

1

BOARD OF ACCOUNTANCY

2

Title of Regulation: 18 VAC 5-20-10 et seq. Board for Accountancy Regulations

3

(REPEALING).

4

Title of Regulation: 18 VAC 5-21-10 et seq. Board of Accountancy Regulations.

5

CHAPTER 21.

6

BOARD OF ACCOUNTANCY REGULATIONS.

7

PART I.

8

DEFINITIONS AND FEES.

9

18 VAC 5-21-10. Definitions.

10

The following words and terms when used in this chapter have the following meanings,

11

unless the context clearly indicates otherwise:

12

"Accredited institution" means any degree-granting college or university accredited at

13

the time of the applicant's degree or attendance by any of the following: Middle States

14

Association of Colleges and Schools, New England Association of Schools and Colleges,

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North Central Association of Colleges and Schools, Northwest Association of Schools

16

and Colleges, Southern Association of Colleges and Schools, and Western Association of

17

Schools and Colleges.

18

"Assurance" means any act or action, whether written or oral, expressing an opinion or

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conclusion about the reliability of a financial statement or about its conformity with any

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financial accounting principles or standards.

1 “Audit” means expressing an opinion about the fairness of presentation of financial
2 statements in accordance with prescribed criteria.

3 “Board” means the Board of Accountancy.

4 “Certify,” “audit,” “examine,” “review,” or “express or disclaim an opinion,” when
5 referenced to financial information or the practice of public accountancy, are terms
6 which, when used in connection with the issuance of reports, state or imply assurance of
7 conformity with generally accepted accounting principles, generally accepted auditing
8 standards, and review standards. The terms include forms of language disclaiming an
9 opinion concerning the reliability of the financial information referred to or relating to the
10 expertise of the issuer.

11 “Client” means a person or entity that contracts with or retains a firm for performance
12 of services by a CPA certificate holder or registration certificate holder subject to Chapter
13 20 (§ 54.1-2000 et seq.) of Title 54.1 of the Code of Virginia and this chapter.

14 “Commission” means compensation generated from the purchase or sale of a product or
15 service and which would not be generated but for the purchase or sale of the product or
16 service.

17 “Contact hour” means 50 minutes of participation in a group program or 50 minutes of
18 average completion time in a self-study program.

19 “Contingent fee” means a fee established for the performance of a service pursuant to
20 an arrangement in which no fee will be charged unless a specified finding or result is
21 obtained, or in which the amount of the fee is dependent upon the finding or result
22 obtained. Fees shall not be considered contingent if fixed by courts or other [pubic

1 public] authorities, or in tax matters if determined based on the results of judicial
2 proceedings or the findings of governmental agencies. A CPA certificate holder's fees
3 may vary depending on the complexity of services rendered, and such variation shall not
4 be considered a contingent fee.

5 "Continuing Professional Education (CPE)" means an integral part of the lifelong
6 learning required to provide competent service to the public; the formal set of activities
7 that enables accounting professionals to maintain and increase their professional
8 competence.

9 ["CPA certificate" means a certificate as a certified public accountant ("CPA") issued
10 by the board pursuant to Chapter 20 (§ 54.1-2000 et seq.) of Title 54.1 of the Code of
11 Virginia and this chapter, which shall function as a license, or a corresponding certificate
12 as a certified public accountant issued after meeting examination and other requirements
13 under the laws of any other state.]

14 ["CPA wall certificate" means the symbolic document suitable for wall display that is
15 issued by the board to an individual meeting the requirements for a CPA certificate set
16 forth in 18 VAC 5-21-30.]

17 "CPE reporting year" means [for] the [period beginning on July 1 of purposes of this
18 chapter] a calendar year [and ending on June 30 of the following calendar year].

19 "CPE reporting cycle" means the three CPE reporting years immediately preceding the
20 year the CPA certificate is renewed pursuant to [18 VAC 5-21-170. 18 VAC 5-21-80].

21 ~~["CPA certificate" means a certificate as a certified public accountant ("CPA") issued~~
22 ~~by the board pursuant to Chapter 20 (§ 54.1-2000 et seq.) of Title 54.1 of the Code of~~

1 Virginia and this chapter, which shall function as a license, or a corresponding certificate
2 as a certified public accountant issued after meeting examination and other requirements
3 under the laws of any other state.]

4 "Credit hour" means successful completion of a course of study measured in a contact
5 hour.

6 "Examination" means, when used in the context of services provided by CPAs,
7 expressing an opinion about the fairness of presentation of financial information in
8 accordance with prescribed criteria.

9 "Financial statement" means writing or other presentation, including accompanying
10 notes, which presents, in whole or in part, historical or prospective financial position,
11 results of operations or changes in financial position of any person, corporation,
12 partnership or other entity.

13 "Firm" means a sole proprietorship, partnership, corporation, limited liability company,
14 limited liability partnership, or any other form of organization permitted by law.

15 "Good character" means a lack of a history of dishonest or felonious acts.

16 "Group program" means an educational process designed to permit a participant to
17 learn a given subject through interaction with an instructor and other participants.

18 "Interactive self-study program" means a program [designed to use using] interactive
19 learning methodologies [that simulate simulating] a classroom learning process by
20 employing software, other courseware, or administrative systems [that provide and
21 providing] significant ongoing, interactive feedback to the learner regarding his learning
22 process. [Evidence Substantial written or electronic evidence] of satisfactory completion

1 of each program segment by the learner is ~~[often built into such programs required]~~.
2 [These Interactive self-study] programs [must] clearly define lesson objectives and
3 manage ~~[the student]~~ students through the learning process by requiring frequent student
4 response to questions that test for understanding of the material presented, providing
5 evaluative feedback to incorrectly answered questions, and providing reinforcement
6 feedback to correctly answered questions. Capabilities ~~[are used that must]~~, based on
7 student response, provide appropriate ongoing [written or electronic format] feedback to
8 the student regarding his learning progress through the program.

9 "Noninteractive self-study program" means any self-study program that does not meet
10 the criteria for interactive self-study programs.

11 "Original CPA certificate" means a CPA certificate issued by the board other than a
12 CPA certificate by endorsement.

13 "Peer review" means a study, appraisal, or review, by a CPA certificate holder who is
14 not affiliated with the firm being reviewed, of one or more aspects of the professional
15 work of a firm that engages in the practice of public accounting or compiles financial
16 statements in accordance with the American Institute of Certified Public Accountants'
17 Statements on Standards for Accounting and Review Services (SSARS).

18 "Practice of public accountancy" or "public accounting" means the giving of an
19 assurance, in a report or otherwise, whether expressly or implicitly, unless this assurance
20 is given by an employee to his employer.

21 "Practice of taxation" means the providing of tax compliance and tax advice services.

1 “Registration” means the process through which a firm obtains a registration certificate
2 from the board.

3 “Registration certificate” means a certificate issued to a firm that has met all of the
4 requirements for registration under this chapter.

5 “Regulant” means any CPA certificate holder or registration certificate holder who is
6 subject to Chapter 20 (§ 54.1-2000 et seq.) of Title 54.1 of the Code of Virginia and this
7 chapter.

8 “Renewal month” means the month of the calendar year in which a firm is required to
9 renew its registration certificate.

10 “Report” or “reports,” when used with reference to financial statements, means an
11 opinion or disclaimer of opinion or other form of language or representation that states or
12 implies any form of assurance or denial of assurance.

13 “Self-study program” means an educational process designed to permit a participant to
14 learn a given subject without major involvement of an instructor. Self-study programs do
15 not include informal learning.

16 “SSARS” means Statements on Standards for Accounting and Review Services
17 established by the American Institute of Certified Public Accountants.

18 “Standards of conduct” means the standards set forth in 18 VAC 5-21-120.

19 “Standards of practice for CPA certificate holders” means the standards set forth in
20 18 VAC 5-21-130, 18 VAC 5-21-140 and 18 VAC 5-21-150.

1 “State” means any state of the United States, the District of Columbia, Puerto Rico, the
2 U.S. Virgin Islands and Guam.

3 “Substantial equivalency” means a determination by the board or its designee that the
4 education, examination and experience requirements contained in the statutes and
5 administrative rules of another jurisdiction are comparable to, or exceed, the education,
6 examination and experience requirements contained in this chapter, or that an individual
7 CPA from another jurisdiction has met education, examination and experience
8 requirements that are comparable to, or exceed, the education, examination, and
9 experience requirements contained in Chapter 20 (§ 54.1-2000 et seq.) of Title 54.1 of the
10 Code of Virginia and this chapter.

11 ~~“Wall certificate” means the symbolic document suitable for wall display that is issued~~
12 ~~by the board to an individual meeting the requirements for a CPA certificate set forth in~~
13 ~~18 VAC 5-21-130.]~~

14 **18 VAC 5-21-20. Fees.**

15 A. All fees are nonrefundable and the date of receipt by the board or its agent is the
16 date that will be used to determine whether it is on time.

17 B. The following fees ~~[are effective October 4, 1999]~~ shall apply]:

Original CPA certificate application \$24

CPA certificate by endorsement \$24
application

Registration certificate application \$24

| | |
|---------------------------|-------------|
| <u>September 30, 2001</u> | <u>\$24</u> |
| <u>October 31, 2001</u> | <u>\$26</u> |
| <u>November 30, 2001</u> | <u>\$28</u> |
| <u>December 31, 2001</u> | <u>\$30</u> |
| <u>January 31, 2002</u> | <u>\$32</u> |
| <u>February 28, 2002</u> | <u>\$34</u> |

1 [D. C] The late filing fee for CPA certificate holders who fail to complete or report
2 their CPE as required by this chapter shall be:

3 1. If received by the board up to four months late, \$25.

4 2. If received by the board more than four months late but not more than six months
5 late, \$50.

6 3. If received by the board more than six months late, \$75.

7 [E.D] The fee for a replacement wall certificate shall be \$25.

8 [F.E] A fee of \$25 will be charged in addition to the fees established in this section for
9 submitting a check to the board which is dishonored by the institution upon which it is
10 drawn.

11 [G.F] The fee for the examination provided for in 18 VAC 5-21-30 C shall consist of
12 the contract charges. Examination service contracts shall be established through
13 competitive negotiation in compliance with the Virginia Public Procurement Act (§ 11-35
14 et seq. of the Code of Virginia). The examination fee shall not [tø] exceed \$1,000.

15 PART II.

16 ENTRY REQUIREMENTS FOR CPA CERTIFICATE, REGISTRATION

1 CERTIFICATE AND CPA SUPERVISING SERVICES INVOLVING THE PRACTICE
2 OF PUBLIC ACCOUNTING.

3 **18 VAC 5-21-30. Qualifications for CPA certificate.**

4 A. Each applicant must be a person of good character as defined in 18 VAC 5-21-10.

5 B. Education prior to taking the examination.

6 1. Each applicant whose application to sit for [the an] examination [is received by the
7 board before administered prior to] July 1, 2006, shall have received a baccalaureate
8 degree or its equivalent conferred by an accredited college or university as required
9 by § 54.1-2003 B 1 of the Code of Virginia and shall at the time the application is
10 received have completed the following courses at the undergraduate or graduate level
11 to meet the accounting concentration requirement of § 54.1-2003 B 1 of the Code of
12 Virginia:

13 a. At least 24 semester hours of accounting including courses covering the subjects
14 of financial accounting, auditing, taxation, and management accounting; and

15 b. At least 18 semester hours in business courses (other than the courses described
16 in subdivision 1 a of this subsection).

17 An applicant whose application is received under the requirements of this subdivision
18 may take the examination so long as the requirements of subdivision C [2] of this
19 section are met.

20 2. Each applicant whose application to sit for [the an] examination [is received by the
21 board administered] on or after July 1, 2006, shall meet the requirements of § 54.1-
22 2003 B 2 of the Code of Virginia and shall at the time the application is received have

1 completed the following courses at the undergraduate or graduate level to meet the
2 accounting concentration requirement of § 54.1-2003 B 2 of the Code of Virginia:

3 a. At least 30 semester hours of accounting, including courses covering the subjects
4 of financial accounting, auditing, taxation, and management accounting; and

5 b. At least 24 semester hours in business courses (other than the courses described
6 in subdivision 2 a of this subsection).

7 3. A quarter hour of coursework shall be considered the equivalent of two-thirds of a
8 semester hour of coursework.

9 4. Each applicant with a degree or coursework earned at a nonaccredited college or
10 university shall, if credit for such degree or coursework is to be considered by the
11 board, (i) have his educational credentials evaluated by an academic credentials
12 service approved by the board or an accredited institution, as defined in 18 VAC 5-
13 21-10, to determine the extent to which such credentials are equivalent to the
14 education requirements set forth in subdivisions 1 and 2 of this subsection and (ii)
15 submit such evaluations to the board, which may accept or reject the evaluator's
16 recommendations in whole or in part.

17 5. Evidence of having obtained the required education shall be submitted in the form
18 of official transcripts transmitted in a manner determined by the board. In unusual
19 circumstances, the board may accept other evidence it deems to be substantially
20 equivalent.

21 C. Examination.

1 1. Each applicant shall pass (i) a national uniform examination, as approved by the
2 board, in auditing, business law and professional responsibilities, accounting and
3 reporting (taxation, managerial, governmental and not-for-profit organizations),
4 financial accounting and reporting, and other such related subject areas as deemed
5 appropriate by the board and (ii) an ethics examination approved by the board. Each
6 part of the examination must be passed with a minimum grade established by the
7 board based upon the recommendation of a psychometrician who has determined the
8 valid passing grade by conducting a scientific analysis of the examination.

9 2. If at a given sitting of the examination an applicant passes two or more but not all
10 sections, then the applicant shall be given credit for those sections that the applicant
11 has passed and need not sit for reexamination in those sections provided the following
12 conditions are met:

13 a. At that sitting, the applicant wrote all sections of the examination for which the
14 applicant did not have credit;

15 b. The applicant attained a minimum grade of 50 on each section taken at that
16 sitting when the first two sections were passed and in each subsequent sitting attains
17 a minimum grade of 50 on all sections taken at that sitting;

18 c. The applicant passes the remaining sections of the examination within six
19 consecutive examinations (irrespective of the date on which the examination credit
20 was earned) given after the one at which the first sections were passed; and

1 d. At each subsequent sitting at which the applicant seeks to pass any additional
2 sections, the applicant writes all sections for which the applicant does not have
3 credit.

4 3. The board may, at its discretion, waive any of the above requirements for
5 carryover examination credits, if such waiver is in the public interest.

6 4. Each applicant shall follow all rules and regulations established by the board with
7 regard to conduct at the examination. Such rules shall include instructions
8 communicated prior to the examination date and instructions communicated at the
9 examination site on the date of the examination.

10 5. Failure to comply with the rules and regulations governing conduct in the
11 examination may result in the loss of established eligibility to sit for the examination
12 or credit for examination parts passed.

13 6. An applicant to sit for the examination shall obtain an application form from the
14 board or its designee, complete the application in accordance with the instructions on
15 the application, and submit the application together with all required documents to the
16 board or its designee by the date determined by the board or its designee.

17 7. An applicant who fails to appear for the examination or reexamination shall forfeit
18 the fees charged for that examination or reexamination unless excused by the board.

19 8. The fee to sit for the examination is established in 18 VAC 5-21-20 [G F], whether
20 paid directly to the board or to a designee under contract to the board.

21 D. Experience.

1 1. Each applicant for initial issuance of a CPA certificate under this section shall
2 provide documentation of having met the experience requirements established by
3 § 54.1-2003 C of the Code of Virginia, which requires at least one year of acceptable
4 experience in accounting or a related field. The experience may include providing
5 any type of service or advice involving the use of accounting, management, financial,
6 tax, or consulting advisory skills or services. Acceptable experience shall include
7 employment in government, industry, academia or public accounting or related
8 services. The applicant's experience may be supervised by a non-CPA certificate
9 holder, although, when completing the application for the CPA certificate, the
10 experience must be verified by a CPA certificate holder.

11 2. One year of experience shall consist of full- or part-time employment that extends
12 over a period of no less than a year and no more than three years and includes no
13 fewer than 2,000 hours of performance of services described in subdivision 1 of this
14 subsection.

15 **18 VAC 5-21-40. Issuance of original CPA certificate; CPA certificate by**
16 **endorsement; and substantial equivalency.**

17 A. Practicing as a CPA in the Commonwealth of Virginia. Only an individual who (i)
18 holds a valid CPA certificate or (ii) meets the substantial equivalency requirements in this
19 section may practice as a CPA in the Commonwealth of Virginia.

20 B. Original CPA certificate.

21 1. Each individual who desires to use the CPA designation shall first obtain a CPA
22 certificate.

1 2. Each applicant for an original CPA certificate shall submit an application, on a
2 form provided by the board, which shall document that the requirements of 18 VAC
3 5-21-30 have been met. If the application is received by the board three or more
4 years after the successful completion of the CPA examination by the applicant, the
5 applicant shall, in addition, submit evidence of having met the ~~continuing~~
6 professional education (CPE) requirements established by 18 VAC 5-21-160 A 1 or
7 A 2, whichever is applicable CPE requirements as though set forth in 18 VAC 5-21-
8 170 A 3 or B 3]. Each applicant shall agree to comply with the statutes and
9 regulations of any other state in which he is authorized to practice.

10 3. Each application for an original CPA certificate shall be accompanied by the fee
11 established in 18 VAC 5-21-20.

12 C. CPA certificate by endorsement.

13 1. Each individual who holds a CPA certificate in a state other than Virginia and
14 either (i) has moved his principal place of business to Virginia or (ii) does not meet
15 the substantial equivalency provision outlined in subsection G of this section must
16 obtain a CPA certificate by endorsement prior to practicing as a CPA in Virginia.

17 2. Each applicant for a CPA certificate by endorsement shall submit an application,
18 on a form provided by the board, which shall document that the applicant holds a
19 corresponding CPA certificate as a certified public accountant issued after meeting
20 examination and other requirements under laws of the state(s) from which the
21 applicant is seeking a CPA certificate by endorsement. The application shall include
22 the following:

1 a. From each state from which the applicant has received a CPA certificate (or
2 from the applicant directly if the state is unable to provide the information), a
3 written statement from the board of each state confirming that the applicant (i) is in
4 good standing in that state; (ii) has not been found guilty of violating that state's
5 standards of conduct or practice; (iii) has no pending actions alleging violations of
6 that state's standards of conduct or practice; (iv) has met the education requirements
7 in effect in that state when the applicant passed the [national uniform] examination
8 described in 18 VAC 5-21-30 C; and (v) has met the experience requirement for a
9 CPA certificate in effect in Virginia when the CPA certificate by endorsement
10 application is received by the board. An applicant who holds a CPA certificate
11 from a state that the board has determined meets the substantial equivalency
12 provision set forth in § 54.1-2004.1 of the Code of Virginia shall be considered to
13 have met the requirements of clauses (iv) and (v) of this paragraph.

14 b. A written statement from the applicant affirming that the applicant has (i) not
15 violated the board's standards of conduct or standards of practice and (ii) met the
16 board's continuing education requirements.

17 The board may deny the application for a CPA certificate by endorsement if the
18 applicant is not in good standing in the other states which have issued CPA
19 certificates to the applicant or if any information from the applicant indicates a failure
20 to comply with the aforementioned standards.

21 3. Each application for a CPA certificate by endorsement shall be accompanied by
22 the fee established in 18 VAC 5-21-20.

1 D. Each CPA certificate holder shall have the privilege of using the CPA designation
2 provided the CPA certificate holder complies with the (i) standards of conduct, (ii)
3 standards of practice, and (iii) the renewal requirements established by the board. Upon
4 expiration of the CPA certificate, the CPA certificate holder shall cease displaying the
5 CPA certificate and the wall certificate, and shall cease affixing and using the CPA
6 designation in any manner.

7 E. ~~[CPA certificate holders shall have met the experience requirements established in~~
8 ~~18 VAC 5-21-50 before supervising services involving the practice of public accounting,~~
9 ~~or signing or authorizing another person to sign the accountant's report on the financial~~
10 ~~statements on behalf of the firm~~ All CPA certificate holders who supervise services
11 involving the practice of public accountancy and sign or authorize another to sign the
12 report on the financial statements on behalf of the firm shall meet the experience
13 requirement established in 18 VAC 5-21-50].

14 F. CPA certificates [issued under the provisions of this chapter shall expire one year
15 from the last day of the month wherein the initial CPA certificate was issued and] shall be
16 renewed in compliance with 18 VAC 5-21-80.

17 G. Privilege to practice without a CPA certificate by endorsement, substantial
18 equivalency.

19 1. A holder of a CPA certificate from a state other than Virginia and with a principal
20 place of business in a state other than Virginia shall either obtain a CPA certificate by
21 endorsement as outlined in subsection C of this section or meet the substantial
22 equivalency requirements of this subsection [before beginning CPA practice in
23 Virginia].

1 2. To implement the provisions of § 54.1-2004.1 A of the Code of Virginia, the
2 privilege to practice under substantial equivalency shall be evidenced by the
3 following:

4 a. If the individual's CPA certificate is issued by a state that the board has
5 determined is substantially equivalent, the CPA certificate issued by that state shall
6 constitute evidence of the privilege to practice.

7 b. If the individual's CPA certificate is issued by a state that the board has
8 determined is not substantially equivalent, the CPA certificate holder shall notify
9 the board in writing that he intends to practice in the Commonwealth and shall
10 provide documentation acceptable to the board that he has personally satisfied the
11 requirements for substantial equivalency. An approval letter from the board shall
12 constitute evidence of the privilege to practice.

13 c. A CPA certificate by endorsement shall be obtained if the CPA exercising the
14 privilege to practice under substantial equivalency moves his principal place of
15 business to Virginia or ceases to have an office in any other state.

16 3. For the purposes of implementing § 54.1-2004.1 B 2 of the Code of Virginia
17 relating to the privilege of practicing public accounting extended to nonresident CPA
18 certificate holders, the board shall determine the state to be served based on whose
19 statutes and regulations most closely correspond to those of the Commonwealth of
20 Virginia.

21 4. The board shall determine whether a state meets the substantial equivalency
22 provisions for nonresident CPA certificate holders by periodically obtaining,

1 reviewing and approving a list of states, which in the opinion of the board, meet the
2 substantial equivalency provisions for nonresident CPA certificate holders.

3 **18 VAC 5-21-50. Additional requirements for CPAs [supervising who supervise]**
4 **services involving the practice of public accountancy [and sign or authorize another**
5 **to sign reports on financial statements].**

6 A. To implement the provisions of § 54.1-2005 C 7 of the Code of Virginia, any
7 individual CPA certificate holder who is responsible for supervising services involving
8 the practice of public accounting, [or and] signs or authorizes another person to sign on
9 behalf of the firm [the accountant's report on] the financial statement resulting from the
10 practice of public accounting, shall meet the requirements set forth in subsection B of this
11 section.

12 Nothing in this section is intended to proscribe an individual who does not have a CPA
13 certificate from affixing his signature to any statement or report for his employer's
14 internal or management use and designating his position, title or office.

15 B. Requirements.

16 1. CPA certificate. Any individual desiring to supervise public accountancy services
17 [, as described in subsection A of this section,] shall hold a currently valid CPA
18 certificate [or CPA certificate by endorsement] issued by this board or shall be in
19 compliance with the substantial equivalency requirements in 18 VAC 5-21-40 [F G].

20 2. Experience. In addition to the one year of experience required to receive a CPA
21 certificate, such individual shall have completed one year of additional experience in
22 the practice of public accounting, as defined in 18 VAC 5-21-10, with not less than

1 600 of these hours in the performance of audits if the services involve an audit or not
2 less than 600 of these hours in the performance of reviews or audits if the services
3 involve a review but not an audit. One year of experience shall consist of no fewer
4 than 2,000 hours of full or part-time employment that extends over a period of no less
5 than one year and no more than three years. The experience must have been gained
6 under the direct supervision of a CPA licensed in any state. Persons who held a
7 license, as defined in the board's regulations effective on April 1, 1997, issued by the
8 board and in effect on October 4, 1999, shall be deemed to have met this experience
9 requirement.

10 **18 VAC 5-21-60. Registration of firms.**

11 A. To implement the provisions of § 54.1-2005 B of the Code of Virginia, any firm
12 with one or more offices in the Commonwealth that practices, directly or indirectly,
13 public accounting or that uses the term "Certified Public Accountant(s)" or the
14 designation "CPA" in the name of the firm shall register with the board.

15 ~~[B. A firm in existence prior to October 4, 1999, that is subject to the peer review~~
16 ~~requirement established in 18 VAC 5-21-70 but has not undergone such a review shall~~
17 ~~comply with this requirement no later than October 3, 2002. A firm organized after~~
18 ~~October 3, 1999, shall comply with the peer review requirement established in 18 VAC~~
19 ~~5-21-70 no later than the third anniversary of the issuance of its initial registration.]~~

20 [C.B] To implement the provisions of § 54.1-2005 C of the Code of Virginia, any firm
21 with an office in the Commonwealth providing or offering to provide services involving
22 the practice of public accounting shall be issued a registration certificate by the board

1 upon its application and payment of the required fee provided the firm is in compliance
2 with § 54.1-2005 C of the Code of Virginia.

3 1. Each firm shall submit an application on forms provided by the board, which shall
4 contain the following:

5 a. A statement that the applicant is registering pursuant to § 54.1-2005 B of the
6 Code of Virginia and has complied with each of the requirements of § 54.1-2005 C
7 of the Code of Virginia.

8 b. [~~A copy of the peer review documents~~ An affirmation of the peer review] as
9 required by 18 VAC 5-21-70.

10 c. The designation of a CPA certificate holder that will be the primary contact for
11 the firm, including a firm with multiple offices.

12 2. To implement § 54.1-2005 C 3 of the Code of Virginia, all non-CPA owners shall
13 work in the firm. “Work in the firm” means that the non-CPA owner works full-time
14 for the firm (at least 1,000 hours a year), and that retirees and owners no longer
15 working [~~full-time~~ full-time] shall have [~~one year~~ twelve months] from the last day of
16 their full-time involvement with the firm to dispose of their interest. Heirs shall have
17 [~~two years~~ twenty four months from the time they receive their bequest or
18 inheritance] in which to dispose of the ownership interest.

19 [~~D.C~~] To implement § 54.1-2005 D of the Code of Virginia, any firm with an office in
20 the Commonwealth that is not engaged in the practice of public accounting but uses the
21 term “Certified Public Accountant” or the “CPA” designation in its name shall be issued
22 a registration certificate by the board upon its application and payment of the required fee

1 provided the firm is in compliance with § 54.1-2005 C 1, 2, 3, and 8 of the Code of
2 Virginia. [~~Any such firm in existence prior to October 4, 1999, that had not previously~~
3 ~~registered with the board shall register by November 30, 1999.~~]

4 1. Such firm shall submit an application provided by the board, which application
5 shall contain the following:

6 a. A statement that the applicant is registering pursuant to § 54.1-2005 D of the
7 Code of Virginia and has complied with each of the requirements set forth in §
8 54.1-2005 D of the Code of Virginia.

9 b. A statement that the firm has or has not compiled financial statements [, which
10 as required by SSARS and § 54.1-2006 of the Code of Virginia, shall be prepared]
11 in compliance with SSARS.

12 c. If the firm has compiled financial statements in accordance with SSARS, [~~a copy~~
13 ~~of the peer review documents~~—an affirmation of the peer review] as required by
14 18 VAC 5-21-70.

15 d. The designation of a CPA certificate holder that will be the primary contact for
16 the firm, including a firm with multiple offices.

17 2. To implement § 54.1-2005 C 3 of the Code of Virginia, [all non-CPA owners shall
18 work in the firm. “~~work~~ Work] in the firm” means [that] the non-CPA owner works
19 full-time [for the firm] (at least 1,000 hours a year)[~~-, and that Retirees retirees] and~~
20 owners no longer working [full-time full-time] shall have [one calendar year twelve
21 months] from the last day of their full-time involvement with the firm to dispose of

1 their interest. Heirs shall have ~~two years~~ 24 months from the time they receive their
2 bequest or inheritance] in which to dispose of ~~their~~ the] ownership interest.

3 [~~E. D~~] The fee for a registration certificate is set forth in 18 VAC 5-21-20.

4 [~~F.E~~] Pursuant to § 54.1-2005 C 6 of the Code of Virginia, all firms required to obtain
5 registration certificates shall meet the standards set forth in 18 VAC 5-21-160.

6 [~~G.F~~] Each registration certificate [shall expire two years from the last day of the
7 month wherein issued and] shall be renewed in compliance with 18 VAC 5-21-80.

8 **18 VAC 5-21-70. Peer review.**

9 A. To implement the provisions of §54.1-2005 C 5 and D 2 of the Code of Virginia,
10 [~~registered~~] firms meeting the requirements set forth in this section shall provide the
11 board with evidence, as described in subsection E of this section, that the firm has
12 undergone, no less frequently than every three years, a peer review. [Each peer review
13 shall be performed and reported in accordance with standards that are no less stringent
14 than the peer review program of the American Institute of Certified Public Accountants.
15 Prior to its use by a registrant's reviewer, the board must approve a peer review program
16 other than the peer review program of the American Institute of Certified Public
17 Accountants.] Firms not required to register with the board are not required to comply
18 with the peer review requirement.

19 B. If a firm performs the services described in subsection D of this section, a peer
20 review is required and the firm shall provide [~~evidence~~ an affirmation] of such peer
21 review to the board in accordance with the dates set forth in subsection C of this section.
22 [The nature of the review will be determined based on the peer review selection criteria,

1 which criteria shall consider the highest level of service provided and shall be no less
2 stringent than the criteria of the peer review program of the American Institute of
3 Certified Public Accountants. The date of the year-end used for the peer review shall not
4 be more than 48 months prior to the month of the initial registration or the renewal month
5 for a renewal registration.]

6 C. Applicable dates.

7 1. ~~[Evidence An affirmation]~~ of a peer review is not required for an initial or renewal
8 application for a registration certificate filed prior to ~~[January July]~~ 1, 2002.

9 2. Initial or renewal applications due after ~~[December 31, 2001 June 30, 2002]~~, are
10 required to include ~~[evidence an affirmation]~~ of a peer review~~], subject to the~~
11 ~~following exceptions:~~ except that a firm first initiating services requiring a peer
12 review after July 1, 1999 shall comply with the peer review requirement within three
13 years after first initiating services requiring a peer review. Affirmation of a timely
14 peer review shall be provided with the initial or first renewal application immediately
15 following the aforementioned three-year period.]

16 ~~[a. A firm first initiating services requiring a peer review shall comply with the~~
17 ~~peer review requirement within three years of first initiating services requiring a~~
18 ~~peer review. If such firm had not previously registered with the board, then~~
19 ~~registration is required prior to initiating services requiring registration and~~
20 ~~evidence of a timely peer review shall be provided with the first application for~~
21 ~~renewal immediately following the aforementioned three year period. If such firm~~
22 ~~had previously registered with the board, evidence of a timely peer review shall be~~

1 ~~provided with the renewal application immediately following the end of the~~
2 ~~aforementioned three year period.]~~

3 ~~[b. A firm first initiating services that require a level of review, as described in~~
4 ~~subsection D of this section, that is higher than previously required, shall comply~~
5 ~~with the higher peer review requirement within three years of the date of first~~
6 ~~initiating the higher level of services requiring a higher level of peer review. If~~
7 ~~such firm had not previously registered with the board, then registration is required~~
8 ~~prior to initiating the higher level of services requiring registration and evidence of~~
9 ~~a timely peer review applicable to the higher level service shall be provided with~~
10 ~~the first application for renewal immediately following the aforementioned three-~~
11 ~~year period. If such firm had previously registered with the board, evidence of a~~
12 ~~timely peer review applicable to the higher level services shall be provided with the~~
13 ~~renewal application immediately following the end of the aforementioned three-~~
14 ~~year period.]~~

15 ~~[c. If the firm submits with its application, either initial or renewal, evidence of a~~
16 ~~peer review that was not performed pursuant to standards that the board deems are~~
17 ~~no less stringent than the peer review program of the American Institute of Certified~~
18 ~~Public Accountants, then such firm shall submit evidence of a peer review~~
19 ~~performed in accordance with standards that are no less stringent than those of the~~
20 ~~American Institute of Certified Public Accountants by the due date of its next~~
21 ~~application for renewal. No further extensions will be permitted. Those who fail to~~
22 ~~comply by this date are subject to disciplinary action.]~~

1 D. The nature of the services requiring a peer review and the nature of such reviews
2 are set forth in this subsection.

3 1. System review. This review applies to firms that perform engagements [under
4 governed by] the Statements on Auditing Standards (SASs) or examinations of
5 prospective financial information under the Statements on Standards for Attestation
6 Engagements (SSAEs), as established by the American Institute of Certified Public
7 Accountants, or the Government Auditing Standards (the Yellow Book) issued by the
8 U. S. General Accounting Office (GAO).

9 ~~[This review shall result in a report that (i) expresses an unmodified opinion on the~~
10 ~~firm's system of quality control for the practice involving the services described in~~
11 ~~subdivision 1 of this subsection or (ii) expresses a modified opinion, which~~
12 ~~modifications are satisfactorily resolved as evidenced by a final acceptance letter~~
13 ~~from the administering entity. Such reviews shall be performed and reported in~~
14 ~~accordance with standards that are no less stringent than the peer review program of~~
15 ~~the American Institute of Certified Public Accountants.]~~

16 2. Engagement review. This review is required for firms that are not required to have
17 a system review and who are not eligible to have a report review as described in
18 subdivision 3 of this subsection. It applies to registered firms that do not perform
19 engagements in accordance with SASs or examinations of prospective financial
20 statements under the SSAEs but do perform engagements in accordance with the
21 Statements on Standards for Accounting and Review Services (SSARSs) or review
22 engagements in accordance with the SSAEs, both as established by the American
23 Institute of Certified Public Accountants.

1 ~~[This review shall result in a report that indicates whether anything came to the~~
2 ~~reviewer's attention that caused the reviewer to believe that the reports submitted did~~
3 ~~not comply with the requirements of professional standards in all material respects or,~~
4 ~~if applicable, describe the general nature of significant departures from those~~
5 ~~standards, or, if adverse, a statement that the firm did not comply with the~~
6 ~~requirements of professional standards in all material respects. Such reviews shall be~~
7 ~~performed and reported in accordance with standards that are no less stringent than~~
8 ~~the peer review program of the American Institute of Certified Public Accountants.]~~

9 3. Report review. This review applies to firms that only perform compilations, as
10 described in the SSARs, that omit substantially all disclosures.

11 ~~[This review shall result in a report that lists comments and recommendations based~~
12 ~~on whether the financial statements and the related accountant's report appear to~~
13 ~~conform with the requirements of the aforementioned standards in all material~~
14 ~~respects. Such reviews shall be performed and reported in accordance with standards~~
15 ~~that are no less stringent than the peer review program of the American Institute of~~
16 ~~Certified Public Accountants.]~~

17 E. Required [evidence affirmation] of peer review. The applicant for an initial or a
18 renewal registration certificate shall [attach a copy of the final acceptance letter
19 from the entity administering the peer review program as evidence that the firm has
20 obtained the required peer review. A copy of this letter shall generally be
21 considered evidence, however, the include an affirmation with the application that
22 the firm: (i) has complied with the peer review provisions § 54.1-2005 C of the
23 Code of Virginia and with the provisions of this section; (ii) has received a final

1 acceptance letter from the entity administering the peer review program; and (iii)
2 will maintain its peer review documents until the later of the date of the final
3 acceptance letter for its next peer review or four years. The] board reserves the
4 right to request a copy of the peer review report or any other document relating to
5 the peer review program.

6 [F. Final acceptance letter not available. If an applicant for registration cannot provide
7 a final letter of acceptance indicating that the peer review is complete, then the applicant
8 shall file the application with (i) a copy of the “subject to” acceptance letter and other
9 relevant documents that explain the reasons why a final acceptance letter was not issued,
10 and (ii) a statement setting forth the registrant’s plan of action that will enable the
11 registrant to receive a final acceptance letter. This submission will extend the due date of
12 the application for six months from the original due date of the application.]

13 PART III.

14 RENEWAL/REINSTATEMENT OF CPA CERTIFICATE AND REGISTRATION

15 CERTIFICATE AND OTHER GENERAL REQUIREMENTS.

16 **18 VAC 5-21-80. Requirement for renewal.**

17 A. Each CPA certificate issued under the provisions of this chapter shall [~~expire one~~
18 year from the last day of the month wherein the initial CPA certificate was issued and
19 shall be renewable for periods of one year thereafter, except for CPA certificates with a
20 September 30, 2000, expiration date. Each CPA certificate that expires on September 30,
21 2000, shall be renewed in a manner to implement a staggered renewal system, whereby
22 all CPA certificates expiring on September 30, 2000, shall be renewed so as to cause an
23 approximately equal number of CPA certificates to expire each month during the 12-

1 ~~month cycle beginning in March 2001 and ending in February 2002. The fee during this~~
2 ~~initial implementation period will include a pro rata charge or credit for the period~~
3 ~~between March 31, 2001, and February 28, 2002 be renewable for a period of one year].~~

4 B. Each registration certificate shall ~~[expire two years from the last day of the month~~
5 ~~wherein issued and shall]~~ be renewable for periods of two years ~~[thereafter].~~

6 C. Registration certificates issued to professional corporations and professional limited
7 liability companies in accordance with the regulations of the board in effect beginning on
8 April 1, 1997, [shall become became] void on November 30, 1999. [Those firms shall
9 register with the board in compliance with the requirements of 18 VAC 5-21-60 no later
10 than November 30, 1999. A pro rata credit for the unexpired term of any existing
11 registration certificate will be credited against the fee for the registration required by this
12 subsection].

13 D. Renewal notices will be mailed to the regulant at the last known address of record.
14 Failure to receive written notice does not relieve the regulant of the requirement to renew
15 and pay the required fee. The date the board receives the renewal notice and fee shall
16 determine whether other fees established by 18 VAC 5-21-20 are payable. Fees shall not
17 be refunded or prorated.

18 E. Fees for renewal of a CPA certificate and a registration certificate are established in
19 18 VAC 5-21-20.

20 F. Representations. An individual holding a CPA certificate issued by the board shall
21 submit a renewal application provided by the board, which application shall contain a
22 statement that the applicant has (i) complied with the board's standards of conduct and

1 applicable standards of practice; (ii) met the applicable [continuing professional
2 education (CPE) CPE] requirements set forth in ~~§ 54.1 2004 B of the Code of Virginia,~~
3 ~~§ 54.1 2004 C of the Code of Virginia and 18 VAC 5-21-160-18 VAC 5-21-170]~~ for the
4 three years prior to the year the renewal application is submitted; and (iii) met the
5 requirements set forth in 18 VAC 5-21-50 B if the CPA certificate holder is responsible
6 for supervising services involving the practice of public accounting, [or and] signs or
7 authorizes another person to sign the accountant's report on the financial statement on
8 behalf of the firm.

9 A firm [practicing public accounting and] holding a registration certificate issued by the
10 board shall submit (i) a renewal application provided by the board [that shall contain a
11 statement that the registrant has complied with the board's standards of conduct and
12 applicable standards of practice, and the requirements of § 54.1 2005 C of the Code of
13 Virginia relating to firm ownership affirming that it continues to meet the standards set
14 forth in 18 VAC 5-21-60] and (ii) [a copy of the peer review report and the letter from the
15 supervising entity accepting the report as evidence in the case of firms subject to the peer
16 review requirement set forth in 18 VAC 5-21-70, an affirmation] that it has undergone,
17 no less frequently than once every three years, a peer review [that expresses an opinion
18 on the firm's system of quality control if the firm performed auditing, accounting or
19 attestation engagements providing some level of assurance, or a report review if the firm
20 compiled financial statements but did not perform auditing, accounting or attestation
21 engagements providing some level of assurance during the three years preceding the
22 calendar year in which the application is received]. [Such reviews shall be performed
23 and reported in accordance with standards that are at least comparable to the peer review

1 ~~program of the American Institute of Certified Public Accountants. If the peer review~~
2 ~~report describes material deficiencies, the firm must provide evidence from the reviewer~~
3 ~~or supervising entity that the firm has corrected any material deficiencies within the time~~
4 ~~period set forth in the aforementioned standards or one year from the date of the peer~~
5 ~~review report, whichever is shorter. A firm in existence prior to October 4, 1999, that is~~
6 ~~subject to the aforementioned requirement but has not undergone such a review must~~
7 ~~comply with this requirement by June 30, 2002.]~~

8 ~~[G. The board shall deny the renewal application if the regulant fails to meet the~~
9 ~~renewal requirements.]~~

10 ~~[H.G] If the required renewal fee is received more than 30 days after the expiration~~
11 ~~date but within one year after the expiration date, a late fee will be charged in addition to~~
12 ~~the renewal fee as provided for in 18 VAC 5-21-20.~~

13 **18 VAC 5-21-90. Requirement for reinstatement.**

14 ~~A. In addition to meeting the requirements for renewal set forth in 18 VAC 5-21-80, a~~
15 ~~regulant shall comply with the following requirements if the regulant fails to renew~~
16 ~~within 12 months after the expiration of the applicable certificate:~~

17 ~~1. If the regulant fails to renew his CPA certificate or registration certificate within~~
18 ~~12 months following its expiration or voluntary termination by the holder of a CPA~~
19 ~~certificate or registration certificate, he will be required to present reasons for~~
20 ~~reinstatement.~~

1 2. No application for reinstatement shall be considered while the petitioner is under
2 sentence for criminal offense related to the practice of accountancy, including any
3 period during which the petitioner is on probation or parole for such offense.

4 3. Reinstatement fees, which are nonrefundable and shall not be prorated, are
5 established in 18 VAC 5-21-20.

6 4. Applicants for reinstatement of the CPA certificate shall affirm on a form provided
7 by the board that they continue to meet the standards for entry as set forth in 18 VAC
8 5-21-30, and for renewal as set forth in 18 VAC 5-21-80. Applicants for
9 reinstatement of the registration certificate shall affirm on a form provided by the
10 board that they continue to meet the standards of conduct and applicable standards of
11 practice, and the renewal requirements set forth in 18 VAC 5-21-80.

12 5. If the regulant has failed to renew his CPA certificate or registration certificate for
13 a period of 12 months or longer, a reinstatement fee as set forth in 18 VAC 5-21-20
14 shall be due in addition to the renewal fee and late renewal fee established in 18 VAC
15 5-21-20.

16 6. The renewal fee and late [renewal] fee for each renewal period in which the
17 regulant failed to renew his CPA certificate or registration certificate shall be paid as
18 set forth in 18 VAC 5-21-20.

19 B. If the requirements set forth in subsection A are not met, the board shall advise the
20 applicant that reinstatement has been denied and the reasons for the denial. The
21 reinstatement request may be resubmitted when the applicant believes the matters
22 affecting the reinstatement application have been satisfactorily resolved. The

1 reinstatement applicant may request a proceeding in accordance with the provisions of
2 the Administrative Process Act (§ 9-6.14:4.1 et seq. of the Code of Virginia).

3 **18 VAC 5-21-100. Status of certificate holder during the period prior to**
4 **reinstatement.**

5 A regulant who is reinstated shall be regarded as having been a regulant continuously
6 without interruption. Therefore, the regulant shall remain under the disciplinary authority
7 of the board during this entire period and may be held accountable for his activities
8 during this period. A regulant who is not reinstated shall be regarded as unlicensed from
9 the expiration date of the CPA certificate or registration certificate forward. Nothing in
10 this chapter shall divest the board of its authority to discipline a regulant for a violation of
11 the law or regulations during the period of time for which the regulant held a CPA
12 certificate or registration certificate.

13 **18 VAC 5-21-110. Notification of change of address or name, response to board**
14 **communication.**

15 A. Each regulant shall notify the board in writing within 30 days of any change of
16 address or name.

17 B. Each regulant shall respond within 30 days to any request for information made by
18 the board.

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PART IV.

STANDARDS OF CONDUCT.

18 VAC 5-21-120. Standards of conduct for all regulants.

A. Responsibilities. A regulant shall exercise sensitive professional and moral judgment in all activities.

B. Public interest. A regulant shall act in a way that serves the public interest, honors the public trust, and demonstrates commitment to professionalism.

C. Integrity and objectivity. A regulant shall perform all professional responsibilities with the highest sense of integrity, maintain objectivity and freedom from conflicts of interest in discharging professional responsibilities, and avoid knowingly misrepresenting facts or inappropriately subordinating his judgment to others.

D. Independence. A CPA certificate holder and registration certificate holder shall be independent in fact and appearance when offering to provide or providing services pursuant to the standards listed in the definition of “standards of practice for CPA certificate holders.”

E. Professional competence. A regulant shall undertake only those professional services that can reasonably be expected to be completed with professional competence.

F. Due professional care. A regulant shall exercise due professional care in the performance of professional services.

G. Planning and supervision. A regulant shall adequately plan and supervise the performance of professional services.

1 H. Sufficient relevant data. A regulant shall obtain sufficient relevant data to afford a
2 reasonable basis for conclusions or recommendations in relation to any professional
3 services performed.

4 I. Accounting principles. A CPA certificate holder shall not express an opinion or
5 state affirmatively that financial statements or other financial data of any entity are
6 presented in conformity with generally accepted accounting principles or state that the
7 CPA certificate holder is not aware of any material modifications that should be made to
8 such statements or data in order for them to be in conformity with generally accepted
9 accounting principles, if such statements or data contain any departure from any of the
10 standards described in the definition of the “standards of practice for CPA certificate
11 holders” that has a material effect on the statements or data taken as a whole with the
12 following exception: the CPA certificate holder can demonstrate that, due to unusual
13 circumstances, the financial statements or data would otherwise have been misleading
14 without the departure, and the approximate effects of the departure, if practicable, and the
15 reasons why compliance with the principle would result in a misleading statement are
16 provided in the statements or data.

17 J. Confidential client information. A regulant shall not disclose any confidential client
18 information without the specific consent of the client. This rule shall not be construed to
19 (i) affect in any way the regulant's obligation to comply with a validly issued and
20 enforceable subpoena or summons, or to prohibit a regulant's compliance with applicable
21 laws and government regulations, (ii) prohibit review of a regulant's professional practice
22 by this board, (iii) prohibit a review in conjunction with a prospective purchase, sale or
23 merger of all or part of a regulant's practice so long as the regulant takes appropriate

1 precautions (e.g., through a written confidentiality agreement) so that the prospective
2 purchaser does not disclose any information obtained in the course of the review, or (iv)
3 prohibit a review in conjunction with a peer review of a firm as provided in 18 VAC 5-
4 21-70. The reviewers of such information shall not use to their advantage nor disclose
5 any regulant's confidential client information that comes to their attention.

6 K. Contingent fees. As provided in § 54.1-2007 D 2 and 3 of the Code of Virginia, a
7 CPA certificate holder shall not perform for a contingent fee: (i) any services for, or
8 receive such a fee from, a client for whom the CPA certificate holder or the CPA
9 certificate holder's firm performs services which involve the practice of public
10 accounting, during the period when such services are being provided and during the
11 period covered by the financial statements; or (ii) prepare an original tax return or
12 claim for a tax refund for a contingent fee for any client.

13 [1. Preparation of an original tax return or claim for a tax refund includes giving
14 advice on events that have occurred at the time the advice is given if such advice is
15 directly relevant to determining the existence, character, or amount of a schedule,
16 entry, or other portion of a return or claim for refund.]

17 [2. A fee is considered determined based on the findings of governmental agencies
18 if the regulant can demonstrate a reasonable expectation, at the time of a fee
19 arrangement, of substantive consideration by an agency with respect to the
20 regulant's client. Such an expectation is deemed not reasonable in the case of
21 preparation of original tax returns.]

22 L. Commissions and referral fees.

1 1. Prohibited commissions. As provided in § 54.1-2007 D 1 of the Code of Virginia,
2 a CPA certificate holder shall not recommend to a client any product or services for a
3 commission, or, for a commission, recommend or refer any product or service to be
4 supplied by a client, or receive a commission when the CPA certificate holder also
5 performs for that client any service which involves the practice of public accounting.
6 This prohibition applies during the period in which the CPA certificate holder is
7 providing services which involve the giving of an assurance or during the period
8 covered by any financial statements that were prepared by the CPA certificate holder
9 as a part of such services.

10 2. Disclosure of permitted commissions. As provided in § 54.1-2007 E of the Code
11 of Virginia, a CPA certificate holder who is not prohibited from accepting a
12 commission and who is paid or expects to be paid a commission shall disclose that
13 fact to any person or entity to whom the CPA certificate holder recommends or refers
14 a product or service to which the commission applies.

15 3. Disclosure of referral fees. As provided in § 54.1-2007 F of the Code of Virginia,
16 a CPA certificate holder who accepts a referral fee for recommending or referring any
17 service of a CPA certificate holder shall disclose such payment to the client.

18 M. Acts discreditable. A regulant shall not commit acts discreditable to the profession,
19 as listed in § 54.1-2006 of the Code of Virginia and this chapter.

20 N. Advertising and other forms of solicitation. A regulant shall not seek to obtain
21 clients by advertising or other forms of solicitation in a manner that is false, misleading,
22 or deceptive, or by coercion, overreaching or harassing conduct.

1 O. Form of organization and name. A regulant shall not practice under a firm name
2 that is false, misleading or deceptive.

3 PART V.

4 STANDARDS OF PRACTICE FOR CPA CERTIFICATE HOLDERS.

5 **18 VAC 5-21-130. Standards of practice for CPA certificate holders involved in the**
6 **practice of public accounting or compiling financial statements.**

7 CPA certificate holders shall follow the standards, as applicable under the
8 circumstances, set forth in this section in providing services involving the practice of
9 public accounting or compiling financial statements:

- 10 1. Statements of Financial Accounting Standards issued by the Financial Accounting
11 Standards Board;
- 12 2. Accounting Principles promulgated by the Accounting Principles Board of the
13 American Institute of Certified Public Accountants;
- 14 3. Accounting Principles promulgated by the Committee on Accounting Procedure of
15 the American Institute of Certified Public Accountants;
- 16 4. Statements on Auditing Standards issued by the Auditing Standards Board of the
17 American Institute of Certified Public Accountants;
- 18 5. Statements on Standards for Accounting and Review Services issued by the
19 American Institute of Certified Public Accountants;
- 20 6. Statements of Governmental Accounting and Financial Reporting Standards issued
21 by the Governmental Accounting Standards Board;

1 7. Statements on Governmental Auditing Standards issued by the Comptroller
2 General of the United States;

3 8. Statements on Standards for Attestation Engagements issued by the Accounting
4 and Review Services Committee of the American Institute of Certified Public
5 Accountants; and

6 9. Standards issued by various governmental bodies with which the auditor is
7 required to comply.

8 **18 VAC 5-21-140. Standards of practice for CPA certificate holders providing tax**
9 **compliance and advice.**

10 In addition to the standards of conduct established in 18 VAC 5-21-120, CPA
11 certificate holders who provide tax compliance and tax advisory services shall comply
12 with the [following] standards [of practice: as appropriate under the circumstances, set
13 forth in the Statements on Responsibilities in Tax Practice promulgated by the
14 Responsibilities in Tax Practice Committee and the Tax Executive Committee of the
15 American Institute of Certified Public Accountants.]

16 [1. Due diligence. A CPA certificate holder shall exercise due diligence as to
17 accuracy in preparing, approving and filing, tax returns, documents, affidavits, and
18 other papers relating to income tax matters.]

19 [2. Tax return positions:

20 a. A CPA certificate holder shall not recommend to a client that a position be taken
21 with respect to the tax treatment of any item on a return unless the CPA certificate
22 holder has a good faith belief that the position has a realistic possibility of being

1 ~~sustained administratively or judicially on its merits if challenged, or prepare or~~
2 ~~sign a return as an income tax return preparer if the CPA certificate holder knows~~
3 ~~that the return takes a position that the CPA certificate holder could not recommend~~
4 ~~under the aforementioned standard, except that a CPA certificate holder may~~
5 ~~recommend a position that the CPA certificate holder concludes is not frivolous so~~
6 ~~long as the position is adequately disclosed on the return or claim for refund.~~

7 ~~b. In recommending certain tax return positions and in signing a return on which a~~
8 ~~tax return position is taken, a CPA certificate holder shall advise the client, where~~
9 ~~relevant, as to the potential penalty consequences of the recommended tax return~~
10 ~~position and the opportunity, if any, to avoid such penalties through disclosure.~~

11 ~~c. A CPA certificate holder shall not recommend a tax return position that exploits~~
12 ~~the tax authority's tax election process, or serves as a mere "arguing" position~~
13 ~~advanced solely to obtain leverage in the bargaining process of settlement~~
14 ~~negotiation with the tax authority.]~~

15 ~~[3. Answers to questions on returns. A CPA certificate holder shall make a~~
16 ~~reasonable effort to obtain from the client, and provide, appropriate answers to all~~
17 ~~questions on a tax return before signing as preparer.]~~

18 ~~[4. Certain procedural aspects of preparing returns.~~

19 ~~a. In preparing or signing a return, the CPA certificate holder may in good faith~~
20 ~~rely without verification upon information furnished by the client or by third~~
21 ~~parties; however, the CPA certificate holder shall not ignore the implications of~~
22 ~~information furnished and shall make reasonable inquiries if the information~~

1 ~~furnished appears to be incorrect, incomplete, or inconsistent either on its face or on~~
2 ~~the basis of other facts known to the CPA certificate holder.~~

3 ~~b. Where the tax authority imposes a condition to deductibility or other tax~~
4 ~~treatment of an item (such as taxpayer maintenance of books and records or~~
5 ~~substantiating documentation to support the reported deduction or tax treatment),~~
6 ~~the CPA certificate holder shall make appropriate inquiries to determine to the CPA~~
7 ~~certificate holder's satisfaction whether conditions for deductibility or other tax~~
8 ~~treatment of an item (such as taxpayer maintenance of books and records or~~
9 ~~substantiating documentation to support the reported deduction or tax treatment)~~
10 ~~has been met.~~

11 ~~c. The CPA certificate holder who is required to sign the return shall consider~~
12 ~~information actually known to the CPA certificate holder from the tax return of~~
13 ~~another client when preparing a tax return if the information is relevant to that tax~~
14 ~~return, its consideration is necessary to properly prepare that tax return, and use of~~
15 ~~such information does not violate any law or rule relating to confidentiality.]~~

16 ~~[5. Use of estimates. A CPA certificate holder may prepare tax returns involving the~~
17 ~~use of the taxpayer's estimates if it is impracticable to obtain exact data and the~~
18 ~~estimated amounts are reasonable under the facts and circumstances known to the~~
19 ~~CPA certificate holder and so long as the presentation does not imply greater~~
20 ~~accuracy than exists.]~~

21 ~~[6. Departure from a position previously concluded in an administrative proceeding~~
22 ~~or court decision. A CPA certificate holder shall base a recommendation of a~~
23 ~~position to be taken concerning the tax treatment of an item in the preparation or~~

1 ~~signing of a tax return upon the facts and the law as they are evaluated at the time the~~
2 ~~return is prepared or signed by the CPA certificate holder.]~~

3 ~~[7. Knowledge of error: return preparation.~~

4 ~~a. A CPA certificate holder shall inform the client promptly upon becoming aware~~
5 ~~of an error in a previously filed return or upon becoming aware of a client's failure~~
6 ~~to file a required return and recommend the measures to be taken.~~

7 ~~b. If the CPA certificate holder is requested to prepare the current year's return and~~
8 ~~the client has not taken appropriate action to correct an error in a prior year's return,~~
9 ~~the CPA certificate holder shall consider whether to withdraw from preparing a~~
10 ~~return and whether to continue a professional relationship with a client.]~~

11 ~~[8. Knowledge of error: administrative proceedings. When the CPA certificate~~
12 ~~holder is representing a client in an administrative proceeding with respect to a return~~
13 ~~which contains an error of which the CPA certificate holder is aware, the CPA~~
14 ~~certificate holder shall inform the client promptly upon becoming aware of the error,~~
15 ~~recommend the measures to be taken, and request the client's agreement to disclose~~
16 ~~the error to the tax authority. Lacking such agreement, the CPA certificate holder~~
17 ~~shall consider whether to withdraw from representing the client in the administrative~~
18 ~~proceeding and whether to continue in a professional relationship with the client.]~~

19 ~~[9. Form and content of advice to clients.~~

20 ~~a. In providing tax advice, the CPA certificate holder shall use judgment to ensure~~
21 ~~that the tax advice given to a client reflects professional competence and~~
22 ~~appropriately serves the client's needs.~~

1 ~~b. In advising or consulting with a client on tax matters, the CPA certificate holder~~
2 ~~shall assume that the advice or consultation provided a client on tax matters will~~
3 ~~affect the manner in which the matters or transactions considered ultimately will be~~
4 ~~reported on the client's tax returns.]~~

5 **18 VAC 5-21-150. Standards of practice for CPA certificate holders providing**
6 **consulting services.**

7 A CPA certificate holder providing management consulting advisory services shall
8 comply with the following standards of practice:

9 1. Client interest. Serve the client interest by seeking to accomplish the objectives
10 established by the understanding with the client while maintaining integrity and
11 objectivity.

12 2. Understanding with client. Establish with the client a written or oral
13 understanding about the responsibilities of the parties and the nature, scope, and
14 limitations of services to be performed, and modify the understanding if
15 circumstances require a significant change during the engagement.

16 3. Communication with client. Inform the client of (i) conflicts of interest that may
17 occur pursuant to interpretations of the standards of conduct established in 18 VAC 5-
18 21-120; (ii) significant reservations concerning the scope of benefits of the
19 engagement; and (iii) significant engagement findings or events.

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PART VI.

2

STANDARDS OF PRACTICE FOR FIRMS HOLDING REGISTRATION

3

CERTIFICATES.

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18 VAC 5-21-160. Standards of practice for firms holding registration certificates.

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A. Use of terms by firms. No firm having an office in Virginia shall use or assume the title or designation “certified public accountant,” “public accountant,” “CPA,” or any other title, designation, phrase, acronym, abbreviation, sign, card, or device tending to indicate that it is offering to practice or is practicing public accountancy unless at least 51% of the owners currently hold a valid CPA certificate or CPA certificate by endorsement.

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B. Management of offices. Each firm’s office or offices located in Virginia that is offering services involving the practice of public accountancy shall be managed by a certified public accountant holding a valid CPA certificate.

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C. Client's records. Upon request, a firm shall furnish to the firm's client or former client, within a reasonable time, any accounting or other record prepared by and belonging to the client, or obtained from or on behalf of the client, which the regulant or another member of his firm removed from the client or the client’s premises, or had received for the client's account.

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D. Ownership of regulant's working papers and records. All working papers, including but not limited to statements, programs, records, schedules, and memoranda, prepared by the regulant incident to rendering services to a client are the property of the regulant's firm absent an express agreement between the firm and the client to the contrary. Such

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1 working papers shall not be sold, transferred, or bequeathed, to anyone other than a
2 regulant without the consent of the client, except this rule shall not be construed to (i)
3 affect in any way the regulant's obligation to comply with a validly issued and
4 enforceable subpoena or summons, or to prohibit a regulant's compliance with applicable
5 laws and government regulations or (ii) prohibit a transfer to another firm licensed in
6 Virginia in conjunction with a sale or merger of all or part of a member's practice so long
7 as the regulant takes appropriate precautions (e.g., through a written confidentiality
8 agreement) so that the purchaser or merging entity does not disclose any information
9 obtained in the transaction. The purchaser or party to a merger shall not use to their
10 advantage nor disclose any member's confidential client information that comes to their
11 attention.

12 E. Peer review. If required, a firm shall comply with the peer review requirements of
13 18 VAC 5-21-70.

14 F. Power of inspection. The board and its duly authorized agents shall have the power
15 to inspect the work product and all supporting working papers and records of all regulants
16 in connection with an investigation or relating to compliance with statutes and
17 regulations.

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PART VII.

CONTINUING PROFESSIONAL EDUCATION.

18 VAC 5-21-170. Continuing professional education requirements [for CPA certificate applicants and] for CPA certificate holders.

A. [~~CPE requirements for CPA certificate renewal~~ Use of CPA designation and performing services for the public.]

1. As provided in § 54.1-2004 B of the Code of Virginia, any person referring to himself as a Certified Public Accountant or “CPA,” including the use of the “CPA” title on individual business cards, letterhead and all other documents and devices except the CPA [wall] certificate, and who is performing or offering to perform any services involving accounting skills or auditing skills, issuing reports on financial advisory or consulting services, preparing tax returns, or furnishing advice on tax matters, for the public, shall obtain 120 hours of [~~continuing professional education (CPE)~~ CPE] during each CPE reporting cycle with a minimum of 20 hours per CPE reporting year. The CPA certificate holder may choose the areas of study and courses.

2. Any person covered by this provision who, prior to implementation of § 54.1-2004 B of the Code of Virginia on October 4, 1999, provided one or more of the services described in subdivision 1 of this subsection but was not required to obtain CPE, shall obtain at least 20 hours of CPE in each of the CPE reporting years 2000, 2001 and 2002 and meet the [~~420-hour~~ 120-hour] requirement for the [CPE] reporting cycle ending [~~June 30~~ December 31], 2002.

1 [3. Any person applying for a CPA certificate pursuant to 18 VAC 5-21-40 three or
2 more years after his successful completion of the CPA examination and who intends
3 to provide the services described in subdivision A 1 of this section shall, in addition,
4 submit evidence of having met the 120-hour CPE requirement in subdivision A 1 of
5 this section as though subdivision A 1 of this section had been applicable to the
6 applicant during the three calendar years prior to the date of his application.]

7 [~~3.~~ 4. Any person commencing Any CPA certificate holder whose original CPA
8 certificate application was received by the board fewer than three years after his
9 successful completion of the CPA examination who commences] the services
10 described in subdivision 1 of this subsection after December 31, 2000, shall have
11 obtained 40 hours of CPE within the [~~year~~ 12 months] preceding the date such
12 services are first offered to the public and obtain the remaining 80 hours of CPE by
13 the end of the second CPE reporting year following the date of commencing such
14 services with no less than 20 hours in each of these two CPE reporting years.

15 [~~4. The June 30 CPE reporting year commenced on July 1, 1999, for purposes of~~
16 ~~CPE certificate renewals on or after September 30, 2000. For purposes of initial~~
17 ~~adoption of a June 30 CPE reporting year, CPE credits obtained during the six month~~
18 ~~period ended June 30, 1999, may be included in the CPE reporting year ending June~~
19 ~~30, 2000.]~~

20 [B. Use of CPA designation and performing services other than for the public.]

21 [~~5.1~~] As provided in § 54.1-2004 C of the Code of Virginia, effective July 1, 2002,
22 any person referring to himself as a Certified Public Accountant or “CPA,” including
23 the use of the “CPA” title on individual business cards, letterhead and all other

1 documents and devices except the CPA [wall] certificate, and who is performing or
2 offering to perform any services involving accounting skills or auditing skills, issuing
3 reports on financial advisory or consulting services, preparing tax returns, or
4 furnishing advice on tax matters, for an employer or other organization and not for
5 the public, or who is employed as an educator in the field of accounting, shall meet
6 the following CPE requirements as a condition of renewal of the person's CPA
7 certificate: (i) for the three-year reporting period beginning July 1, 2002, a minimum
8 of 45 credit hours with a minimum of 10 hours per year, (ii) for the three-year
9 reporting period beginning July 1, 2005, a minimum of 90 credit hours with a
10 minimum of 15 hours per year, and (iii) for the three-year reporting periods beginning
11 on or after July 1, 2008, a minimum of 120 credit hours with a minimum of 20 hours
12 per year. The CPA certificate holder may choose the areas of study and courses.

13 [6.2] Individuals failing to meet the CPE requirements may be subject to
14 requalification, including possible re-examination and submission of experience
15 qualifications. The board may, at its discretion, waive or defer CPE requirements so
16 long as such waiver or deferral is in the public interest.

17 [3. Any person applying for a CPA certificate pursuant to 18 VAC 5-21-40 three or
18 more years after his successful completion of the CPA examination and who intends
19 to provide the services described in subdivision B 1 of this section shall, in addition,
20 submit evidence of having met the CPE requirement of subdivision B 1 of this section
21 as though subdivision B 1 of this section had been applicable to the applicant during
22 the three calendar years prior to the date of his application. Furthermore, if such
23 person obtained his CPA certificate at a time when he did not intend to provide

1 services for the public and subsequently decides to provide for the public the services
2 described in 18 VAC 5-21-170 A 1, then such regulant shall, prior to performing such
3 services, meet the 120-hour requirement of 18 VAC 5-21-170 A 1.]

4 [C. Use of CPA designation and not performing services

5 1. Any CPA certificate holder who is not performing or offering to perform any of
6 the services described in subdivision A 1 or B 1 of this section is not required to meet
7 CPE requirements.

8 2. Any CPA certificate holder who ceases to perform services for the public shall
9 meet the CPE requirements described in subdivision A 1 of this section for any
10 reporting year in which he performed those services. Any CPA certificate holder who
11 performs services for the public for less than a complete reporting cycle shall
12 complete at least 20 hours in each reporting year that he did perform services for the
13 public during the reporting cycle.]

14 [B.D] Requirements for retaining records.

15 1. It is the responsibility of the CPA certificate holder to retain evidence of
16 satisfactory completion of CPE credit hours for a period of three years from the
17 anniversary date of renewal. Such documentation shall be in the form of the
18 certificate of completion provided by the sponsor [~~or~~], verification from the
19 institution offering the course [, written statement from the course provider verifying
20 the regulant's attendance, or any other documentation deemed acceptable by the
21 board].

1 2. The CPA certificate holder shall provide such documentation to the board or its
2 authorized agent upon request.

3 [C.E.] Continuing professional education credit.

4 1. One credit hour shall be given for each 50-minute period of instruction. One
5 semester hour of college credit is 15 CPE credit hours and one quarter hour of college
6 credit is 10 CPE credit hours.

7 2. A CPA certificate holder who instructs courses that qualify for CPE credit for
8 participants will be awarded two additional hours of CPE for each credit hour of
9 instruction. The instructor shall retain evidence to support the request for credit. The
10 instructor shall be given no credit for subsequent sessions involving substantially
11 identical subject matter. The credit given for instructing shall not exceed 30 credit
12 hours per CPE [~~three-year period~~ reporting cycle].

13 3. CPE credit hours for successful completion of a self-study course shall be
14 established by the sponsor according to the type of CPE self-study program and pre-
15 tests to determine average completion time. Interactive self-study programs shall
16 receive CPE credit equal to the average completion time. Noninteractive self-study
17 programs shall receive CPE credit equal to one-half of the average completion time.
18 For example, an interactive self-study program that takes an average of two contact
19 hours to complete shall receive two CPE credit hours, and a noninteractive self-study
20 program that takes an average of two contact hours to complete shall receive one CPE
21 credit hour.

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1 I certify that this regulation is full, true, and correctly dated.

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3 David E. Dick, Assistant Director

4 Department of Professional and Occupational Regulation

5 Date: February 27, 2001