Within the stated calendar quarter, this Title contains all rules made, amended, repealed, renumbered, and recodified; or rules that have expired or were terminated due to an agency being eliminated under sunset law. These rules were either certified by the Governor’s Regulatory Review Council or the Attorney General’s Office; or exempt from the rulemaking process, and filed with the Office of the Secretary of State. Refer to the historical notes for more information. Please note that some rules you are about to remove may still be in effect after the publication date of this Supplement. Therefore, all superseded material should be retained in a separate binder and archived for future reference.

TITLE 4. Professions and Occupations
Chapter 1. Board of Accountancy
Sections, Parts, Exhibits, Tables or Appendices modified
R4-1-455.03

☐ REMOVE Supp. 14-1
Pages: 1 - 17
☐ REPLACE with Supp. 17-2
Pages: 1 - 18

The agency's contact person who can answer questions about rules in this Chapter:

Name: Monica L. Petersen, Executive Director
Address: Board of Accountancy
100 N. 15th Ave., Suite 165
Phoenix, AZ 85007
Telephone: (602) 364-0870
Fax: (602) 364-0903
E-mail: mpetersen@azaccountancy.gov
Web site: www.azaccountancy.gov

Disclaimer: Please be advised the person listed is the contact of record as submitted in the rulemaking package for this supplement. The contact and other information may change and is provided as a public courtesy.

PUBLISHER
Arizona Department of State
Office of the Secretary of State, Administrative Rules Division
Under Arizona law, the Department of State, Office of the Secretary of State (Office), accepts state agency rule filings and is the publisher of Arizona rules. The Office of the Secretary of State does not interpret or enforce rules in the Administrative Code. Questions about rules should be directed to the state agency responsible for the promulgation of the rule.

Scott Cancelosi, Director
ADMINISTRATIVE RULES DIVISION
June 30, 2017

RULES
A.R.S. § 41-1001(17) states: “‘Rule’ means an agency statement of general applicability that implements, interprets, or prescribes law or policy, or describes the procedures or practice requirements of an agency.”

THE ADMINISTRATIVE CODE
The Arizona Administrative Code is where the official rules of the state of Arizona are published. The Code is the official codification of rules that govern state agencies, boards, and commissions. Virtually everything in your life is affected in some way by rules published in the Arizona Administrative Code, from the quality of air you breathe to the licensing of your dentist. This chapter is one of more than 230 in the Code compiled in 21 Titles.

ADMINISTRATIVE CODE SUPPLEMENTS
Rules filed by an agency to be published in the Administrative Code are updated quarterly. Supplement release dates are printed on the footers of each chapter:

First Quarter: January 1 - March 31
Second Quarter: April 1 - June 30
Third Quarter: July 1 - September 30
Fourth Quarter: October 1 - December 31

For example, the first supplement for the first quarter of 2017 is cited as Supp. 17-1.

HOW TO USE THE CODE
Rules may be in effect before a supplement is released by the Office. Therefore, the user should refer to issues of the Arizona Administrative Register for recent updates to rule Sections.

ARTICLES AND SECTIONS
Rules in chapters are divided into Articles, then Sections. The “R” stands for “rule” with a sequential numbering and lettering system separated into subsections.

HISTORICAL NOTES AND EFFECTIVE DATES
Historical notes inform the user when the last time a Section was updated in the Administrative Code. Be aware, since the Office publishes each quarter by entire chapters, not all Sections are updated by an agency in a supplement release. Many times just one Section or a few Sections may be updated in the entire chapter.

ARIZONA REVISED STATUTE REFERENCES
The Arizona Revised Statutes (A.R.S.) are available online at the Legislature’s website, www.azleg.gov. An agency’s authority note to make rules is often included at the beginning of a chapter. Other Arizona statutes may be referenced in rule under the A.R.S. acronym.

SESSION LAW REFERENCES
Arizona Session Law references in the introduction of a chapter can be found at the Secretary of State’s website, www.azsos.gov/services/legislative-filings.

EXEMPTIONS FROM THE APA
It is not uncommon for an agency to be exempt from the steps outlined in the rulemaking process as specified in the Arizona Administrative Procedures Act, also known as the APA (Arizona Revised Statutes, Title 41, Chapter 6, Articles 1 through 10). Other agencies may be given an exemption to certain provisions of the Act.

An agency’s exemption is written in law by the Arizona State Legislature or under a referendum or initiative passed into law by Arizona voters.

When an agency files an exempt rulemaking package with our Office it specifies the law exemption in what is called the preamble of rulemaking. The preamble is published in the Arizona Administrative Register online at www.azsos.gov/rules, click on the Administrative Register link.

In the Administrative Code the Office includes editor’s notes at the beginning of a chapter indicating that certain rulemaking Sections were made by exempt rulemaking. Exempt rulemaking notes are also included in the historical note at the end of a rulemaking Section.

The Office makes a distinction to certain exemptions because some rules are made without receiving input from stakeholders or the public. Other exemptions may require an agency to propose exempt rules at a public hearing.

EXEMPTIONS AND PAPER COLOR
If you are researching rules and come across rescinded chapters on a different paper color, this is because the agency filed a Notice of Exempt Rulemaking. At one time the office published exempt rules on either blue or green paper. Blue meant the authority of the exemption was given by the Legislature; green meant the authority was determined by a court order. In 2001 the Office discontinued publishing rules using these paper colors.

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Public Services managing rules editor, Rhonda Paschal, assisted with the editing of this chapter.
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ARTICLE 1. GENERAL

R4-1-101. Definitions
A. The definitions in A.R.S. § 32-701 apply to this chapter.
B. In this chapter, unless the context otherwise requires:
   1. “Compilation services” has the same meaning as Section 60.05 of the Statements on Standards for Accounting and Review Services No. 19, issued December 2009 and published June 1, 2013, by the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, New York 10036-8775, which is incorporated by reference. This incorporation by reference does not include any later amendments or editions. The incorporated material is available for inspection and copying at the Board’s office.
   2. “Contested case” means any proceeding in which the legal rights, duties, or privileges of a party are required by law to be determined by any agency after an opportunity for hearing.
   3. “CPE” or “continuing professional education” means attending classes, writing articles, conducting or teaching courses, and taking self-study courses if the activities contribute to maintaining and improving of professional competence in accounting.
   4. “Educational Enhancement Review” means an assessment by the PROAC of one or more aspects of the professional work of a firm that performs only nondisclosure compilation services.
   5. “Full-disclosure compilation services” means a compilation of financial statements that does not omit substantially all disclosures.
   6. “Nondisclosure compilation services” means a compilation of financial statements that omits substantially all disclosures.
   7. “Party” means each person or agency named or admitted as a party, or properly seeking and entitled, as of right, to be admitted as a party.
   8. “Peer review” means an assessment of one or more aspects of the professional work of a firm that is registered with the Board to practice public accounting and performs attest services or full-disclosure compilation or nondisclosure compilation services conducted according to R4-1-454 (K).
   9. “Person” may include any individual, and any form of corporation, partnership, or professional limited liability company.
   10. “Upper division course” means a course taken beyond the basic level, after any required prerequisite or introductory accounting course and does not include principals of accounting or similar introductory accounting courses.

Historical Note

R4-1-103. Repealed

Historical Note
Former Rule 2E; Former Section R4-1-03 renumbered as Section R4-1-103 without change effective July 1, 1983 (Supp. 83-4). Repealed effective August 21, 1986 (Supp. 86-4).

R4-1-104. Board Records; Public Access; Copying Fees
A. The Board shall maintain all records, subject to A.R.S. Title 39, Chapter 1, reasonably necessary or appropriate to maintain an accurate knowledge of the Board’s official activities including, but not limited to:
   1. Applications for C.P.A. and P.A. certificates and supporting documentation and correspondence;
   2. Applications to take the Uniform Certified Public Accountant Examination;
   3. Registration for registrants;
   4. Documents, transcripts, and pleadings relating to disciplinary proceedings and to hearings on the denial of a certificate; and;
   5. Investigative reports; staff memoranda; and general correspondence between any person and the Board, members of the Board, or staff members.

B. Except as provided in R4-1-105, all records of the Board are available for public inspection and copying as provided in this Section.

C. Any person desiring to inspect or obtain copies of records of the Board available to the public under this section shall make a request to the Board’s Executive Director or the Director’s designee. The Executive Director or the director’s designee shall, as soon as possible within a reasonable time, advise the person making the request whether the records sought can be made available, or, if the Executive Director or the director’s designee is unsure whether a record may be made available for public inspection and copying, the Executive Director or the director’s designee shall refer the matter to the Board for final determination.

D. A person shall not remove original records of the Board from the office of the Board unless the records are in the custody and control of a board member, a member of the Board’s committees or staff, or the Board’s attorney. The Executive Director or the director’s designee may designate a staff member to observe and monitor any examination of Board records.

E. The Board shall provide copies of all records available for public inspection and copying shall be provided according to the procedures described in A.R.S. Title 39, Chapter 1, Article 2.

F. Any person aggrieved by a decision of the Executive Director or the director’s designee denying access to records of the Board may request a hearing before the Board to review the
action of the Executive Director or the director’s designee by filing a written request for hearing. Within 60 days of receipt of the request, the Board shall conduct a hearing on the matter. If the person requires immediate access to Board records, the person may request and may be granted an earlier hearing, if the person sets forth sufficient grounds for immediate access.

Historical Note

R4-1-105. Confidential Records
A. Complaints, reports, photographs, transcripts, correspondence and other documents relating to an investigation by the Board of possible violations of the Arizona State Board of Accountancy statutes or this chapter shall not be made available for public inspection and copying, except that investigatory records shall be made available for public inspection and copying when a civil enforcement or disciplinary proceeding against the person who is the subject of the investigation is instituted.

B. Correspondence between the Board, members of the Board or staff members, or members of the Board’s committees and the Board’s attorney shall not be made available for public inspection and copying.

C. An examinee’s scores on the Uniform Certified Public Accountant Examination shall not be made available for public inspection and copying, except that the Board may disclose the identity of those who pass the examination after the date set by it for the release of scores.

D. Letters of reference received in connection with applications for certificates shall not be made available for public inspection and copying.

E. Resumes, employment applications, personnel evaluations and injury reports regarding employees of the Board or applicants for employment shall not be made available for public inspection and copying, except that the records shall be disclosed as directed by the employee or applicant concerned.

F. Minutes of executive sessions of the Board and its advisory committees and executive session agendas containing confidential information shall not be made available for public inspection or copying.

G. The Board may, in the case of a record not otherwise made confidential by this Section, order that the record not be made available for public inspection or copying whenever the Board determines that public disclosure of the record would have a significant and adverse effect on the Board’s ability to perform its duties or would otherwise be detrimental to the best interests of the state.

H. Notwithstanding subsections (A) through (G), the Board may order that any record of the Board made confidential under this Section be made available for public inspection and copying when it determines that the reasons justifying the confidentiality of the record no longer exist.

Historical Note

R4-1-106. Reserved
R4-1-107. Reserved
R4-1-108. Reserved
R4-1-109. Reserved
R4-1-110. Reserved
R4-1-111. Reserved
R4-1-112. Reserved
R4-1-113. Meetings
The Board and Board committees shall conduct meetings in accordance with the current edition of Robert’s Rules of Order if the rules are compatible with the laws of the state of Arizona or the Board’s own resolutions regarding meetings.

1. Regular and special meetings of the Board for the purpose of conducting business shall be called by the President or a majority of the board members.

2. Regular and special meetings of the committees shall be called by the chairperson or a majority of the committee members.

Historical Note

R4-1-114. Hearing: Rehearing or Review
A. Hearing: The Board or an Administrative Law Judge (ALJ) employed by the Office of Administrative Hearings (OAH) shall hear all contested cases and appealable agency actions. The Board shall conduct hearings according to the provisions of A.R.S. Title 41, Chapter 6, Article 10 as supplemented by R4-1-117. The OAH shall conduct hearings according to A.R.S. Title 41, Chapter 6, Article 10 and the rules and procedures established by the OAH. To the extent that there is no conflict with A.R.S. Title 41, Chapter 6, Article 10, the provisions of A.R.S. § 32-743 apply to hearings conducted by the Board and the OAH. The following subsections apply to hearings conducted by the Board and hearings conducted by the OAH where applicable.

1. Power to join any interested party: Any board member or the ALJ may join as a party applicant or as a party defendant, any person, firm or corporation, that appears to have an interest in the matter before the Board.

2. Stipulation at hearing: The parties may stipulate to facts that are not in dispute. The stipulation may be in writing or may be made orally by reading the stipulation into the record at the hearing. The stipulation is binding upon the parties unless the Board or the ALJ grants permission to withdraw from the stipulation. The Board or the ALJ may set aside any stipulation.

3. Settlements and consent orders: At any time before or after formal disciplinary proceedings have been instituted against a registrant, the registrant may submit to the Board an offer of conditional settlement to avoid formal disciplinary proceedings by the Board. In the offer of conditional settlement, the registrant shall agree to take specific remedial steps such as enrolling in CPE courses, limiting the scope of the registrant’s practice, accepting limitation on the filing of public reports, and submitting the registrant’s work product for peer review. If the Board determines that the proposed conditional settlement will protect the public safety and welfare and is more likely to
rehabilitate or educate the registrant than formal disciplinary action under A.R.S. § 32-741, the Board may accept the offer and enter an order that incorporates the registrant’s proposed conditional settlement and to which the registrant consents. A consent order issued under this subsection shall provide that, upon successful compliance by the registrant with all provisions of the order, the disciplinary proceedings shall be terminated and any notice of hearing previously issued shall be vacated. The consent order shall further provide that, upon failure of the registrant to comply with all provisions of the order, or upon the discovery of material facts unknown to the Board at the time the Board issued the order, formal disciplinary proceedings against the registrant may be instituted or resumed. The consent order additionally may provide that, upon failure of the registrant to comply with all provisions of the order, the Board may immediately and summarily suspend the registrant’s certificate for not more than one year. Within 30 days after the summary suspension, the registrant may request a hearing solely concerning the issue of compliance with the consent order.

4. Decisions and orders: The Board shall make all decisions and orders by a majority vote of the members considering the case. The Board shall issue a final written decision in a contested case or state the decision on the record. The decision shall state separately the findings of fact and conclusions of law on which the decision is based, and the Board’s order to implement the decision. All written decisions and orders of the Board shall be signed by the President or Secretary of the Board. When the Board suspends or revokes the certificate of a registrant, the Board may order the registrant to return the registrant’s certificate within 30 days after receipt of the order. The Board shall serve each party, each attorney of record, and the Attorney General with a copy of each decision or order of the Board, as provided in R4-1-117.

B. ALJ: In hearings conducted by the OAH, the ALJ shall provide the Board with written findings of fact, conclusions of law, and a recommended order within 20 days after the conclusion of the hearing or as otherwise provided by A.R.S. Title 41, Chapter 6, Article 10. The Board’s decision approving or modifying the ALJ’s recommendations is the final decision of the Board, subject to the filing of a motion for rehearing or review as provided in subsection (C).

C. Rehearing or Review: Any party aggrieved by a decision of the Board may file with the Board a written motion for rehearing or review within 30 days after service of the decision specifying the particular grounds for the motion. The Attorney General may file a response to the motion for rehearing within 15 days after service of the motion. The Board may request the filing of written briefs upon issues raised in the motion for rehearing or review and provide for oral argument. Upon review of the documents submitted, the Board may modify the decision or vacate it and grant a rehearing for any of the following causes materially affecting a party’s rights:

1. Irregularity in the administrative proceedings or any order or abuse of discretion, that deprived a party of a fair hearing;
2. Misconduct of the Board or the ALJ;
3. Accident or surprise that could not have been prevented by ordinary prudence;
4. Newly discovered material evidence, that could not with reasonable diligence have been discovered and produced at the original hearing;
5. Excessive or insufficient penalties;
6. Error in the admission or rejection of evidence or other errors of law occurring at the administrative hearing, or during the progress of the proceeding; or
7. That the findings of fact or decision is not justified by the evidence or is contrary to law.

Historical Note

R4-1-115. Accounting and Auditing and Tax Advisory Committees A. The Board may appoint advisory committees concerning accounting reports, taxation and other areas of public accounting as the Board deems appropriate. The committees shall evaluate investigation files referred by the Board, hold voluntary informal interviews and make advisory recommendations to the Board concerning settlement, dismissal or other disposition of the reviewed matter.

B. The Board, in its discretion, may accept, reject, or modify the recommendation of the advisory committee.

Historical Note

R4-1-115.01. Law Review Advisory Committee A. The Board may appoint an advisory committee to assist in the evaluation of statutory and regulatory provisions. The committee shall make advisory recommendations to the Board.

B. The Board, in its discretion, may accept, reject, or modify the recommendations of the advisory committee.

Historical Note

R4-1-115.02. Continuing Professional Education Advisory Committee A. The Board may appoint an advisory committee to assist in the evaluation of CPE. The committee shall make advisory recommendations to the Board concerning the following:

1. CPE programs;
2. A registrant’s satisfaction of CPE requirements; and
3. A registrant’s compliance with disciplinary orders requiring CPE.

B. The Board, in its discretion, may accept, reject, or modify the recommendations of the advisory committee.

Historical Note

R4-1-115.03. Peer Review Oversight Advisory Committee A. The Board may appoint an advisory committee to monitor and conduct the peer review program. Upon appointment the committee shall:

1. Advise the Board on matters relating to the peer review program;
2. Report to the Board on effectiveness of the peer review program;
3. Provide the Board with a list of firms that have met the peer review requirements;
4. Update the Board on the status of participating firms’ noncompliance with the requirements of R4-1-454;
5. Maintain documents in a manner that preserves the confidentiality of persons, including information pertaining to a specific business organization which may be disclosed to the committee during the course of its business; and
6. Report to the Board and obtain approval of any modification to the peer review program.

B. The Board may accept, reject, or modify recommendations of the Peer Review Oversight Advisory Committee.

Historical Note
New Section made by final rulemaking at 10 A.A.R. 4352, effective December 4, 2004 (04-4). Amended by final rulemaking at 20 A.A.R. 520, effective February 4, 2014 (Supp. 14-1).

R4-1-115.04 Certification Advisory Committee
A. The Board may appoint an advisory committee to assist in the evaluation of applicants for the Uniform Certified Public Accountant Examination and for certified public accountant. The committee shall review applications, transcripts, and related materials, and make advisory recommendations to the Board concerning the qualifications of applicants for the Uniform Certified Public Accountant Examination and for certification of certified public accountants.
B. The Board, in its discretion, may accept, reject, or modify the advisory recommendation in determining the qualifications of applicants.

Historical Note
New Section R4-1-115.04 renumbered from R4-1-116 and amended by final rulemaking, effective February 4, 2014 (Supp. 14-1).

R4-1-116. Renumbered
New Section made by final rulemaking at 10 A.A.R. 4352, effective December 4, 2004 (04-4). Amended by final rulemaking at 20 A.A.R. 520, effective February 4, 2014 (Supp. 14-1).

R4-1-117. Procedure: Witnesses; Service
A. Pleadings; depositions; briefs; and related documents. A party shall print or type all pleadings, depositions, briefs, and related documents and use only one side of the paper.
B. Witness’ depositions. If a party wants to take the oral deposition of a witness residing outside the state, the party shall file with the Board a petition for permission to take the deposition stating the name and address of the witness and describing in detail the nature and substance of the testimony expected to be given by the witness. The petition may be denied if the testimony of the witness is not relevant and material. If the petition is granted, the party may proceed to take the deposition of the witness by complying with the Arizona Rules of Civil Procedure. The party applying to the Board for permission to take a deposition shall bear the expense of the deposition.
C. Witness’ interrogatories. A party desiring to take the testimony of a witness residing outside the state by means of interrogatories may do so by serving the adverse party as in civil matters and by filing with the Board a copy of the interrogatories and a statement showing the name and address of the witness. The adverse party may file in duplicate cross-interrogatories with a copy of the statement within 10 days following service on the adverse party. A party that objects to the form of an interrogatory or cross-interrogatory may file a statement of the objection with the Board within five days after service of the interrogatories or cross-interrogatories and may suggest to the Board any amendment to an interrogatory or cross-interrogatory. The Board may amend, add, or strike out an interrogatory or cross-interrogatory when the Board determines it is proper to do so.
1. Notwithstanding the fact that a party may petition for permission to take the oral deposition of a witness, the Board may require that the information be provided through written interrogatories and serve副本 versa.
2. A party shall provide a copy of answers to the interrogatories to the Board within 45 days after the interrogatories are answered.

D. Subpoenas. The Board officer presiding at a hearing may authorize subpoenas for the attendance of witnesses and for the production of books, records, documents, and other evidence, and shall administer oaths. A party desiring the Board to issue a subpoena for the production of evidence, documents or to compel the appearance of a witness at a hearing shall apply for the subpoena in writing stating the substance of the witness’s testimony. If the testimony appears to be relevant and material, the Board shall issue the subpoena. Affixing the seal of the Board and the signature of a Board officer is sufficient to show that the subpoena is genuine. The party applying for the subpoena shall bear the expense of service.

E. Service.
1. Service of any decision, order, subpoena, notice, or other document may be made personally in the same manner as a summons served in a civil action. If a document is served personally, service is deemed complete at the time of delivery.
2. Except as provided in subsection (E)(5), service of any document may also be made by personal service or by enclosing a copy of the document in a sealed envelope and depositing the envelope in the United States mail, with first-class postage prepaid, addressed to the party, at the address last provided to the Board.
3. Service by mail is deemed complete when the document to be served is deposited in the United States mail. If the distance between the place of mailing and the place of address is more than 100 miles, service is deemed complete one day after the deposit of the document for each 100 miles to a maximum of six days after the date of mailing.
4. In computing time, the date of mailing is not counted. All intermediate Sundays and holidays are counted. If the last day falls on a Sunday or holiday, that day is not counted and service is considered completed on the next business day.
5. The Board shall mail each notice of hearing and final decision by certified mail to the last known address reflected in the records of the Board.
6. Service on attorney. Service on an attorney who has appeared for a party constitutes service on the party.
7. Proof of service. A party shall demonstrate proof of service by filing an affidavit, as provided by law, proof of mailing by certified mail, or an affidavit of first-class mailing.

Historical Note
rulemaking at 20 A.A.R. 520, effective February 4, 2014 (Supp. 14-1).

R4-1-118. Repealed

Historical Note

ARTICLE 2. CPA EXAMINATION

R4-1-201. Reserved
R4-1-202. Reserved
R4-1-203. Reserved
R4-1-204. Reserved
R4-1-205. Reserved
R4-1-206. Reserved
R4-1-207. Reserved
R4-1-208. Reserved
R4-1-209. Reserved
R4-1-210. Reserved
R4-1-211. Reserved
R4-1-212. Reserved
R4-1-213. Reserved
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R4-1-218. Reserved
R4-1-219. Reserved
R4-1-220. Reserved
R4-1-221. Reserved
R4-1-222. Reserved
R4-1-223. Reserved
R4-1-224. Reserved
R4-1-225. Reserved
R4-1-226. Expired

Historical Note

R4-1-226.01. Applications; Examination - Computer-based
A. A person desiring to take the Uniform Certified Public Accountant Examination who is qualified under A.R.S. § 32-723 may apply by submitting an initial application. A person whose initial application has already been approved by the Board to sit for the Uniform CPA Examination may apply by submitting an application for re-examination.
1. The requirements for initial application for examination are:
   a. A completed application for initial examination,
   b. A $100 initial application fee if:
      i. The applicant has not previously filed an application for initial examination in Arizona, or
      ii. The Board administratively closed a previously submitted application, or
      iii. The applicant has been previously denied by the Board.
   c. University or college transcripts to verify that the applicant meets the educational requirements and if necessary for education taken outside the United States an additional course-by-course evaluation from a foreign transcript evaluation service that is a member of either the National Association of Credential Evaluation Services or the Association of International Credential Evaluators.
2. The requirements for application for re-examination are:
   a. A completed application for re-examination, and
   b. A $50 re-examination application fee.
B. Within 30 days of receiving an initial application, board staff shall notify the applicant that the application is either complete or incomplete. If the application is incomplete, the notice shall specify what information is missing. The applicant has 30 days from the date of the Board’s letter to respond to the Board’s request for additional information or the Board or its designee may administratively close the file. An applicant whose file is administratively closed and who later wishes to apply shall reapply under subsection (A)(1).
C. The Board’s certification advisory committee (CAC) shall evaluate the applicant’s file and make a recommendation to the Board to approve or deny the application. The CAC may defer a decision on the applicant’s file to a subsequent CAC meeting to provide the applicant opportunity to submit any information requested by the CAC that the CAC believes is relevant to make a recommendation to the Board. The applicant has 30 days from the date of the Board’s letter to respond to the CAC’s request for additional information or the Board or its designee may administratively close the file. If the CAC recommends approval, the application shall be put on a future board meeting agenda for consent. If the CAC recommends denial, the application will be put on a future board meeting agenda and the CAC shall provide the Board with the reasons for the recommendation of denial.
D. If the Board approves the application, the Board shall notify the applicant in writing and send an authorization to test (ATT) to the National Association of State Boards of Accountancy (NASBA) to permit the applicant to take the specified section or sections of the examination for which the applicant applied. If the Board denies the application, the Board shall notify the applicant in writing the reasons the application was denied.
E. If the applicant does not timely pay to the NASBA the fees owed for the examination section or sections for which the applicant applied, the ATT expires. An applicant that still wishes to take a section or sections of the Uniform CPA Examination shall submit an application for re-examination under subsection (A)(2).

F. After an applicant has paid NASBA, NASBA shall issue a notice to schedule (NTS) to the applicant. A NTS enables an applicant to schedule testing at an approved examination center. The NTS is effective on the date of issuance and expires when the applicant sits for all sections listed on the NTS or six months from the date of issuance, whichever occurs first. Upon written request to the Board and showing good cause that prevents the applicant from appearing for the examination, an applicant may be granted by the Board a one-testing-window extension to a current NTS.

**Historical Note**

R4-1-227. Repealed

**Historical Note**

R4-1-228. Examination Scores; Review and Appeal of Scores

A. The National Association of State Boards of Accountancy (NASBA) shall mail or email examination scores to each applicant based upon the applicant’s contact preference.

B. Examination scores

1. An applicant may request a score review by submitting NASBA’S CPA Examination Score Review form to NASBA.

2. An applicant may appeal an exam score by submitting NASBA’s CPA Examination Score Appeal form to NASBA.

**Historical Note**

R4-1-229. Conditioned Credit

A. An applicant is allowed to sit for each section individually and in any order.

1. An applicant is given conditioned credit for each section of the examination passed. A conditioned credit is valid for 18 months.

2. The applicant shall not retake a failed section in the same examination window. An examination window is the three-month period in which the applicant has an opportunity to take an examination section or sections.

B. Transfer of conditioned credit. The Board shall give an applicant credit for all sections of an examination passed in another jurisdiction if the credit has been conditioned. If an applicant transfers conditioned credit from another jurisdiction, the applicant shall pass the remaining sections of the examination within the 18-month period from the date that the first section was passed. An applicant who fails to pass all sections of the Uniform CPA Examination within 18 months shall retake previously passed sections of the Uniform CPA Examination to ensure passage of all sections within an 18-month period.

**Historical Note**

R4-1-230. Expired

**Historical Note**

R4-1-231. Expired

**Historical Note**
Former Rule 6J; Former Section R4-1-31 renumbered as Section R4-1-231 without change effective July 1, 1983 (Supp. 83-4). Section repealed, new Section adopted effective January 1, 1994; filed in the Office of the Secretary of State September 21, 1993 (Supp. 93-3). Section expired under A.R.S. § 41-1056(E) at 10 A.A.R. 419, effective December 31, 2003 (Supp. 04-1).
ARTICLE 3. CERTIFICATION AND REGISTRATION

R4-1-301. Reserved
R4-1-302. Reserved
R4-1-303. Reserved
R4-1-304. Reserved
R4-1-305. Reserved
R4-1-306. Reserved
R4-1-307. Reserved
R4-1-308. Reserved
R4-1-309. Reserved
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R4-1-333. Reserved
R4-1-334. Reserved
R4-1-335. Reserved
R4-1-336. Reserved
R4-1-337. Reserved
R4-1-338. Reserved
R4-1-339. Reserved
R4-1-340. Reserved

R4-1-341. CPA Certificates; Reinstatement
A. An applicant may apply for a certificate of certified public accountant or for reinstatement by submitting:
   1. An application fee of $100; and

2. For an applicant applying for certification under A.R.S. § 32-721(A) and (B), a completed application including:
   a. Verification that the applicant passed the Uniform CPA Examination,
   b. Verification that the applicant meets the education and experience requirements specified in R4-1-343,
   c. One signed and dated letter of recommendation by a CPA,
   d. Proof of a score of at least 90% on the American Institute of Certified Public Accountants (AICPA) examination in professional ethics taken within the two years immediately before the application is submitted,
   e. Evidence of lawful presence in the United States, and
   f. Other information or documents requested by the Board to determine compliance with eligibility requirements.

3. For an applicant applying for certification under A.R.S. § 32-721(A) and (C), a completed application including:
   a. Verification that the applicant passed the Uniform CPA Examination,
   b. License verification from each jurisdiction in which the applicant has ever been issued a certificate as a certified public accountant of which at least one must be an active certification from a jurisdiction with requirements determined by the Board to be substantially equivalent to the requirements in A.R.S. § 32-721(B) or verification that the applicant meets the education and experience requirements specified in R4-1-343,
   c. Evidence of lawful presence in the United States,
   d. Other information or documents requested by the Board to determine compliance with eligibility requirements.

4. For an applicant applying for certification under A.R.S. § 32-721(A) and (D) for mutual recognition agreements adopted by the Board a completed application including:
   a. Verification that the applicant has passed the International Qualification Examination (IQEX),
   b. License verification from the applicant’s country which has a mutual recognition agreement with the National Association of State Boards of Accountancy that has been adopted by the Board,
   c. Evidence of lawful presence in the United States,
   d. Other information or documents requested by the Board to determine compliance with eligibility requirements.

5. For an applicant applying for reinstatement from cancelled or expired status under A.R.S. §§ 32-730.02 or 32-730.03 respectively a completed application including:
   a. CPE that meets the requirements of R4-1-453(C)(6) and (E), and
   b. Evidence of lawful presence in the United States.

6. For an applicant applying for reinstatement from revoked or relinquished status under A.R.S. §§ 32-741.03 or 32-741.04 respectively a completed application including:
   a. CPE that meets the requirements of R4-1-453(C)(6) and (E),
   b. Evidence of lawful presence in the United States,
   c. If not waived by the Board as part of a disciplinary order, evidence from an accredited institution or a college or university that maintains standards comparable to those of an accredited institution that the
B. Within 30 days of receiving an application, the Board shall notify the applicant that the application is either complete or incomplete. If the application is incomplete, the notice shall specify what information is missing.

1. The Board shall make service of written notice regarding an incomplete application in accordance with R4-1-117(E)(1) or (2). The applicant has 30 days from the date of the notice to respond in writing to the Board’s notice or the Board may administratively close the file. An applicant whose file is administratively closed and who later wishes to become certified, shall reapply under subsection (A).

2. Within 60 days of receipt of all the missing information, the Board shall notify the applicant that the application is complete. If the application is incomplete, the notice shall specify what information is missing.

3. The Board shall issue a certification decision no later than 150 days after receipt of a completed application.

4. If the Board finds deficiencies during the substantive review of the application, the Board may issue a written request to the applicant for additional information.

5. The 150-day time-frame in subsection (B)(3) for a substantive review for the issuance of a certificate is suspended from the date of the written request for additional information made under subsection (B)(4) until the date that all information is received. The Board shall serve a written request under subsection (B)(4) in accordance with R4-1-117(E)(1) or (2). The applicant has 30 days to respond to the Board’s request for additional information. If the applicant fails to timely respond to the Board’s request, the Board shall finish its substantive review based upon the information the applicant has presented.

6. When the applicant and the Board mutually agree in writing, the substantive review time frame specified in subsection (B)(3) may be extended in accordance with A.R.S. § 41-1075.

C. If the Board denies an applicant’s request for certification, the Board shall send the applicant written notice explaining:

1. The reason for denial, with citations to supporting statutes or rules;
2. The applicant’s right to seek a fair hearing to challenge the denial; and
3. The time periods for appealing the denial.

D. The Board establishes the following licensing time-frames for the purpose of A.R.S. § 41-1073:

1. Administrative completeness review time-frame: 30 days;
2. Substantive review time-frame: 150 days; and
3. Overall time-frame: 180 days.

**Historical Note**


**R4-1-341. Repealed**

**Historical Note**


**R4-1-342. Repealed**

**Historical Note**


**R4-1-343. Education and Accounting Experience**

**A.** To demonstrate compliance with the experience requirements of A.R.S. § 32-721(B), an applicant for certification by examination or grade transfer shall submit to the Board:

1. One or more certificates of experience, completed, signed and dated by an individual who:
   a. Possesses personal knowledge of the applicant’s work, and
   b. Is able to confirm the applicant’s accounting experience, and
   c. Is a certified public accountant; or
   d. Has accounting education and experience similar to that of a certified public accountant; and
2. Other information requested by the Board for explanation or clarification of experience.

**B.** To demonstrate compliance with the experience requirements of A.R.S. § 32-721(C), an applicant for certification by reciprocity shall submit to the Board:

1. One or more certificates of experience, completed, signed and dated by an individual who:
   a. Possesses personal knowledge of the applicant’s work, and
   b. Is able to confirm the applicant’s accounting experience, and
   c. Is a certified public accountant; and
   d. Has accounting education and experience similar to that of a certified public accountant; or
2. If the applicant is self-employed, the applicant shall provide a signed and dated statement indicating self-employment and three signed and dated client letters, confirming years of work experience, and
3. Other information requested by the Board for explanation or clarification of experience.

**C.** To demonstrate compliance with the education requirements of Title 32, Chapter 6, an applicant for certification or reinstatement shall submit to the Board:

1. University or college transcripts verifying that the applicant meets the educational requirements and if necessary
for education taken outside the United States, an additional course-by-course evaluation from a foreign transcript evaluation service that is a member of either the National Association of Credential Evaluation Services or the Association of International Credential Evaluators, and

2. Other information requested by the Board for explanation or clarification of education.

### Historical Note


### R4-1-344. Denial of Certification

An applicant who is denied certification or registration by the Board is entitled to a hearing before the Board or an ALJ.

1. Written application. The applicant shall file a notice of appeal under A.R.S. § 41-1092.03 within 30 days after receipt of the notice of denial.

2. Hearing notice. The Board shall provide the applicant with notice of the hearing in the manner prescribed by A.R.S. § 41-1092.05.

3. Conduct of hearing. The Board or the ALJ shall conduct the hearing in accordance with A.R.S. Title 41, Chapter 6, Article 10 and applicable rules governing hearings.

4. Burden of persuasion. At the hearing, the applicant is the moving party and has the burden of persuasion.

5. Matters limited. At the hearing, the Board or ALJ shall limit the issues to those originally presented to the Board.

### Historical Note


### R4-1-345. Registration; Fees

#### A. Initial registration

1. Application. The applicant shall file an application for initial registration in a format prescribed by the Board and pay a registration fee under subsection (C).

2. Other information requested by the Board for explanation or clarification of education.

3. Conduct of hearing. The Board or the ALJ shall conduct the hearing in accordance with A.R.S. Title 41, Chapter 6, Article 10 and applicable rules governing hearings.

4. Burden of persuasion. At the hearing, the applicant is the moving party and has the burden of persuasion.

5. Matters limited. At the hearing, the Board or ALJ shall limit the issues to those originally presented to the Board.

#### B. Renewal registration

1. Application. A registrant shall file an application for renewal registration in a format prescribed by the Board no later than 5:00 p.m. on the last business day of the month. A renewal registration is deemed filed on the date and time received in the Board office. The Board shall record the date and time either by electronic date stamp in Arizona time or on physical receipt in the board’s office. The Board shall not accept a postmark as evidence of timely filing. It is the sole responsibility of the registrant to complete the renewal registration requirements at the following times:

   a. A registrant born in an even-numbered year shall renew registration during the month of birth in each even-numbered year.
   b. A registrant born in an odd-numbered year shall renew registration during the month of birth in each odd-numbered year.

2. Firm registrant: A firm shall renew registration at the following times:

   a. A firm that initially registered with the Board in an even-numbered year shall renew registration during the board-approved month of the initial registration in each even-numbered year.
   b. A firm that initially registered with the Board in an odd-numbered year shall renew registration during the board-approved month of the initial registration in each odd-numbered year.

#### C. Registration fees: The biennial registration fee is:

1. $300 and, if applicable, a late fee of $50 for each certified public accountant and, each public accountant. For a certified public accountant or public accountant, the registration fee shall be prorated by month for an initial registration period of less than two years.

2. $300 and, if applicable, a late fee of $50 for a firm. Under A.R.S. § 32-729, the Board shall not charge a fee for the registration of additional offices of the same firm or for the registration of a sole practitioner.

#### D. If a registrant’s certificate is suspended for nonregistration under A.R.S. § 32-741.01 and remains in a suspended status for more than six months, the registrant must return their certificate to the Board.

### Historical Note


### R4-1-346. Notice of Change of Address

#### A. Within 30 days of any business, mailing, or residential change of address, a registrant shall notify the Board of the new address by filling out the change of address form prescribed by the Board.

#### B. Within 30 days of the opening of any new or additional office, or the closing of any existing office, a registrant shall notify the Board in a letter signed by the registrant.

### Historical Note

R4-1-444. Reserved
R4-1-445. Reserved
R4-1-446. Reserved
R4-1-447. Reserved
R4-1-448. Reserved
R4-1-449. Reserved
R4-1-450. Reserved
R4-1-451. Reserved
R4-1-452. Reserved
R4-1-453. Continuing Professional Education
A. Measurement Standards. The Board shall use the following standards to measure the hours of credit given for CPE programs completed by an individual registrant.

1. A class hour shall consist of a minimum of 50 continuous minutes of instruction and a half class hour shall consist of a minimum of 25 continuous minutes of instruction. CPE credit shall be given in half-hour increments for periods of not less than one class hour. Credit shall not be allowed for repeat participation in any seminar or course during the registration period.

2. Courses taken at colleges and universities apply toward the CPE requirement as follows:
   a. Each semester - system credit hour is worth 15 CPE credit hours,
   b. Each quarter - system credit hour is worth 10 CPE credit hours, and
   c. Each noncredit class hour is worth one CPE credit hour.

3. Each correspondence program hour is worth one CPE credit hour.

4. Acting as a lecturer or discussion leader in a CPE program, including college courses, may be counted as CPE credit. The Board shall determine the amount of credit on the basis of actual presentation hours, and shall allow CPE credit for preparation time that is less than or equal to the presentation hours. A registrant may only claim as much preparation time as is actually spent for a presentation. Total credit earned under this subsection for service as a lecturer or discussion leader, including preparation time may not exceed 40 credit hours of the renewal period’s requirement. Credit is limited to only one presentation of any seminar or course with no credit for repeat teaching of that course.

5. Writing and publishing articles or books that contribute to the accounting profession may be counted for a maximum of 20 hours of CPE credit during each renewal period.
   a. Credit may be earned for writing accounting material not used in conjunction with a seminar if the material addresses an audience of certified public accountants, is at least 3,000 words in length, and is published by a recognized third-party publisher of accounting material or a sponsor.
   b. For each 3,000 words of original material written, the author may earn two credit hours. Multiple authors may share credit for material written.

6. A registrant may earn a combined maximum of 40 hours of CPE credit under subsections (A)(4) and (5) above during each renewal period.
7. A registrant may earn a maximum of 20 hours of CPE during each renewal period by completing introductory computer-related courses. Computer-related courses may qualify as consulting services pursuant to subsection (C).

B. Programs that Qualify. CPE credit may be given for a program that provides a formal course of learning at a professional level and contributes directly to the professional competence of participants.

1. The Board shall accept a CPE course as qualified if it:
   a. Is developed by persons knowledgeable and experienced in the subject matter,
   b. Provides written outlines or full text,
   c. Is administered by an instructor or organization knowledgeable in the program content, and
   d. Uses teaching methods consistent with the study program.

2. The Board shall accept a correspondence program which includes online or computer-based programs if the sponsors maintain written records of each student’s participation and records of the program outline for three years following the conclusion of the program.

3. An ethics program taught or developed by an employer or co-worker of a registrant does not qualify for the ethics requirements of subsection (C)(4).

C. Hour Requirement. As a prerequisite to registration pursuant to A.R.S. § 32-730(C) or to reactivate from inactive status pursuant to A.R.S. § 32-730.01, a registrant shall complete the CPE requirements during the two-year period immediately before registration as specified under subsections (C)(1) through (C)(5). For registration periods of less than two years CPE may be prorated, with the exception of ethics.

1. A registrant whose last registration period was for two years shall complete 80 hours of CPE.

2. A registrant shall complete a minimum of 50 percent of the required hours in the subject areas of accounting, auditing, taxation, business law, or consulting services with a minimum of 16 hours in the subject areas of accounting, auditing, or taxation.

3. A registrant shall complete a minimum of 16 of the required hours:
   a. In a classroom setting,
   b. Through an interactive live webinar, or
   c. By acting as a lecturer or discussion leader in a CPE program, including college courses.

4. A registrant shall complete four hours of CPE in the subject areas of accounting, auditing, or taxation.

5. A registrant shall report total CPE hours completed for the registration period. Hours that exceed the number required for the current registration period may not be carried forward to a subsequent registration period. Any CPE hours completed to vacate a suspension for nonregistration or for noncompliance with CPE requirements may not be used to meet CPE requirements for the registration period.

6. As a prerequisite to reactivate from retired status or reinstatement from cancelled, expired, relinquished or revoked status, an applicant shall complete up to 160 hours of CPE during the four-year period immediately before application to reactivate or reinstate. For periods of less than four years CPE may be prorated, with the exception of ethics:
   a. An applicant shall complete a minimum of 50 percent of the required hours in the subject areas of accounting, auditing, taxation, business law, or consulting services with a minimum of 32 hours in the subject areas of accounting, auditing or taxation.
   b. An applicant shall complete a minimum of 32 hours of the required hours:
      i. In a classroom setting,
      ii. Through an interactive live webinar, or
      iii. By acting as a lecturer or discussion leader in a CPE program, including college courses.
   c. An applicant shall complete eight hours of CPE in the subject area of ethics. The eight hours required by this subsection shall include a minimum of one hour of each of the following subjects. The following subjects shall be completed during the two-year period immediately preceding application for reactivation or reinstatement:
      i. Ethics related to the practice of accounting including the Code of Professional Conduct of the American Institute of Certified Public Accountants; and
      ii. Board statutes and administrative rules.

D. Reporting: An applicant for reinstatement, a registrant who is subject to an audit, or a registrant completing their registration must report the following details about their completed CPE:

1. Sponsoring organization;
2. Number of CPE credit hours;
3. Title of program or description of content; and
4. Dates attended.

E. In addition to the information required under subsection (D), an applicant for reinstatement from cancelled, expired, relinquished or revoked status, or a registrant subject to a CPE audit pursuant to subsection (G) shall provide evidence of completed CPE as required to be maintained by subsection (F).

F. CPE Record Retention: A registrant shall maintain for three years from the date their registration application was dated as received by the Board and provide the Board upon request the following documents: course outlines and certificates of completion that include registrant’s name, course provider or sponsor, course title, credit hours, and date of completion.

G. CPE audits: The Board, at its discretion, may conduct audits of a registrant’s CPE and require that the registrant provide the CPE records that the registrant is required to maintain under subsection (F) to verify compliance with CPE requirements.

H. The Board may grant a full or partial exemption from CPE requirements on demonstration of good cause for a disability for only one registration period.

Historical Note

Adopted effective December 19, 1979 (Supp. 79-6).
Amended effective November 5, 1980 (Supp. 80-6).
Former Section R4-1-53 renumbered as Section R4-1-453 and amended in subsections (A) and (B) effective July 1, 1983 (Supp. 83-4). Former Section R4-1-453 repealed, new Section R4-1-453 adopted effective July 15, 1988 (Supp. 88-3). Correction, Historical Note for Supp. 88-3 should read “Former Section R4-1-453 repealed, new Section R4-1-453 adopted effective January 1, 1990, filed July 15, 1988” (Supp. 89-1). Section repealed, new Section adopted effective December 6, 1995 (Supp. 95-4).
Amended effective November 20, 1998 (Supp. 98-4).
Amended by final rulemaking at 10 A.A.R. 1886, effective January 1, 2005 (Supp. 04-2).
R4-1-454. Peer Review

A. Each firm, as defined in A.R.S. § 32-701(14), that performs attest services or full disclosure compilation services shall have a peer review performed and reported on within the three years immediately preceding the firm’s registration date.

1. A firm shall submit to the Peer Review Oversight Advisory Committee (PROAC) a peer review report and any additional, related documentation requested by the PROAC. The PROAC shall not require the submission of working papers related to the peer review process.

2. The Board may grant, upon a written request and demonstration of good cause, excluding financial hardship pursuant to A.R.S. § 32-701(15)(e), an extension of time for completing the peer review or submitting the peer review report to the Board.

B. If the only services performed by a firm involving financial statements are nondisclosure compilation services, the Board shall request, on a random basis, as a condition for initial or renewal registration, that the firm provide a peer review report and any additional, related documentation, completed within the three years immediately preceding the firm’s registration date.

1. If a firm did not complete a peer review within the three years immediately preceding the firm’s registration date, PROAC shall request that the firm provide reports and financial statements from two separate nondisclosure compilation engagements, performed within the two years immediately preceding the firm’s registration date, for an Educational Enhancement Review by PROAC.

2. If the results of the Educational Enhancement Review indicate deficient work by a firm, the Board may do any of the following:
   a. Educate the firm by informing it of or referencing it to the current and appropriate reporting requirements;
   b. Educate the firm by informing it how to enhance its reporting and financial presentation; or
   c. Require the firm to undergo peer review before its next renewal registration.

3. If the results of the Educational Enhancement Review do not indicate deficient work, the PROAC shall recommend to the Board that it accepts the firm’s Educational Enhancement Review and that the firm be notified of its compliance with this Section.

C. Only a peer reviewer or a review team approved by the Board or its authorized agent may conduct a peer review. In approving a peer reviewer or a review team, the Board or its authorized agent shall ensure that each peer reviewer or member of a review team holds a certificate or license in good standing to practice public accounting, and is not affiliated with the firm under review.

D. A firm may obtain a peer review and the corresponding report from a national organization approved by the Board or its authorized agent. In approving a national organization, the Board shall determine whether the organization performs peer reviews that comply with this Section.

E. The PROAC shall review the peer review report submitted by a firm to determine whether the firm is complying with the standards in subsection (K). If the results of peer review indicate that a firm is complying with the standards in subsection (K), the PROAC shall recommend to the Board that it accept the firm’s peer review and that the firm be notified of its compliance with this Section.

F. If the results of peer review indicate that a firm is not complying with the standards in subsection (K):

1. The Board shall direct the PROAC to obtain relevant reports, and perform any follow-up action required as a consequence of the identified deficiencies. The PROAC shall retain all documents obtained until the firm completes and the Board accepts the firm’s next peer review.

2. If additional information is needed to determine whether a firm is correcting identified deficiencies, the Board shall make a written request that the firm provide the needed information. If the PROAC determines that the firm has not corrected the identified deficiencies, it shall refer the matter to the Board.

3. Based upon review of the PROAC’s recommendation, the Board may take disciplinary action as defined in A.R.S. § 32-701(10).

G. Information discovered solely as a result of a peer review is not grounds for suspension or revocation of a certificate.

H. Failure of a firm to complete a peer review under this Section constitutes grounds for revocation or suspension of a firm’s registration, after notice and opportunity for a hearing, unless the Board determines that there is good cause for the failure.

I. Exemptions: A firm is exempt from the requirements of this Section if the firm submits to the Board a written statement that it meets at least one of the following grounds for exemption:

1. The firm has not previously practiced public accounting in this state, any other state, or a foreign country and the firm shall have a peer review issued by a qualified peer reviewer and dated within 18 months of initial registration.

2. The firm submits to the Board an affidavit, on a form prescribed by the Board, that states that all of the following apply:
   a. Within the previous three years, the firm did not undertake any engagement that resulted in the firm issuing an attest services, full-disclosure, or non-disclosure compilation;
   b. The firm agrees to notify the Board within 90 days after accepting an attest services, full-disclosure compilation services engagement and shall have a peer review issued by a qualified peer reviewer and dated within 18 months from the year-end of the engagement accepted; and
   c. The firm agrees to notify the Board within 90 days after accepting a nondisclosure compilation engagement.

J. Firms that reorganize a current firm, rename a firm, or create a new firm, within which at least one of the prior CPA owners remains an owner or employee, shall remain subject to the provisions of this Section.

K. Each firm, review team, and member of a review team shall comply with the Standards for Performing and Reporting on Peer Reviews, published June 1, 2013 in the AICPA Professional Standards by the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, New York 10036-8775 (www.aicpa.org), which is incorporated by reference. This incorporation by reference does not include any later amendments or editions. The incorporated material is available for inspection and copying at the Board’s office.

L. Peer review record retention. A firm shall maintain for five years, and provide the Board upon request, the following documents for the peer reviews required by this Section: peer review report, final acceptance letter, letter of comment, corrective action, and letter of response.
R4-1-455. Professional Conduct: Independence, Integrity, and Objectivity

A. Independence: A certified public accountant, public accountant, or firm of which the certified public accountant or public accountant is a partner or shareholder shall not express an opinion on a financial statement of an enterprise unless the certified public accountant or public accountant and the firm are independent with respect to the enterprise. Independence is considered to be impaired if, for example:

1. During the period of professional engagement or at the time of expressing an opinion, the certified public accountant or public accountant or the firm:
   a. Had or was committed to acquire any direct or material indirect financial interest in the enterprise;
   b. Had any joint closely held business investment with the enterprise or any officer, director, or principal stockholder of the enterprise that was material in relation to the certified public accountant, public accountant, or the firm’s net worth; or
   c. Had any loan to or from the enterprise or any officer, director, or principal stockholder of the enterprise. This latter proscription does not apply to the following loans from a financial institution if the loans are made under normal lending procedures, terms, and requirements:
      i. Loans obtained by a certified public accountant or public accountant or the firm that are not material in relation to the net worth of the borrower;
      ii. Home mortgages; and
      iii. Other secured loans, except loans that would be unsecured if not guaranteed by a certified public accountant’s or public accountant’s firm.

2. During the period covered by the financial statement, during the period of the professional engagement, or when expressing an opinion, the certified public accountant, public accountant or firm:
   a. Was connected with the enterprise as a promoter, underwriter, or voting trustee, director, or officer, or in any capacity equivalent to that of a member of management or of an employee; or
   b. Was a trustee of any trust or executor or administrator of any estate if the trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise; or was a trustee for any pension or profit-sharing trust of the enterprise.

3. The above examples are not intended to be all-inclusive.

B. Integrity and objectivity: A certified public accountant, public accountant, or firm shall not knowingly or recklessly misrepresent facts when engaged in the practice of public accounting, including rendering tax and management advisory services. In tax practices, a certified public accountant or public accountant may resolve doubt in favor of a client as long as there is reasonable support for the position.

1. Contingent fees: A contingent fee is a fee established for the performance of any service under an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is dependent upon the finding or result of the service. For purposes of this Section, fees are not regarded as 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.
   a. A certified public accountant, public accountant, or firm engaged in the practice of public accounting shall not for a contingent fee for any client:
      i. Perform an audit or review of a financial statement;
      ii. Prepare a compilation of a financial statement when the certified public accountant, public accountant, or firm expects, or reasonably should expect, that a third party will use the financial statement and the certified public accountant’s, public accountant’s, or firm’s compilation report does not disclose a lack of independence;
      iii. Perform an examination of prospective financial information; or
      iv. Prepare an original or amended tax return or a claim for a tax refund.
   b. The prohibitions in subsection (B)(1)(a) apply during the period in which the certified public accountant, public accountant, or firm is engaged to perform any of the services listed in subsection (B)(1)(a) and the period covered by any historical financial statements involved in the listed services.

2. Commissions and referral fees:
   a. A commission is a fee calculated as a percentage of the total sale or service.
   b. A referral fee is a fee paid in exchange for producing a purchase of goods or services.
   c. Prohibited commissions: A certified public accountant, public accountant, or firm engaged in the practice of public accounting shall not for a commission recommend or refer to a client any product or service, recommend or refer any product or service to be supplied by a client, or receive a commission when the certified public accountant, public accountant, or firm also performs any of the following for that client:
      i. An audit or review of a financial statement;
      ii. A compilation of a financial statement when the certified public accountant, public accountant, or firm expects, or reasonably should expect, that a third party will use the financial statement and the certified public accountant, public accountant, or firm’s compilation report does not disclose a lack of independence; or
      iii. An examination of prospective financial information.
   d. The prohibitions in subsection (B)(2)(c) apply during the period in which the certified public accountant, public accountant, or firm is engaged to perform any of the services listed in subsection (B)(2)(c) and the period covered by any historical financial statements involved in the listed services.
   e. Disclosure of permitted commissions: A certified public accountant, public accountant, or firm engaged in the practice of public accounting that is not prohibited by this Section from performing services or receiving a commission and is paid or expects to be paid a commission shall make a written disclosure in advance of accepting the engage-
ment. The certified public accountant, public accountant, or firm shall ensure that the written disclosure is made to any person or entity to which the certified public accountant, public accountant, or firm recommends or refers a product or service to which the commission relates and shall include the dollar amount or percentage to be received.

f. Disclosure of referral fees: A certified public accountant, public accountant, or firm that accepts a referral fee for recommending or referring a product or service to any person or entity or that pays a referral fee to obtain a client shall disclose to the client, in writing, the acceptance or payment of the referral fee and its amount.

3. Incompatible occupations: A certified public accountant or public accountant who is engaged in the practice of public accounting shall not concurrently engage in any business or occupation that impairs the objectivity of the certified public accountant or public accountant in rendering professional services.

Historical Note

R4-1-455.01. Professional Conduct: Competence and Technical Standards

A. Competence: A registrant shall not undertake an engagement to perform professional services that the registrant cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with subsections (B) and (C).

B. Auditing standards: A registrant shall not permit the registrant’s name to be associated with a financial statement in a manner that implies that the registrant is acting with independence with respect to the financial statement unless the registrant has complied with applicable generally accepted auditing standards.

C. Accounting principles: A registrant shall not express an opinion that a financial statement is presented in conformity with generally accepted accounting principles if the financial statement contains any departure from an accounting principle that has a material effect on the financial statement taken as a whole, unless the registrant can demonstrate that by reason of unusual circumstances that the financial statement would otherwise be misleading. In this case, the registrant’s report shall describe the departure from an accounting principle, the approximate effects of the departure, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

D. Accounting and review standards: A certified public accountant, public accountant, or firm shall not permit the certified public accountant, public accountant, or firm’s name to be associated with an unaudited financial statement or other unaudited financial information of a non-public entity in a manner that implies the certified public accountant, public accountant, or firm is acting as an independent accountant unless the certified public accountant, public accountant, or firm has complied with all applicable standards for accounting and review services.

E. Forecasts and projections: A certified public accountant, public accountant, or firm shall not permit the certified public accountant’s, public accountant’s, or firm’s name to be used in conjunction with any forecast of future transactions in a manner that may lead to the belief that the certified public accountant, public accountant, or firm vouches for the achievability of the forecast or projection.

F. In expressing an opinion on representations in a financial statement that the certified public accountant, public accountant, or firm has examined, a certified public accountant, public accountant, or firm violates A.R.S. § 32-741(A)(4) if the certified public accountant, public accountant, or firm:
1. Fails to disclose a known material fact that makes the financial statement misleading;
2. Fails to report a known material misstatement that appears in the financial statement;
3. Is materially negligent in the conduct of the examination or in making a report on the examination;
4. Fails to acquire sufficient information to warrant expression of an opinion, or the exceptions are sufficiently material to negate the expression of an opinion; or
5. Fails to direct attention to any material departure from a generally accepted accounting principle or disclose any material omission of a generally accepted auditing procedure applicable under the circumstances.
6. The provisions of subsection (F) are not intended to be all-inclusive or to limit the application of A.R.S. § 32-741(A)(4).

G. Tax practice standards: A certified public accountant, public accountant, or firm shall exercise due diligence in the conduct of tax practices. The Board shall view the current standards in the American Institute of Certified Public Accountants Statements on Responsibilities in Tax Practice to presumptively represent due diligence.

H. Standards: The application of standards such as “generally accepted accounting principles,” “generally accepted auditing standards,” and “applicable standards for accounting and review services” by a certified public accountant, public accountant, or firm is to be made to the specific engagement or problem at hand by the exercise of professional judgment in the context of the literature of the accounting profession. The Board considers official statements of the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, and other specialized bodies dealing with accounting and auditing matters to be persuasive sources for interpretation of the standards. Persons who take positions that depart from the official statements shall be prepared to justify them.

Historical Note
Section R4-1-455.01 renumbered from R4-1-455(B) and amended effective April 22, 1992 (Supp. 92-2). Amended effective November 20, 1998 (Supp. 98-4). Amended by final rulemaking at 20 A.A.R. 520, effective February 4, 2014 (Supp. 14-1).

R4-1-455.02. Professional Conduct: Confidentiality; Records Disposition

A. Confidential client information: A certified public accountant, public accountant, or firm shall not disclose confidential information obtained in the course of a professional engagement except with the consent of the client. This requirement shall not be construed to:
1. Records disposition responsibility: A certified public accountant, public accountant, or firm shall furnish to a client, or former client, upon request, within a reasonable time after original issuance:
   1. A copy of any tax returns prepared for the client;
   2. A copy of any reports, or other documents, that were previously issued to the client; and
   3. Any accounting or other records belonging to the client that the certified public accountant, public accountant, or firm may have removed from the client’s premises, or received for the client’s account. The certified public accountant, public accountant, or firm may make a copy of the documents if the documents form the basis for work done by the certified public accountant, public accountant, or firm.

   **Historical Note**
   Section R4-1-455.02 renumbered from R4-1-455(C) and amended effective April 22, 1992 (Supp. 92-2). Amended effective November 20, 1998 (Supp. 98-4). Amended by final rulemaking at 20 A.A.R. 520, effective February 4, 2014 (Supp. 14-1).

R4-1-455.03. Professional Conduct: Other Responsibilities and Practices
A. Discreditable acts: A certified public accountant, public accountant, or firm shall not commit an act that reflects adversely on the certified public accountant’s, public accountant’s, or firm’s fitness to engage in the practice of public accounting, including:
   1. Violating a provision of R4-1-455, R4-1-455.01, R4-1-455.02, R4-1-455.04; R4-1-455.03; or R4-1-455.04;
   2. Violating a fiduciary duty or trust relationship with respect to any person; or
   3. Violating a provision of A.R.S. Title 32, Chapter 6, Article 3, or this Chapter.
B. Advertising practices: A certified public accountant, public accountant, or firm has violated A.R.S. § 32-741(A)(4) and engaged in dishonest or fraudulent conduct in the practice of public accounting in connection with the communication or advertising of public accounting services through any media, if the certified public accountant, public accountant, or firm willfully engages in any of the following:
   1. Employs a device, scheme, or artifice to defraud;
   2. Willfully engages in any of the following:
      1. Engages in any advertising that would operate as a fraud or deceit;
      2. Violates A.R.S. § 44-1522 and a court finds the violation willful;
      3. Engages in fraudulent or misleading practices in the advertising of public accounting services that leads to a conviction pursuant to A.R.S. § 44-1481; or
      4. Engages in fraudulent practices in the advertising of public accounting services that leads to a conviction for a violation or any other state or federal law.
   C. Solicitation Practices: A certified public accountant, public accountant, or firm has violated A.R.S. § 32-741(A)(4) and engaged in dishonest or fraudulent conduct in the practice of public accounting in connection with the direct or indirect personal solicitation of public accounting services if the certified public accountant, public accountant, or firm willfully engages in any of the following:
      1. Violates a provision of R4-1-455.03(B); or
      2. Engages in direct or indirect personal solicitation through the use of coercion, duress, undue influence, compulsion, or intimidation practices.
D. Form of practice and name: A certified public accountant or public accountant shall not use a professional or firm name or designation that is misleading about the legal form of the firm, or about the persons who are partners, officers, members, managers, or shareholders of the firm, or about any other matter. A firm name or designation shall not include words such as “& Company,” “& Associates” or “& Consultants” unless the terms refer to additional full-time CPAs that are not otherwise mentioned in the firm name.
E. Acting through others: A certified public accountant or public accountant shall not knowingly permit others to carry out on behalf of the certified public accountant or public accountant, either with or without compensation, acts which, if carried out by the certified public accountant or public accountant, would violate a provision of R4-1-455, R4-1-455.01, R4-1-455.02, R4-1-455.03 or R4-1-455.04.
F. Communications: When requested, a certified public accountant or public accountant shall respond to communications from the Board within 30 days after the communication is mailed by registered or certified mail.

   **Historical Note**

R4-1-455.04. Professional Conduct: Interpretations
The Board shall find interpretations of the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants persuasive but not conclusive in the Board’s interpretations of R4-1-455, R4-1-455.01, R4-1-455.02, or R4-1-455.03.

   **Historical Note**
   Section R4-1-455.04 renumbered from R4-1-455(E) and amended effective April 22, 1992 (Supp. 92-2). Section number corrected (Supp. 97-3). Amended effective November 20, 1998 (Supp. 98-4). Amended by final rulemaking at 20 A.A.R. 520, effective February 4, 2014 (Supp. 14-1).

R4-1-456. Reporting Practice Suspensions and Violations
A. A registrant, individual, or firm shall report to the Board:
   1. Any suspension or revocation of the right to practice accounting before the federal Securities and Exchange Commission, the Internal Revenue Service, or any other state or federal agency;
   2. Any final judgment in a civil action or administrative proceeding in which the court or public agency makes findings of violations, by the registrant, of any fraud
provisions of the laws of this state or of federal securities laws;
3. Any final judgment in a civil action in which the court makes findings of accounting violations, dishonesty, fraud, misrepresentation, or breach of fiduciary duty by the registrant;
4. Any final judgment in a civil action involving negligence in the practice of public accounting by the registrant; and
5. All convictions of the registrant of any felony, or any crime involving accounting or tax violations, dishonesty, fraud, misrepresentation, embezzlement, theft, forgery, perjury, or breach of fiduciary duty.

B. A registrant, individual, or firm required to report under subsection (A) shall make the report in the form of a written letter and ensure that the report is received by the Board within 30 days after the entry of any judgment or suspension or revocation of the registrant’s right to practice before any agency. The registrant, individual, or firm shall ensure that the letter contains the following information:
1. Description of the registrant’s activities that resulted in a suspension or revocation;
2. Final judgment or conviction;
3. Name of the state or federal agency that restricted the registrant’s right to practice;
4. Effective date and length of any practice restriction;
5. Case file number of any court action, civil or criminal;
6. Name and location of the court rendering the final judgment or conviction; and
7. Entry date of the final judgment or conviction.

Historical Note

Appendix A. Repealed

Historical Note

Appendix B. Repealed

Historical Note