

April 2004



**District of
Columbia**

**Department of
Consumer and
Regulatory
Affairs**

**OCCUPATIONAL &
PROFESSIONAL
LICENSING
ADMINISTRATION**

MUNICIPAL ACCOUNTING REGULATIONS

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS

NOTICE OF FINAL RULEMAKING

The Director of the Department of Consumer and Regulatory Affairs (Director), pursuant to the authority set forth in D.C. Official Code §§ 47-2853.08, 47-2853.10 (a) (12) (2001), and Mayor's Order 2000-70, dated May 2, 2000, adopts a new 17 DCMR Chapter 25 (Accountants). The new 17 DCMR Chapter 25 updates the regulations governing the practice of certified public accounting within the District of Columbia. The Notice of Proposed Rulemaking Appeared in the D.C. Register on March 19, 2004. These regulations repeal and replace the current 17 DCMR Chapter 25 (Accountants). No comments were received in response to the publication of the Notice of Proposed Rulemaking and no changes were made to the text of the Notice of Proposed Rulemaking. These regulations will be final upon publication in the D.C. Register.

Title 17 DCMR Chapter 25 is amended as follows:

CHAPTER 25 ACCOUNTANTS**Secs.**

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2500 BOARD OF ACCOUNTANCY

- 2500.1 The provisions of this chapter are adopted by the District of Columbia Board of Accountancy (the Board) pursuant to its authority under Non-Health Related Occupations and Professions Licensure Act of 1998, effective April 20, 1999 (D.C. Law 12-261; D. C. Official Code § 47-2853.01 *et seq.* (2001)).
- 2500.2 The purpose of this chapter is to promote and protect the public interest by implementing the provisions of the Act, which provides for the licensing of certain practitioners of public accountancy and seeks to enhance the reliability of information which is used in financial transactions or for accounting for or assessing the financial status or performance of commercial, non-commercial, and governmental enterprises.
- 2500.3 The chairperson is authorized to sign all orders issued on behalf of the Board.
- 2500.4 A majority of the Board shall be in attendance at a meeting to constitute a quorum.
- 2500.5 A majority vote of those Board members present and voting is necessary for the Board to take any action.
- 2500.6 The Board shall meet no less than four times per year.
- 2500.7 The Board may meet in committees smaller than the full Board, but of not less than three members, for carrying out specific functions of the Board, provided that any actions of such smaller committees are ratified by the full Board.

2501 APPLICATION FOR LICENSURE AND EXAMINATION

- 2501.1 Each applicant for a Certified Public Accountant's license in the District of Columbia by examination, reciprocity, or for an endorsement of a Certified Public Accountant license, shall duly file with the Board an application on a form prescribed and provided by the Board.
- 2501.2 An application for licensure is not considered filed until the Board receives all supporting documents, the application fee, and, if applicable, the examination fee. Supporting documents may include proof of identity as specified on the application form, certification of experience, official transcripts, and proof that the applicant has completed the education requirement.
- 2501.3 Each applicant shall attest to the truthfulness of the application before a notary public, who shall affix his or her seal to the application.
- 2501.4 Applications to take the Certified Public Accountant Examination shall be made on a form provided by the Board and filed with the Board by the due date specified by the Board in the application form. Applicants filing after the due date may be directed by the Board to take the computer-based Uniform CPA Examination during the next available examination window.
- 2501.5 If applicable, the Board or its designee will forward notification of the applicant's eligibility for the computer-based examination to the National Association of State Boards of Accountancy (NASBA) for inclusion in the National Candidate Database.
- 2501.6 Eligible candidates shall be notified of the time and place of a computer-based examination or shall independently contact the Board or a test center operator identified by the Board to schedule the time and place for the computer-based examination at an approved test site. Scheduling reexaminations shall be made in accordance with the rules established by NASBA.
- 2501.7 An applicant, upon receiving notification that he or she is eligible to take the CPA examination, shall be classified as a candidate for the purposes of these regulations.
- 2501.8 A candidate who fails to appear for a scheduled Testing Event of the computer-based examination shall forfeit all fees charged for both the application and the examination.

2502 BOARD ACTION ON APPLICATIONS

- 2502.1 The Board may review and take action on all applications.
- 2502.2 The applicant shall have the burden of proving that he or she meets the required qualifications.
- 2502.3 The Board may not presume qualifications not shown on the application.

- 2502.4 The Board may disapprove an application that fails to provide the required information.
- 2502.5 After giving notice and opportunity for a hearing, the Board may disqualify an applicant for either of the following reasons:
- (a) If the applicant has knowingly made or allowed to be made, directly or indirectly, any false or misleading statements in connection with his or her application; or
 - (b) If the applicant has attempted to influence, directly or indirectly, any member of the Board in the discharge of the member's duties relating to an application.
- 2502.6 At the discretion of the Board, any applicant whose application has been disqualified may not reapply for a minimum of one (1) year from the date of disqualification.
- 2502.7 Any licensee who has been requested by an applicant to submit to the Board evidence of the applicant's experience and has refused to do so shall, upon request by the Board, explain in writing or in person the basis for the refusal.
- 2502.8 The Board may require any licensee who has furnished evidence of an applicant's experience to substantiate the information provided in the following manner:
- (a) Any applicant may be required to appear before the Board or its representative to supplement or verify evidence of experience; and
 - (b) The Board may inspect documentation relating to an applicant's claimed experience.
- 2502.9 The Director shall not issue a license or permit unless the applicant has been approved by the Board.

2503 EDUCATIONAL REQUIREMENTS

- 2503.1 An applicant for licensure as a certified public accountant shall establish to the satisfaction of the Board that he or she:
- (a) Holds a baccalaureate degree with a concentration in accounting conferred by a college or university recognized by the Board or holds that which the Board determines to be substantially the equivalent thereof; or
 - (b) Holds a baccalaureate degree acceptable to the Board supplemented with the equivalent of an accounting concentration including related courses in other areas of business administration; and
 - (c) For applicants receiving their baccalaureate degree after January 1, 2000, in addition to meeting the requirements of either subparagraphs (a) or (b) of this section, possesses one hundred fifty (150) semester hours of college education.

- 2503.2 The college or university that conferred the degree relied upon by the applicant shall either have been accredited or licensed by the D.C. Education Licensure Commission or have been a member of a regional accrediting agency recognized by the Board when the applicant's degree was awarded.
- 2503.3 The following regional accrediting agencies shall be recognized by the Board:
- (a) Middle States Association of Colleges and Secondary Schools;
 - (b) New England Association of Schools and Colleges;
 - (c) North Central Association of Colleges and Secondary Schools;
 - (d) Northwest Association of Schools and Colleges;
 - (e) Southern Association of Colleges and Schools; and
 - (f) Western Association of Schools and Colleges.
- 2503.4 The educational institution shall have been accredited in accordance with this section when the applicant's degree was awarded.
- 2503.5 A listing of the colleges and universities accredited by the regional accrediting agencies recognized by the Board is contained in the most recent edition of "Accredited Institutions of Postsecondary Education," published by the American Council on Education.
- 2503.6 If the educational institution that conferred the degree relied upon by the applicant in his or her application was not accredited when an applicant received the degree, but the institution was accredited when the applicant filed his or her application with the Board, the Board shall deem the institution to have been accredited for the purposes of this section if the educational institution does the following:
- (a) Certifies that the applicant's total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and
 - (b) Furnishes the Board satisfactory proof, including college catalogue course numbers and descriptions, that the pre-accrediting courses used to qualify the applicant as an accounting major can be matched with substantially equivalent post accrediting courses.
- 2503.7 If an applicant's degree was received from an accredited college or university as defined in this section, but the educational program used to qualify the applicant as an accounting major included courses taken either before or after graduation at a non-

accredited institution(s), the courses shall be deemed to have been taken at the institution from which the applicant's degree was received if either of the following requirements are met:

- (a) The courses from the non-accredited institution have been included in the applicant's official transcript; or
- (b) The accredited degree-granting institution certifies to the Board that it accepted the courses from the non-accredited institution for credit toward graduation.

2503.8 For the purposes of this chapter, a concentration in accounting, or the equivalent, shall consist of a minimum of three (3) semester hours in commercial law and a minimum of twenty-four (24) semester hours in accounting subjects. The accounting subjects shall include courses in financial accounting, auditing, cost accounting, and federal income taxes.

2504 EXPERIENCE REQUIREMENTS

2504.1 An applicant for initial issuance of a license shall show that he or she has had at least one year of experience. One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours performing the services described in § 2504.3.

2504.2 Experience gained through employment in government, industry, academia or public practice shall qualify.

2504.3 Acceptable experience may consist of providing any type of business services or advice using accounting, attest services, compilation, management advisory, financial advisory, tax, or consulting skills. The Board shall consider such factors as the complexity and diversity of the work.

2504.4 The applicant shall have his or her experience verified to the Board by a CPA licensed in the District of Columbia or another State.

2505 EXAMINATIONS

- 2505.1 The examination approved by the Board shall test the knowledge and skills required for performance as an entry-level certified public accountant. The Board may vote to utilize an examination developed and administered by a third party, but any examination approved by the Board shall include the subject areas of accounting, auditing, and related knowledge and skills.
- 2505.2 The Director may charge, or provide for a third party administering the Board's examination to charge, each applicant an examination fee.
- 2505.3 Cheating by a candidate in applying for, taking, or after the examination will invalidate any grade otherwise earned by a candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.
- 2505.4 For purposes of this chapter, the following actions or attempted activities, among others, may be considered cheating:
- (a) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
 - (b) Communication between candidates inside or outside the test site or copying another candidate's answers while the examination is in progress;
 - (c) Communication with others inside or outside the test site while the examination is in progress;
 - (d) Substitution of another person to sit in the test site in the stead of a candidate;
 - (e) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the candidate as part of the examination) inside or outside the test site while the examination is in progress;
 - (f) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so; and
 - (g) Retaking or attempting to retake a Test Section by an individual holding a valid license or by a candidate who has unexpired credit for having already passed the same Test Section, unless authorized by the Board.
- 2505.5 In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the candidate involved from the examination or move the candidate to a position in the test center away from other examinees where the candidate can be watched more closely.

2505.6 In any case where the Board believes that it has evidence that a candidate has cheated on the examination, including those cases where the candidate has been expelled from the examination, the Board shall conduct an investigation and, following the examination session, may conduct a hearing consistent with the requirements of D.C. Official Code § 2-501 *et seq.* (2001), to determine whether there was cheating and, if so, what remedy should be applied. In proceedings held pursuant to this subparagraph, the Board shall decide:

- (a) Whether the candidate shall be given credit for any portion of the examination completed in that session; and
- (b) Whether the candidate shall be barred from taking the examination and if so, for a period of time not to exceed five (5) years.

2505.7 In any case where the Board or its representative permits a candidate to continue taking the examination, it may:

- (a) Admonish the candidate;
- (b) Seat the candidate in a segregated location for the rest of the examination;
- (c) Keep a record of the candidate's seat location and identifying information;
- (d) Keep the names and identifying information of the candidates in close proximity of the candidate; and
- (e) Before the introduction of a computer-based examination, notify the appropriate authority of the circumstances, furnishing the candidate's identification number, so that after the initial grading is completed, the candidate's papers can be compared for unusual similarities with the papers of others who may have been involved. Upon introduction of a computer-based examination, notify NASBA and the AICPA and/or the test center of the circumstances, so that the candidate's actions may be noted in the National Candidate Database and the candidate may be more closely monitored in future examination sessions.

2505.8 In any case in which a candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to NASBA and the Accountancy Board of any other state to which the candidate may apply for the examination information as to the Board's findings and actions taken.

2506 CONDITIONAL CREDIT FOR EXAMINATION

2506.1 The candidate is required to pass all Test Sections of the Uniform CPA Examination in order to qualify for a license.

- 2506.2 Upon receipt of advisory grades from the examination provider, the Board will review and may adopt the examination grades and will report the official results to the candidate.
- 2506.3 Before the implementation of a computer-based examination, a passing grade for each paper-and-pencil Test Section shall be 75. Upon implementation of the computer-based examination, the passing grade for each test section shall be the uniform passing grade established through the standard-setting procedure used by The American Institute of Certified Public Accountants (AICPA) Board of Examiners (BOE) and reported to the Board by NASBA. The Board shall report the candidate's score to the candidate using a numeric scale of 0-99 that is calculated by AICPA. A score of 75 or greater shall represent a passing score.
- 2506.4 Pending implementation of a computer-based examination, a candidate who passes two or more, but not all, sections of an examination at a given sitting shall be given credit for those sections that the candidate has passed and need not sit for reexamination in those sections, provided that:
- (a) At the sitting, the candidate attempted to answer questions in all sections of the examination for which the candidate does not have credit;
 - (b) The candidate attained a minimum grade of 50 on each section taken at the sitting;
 - (c) The candidate passes the remaining sections of the examination within six consecutive examinations administered after the one at which the first sections were passed;
 - (d) At each subsequent sitting at which the candidate seeks to pass any additional sections, the candidate sits for all sections for which the candidate does not have credit; and
 - (e) In order to receive credit for passing additional sections in any subsequent sitting, the candidate attains a minimum grade of 50 on sections taken at that sitting.
- 2506.5 Upon the Board's implementation of a computer-based examination, a candidate may take the required Test Sections individually and in any order.
- 2506.6 Any candidate taking the computer-based Uniform CPA Examination will be exempted from the provisions of § 2506.4.
- 2506.7 Candidates shall pass all four Test Sections of the Uniform CPA Examination within any continuous eighteen-month period, which shall begin on the date that the first Test Section(s) passed is taken.
- 2506.8 Candidates cannot retake a failed Test Section within the same three-month examination window during which the candidate failed that Test Section.

2506.9 In the event all four Test Sections of the Uniform CPA Examination are not passed within any continuous eighteen-month period, credit for any Test Section(s) passed prior to the eighteen-month period will expire and that Test Section(s) shall be retaken.

2506.10 Candidates having earned conditional credits on the paper-and-pencil examination, as of the launch date of the computer-based Uniform CPA Examination, will retain conditional credits for the corresponding Test Sections of the computer-based CPA examination as follows:

Paper-and-Pencil Examination	Computer-Based Examination
Auditing	Auditing and Attestation
Business Law and Professional Responsibilities (LPR)	Business Environment and Concepts
Financial Accounting and Reporting (FARE)	Financial Accounting and Reporting
Accounting and Reporting (ARE)	Regulation

2506.11 Candidates who possess conditional credits earned under the paper-and-pencil examination as of the launch date of the computer-based Uniform CPA Examination will be allowed a transition period to complete any remaining Test Sections of the Uniform CPA Examination.

2506.12 The transition period shall be calculated as follows:

- (a) Conditional credit earned November 2001 expires after one attempt to pass the remaining sections or May 31, 2004, whichever occurs first;
- (b) Conditional credit earned May 2002 expires after two attempts to pass the remaining sections or November 30, 2004, whichever occurs first;
- (c) Conditional credit earned November 2002 expires after three attempts to pass the remaining sections or May 31, 2005, whichever occurs first;
- (d) Conditional credit earned May 2003 expires after four attempts to pass the remaining sections or November 30, 2005, whichever occurs first; or
- (e) Conditional credit earned November 2003 expires after five attempts to pass the remaining sections or May 31, 2006, whichever occurs first.

2506.13 If a candidate who possesses conditional credit earned under the paper-and-pencil examination does not pass all remaining Test Sections during the applicable transition period, the conditional credits earned under the paper-and-pencil examination will

expire and the candidate will lose credit for the Test Sections passed under the computer-based examination.

- 2506.14 Any computer-based Test Section passed during the transition period is subject to the conditional credit provisions of the computer-based examination as shown in § 2506.4, except that a candidate that had earned conditional credit under the paper-and-pencil examination will not lose conditional credit for a Test Section of the computer-based examination that is passed during the transition period, even though more than eighteen months may have elapsed from the date the Test Section is passed, until the end of the transition period.
- 2506.15 A candidate retains credit for each Test Section of an examination passed in another state if the candidate would have earned credit under the then applicable requirements if the candidate had taken the examination in the District of Columbia.
- 2506.16 The Board may extend the term of an applicant's conditional credit validity upon a showing by the applicant that the credit was lost due to circumstances beyond the candidate's control.
- 2506.17 A candidate is deemed to have passed the Uniform CPA Examination when the candidate holds, at the same time, valid credit for passing each of the four Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the candidate actually receives notice of the passing grade.
- 2506.18 The candidate shall, for each Test Section scheduled by the candidate, pay to the Board or its designee, a Candidate Testing Fee. The Candidate Testing Fee is the total amount of the actual fees charged by the testing services or agencies, including rescheduling fees, plus the reasonable application fees established by the Director.

2507 EXAMINATION SECURITY AND IRREGULARITIES

- 2507.1 Notwithstanding any other provision of this chapter, the Board may postpone scheduled examinations, the release of grades, or the issuance of licenses and certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.
- 2507.2 If the Board postpones a scheduled examination, the Board shall grant the candidates affected by the postponement additional time to pass the four sections of the Uniform CPA Examination. The additional time granted by the Board to the affected candidates shall be added to the eighteen (18) month testing period described in § 2506.7.
- 2507.3 The additional time granted by the Board shall be the longer of the number of days

between the date of the postponed examination and the next date that the Board allows the affected candidates to retake the Uniform CPA Examination or three months.

2508 LICENSURE OF CPAs BY RECIPROCITY OR ENDORSEMENT

2508.1 The Board may issue a license to practice as a CPA in the District of Columbia to an individual applying for licensure by reciprocity or endorsement only after the Board or its designee has:

- (a) Verified that the qualifications relied upon by the applicant, as set forth in §§ 2508.2 and 2508.3, meet or exceed the standards for licensure by examination in the District of Columbia;
- (b) Verified that the applicant's license is in good standing in the applicant's current jurisdiction; and
- (c) Verified that the applicant has paid the application fee.

2508.2 The Board may issue a CPA license to an individual by reciprocity and may presume that the individual meets the licensure requirements of the District of Columbia if the applicant meets the following conditions:

- (a) The applicant possesses a valid license as a Certified Public Accountant from any State of the United States whose licensing standards are verified by the National Association of State Boards of Accountancy (NASBA) National Qualification Appraisal Service or successor organization to be in substantial equivalence with the UAA; and
- (b) The Board considers the State's licensing standards to be in substantial equivalence with the licensing standards of the District of Columbia.

2508.3 The Board may issue a CPA license by Endorsement to an individual if the individual holding a valid CPA license from any jurisdiction in the United States that is not in substantial equivalence with the UAA presents evidence to the Board of his or her own education and experience qualification and the Board approves the applicant for licensure.

2509 RECIPROCITY FOR ACCOUNTANTS LICENSED IN FOREIGN COUNTRIES

2509.1 The Board may issue a license to practice as a CPA in the District of Columbia to applicants licensed in foreign countries who meet the following criteria:

- (a) The applicant is a member in good standing of any professional accounting organization which has a current Mutual Recognition Agreement with NASBA and the AICPA or any successors or assignee as selected by the Board;

- (b) The applicant has passed the International Uniform CPA Qualification Examination (IQEX); and
- (c) The applicant has paid the applicable fees.

2510 CODE OF PROFESSIONAL CONDUCT: INDEPENDENCE, INTEGRITY, AND OBJECTIVITY STANDARDS

2510.1 A licensee shall not permit his or her name to be associated with financial statements of an enterprise when the association would imply that the licensee is acting as an independent certified public accountant to the enterprise unless he or she is independent.

2510.2 A licensee shall not claim independence if, during the period of a professional engagement or when expressing an opinion, the licensee did any of the following:

- (a) Had or was committed to acquire any direct or material indirect financial interest in the enterprises;
- (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;
- (c) Had any joint, closely held business investment with the enterprise or with any officer, director, or principal stockholder of the enterprise which was material in relation to the net worth of either the licensee or the enterprise; or
- (d) Had any loan to or from the enterprise or any officer, director, or principal stockholder of the enterprise other than loans of the following kinds made by a financial institution under normal lending procedures, terms, and requirements:
 - (1) Loans obtained by the licensee that are not material in relation to the net worth of the borrower;
 - (2) Home mortgage; and
 - (3) Other secured loans, except those secured solely by guarantee of the licensee.

2510.3 A licensee shall not claim independence if, during the period covered by the financial statements or the professional engagement, or when expressing an opinion, the licensee was as follows:

- (a) Connected with the enterprise as a promoter, underwriter, voting trustee, director or officer, or in any capacity equivalent to that of a member of management or of an employee; or
 - (b) A trustee for any pension or profit-sharing trust of the enterprise.
- 2510.4 A licensee shall not, in the performance of professional services, knowingly misrepresent facts or subordinate his or her judgment to others.
- 2510.5 In tax practice, a licensee may resolve doubt in favor of his or her client as long as there is reasonable support for the position.
- 2510.6 A licensee shall not receive a commission from any party for recommending to a client any product or service when the licensee also performs for that client:
- (a) An audit or review of a financial statement;
 - (b) A compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence; or
 - (c) An examination of prospective financial information.
- 2510.7 The provisions of § 2510.6 shall not prohibit the following payments:
- (a) Payments for the purchase of all, or a material part, of an accounting practice;
 - (b) Retirement payments to persons formerly engaged in the practice of public accountancy; or
 - (c) Payments to the heirs or estate of persons formerly engaged in the practice of public accountancy.
- 2510.8 Any licensee who is paid or expects to be paid a non-prohibited commission for referring products or services to a client shall disclose such commission to a client.
- 2510.9 Any licensee who accepts a referral fee from another licensee for recommending or referring any service of a licensee to any person or entity, or who pays a referral fee to another licensee to obtain a client, shall disclose such acceptance of or payment of a referral fee to the client.
- 2510.10 A licensee shall not:
- (a) Perform any professional services for a contingent fee or receive a contingent fee from a client for whom the licensee or the licensee's firm performs;

- (1) An audit or review of a financial statement;
 - (2) A compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence; or
 - (3) An examination of prospective financial information.
- (b) Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.
- 2510.11 The prohibition in § 2510.6 applies during the period in which the licensee is engaged to perform any of the services listed in § 2510.10 and the period covered by any financial statements involved in any such listed services.
- 2510.12 Unless otherwise allowed by this chapter or the Act, a licensee may not enter into a contingent fee agreement.
- 2510.13 A contingent fee agreement exists when the licensee's fee for services depends upon the findings or results of the licensee's services.
- 2510.14 A fee is not a contingent fee if a court or other public authority fixes the fee, or, in tax matters, if the fee is based upon the results of judicial proceedings or the findings of governmental agencies.
- 2510.15 A licensee may vary fees, for reasons such as the complexity of services rendered, and such variation is not considered a contingent fee.
- 2511 CODE OF PROFESSIONAL CONDUCT: COMPETENCE AND TECHNICAL STANDARDS**
- 2511.1 A licensee shall not undertake any engagement for the performance of professional services that he or she cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with the requirements of this section.
- 2511.2 A licensee shall not permit his or her name to be associated with financial statements in a manner that implies that the licensee is acting as an independent public accountant with respect to those financial statements unless the licensee has complied with applicable generally accepted auditing standards.
- 2511.3 The Board considers statements on auditing standards issued by the American Institute of Certified Public Accountants and other pronouncements having similar generally recognized authority to be interpretations of generally accepted auditing standards.

Departures from these statements shall be justified by anyone who does not follow them.

- 2511.4 A licensee shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if the financial statements contain any departure from generally accepted accounting principles that has a material effect on the financial statements taken as a whole, except as provided in § 2511.5.
- 2511.5 A licensee may express an opinion that financial statements are presented in conformity with generally accepted accounting principles when the financial statements contain a departure from generally accepted accounting principles that has a material effect on the financial statements taken as a whole if the licensee can demonstrate that, by reason of unusual circumstances, the financial statements would otherwise have been misleading.
- 2511.6 When there is a departure from generally accepted accounting principles, the licensee's report shall describe the departure, the approximate effects thereof, if possible, and the reasons why compliance with generally accepted accounting principles would result in a misleading statement.
- 2511.7 For purposes of this chapter, generally accepted accounting principles are those principles defined by pronouncements issued by the Financial Accounting Standards Board and its predecessor and similar pronouncements issued by other Board approved entities having similar, generally recognized authority.
- 2511.8 In the performance of other accounting services, a licensee shall comply with all professional and technical standards generally recognized by the profession for the particular service.
- 2511.9 A licensee, in the performance of professional services, shall not permit the use of his or her name in conjunction with any forecast of future transactions in a manner that may reasonably lead to the belief that the licensee vouches for the achievability of the forecast.

2512 CODE OF PROFESSIONAL CONDUCT: RESPONSIBILITIES TO CLIENTS

- 2512.1 A licensee shall not disclose, without the consent of his or her client, any confidential information pertaining to the client that the licensee obtained in the course of performing professional services.
- 2512.2 The provisions of this section do not do the following:
- (a) Relieve a licensee of any obligations under § 2511;
 - (b) Affect in any way a licensee's obligation to comply with a validly issued subpoena or summons enforceable by order of a court of competent jurisdiction;

- (c) Prohibit disclosures during a quality review of a licensee's professional services;
- (d) Preclude a licensee from responding to any inquiry made by the Board or any investigative or disciplinary body established by law or formally recognized by the Board; or
- (e) Relieve a licensee from any obligations incurred under the Sarbanes-Oxley Act of 2002, approved July 30, 2002 (Pub. L. 107-204, 116 Stat. 745 (2002)), and any rules or regulations promulgated pursuant thereto not already reflected within this chapter.

2512.3 Members of the Board and professional practice reviewers shall not disclose any confidential client information that comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their responsibilities, except that they may furnish this information to an investigative or disciplinary body of the kind referred to in this section.

2512.4 A licensee shall furnish to a client or former client, upon request made within a reasonable time after original issuance of the document in question, the following items:

- (a) A copy of a tax return of the client;
- (b) A copy of any report, or other document, issued by the licensee to or for the client;
- (c) Any accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received from the client's account; and
- (d) A copy of the licensee's working papers, to the extent that these working papers include records that would ordinarily constitute part of the client's books and records and are not otherwise available to the client.

2512.5 A licensee may take and retain copies of accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received from the client's account, when these records form the basis for work done.

2513 CODE OF PROFESSIONAL CONDUCT: OTHER RESPONSIBILITIES AND PRACTICES

- 2513.1 A licensee shall not commit any acts of dishonesty, fraud, or falsification of records that reflect adversely on his or her moral fitness to engage in the practice of certified public accounting.
- 2513.2 A licensee shall not permit others to carry out on his or her behalf, either with or without compensation, acts that, if carried out by the licensee, would place the licensee in violation of the Code of Professional Conduct.
- 2513.3 A licensee shall not use or participate in the use of any form of public communication which refers to the licensee's professional services that contains a false, fraudulent, misleading, deceptive, or unfair statement or claim including, but not limited to, a statement or claim that does the following:
- (a) Contains a misrepresentation of fact;
 - (b) Is likely to mislead or deceive because it fails to make full disclosure of relevant facts;
 - (c) Contains any testimonial, laudatory statement, or other statement or implication that the licensee's professional services are of exceptional quality;
 - (d) Is intended or likely to create false or unjustified expectations of favorable results;
 - (e) Implies educational or professional attainments or licensing recognition not supported in fact;
 - (f) States or implies that the licensee has received formal recognition as specialist in any aspect of the practice of public accountancy, if this is not the case;
 - (g) Represents that professional services can or will be competently performed for a stated fee when this is not the case;
 - (h) Makes representations with respect to fees for professional services that do not disclose all variables affecting the fees that will in fact be charged; or
 - (i) Contains other representations or implications that in reasonable probability will cause an ordinarily prudent person to misunderstand or be deceived.
- 2513.4 A licensee shall not solicit, by any direct personal communication, an engagement to perform professional services in the following circumstances:
- (a) If the communication would violate § 2513.3, if it were a public communication; or

- (b) The communication uses coercion, duress, compulsion, intimidation, threats, overreaching, or vexatious or harassing conduct.
- 2513.5 A licensee shall practice public accountancy only in a sole proprietorship, partnership, or professional corporation organized in accordance with the D.C. Professional Corporation Act, approved December 10, 1971 (85 Stat. 576; D.C. Official Code § 29-401 *et seq.* (2001)) and D.C. Official Code § 47-2853.44 (2001).
- 2513.6 A licensee shall not practice public accountancy under a firm name which is misleading in any way as to the legal form of the firm, or as to the persons who are partners, officers, or shareholders of the firm, or as to any matter with respect to which public communications are restricted by § 2513.3. However, names of one or more past partners or shareholders may be included in the firm name of a partnership, corporation, or successor, and a partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two (2) years after becoming a sole practitioner.
- 2513.7 When requested, a licensee shall respond to communications from the Board within thirty (30) days of receipt by registered or certified mail unless otherwise specified.

2514 EXCEPTIONS AND SAFE HARBOR LANGUAGE

- 2514.1 Non-licensees may use the following safe harbor language as a disclaimer in connection with financial statements to avoid violating these regulations and the Act:
- (a) "I (We) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners)."; or
 - (b) "I (We) have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them."

2515-2519 [RESERVED]

2520 DENIAL, SUSPENSION, AND REVOCATION OF LICENSES

- 2520.1 Each applicant for examination, and each applicant for or holder of a license, shall be given notice and an opportunity for a hearing by the Board before the Board takes any action that would have one (1) or more of the following effects:
- (a) Denial of permission to take an examination for a license for which an applicant has correctly filed and whose application has been accepted as meeting the qualifications for examination;

- (b) Denial of a license after an examination for any cause other than failure to pass the examination;
- (c) Denial of a license by endorsement to an applicant who meets the qualifications set forth in the Acts;
- (d) Denial of a license to an applicant who meets the qualifications set forth in these regulations and the Acts;
- (e) Suspension of a license;
- (f) Revocation of a license;
- (g) Reprimand of a licensee; or
- (h) Refusal to issue a renewal by annual registration for any cause other than failure to pay the prescribed renewal fee or the operation of any other District law that prohibits the Department from issuing a renewal license for reasons unrelated to a deficiency in the application or the applicant's professional conduct.

2520.2 When the Board contemplates taking any action of the type specified in § 2520.1(a), (b), or (c), it shall give the applicant a written notice at least fifteen (15) days before the hearing. The notice shall contain the following information:

- (a) That the applicant has failed to satisfy the Board as to his or her qualification to sit for examination or to be approved for licensure, as the case may be;
- (b) The reasons that the applicant has failed to satisfy the Board;
- (c) That the applicant may obtain a hearing before the Board by making a request for a hearing in the following manner:
 - (1) Write a letter to the Board that contains a request for a hearing; and
 - (2) Mail the letter by certified mail or deliver the letter in person within twenty (20) days after service of the notice.
- (d) That the applicant may be represented at the hearing by counsel.

2520.3 When the Board contemplates taking any action of the type specified in §§ 2520.1(d), (e), (f), (g), or (h), it shall give the person concerned a written notice at least fifteen (15) days before the hearing. The notice shall contain the following:

- (a) That the Board has sufficient evidence which, if not rebutted or explained, justifies the Board in taking the proposed action; and

- (b) That the Board will take the proposed action unless the person concerned requests a hearing before the Board by making a request for a hearing in the following manner:
- (1) Write a letter to the Board that contains a request for a hearing; and
 - (2) Mail the letter by certified mail or deliver the letter in person within twenty (20) days after service of the notice.
- (c) That the applicant may be represented at the hearing by counsel.

2521 FAILURE TO REQUEST A HEARING

- 2521.1 If the person concerned does not mail a request for a hearing within twenty (20) days after the Board served the notice of hearing, the Board may take the action proposed in the notice, without a hearing.
- 2521.2 Within ninety (90) days of any Board action taken pursuant to § 2521.1, the Board shall give, by certified mail, written notice of the Board's action to the person concerned, and shall file copies of the notice with the Corporation Counsel and the Director.

2522 SERVICE OF NOTICES

- 2522.1 Any notice required by § 2520 or § 2524.1 may be served either personally by the Director or by certified mail, return receipt requested, directed to the person concerned at his or her last known residence or business address as shown by the records of the Department.
- 2522.2 If notice is served personally, it shall be deemed to have been served when delivery is made to the person concerned.
- 2522.3 If notice is served by certified mail, it shall be deemed to have been served on the date borne upon the return receipt showing delivery of the notice to the person concerned or refusal of the person concerned to receive notice.
- 2522.4 If the person concerned is no longer at the last known address as shown by the records of the Department, and no forwarding address is available, the notice shall be deemed to have been served on the date the Department received the return receipt bearing that notification.

2523 FAILURE TO APPEAR

- 2523.1 If a person who requested a hearing does not appear and no continuance has been requested or is granted, the Board may hear the evidence of the witnesses who appear.

2523.2 The Board also may proceed to consider the matter and render a decision based on evidence before it, in the manner required by this chapter.

2524 HEARING PROCEDURES

2524.1 If the person concerned mails a request for a hearing as required in § 2520, the Board shall, within twenty (20) days following receipt of a request, notify the person concerned of the time and place of the hearing.

2524.2 The Board shall hold the hearing not more than ninety (90) days nor less than thirty (30) days following the date of service of the notice.

2524.3 Each hearing before the Board shall be open to the public and all transcripts, filings, and other records associated with the hearing shall be available for public inspection unless sealed by operation of law or by an order issued by the hearing examiner or a court of competent jurisdiction.

2524.4 At each hearing, at least a majority of the members of the Board shall be present to hear the evidence and render a decision.

2524.5 A person entitled to a hearing shall have the following rights:

- (a) To be represented by counsel;
- (b) To present all relevant evidence by witnesses and books, papers, and other documents;
- (c) To examine all opposing witnesses on any matter relevant to the issues; and
- (d) To have subpoenas issued to compel the attendance of witnesses and the production of relevant books, papers, and documents upon making written request to the Board.

2525 HEARINGS: POWERS OF THE BOARD

2525.1 In connection with any hearing held pursuant to this chapter, the Board shall have the following powers:

- (a) To request that counsel from the Office of the Corporation Counsel represent the District in any case before the Board;
- (b) To administer oaths or affirmations, either personally or through a designated agent, to witnesses called to testify;
- (c) To subpoena respondents and other witnesses and relevant books, papers, and documents;

- (d) To take testimony and to examine witnesses; and
- (e) To direct continuance of any case without regard to the limitation in §2521.1.

2525.2 In proceedings before the Board, if any person refuses to respond to a subpoena, refuses to take the oath or affirmation as a witness, refuses to be examined, or refuses to obey any lawful order of the Board contained in a decision rendered after a hearing, the Board may make application to the Superior Court of the District of Columbia for an order requiring obedience.

2526 RECORD OF HEARING

2526.1 In all hearings conducted under this chapter, a complete record shall be made of all evidence presented during the course of the hearing.

2526.2 Parties to the proceedings and the public may obtain a copy of the record after paying the fee established by the Mayor.

2527 EVIDENCE AND BURDEN OF PROOF

2527.1 In all proceedings held by the Board, the Board shall receive and consider any evidence or testimony. However, the Board may exclude incompetent, irrelevant, immaterial, or unduly repetitious evidence or testimony.

2527.2 In any Board proceeding resulting from the Board's proposed action to deny licensure, the applicant shall have the burden of satisfying the Board of his or her qualifications.

2527.3 In any Board proceeding resulting from the Board's proposed action to refuse to renew, to cancel, to suspend, to revoke, or to censure a licensee, the Board shall have the burden of proving that such action should be taken.

2528 FINDINGS AND DECISIONS

2528.1 The members of the Board who conduct the hearing shall render their decision, in writing, as soon as practicable, but no later than ninety (90) days after the date that the hearing is completed.

2528.2 The decision of the Board shall contain the following:

- (a) Findings of fact made by the Board;
- (b) Application by the Board of the provisions of the statutes and this chapter to the facts as found by the Board;

- (c) The decision of the Board based upon findings of fact and the application of the law;
- (d) A statement informing the person concerned of his or her right to have the Board's decision reviewed by the District of Columbia Court of Appeals; and
- (e) A statement regarding the time within which a judicial review of the Board's decision by the District of Columbia Court of Appeals shall be sought.

2528.3 Within ten (10) days after the Board renders its written decision, the Board shall serve a copy of the written decision upon the person concerned, or his or her attorney of record.

2529 REOPENING OF HEARING PROCEEDINGS

2529.1 If, because of accident, sickness, or other good cause, a person fails to receive a hearing or fails to appear for a hearing that he or she requested, the person may, within thirty (30) days from the date of the decision of the Board, apply to the Board to reopen the proceedings.

2529.2 If the Board finds sufficient cause to reopen a hearing, it shall immediately fix a time and place for a hearing and serve upon the person, the Corporation Counsel, and the Director notice as required by this chapter.

2529.3 The Board may reopen a proceeding if no appeal is pending before the D.C. Court of Appeals or the D.C. Court of Appeals has not decided the matter.

2530 CONTINUING EDUCATION: REQUIREMENTS FOR CERTIFIED PUBLIC ACCOUNTANTS HOLDING PERMITS TO PRACTICE

2530.1 A licensee seeking biennial renewal of a license shall provide proof of having completed no less than eighty (80) hours of acceptable continuing professional education during the two-year (2) period preceding the date the license expires.

2530.2 A licensee seeking to renew an initial license issued for less than two (2) years is not required to submit proof of continuing professional education for the first renewal.

2530.3 An applicant for reinstatement of a license, who has failed to renew the license for a period of less than five (5) years, shall provide proof of having completed since the previous issuance of the license, forty (40) hours of approved continuing education for each year of non-renewal, up to a maximum of one hundred twenty (120) hours.

2530.4 The Board may exempt a licensee from continuing education requirements for reason of individual hardship including health, military service, foreign residence, retirement, or other good cause if the licensee does not hold oneself out to the public as a CPA and does not issue audit reports or certify other reports and statements.

- 2530.5 Licensees requesting an exemption from the Board shall file the request in writing no less than sixty (60) days before the expiration of the current license.
- 2530.6 Licensees granted such an exemption by the Board shall place their license on inactive status.
- 2530.7 Licensees granted an exemption by the Board shall comply with a re-entry competency requirement defined by the Board.
- 2530.8 Effective January 1, 2005, licensees shall be required to complete four (4) hours of Professional Ethics instruction per licensing cycle as part of the continuing professional education requirement.

2531 CONTINUING EDUCATION: ACCEPTABLE CONTINUING PROFESSIONAL PROGRAMS

- 2531.1 Unless a program qualifies for an exemption from the requirements of this subsection, the Board shall only approve a program as acceptable for continuing professional education (CPE) credit if NASBA lists the program in NASBA's National Registry of CPE Sponsors (Registry) or The Quality Assurance Service (QAS). If NASBA removes a CPE program from the Registry or the QAS for any reason, the program shall no longer qualify as acceptable to offer CPE courses or credit to licensees. Program sponsors removed from the Registry or the QAS by NASBA must inform the Board of the removal in writing and within fifteen (15) calendar days of the action.
- 2531.2 Acceptable continuing education programs exempt from the requirements of 2531.1, but not exempt from the standards established in the *Statement on Standards of Continuing Professional Education (CPE) Programs* developed jointly by NASBA and the AICPA, and subject to audit by the Board, may include classes, correspondence courses, institutes, conferences, lectures, professional meetings, seminars, or other comparable educational activities offered by the following organizations:
- (a) AICPA;
 - (b) NASBA;
 - (c) State Accounting Boards;
 - (d) Firms such as Accounting Firms, Law Firms, Brokerage Firms, Insurance Firms, and others offering professional programs to CPAs;
 - (e) Colleges; and
 - (f) Universities

- (g) Greater Washington Society of Certified Public Accountants and any other State Society of CPA's.

2531.3 Continuing education credits received from an acceptable program shall be granted for programs taken in the following subject areas:

- (a) Accounting and auditing;
- (b) Taxation;
- (c) Management;
- (d) Computer Science;
- (e) Communication Arts (accounting oriented);
- (f) Mathematics, Statistics, Probability and Quantitative Applications in Business;
- (g) Economics;
- (h) Business Law;
- (i) Functional fields of business including; finance, production, marketing, personnel relations, and business management and organization;
- (j) Specialized areas of industry, such as oil and gas, real estate, farming, or any other specialized industry;
- (k) Administrative Practice (accountant's legal liability, engagement letters, and personnel); and
- (l) Professional Ethics (beginning January 1, 2005).

2531.4 Credit may be granted by the Board for subjects other than those specified in § 2531.3 upon a showing by the applicant that the subjects contribute to professional competence. The responsibility for demonstrating the contribution of a particular program shall rest solely upon the applicant.

2531.5 The Board may grant credit for the following group programs:

- (a) Professional education and development programs of national, state, and local accounting organizations;
- (b) Technical sessions of meetings of national, state, and local accounting organizations and their chapters;

- (c) University or college courses, both credit and non-credit;
 - (d) Formal in-firm education programs;
 - (e) Programs of other organizations (accounting, industrial, professional, etc.);
 - (f) Committee meetings of professional societies which are structured as formal education programs; and
 - (g) Other structured formal educational programs.
- 2531.6 Licensees requesting credit for continuing education courses taken to satisfy the requirements set forth in § 2530 shall submit a written application to the Board on the form approved by the Board.
- 2531.7 The proper fees and all required documents shall accompany the application when filing.
- 2531.8 Every licensee applying for license renewal who is denied accreditation or certification of their continuing education credit, for reasons other than the program's failure to meet the requirements of § 2531.1, shall be given an opportunity for a hearing pursuant to § 2524.
- 2531.9 Continuing professional education credit shall be given for whole hours or half hours, with a minimum of fifty (50) minutes constituting one (1) hour and a minimum of twenty-five (25) minutes constituting one-half hour. As an example, one hundred (100) minutes of continuous instructions would count as two (2) hours. Only time spent in instruction, and not preparation time, shall be credited.
- 2531.10 Each semester hour of credit shall equal fifteen (15) hours toward the requirement, and a quarter hour of credit shall equal ten (10) hours for university or college courses.
- 2531.11 Credit for correspondence and formal individual study programs, including taped study programs, shall be as recommended by the program sponsor on the basis of one-half the average completion time under appropriate "field tests." Licensees claiming credit for such correspondence or formal individual study courses shall be required to obtain evidence of satisfactory completion of the course from the program sponsor. Credit shall be allowed in the renewal period in which course is completed.
- 2531.12 Credit for committee and firm meetings is limited to twenty-five percent (25%) of the hours reported.
- 2531.13 Credit for courses covered under Sec. 2531.4 is limited to 25% of the hours reported.
- 2531.14 An instructor, discussion leader or speaker at approved programs may claim continuing professional education credit for both preparation and presentation time. Credit may be

claimed for actual preparation time up to two (2) times the class contact hours. The maximum credit for preparation and teaching time shall be fifty percent (50%) of the applicable renewal period requirement. For repetitive presentations, the instructor shall receive no credit unless he or she can demonstrate that the subject matter involved was changed sufficiently to require significant additional study or research.

2531.15 Credit may be granted for published articles and books, provided they contribute to the professional competence of the applicant. Credit for preparation of publications may be claimed on a self-requirement basis for up to twenty-five percent (25%) of the renewal period requirement. In exceptional circumstances an applicant may request additional credit by submitting the article(s) or book(s) to the Board with an explanation of the circumstances which justify a greater credit. The amount of credit awarded for a given publication shall be determined by the Board.

2532 CONTINUING EDUCATION: REPORTING

2532.1 The renewal application for a license shall include a signed statement indicating the continuing professional education programs for which credit is requested and which shall include the following information:

- (a) The name of the sponsoring organization;
- (b) The location of program;
- (c) The title of program or description of content;
- (d) The dates attended; and
- (e) The hours claimed.

2532.2 The licensee is responsible for documenting the acceptability of the program and validity of the credits.

2532.3 The licensee shall retain course documentation for five (5) years after completing the program, which shall consist of the following:

- (a) A copy of the course outline prepared by the course sponsor;
- (b) In the case of courses taken at accredited universities and colleges, proof of satisfactory completion of the course; and
- (c) In the case of individual study programs, proof of written completion.

2532.4 The Board may verify information submitted by licensees for permits.

2532.5 If the Board determines that the licensee has not met the continuing education requirement, the Board may grant an additional period of time in which the deficiencies can be cured.

2533 CONTINUING EDUCATION: ADVISORY COMMITTEE

2533.1 The Board may appoint an Advisory Committee on continuing education.

2533.2 Members of the Advisory Committee may be certified public accountants licensed under the Acts or may be educators or users of financial statements.

2534-2539 [RESERVED]

2540 PARTNERSHIP AND CORPORATE PRACTICE: PROFESSIONAL RELATIONSHIP RESPONSIBILITIES AND CONDUCT

2540.1 Nothing in §§ 2540 to 2547 relating to accountancy partnerships and corporations shall alter the duties and responsibilities of a licensed person or the person's professional relationships with clients and others.

2540.2 Partnerships and corporations licensed under this chapter and the Act shall follow the same code of professional conduct as individual licensees and may not do any act in which individual licensees cannot engage.

2541 PARTNERSHIP AND CORPORATE PRACTICE: APPLICATION FOR PERMIT

2541.1 Within thirty (30) days of the effective date of §§ 2540 to 2547, every sole proprietor, partnership, or corporation practicing public accountancy in the District of Columbia not holding a permit shall file an application with the Board.

2541.2 Applicants shall submit an application for a permit to the Board on a form provided by the Board. A partner of the partnership or shareholder of the corporation who is a licensee under the Act shall sign the application and swear or affirm to the contents of the application before a notary public.

2541.3 The Board shall, within a reasonable time after an application for a permit is submitted, either approve the application and issue a license or deny the application and notify the applicant.

2541.4 If the Board denies an application, the applicant may request a hearing pursuant to § 2520.

2541.5 No applicant shall hold itself out or advertise itself as engaged in public accounting, nor shall it render any professional services unless and until a permit has been issued.

2542 PARTNERSHIP AND CORPORATE PRACTICE: REQUIREMENTS TO PRACTICE IN THE DISTRICT

- 2542.1 No sole proprietorship, partnership, limited partnership, limited liability partnership, or professional corporation shall hold itself out as engaged in certified public accounting, nor shall it render any professional services requiring licensure under this chapter and the Act, unless it is registered and holds a permit issued under this section.
- 2542.2 The Board shall register a sole proprietorship, partnership, limited partnership, limited liability partnership, or professional corporation if it finds the following:
- (a) That applicant has organized and exists as:
 - (1) A professional corporation pursuant to D.C. Official Code § 29-401 *et seq.* (2001);
 - (2) A foreign professional corporation possessing a valid certificate of authority to render professional services in the District of Columbia pursuant to D.C. Official Code § 29-414 (2001);
 - (3) A partnership or limited liability partnership organized under D.C. Official Code § 33-101.01 *et seq.* (2001), or under the laws of a jurisdiction other than the District of Columbia;
 - (4) A limited partnership organized under D.C. Official Code § 33-201.01 *et seq.* (2001), or under the laws of a jurisdiction other than the District of Columbia; or
 - (5) A sole proprietorship with a current trade-name registration.
 - (b) That each of the applicant's offices in the District are under the direct supervision of at least one partner or resident manager who is either a principal, shareholder, or staff employee licensed under the Act. The partner or resident manager may serve in such capacity at one (1) office only;
 - (c) That the applicant is in compliance with all applicable requirements of the Act, this chapter, and all other applicable D.C. laws, rules and regulations with respect to sole proprietorships, partnerships, limited partnerships, limited liability partnerships, or professional corporations;
 - (d) That the partners of an applicant organized as a partnership, limited partnership, or limited liability partnership are licensed certified public accountants and in compliance with D.C. Official Code §47-2853.44 (2001); and

- (e) That the shareholders of an applicant organized as a limited liability corporation or professional corporation are licensed certified public accountants and in compliance with D.C. Official Code §47-2853.44 (2001).

2543 PARTNERSHIP AND CORPORATE PRACTICE: OWNERSHIP AND TRANSFER OF SHARES IN A PROFESSIONAL CORPORATION

2543.1 The shares of an accountancy corporation shall only be held by the following:

- (a) The Corporation;
- (b) An individual who either:
 - (1) Holds a certified public accountant's license pursuant to this chapter and D.C. Official Code § 47-2853.01 *et seq.* (2001);
 - (2) Qualifies to hold shares in the corporation pursuant to D.C. Official Code §§ 29-408 (2001) and 47-2853.44 (2001); or
- (c) An individual who is the personal representative or the estate of a deceased or legally incompetent shareholder.

2543.2 If there are two (2) or more shareholders in an accountancy corporation and one (1) of the shareholders dies or becomes a disqualified person as defined in D.C. Official Code § 29-415 (2001), that person's shares shall be sold and surrendered in accordance with D.C. Official Code § 29-416 (2001).

2543.3 The restrictions listed in §§ 2543.1 and 2543.2 shall be set forth in the corporation's by-laws or articles of incorporation.

2543.4 The share certificates of an accountancy corporation shall contain the following legend: "The ownership and transfer of these shares and the rights and obligations of shareholders are subject to the limitations of the District of Columbia Professional Corporation Act."

2543.5 Each license holder shall notify the Board of Accountancy within thirty (30) days of the occurrence of any change relating to the requirements of §§ 2542 or 2543; including any changes in officers, shareholders, partners, and resident managers.

2544 PARTNERSHIP AND CORPORATE PRACTICE: NAME USAGE

2544.1 A permit holder shall not render professional services using a name other than that which is stated in its license or in its partnership or corporation registration.

2545 PARTNERSHIP AND CORPORATE PRACTICE: CLAIMS AGAINST ACCOUNTANCY PARTNERSHIPS OR CORPORATIONS

- 2545.1 Liability for claims against an accountancy corporation, or against any individual rendering professional service on behalf of such corporation, shall be determined in accordance with D.C. Official Code § 29-411 (2001).
- 2545.2 Liability for claims against an accountancy partnership, or against any individual rendering professional service on behalf of such partnership, shall be determined in accordance with D.C. Official Code § 33-101.01 *et seq.* (2001).

2546 PARTNERSHIP AND CORPORATE PRACTICE: NONRESIDENT (FOREIGN) PRACTITIONER

- 2546.1 Except as provided in § 2546.2, every nonresident partnership or corporation that engages in the practice of public accountancy in the District of Columbia, shall comply with the requirements of this chapter and the applicable Acts.
- 2546.2 A nonresident person, partnership or corporation which provides only temporary or periodic accounting work incidental to a regular practice in another jurisdiction, pursuant to D.C. Official Code § 47-2853.03(f) (2) (2001), shall not be required to hold a permit issued pursuant to § 2542 if the work is performed in affiliation with a comparably licensed D.C. licensee and the work is conducted in conformity with the rules of professional conduct promulgated by the Board.
- 2546.3 A nonresident partnership or corporation seeking to engage in any activity licensed by this chapter and the Act on an incidental or temporary basis shall apply for and obtain a permit from the Board before engaging in the activity. The permit application shall be made on the form provided by the Board and shall contain all of the information requested by the Board.
- 2546.4 The Board may deny an application submitted pursuant to § 2546.3 if the applicant has previously engaged in any incidental or temporary accounting work within the District of Columbia.

2547 PARTNERSHIP AND CORPORATE PRACTICE: TERM AND RENEWAL OF PERMIT

- 2547.1 A permit issued under § 2542 shall expire on December 31 of each even-numbered year.
- 2547.2 Every permit holder shall be required to file a renewal application on or before the expiration of the current permit.

2547.3 Each permit holder shall be required to report immediately to the Board any change of address, giving both its old and its new address. No fee shall be charged for filing such notification.

2599 DEFINITIONS

2599.1 As used in this chapter, the following terms and phrases shall have the meanings ascribed:

Act – Non-Health Related Occupations and Professions Licensure Act of 1998 (D.C. Law 12-261; Official Code § 47-2853.01 *et seq.* (2001))

AICPA - the American Institute of Certified Public Accountants

Applicant – an individual who applies to the Board for licensure by examination, reciprocity, or by endorsement

Attest - providing the following financial statement services:

- (1) Any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS) or its successor or assignee;
- (2) Any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS) or its successor or assignee; and
- (3) Any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE) or its successor or assignee

Board - the District of Columbia Board of Accountancy

Candidate – an individual who is approved by the Board to take the Uniform CPA Examination

Certificate - a certificate as “certified public accountant” issued as part of licensure under corresponding provisions of District of Columbia law, or a corresponding certificate as certified public accountant issued after examination under the law of any other state

Certified Public Accountant (CPA) – a person licensed under this chapter and the Act to provide accounting or consulting services under circumstances where there is an expectation of public confidence in such services, and attesting to the results, including (1) expressing opinions on financial statements (audits); (2) reviewing financial statements and issuing reports in standard form on such statements; (3) compiling financial statements and issuing reports in standard form on such compilations; (4) examining prospective financial information

Client - the person or entity retaining a licensee for the performance of public accounting services

Compilation - providing a service to be performed in accordance with Statements on Standards for Accounting and Review Services (SSARS) that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the statements

Computer-Based Examination – the Uniform CPA Examination administered by NASBA on a computer-based medium

Conditional Credits – credits earned by a candidate for achieving a passing score on either the paper-and-pencil or computer-based Uniform CPA Examination.

CPA – see certified public accountant

CPA Firm - a sole proprietorship, a corporation, a partnership or any other form of organization issued a permit by the District of Columbia or other recognized granting state

Department - the D.C. Department of Consumer and Regulatory Affairs

Director - the Director of the D.C. Department of Consumer and Regulatory Affairs, or his or her agent or designee

Enterprise - a person or entity, whether organized for profit or not, for which a licensee performs public accounting services

Examination window – defined by NASBA in the Uniform CPA Examination Candidate Bulletin as a three-month period in which candidates have an opportunity to take the CPA examination, comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered

Financial statements - statements and related footnotes that purport to show financial position at a point in time or changes in financial position which relate to a period of time, on the basis of generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory services reports to support recommendations to a client, nor does it include tax returns and supporting schedules

Foreign (nonresident) – unless otherwise indicated, refers to jurisdictions outside of the District of Columbia but within the states and territories of the United States of America.

Generally accepted accounting principles - the pronouncements issued by the Financial Accounting Standards Board and the predecessor entities, and similar pronouncements issued by other entities having similar, generally recognized authority

Generally accepted auditing standards - the generally accepted auditing standards adopted by the American Institute of Certified Public Accountants, together with interpretations thereof, published by the American Institute of Certified Public Accountants

Incidental practice - the practice of public accountancy for a client the headquarters or home office of which is located outside the District but which has a branch or subsidiary located in the District, for which the practice of public accountancy is being performed

International Qualifications Appraisal Board (IQAB) – a joint body of the National Association of State Boards of Accountancy and the American Institute of CPAs that negotiates Mutual Recognition Agreements with the accountancy licensing authorities of foreign countries

International Uniform Certified Public Accountant Qualification Examination (IQEX) – the CPA examination used to assess the professional competence of accountants licensed in foreign countries that have entered into a Mutual Recognition Agreement with the IQAB.

Licensee - an individual or firm holding license issued under D.C. Official Code § 47-2853.01 *et seq.* (2001)

License - a valid license as defined in the Acts and issued in accordance with D.C. Official Code § 47-2853.01 *et seq.* (2001)

License Cycle – the two-year cycle in which licenses or permits issued under this chapter are valid.

Manager - a manager of a limited liability company

Member - a member of a limited liability company

Mutual Recognition Agreement – an agreement entered into between NASBA and the AICPA through the International Qualifications Appraisal Board (IQAB) with a foreign country's licensing authority after a determination has been made that the education, experience, and examination requirements of the foreign jurisdiction are substantially equivalent to the requirements set forth in the Uniform Accounting Act

National Candidate Database – the database maintained by NASBA identifying the individuals that have applied to take the computer-based Uniform CPA Examination administered by NASBA

NASBA - the National Association of State Boards of Accountancy

National Registry of CPE Sponsors (Registry) – a service offered by NASBA that lists organizations that provide high quality CPE in accordance with nationally recognized standards

Nonresident – see foreign

Paper-and-pencil examination – the Uniform CPA Examination in which candidates for licensure as a Certified Public Accountant answered questions by using paper-and-pencil and utilized by NASBA up until November 2003

Permit - a permit to practice as a CPA firm issued by the District of Columbia or corresponding provisions of prior law or under corresponding provisions of the laws of other states

Person - includes partnerships, corporations, and associations, as well as natural persons

Periodic accounting work - accounting work recurring from time to time

Practice of certified public accountancy - offering to perform or performing for a client or potential client one or more types of services involving the use of accounting or auditing skills, or one or more types of management advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters, while holding oneself out in a manner that would state or imply that one is a licensee

Professional - arising out of or related to the specialized knowledge or skills associated with CPAs

Professional Ethics – any continuing education course approved by the Board in which the content of the course includes instruction on the code of ethics developed by AICPA and NASBA

Professional Practice Reviewer – a person retained by the Board to assist in an investigation or disciplinary proceeding conducted by the Board or other disciplinary body referred to in this chapter or the Act

Professional services - any service performed or offered to be performed by a licensee for a client during the practice of public accountancy as defined in this section

Quality Assurance Service (QAS) – a service offered by NASBA that recognizes organizations that provide self-study CPE courses of the highest caliber

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

Resident Manager – an individual licensed under this chapter and the Act that manages a single office or branch of a partnership or corporation licensee

Rule - any rule, regulation, or other written directive of general application duly adopted by the Board

State - any state of the United States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam; except that “this State” means the District of Columbia

Substantial Equivalency - a determination by the board of accountancy or its designee that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed the education, examination and experience requirements contained in the Uniform Accountancy Act or that an individual CPA’s education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements contained in the Uniform Accountancy Act

Temporary accounting work - accounting work to be performed only once for a particular client

Testing Event – the actual date that a candidate sits for one or more sections of the computer-based Uniform CPA Examination administered by NASBA

Test Section – one of the four parts of the Uniform CPA Examination

Uniform CPA Examination – the examination created and graded by AICPA and administered by NASBA (directly or through a third-party) in paper-and-pencil format through November 2003 and computer-based format beginning in 2004