit conducted pursuant to Yellow Book.

(c) Although the process of engagement selection, like office selection, is not subject to definitive criteria, the review team generally should review work that represents 5 to 10 percent of the accounting and auditing hours of the reviewed firm. However, the review team will frequently find that meeting all of the criteria discussed above would cause it to select engagements representing accounting and auditing hours substantially in excess of these percentage guidelines. In such circumstances, the review team should carefully consider whether:

(A) Adequate consideration has been given to the *key audit area* approach to engagement review;

(B) Too much weight is being given to the desirability of reviewing work performed by all or most supervisory personnel; and

(C) Adequate consideration has been given to engagement selection on a firm-wide basis. For example, if two offices are selected for review and each has a large client in the same specialized industry, consideration should be given to selecting only one of those engagements for review.

(13) Extent of Engagement Review:

(a) The review of engagements should include review of financial statements, accountants' reports, working paper files, and correspondence, as well as discussions with professional personnel of the reviewed firm. The review of audit engagements should ordinarily include all key areas of the engagements selected to determine whether well-planned, appropriately executed, and suitably documented procedures were performed in accordance with professional standards and the reviewed firm's quality control policies and procedures.

(b) For each engagement reviewed (audits, reviews, and compilations), the review team must document whether anything came to its attention that caused it to believe that:

(A) The financial statements were not presented in all material respects in accordance with generally accepted accounting principles (or, if applicable, an other comprehensive basis of accounting);

(B) The firm did not have a reasonable basis under applicable professional standards for the report issued;

(C) The documentation on the engagement did not support the report issued; and

(D) The firm did not comply with its quality control policies and procedures in all material respects.

(c) If the review team reaches a negative conclusion with respect to items a, b, or c, the team captain should promptly inform an appropriate member of the reviewed firm. The reviewed firm should investigate the matter questioned by the review team and determine what action, if any, should be taken. The reviewed firm should advise the team captain of the results of its investigation and document the actions taken or planned or its reasons for concluding that no action is required. If the reviewed firm believes that it can continue to support its previously issued report and the review team continues to believe that there may be a significant failure to reach appropriate conclusions in the application of professional standards, the review team should pursue any remaining questions with the reviewed firm and, if necessary, with the entity administering the review. The review team should also consider whether it is necessary to expand the scope of the review by selecting additional engagements to determine the extent and cause of significant departures from professional standards.

(d) In evaluating the reviewed firm's response, the review team should recognize that it has not made an examination of the financial statements in question in accordance with generally accepted auditing standards and that it has not had the benefit of access to clients records, discussions with the client, or specific knowledge of the client's business. Nevertheless, a disagreement on the resolution of the matter may persist in some circumstances and the reviewed firm should be aware that it may be requested to refer unresolved matters to the entities operations committee for a final determination.

(14) Exit Conference:

(a) Prior to issuing its report and any letter of comments, the review team must communicate its conclusions to senior members of the reviewed firm through an exit conference, which may also be attended by the individuals with oversight responsibility including the state Quality Review Oversight Committee.

(b) The reviewed firm is entitled to be informed at the exit conference about any matters that may affect the review report and about all significant findings and recommendations that will be included in the letter of comments.

(c) Except in rare circumstances, which should be explained to the reviewed firm, the exit conference should be postponed if there is any uncertainty about the report to be issued or the matters to be included in the letter of comments.

(d) The exit conference is also the appropriate vehicle for providing suggestions to the firm that do not have an effect on the report or letter of comments.

(15) Off-Site Review Standards:

(a) The objective of an off-site quality review is to provide the reviewer with a reasonable basis for expressing limited assurance that the financial statements and related accountant's report on the review and compilation engagements submitted for review do not depart in a material respect from the requirements of professional standards. This objective is different from the objectives of an on-site quality review in recognition of the fact that off-site quality reviews are available only to firms that perform review or compilation engagements but perform no audits of historical or prospective financial statements. An accountant's review report expresses only limited assurance about the financial statements, and an accountant's compilation report states that the accountant expresses no opinion or other form of assurance on the historical or prospective financial statements. Such firms will only be required to have an off-site quality review unless they elect to have an on-site quality review. However, this does not relieve such firms from their obligation to have a system of quality control.

(b) The reviewed firm shall provide summarized information showing the number of its review or compilation clients and the nature of the level of service provided to those clients, classified into major industry categories. That information shall be provided for each partner, shareholder, owner, member or comparable person of the firm who is responsible for the issuance of review or

compilation reports. On the basis of that information, the reviewer or the entity administering the review ordinarily shall select the types of engagements to be submitted for review, in accordance with the following guidelines:

(A) Select one review or compilation engagement involving a report on a complete set of financial statements as opposed to compilation reports on financial statements that omit substantially all of the disclosures required by generally accepted accounting principles or an other comprehensive basis of accounting, for each partner, shareholder, owner, member or comparable person responsible for the issuance of such reports. However, at least two engagements must be selected for the firm;

(B) In selecting engagements for review, include both review and compilation engagements, if both levels of service are provided. Also, attempt to include clients operating in different industries and engagements involving prospective financial statements as well as those involving historical financial statements; and

(C) In addition to the selection made in a, select, where applicable, one set of financial statements that omit substantially all of the disclosures required by generally accepted accounting principles or an other comprehensive basis of accounting and the related accountant's compilation report. However, if the firm's accounting practice consists only of compilation reports on financial statements that omit substantially all required disclosures, the firm must submit the financial statements and related accountant's report for two such engagements.

(c) The reviewed firm shall submit the appropriate financial statements and accountant's reports, masking client identity if it desires, along with specified background information and representations about each engagement.

(d) An off-site review consists only of reading the historical or prospective financial statements submitted by the reviewed firm and the accountant's review or compilation report thereon, together with certain background information and representations provided by the reviewed firm. The objective of the review of these engagements is to consider whether the financial statements appear to be in conformity with generally accepted accounting principles or, if applicable, with an other comprehensive basis of accounting, and whether the accountant's report appears to conform with professional standards. An off-site quality review does not include a review of the working papers prepared on the engagements submitted for review, tests of the firm's administrative or personnel files, interviews of selected firm personnel, or other procedures performed in an on-site quality review.

(e) Accordingly, an off-site quality review does not provide the reviewer with a basis for expressing any form of assurance on the firm's quality control policies and procedures for its accounting practice. The reviewer's report does indicate, however, whether anything came to the reviewer's attention that caused him or her to believe that the review and compilation reports submitted for review did not conform with the requirements of professional standards.

(f) A firm that has an off-site quality review must respond promptly to questions raised in the review, whether those questions are raised orally or in writing. The reviewer will contact the firm, before issuing the review report, to resolve questions raised in the review.

(g) Although an off-site quality review does not provide the reviewer with a basis for expressing any form of assurance on the firm's quality control policies and procedures for its accounting practice, it may provide the reviewer with a basis for expressing a conclusion that the firm did not have reasonable assurance of conforming with professional standards in the conduct of its accounting practice during the year under review (an adverse report). In those circumstances, the reviewed firm will be expected to take appropriate remedial, corrective actions with respect to its system of quality control and with respect to engagements with significant deficiencies. In addition, it will ordinarily be required to have another off-site review within 12 months.

(h) The reviewer performing an off-site review must document the work performed using approved programs and checklists. Failure to complete all relevant programs and

checklists in a professional manner creates the presumption that the review has not been performed in conformity with these standards. Such a review cannot be accepted as meeting the requirements of the review program.

(16) Reporting on Reviews:

(a) Within 30 days of the date of the exit conference or the date of completion of an off-site quality review, the team captain should furnish the reviewed firm with a written report and, where required, a letter of comments. A report on a review performed by a firm is to be issued on the letterhead of the firm performing the review. A report by a review team formed by an association of CPA firms is to be issued on the association's letterhead. All other reports are to be issued on the letterhead of the entity administering the review. The report on an on-site quality review ordinarily should be dated as of the date of the exit conference. The report on an off-site quality review ordinarily should be dated as of the completion of the review procedures.

(b) The team captain or, where provided by its plan of administration, an authorized association of CPA firms should notify the operating committee that the review has been completed and should submit a copy of the report and letter of comments, if any, and any working papers specified in the programs and checklists used.

(c) The reviewed firm should submit a copy of the report, the letter of comments, if any, and its response to all matters discussed in the report or letter of comments to the state Operating Committee within 30 days of the date it received the report and letter.

(d) The reviewed firm should not publicize the results of the review or distribute copies of the report to its personnel, its clients, or others until it has been advised that the report has been accepted by the administering entity as meeting the requirements of the review program.

(17) Reports on On-Site Reviews:

(a) The written report on an on-site quality review should include:

(A) The scope of the review, including any limitations thereon;

(B) Description of the general characteristics of a system of quality control;

(C) An opinion on whether the system of quality control for the accounting and auditing practice of the reviewed firm met the objectives of quality control standards adopted by the Board and was being complied with during the year reviewed to provide the firm with reasonable assurance of conforming with professional standards; and

(D) Description of the reason(s) for any qualification of the opinion.

(b) A team captain may issue an unqualified, qualified, or adverse report on the review.

(18) Reports on Off-Site Reviews:

(a) The written report on an off-site quality review should:

(A) Describe the limited scope of the review and disclaim an opinion or any form of assurance about the firm's quality control policies and procedures for its accounting practice;

(B) Indicate whether anything came to the reviewer's attention that caused the reviewer to believe that the review and/or compilation reports submitted for review did not conform with the requirements of professional standards in all material respects;

(C) If applicable, describe the general nature of significant departures from those standards; and

(D) Where applicable, include the reviewer's conclusion that the firm did not have reasonable assurance of conforming with professional standards in the conduct of its accounting practice during the year under review.

(b) A team captain may issue an unqualified, qualified, or adverse report on the review.

(19) Letter of Comments:

(a) A letter of comments is required to be issued in connection with an on-site quality review when there are matters that resulted in modification(s) to the standard form of report or when there are matters that the review team believes resulted in conditions being created in which there was more than a remote

possibility that the firm would not conform with professional standards on accounting and auditing engagements. Such a letter should provide reasonably detailed recommendations for remedial, corrective actions by the reviewed firm so that the administering entity can evaluate whether the firm's response to significant deficiencies noted in the review is a positive one consistent with the objectives of the quality review program and whether the actions taken or planned by the firm appear appropriate in the circumstances.

(b) A letter of comments is required to be issued in connection with an off-site quality review when there are matters that resulted in qualification(s) to the standard form of report or when the reviewer notes other departures from professional standards that are not deemed to be significant departures but that should be considered by the reviewed firm in evaluating the quality control policies and procedures over its accounting practice. Such a letter should provide reasonably detailed descriptions of the findings and recommendations so that the entity administering the review can evaluate whether the actions taken or planned by the firm appear appropriate in the circumstances.

(c) When a letter of comments is issued along with a qualified or adverse report, the report on the review must make reference to the letter. No reference should be made to the letter of comments in an unqualified report.

(20) Acceptance of Reviews:

(a) A committee or committees should be appointed by each administering entity for the purpose of considering the results of reviews administered by them and undertaken to meet the requirements of an approved program. The committee's responsibility is to consider whether:

(A) The review has been performed in accordance with these standards and related guidance materials;

(B) The report, letter of comments, if any, and the response thereto are in accordance with these standards and related guidance materials;

(C) It should recommend any remedial, corrective actions in addition to those described by the reviewed firm in its letter of response. Examples of such corrective actions are requiring certain individual(s) to obtain specified types and amounts of continuing professional education, requiring the firm to carry out a more comprehensive inspection program, or requiring it to engage another CPA or PA to perform pre-issuance reviews of financial statements and reports, or to attempt to strengthen its professional staff; and

(D) It should monitor the corrective actions implemented by the reviewed firm. Examples of monitoring procedures are requiring the firm to submit information concerning continuing professional education obtained by firm personnel, inspection reports, or reports by another CPA or PA engaged to perform pre-issuance reviews of financial statements and reports. Revisits by team captains and accelerated quality reviews are other examples of monitoring procedures.

(b) If no additional corrective actions are deemed necessary, the operations committee will accept the report and so notify the reviewed firm. If additional actions by the reviewed firm or if monitoring procedures are deemed necessary, the firm will be required to evidence its agreement in writing before the report is accepted.

(c) In the rare event of a disagreement between the operations committee and the review team or the reviewed firm that cannot be resolved by ordinary good-faith efforts, the operations committee may request that the matter be referred to the Oversight Review Committee for recommendation to the State Board.

(d) In reaching its conclusions, the operations committee is authorized to make whatever inquiries or initiate whatever actions it considers necessary in the circumstances, including requesting revision of the report, the letter of comments, or the reviewed firm's response, with due regard for the fact that the quality review program is intended to be positive and remedial in nature, and is based on mutual trust and cooperation. Accordingly, in deciding on the need for and nature of any additional corrective actions or monitoring procedures, the committee should consider

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the nature, significance, pattern, and pervasiveness of engagement deficiencies. It should evaluate whether the recommendations of the review team appear to address those deficiencies adequately and whether the reviewed firm's responses to those recommendations appear comprehensive, genuine, and feasible. In a subsequent review, its conclusions should be significantly influenced by a finding that the reviewed firm did not adequately implement significant corrective actions it had represented it would take and by the committee's assessment of the reason for such a failure. If such a failure continues despite requirements for corrective actions and appropriate monitoring, the committee should consider whether requirements for remedial, corrective actions are adequate responses to the situation.

(e) If a reviewed firm refuses to cooperate, fails to correct material deficiencies, or is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate, the State Board of Accountancy may take disciplinary actions, under ORS 673.170.

(21) Qualifications of Acceptance Committee Members:

(a) Each member of the operations committee must be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in an approved practice-monitoring program as a proprietor, partner, shareholder, or as a manager or person with equivalent supervisory responsibilities.

(b) A majority of the members must also possess the qualifications required of on-site quality review team captains.

(c) A member may not participate in any discussion or have any vote with respect to a reviewed firm when the member lacks independence or has a conflict of interest.

(22) Oversight of Reviews:

(a) Reviews intended to meet the requirements of the Oregon State Board of Accountancy must be carried out in conformity with these standards under the oversight of a state oversight review Committee appointed by the Oregon State Board of Accountancy. This imposes an obligation on reviewed firms to arrange and schedule their reviews in compliance with the administrative procedures established by any entities operating an approved program, and to cooperate with those entities in all matters related to the review.

(b) The Oversight Review Committee (QROC) shall be composed 3-5 members appointed by the Board of Accountancy. These members shall have the following qualifications:

(A) No members shall be a current member of the Board of Accountancy;

(B) At least two members must have a currently active Oregon license to practice public accounting and have recent experience in account-ing and auditing; and

(C) One member may be a non-licensee with extensive experience in preparing and/or using financial statements.

(c) The members of the Quality Review Oversight Committee shall have the following responsibilities:

(A) Oversee and monitor sponsoring organizations for compliance and implementation of the minimum standards for performing and reporting on quality reviews;

(B) Keep confidential the firm names and any information concerning a specific firm obtained by the Quality Review Oversight Committee during oversight activities; and

(C) Report to the Board of Accountancy any modifications in the approved programs.

Stat. Auth.: ORS 673.455

Stats. Implemented: ORS 673.455

Hist.: AB 2-1996, f. & cert. ef. 9-25-96