COMMONWEALTH OF KENTUCKY
STATE BOARD OF ACCOUNTANCY

ACCOUNTANCY HANDBOOK
AS OF FEBRUARY 2010

FOR INFORMATIONAL PURPOSES

The Kentucky State Board of Accountancy is responsible for administering the public accounting law in Kentucky. The following manual consists of KRS Chapter 325 and the Kentucky Administrative Regulations governing the practice of public accounting within the Commonwealth of Kentucky. This printing does not constitute an official text of these sections from the Kentucky Revised Statutes and is intended for informational purposes only. For the official text of the statutes and for current supplementation, the user should consult an official edition of the *Kentucky Revised Statutes.* Further, the user should consult the official edition of the *Kentucky Administrative Regulations* and the *Kentucky Administrative Register*, which supplements it. **Copyright ©2004 by the Legislative Research Commission. Reprinted with permission; further reproduction is not authorized.**

Questions about public accounting should be directed to the Kentucky State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, (502) 595-3037 between the hours of 8:30 a.m. and 4:30 p.m. Eastern Time.

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325.220 Definitions for chapter.

As used in this chapter, unless the context otherwise requires:

(1) "Board" means the State Board of Accountancy;

(2) "State" includes and means any state, territory, or insular possession of the United States, or the District of Columbia;

(3) "Public accountant" means a public accountant issued a license to practice by the Commonwealth of Kentucky under the Public Accounting Act of 1946 as amended;

(4) "Attest" means providing the following financial statement services:

(a) Any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);

(b) Any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);

(c) Any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE); or

(d) Any engagement to be performed in accordance with the Public Company Accounting Oversight Board Auditing Standards;

(5) "Compilation" means providing a service to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS) by presenting information in the form of financial statements that is the representation of management or owners of an entity without undertaking to express any assurance on the statements;

(6) "Regulated activities" means the offering to perform or the performance for a client or potential client by a person or firm holding a license issued under this chapter of one (1) or more types of services involving the use of accounting, attest, or compilation services, including the issuance of reports on financial statements, or one (1) or more types of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. This definition shall not prohibit anyone who is not a certified public accountant from performing accounting services, such as the preparation of tax returns or financial statements, for which attestation by the preparer is not required;

(7) "Firm" means a sole proprietorship, partnership, professional service corporation, or any other form of business organization that is authorized to operate under the laws of this Commonwealth, complies with the provisions of this chapter, and is issued a license to practice by the board or is exempt from having to obtain a license pursuant to KRS 325.301;

(8) "License" means a license as a certified public accountant or a firm issued pursuant to this chapter;

(9) "Licensee" means a certified public accountant, firm, or public accountant, holding a license to practice issued under this chapter;

(10) "Peer review" means a study, appraisal, or review of one (1) or more aspects of the professional work of a person or firm licensed to practice, or excluded from having to obtain a license pursuant to KRS 325.301, and may include a quality assurance or peer review, or any internal review or inspection that is required by professional standards relating to quality control policies and procedures;

(11) "Review committee" means any person or persons carrying out, administering, or overseeing a peer

review program; and

(12) "Substantial equivalency" means a determination by the board or its designee that the education, examination, and experience requirements in the statutes and administrative regulations of another state for the licensing of a certified public accountant are comparable or better than those contained in the Uniform Accountancy Act issued by the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA), or that an individual certified public accountant's education, examination, and experience qualifications are comparable or exceed these national standards.

Effective: July 15, 2008 **History:** Amended 2008 Ky. Acts ch. 101, sec. 1, effective July 15, 2008. -- Amended 2000 Ky. Acts ch. 99, sec. 1, effective July 14, 2000. -- Amended 1994 Ky. Acts ch. 248, sec. 2, effective July 15, 1994. – Amended 1992 Ky. Acts ch. 18, sec. 2, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 285, sec. 1, effective July 13, 1990. -- Amended 1984 Ky. Acts ch. 117, sec. 1, effective July 13, 1984. -- Amended 1968 Ky. Acts ch. 143, sec. 1. -- Created 1946 Ky. Acts ch. 210, sec. 21.

325.230 State Board of Accountancy -- Membership -- Appointment, qualifications, term, vacancies, removal, compensation.

(1) There is hereby created a State Board of Accountancy. The board shall consist of seven (7) members, appointed by the Governor. Six (6) of the members shall be certified public accountants. One (1) of the members shall be a citizen at large who is not a certified public accountant. Members serving on the board as of July 15, 1994, shall retain their appointments until their terms expire. Whenever an appointment is to be made, the Kentucky Society of Certified Public Accountants shall submit to the Governor the names of three (3) persons for each vacancy to be filled. All persons recommended shall be qualified for membership on the board, and the Governor shall appoint one (1) of the three (3) recommended. Members of the board shall be citizens of the United States and residents of this state and the certified public accountant members shall hold licenses to practice issued under the provisions of this chapter. Of the new members appointed to the board, as provided by this section, one (1) member shall be appointed for a term of one (1) year and one (1) member shall be appointed for a term of four (4) years from June 19, 1976. Succeeding appointments to the board shall be for a term of four (4) years. Vacancies occurring during a term shall be filled by appointment for the unexpired term. Upon the expiration of his term of office, a member shall continue to serve until his successor shall have been appointed and shall have qualified. The Governor shall remove from the board any member whose license to practice is not renewed or which has become void, revoked, or suspended, and may, after hearing, remove any member of the board for neglect of duty or other just cause.

(2) Each member of the board shall be paid the amount established by an administrative regulation promulgated by the board, not to exceed two hundred dollars ($200) for each day spent in the discharge of his official duties, and shall be reimbursed for his actual and necessary expenses therein incurred.

Effective: July 12, 2006 - **History:** Amended 2006 Ky. Acts ch. 95, sec. 1, effective July 12, 2006. – Amended 2000 Ky. Acts ch. 99, sec. 2, effective July 14, 2000. -- Amended 1994 Ky. Acts ch. 248, sec. 3, effective July 15, 1994. -- Amended 1984 Ky. Acts ch. 117, sec. 2, effective July 13, 1984. -- Amended 1976 Ky. Acts ch. 116, sec.
1; and ch. 206, sec. 21, effective June 19, 1976. -- Amended 1968 Ky. Acts ch. 143, sec. 2. – Created 1946 Ky. Acts ch. 210, sec. 2(1) and 3.

325.240 Officers of the board -- Administrative regulations -- Rules of professional conduct -- Quorum -- Seal -- Records -- Employees -- Expenditure of funds for primary or secondary educational programs -- Professional liability insurance.

(1) The board shall elect annually a president and such other officers as it deems necessary.

(2) The board may promulgate, and amend from time to time, administrative regulations, in accordance with the provisions of KRS Chapter 13A, for the orderly conduct of its affairs, for the administration of this chapter, and to establish and maintain a high standard of integrity and dignity in the profession of public accounting.

(3) A majority of the board shall constitute a quorum for the transaction of business.

(4) The board shall have a seal which shall be judicially noticed. The board shall keep records of its proceedings, and in any proceeding in court, civil or criminal, arising out of or founded upon any provision

of this chapter, copies of said records certified as correct under the seal of the board shall be admissible in evidence as tending to prove the content of said records.

(5) The board may employ an executive director and such other personnel as it deems necessary in its administration and enforcement of this chapter. It may appoint such committees or persons, to advise or assist it in the administration and enforcement, as it may see fit. It may retain its own counsel to advise and assist it, in addition to such advice and assistance as is provided by the Attorney General of this state.

(6) The board may join or participate in professional organizations and associations that promote improvement of the practice of accounting for the protection of the public or to facilitate the activities of the board.

(7) The board may expend funds from its account created by KRS 325.250 to assist with accounting educational programs proposed or offered in the primary and secondary schools in this state. The amount of the expenditure shall not interfere with the performance of the board's other responsibilities.

(8) The board may purchase professional liability insurance for its members, staff, and investigators. The purchase of or failure to purchase insurance shall not be deemed a waiver of any immunity already conferred on the board, its members, staff, and investigators.

Effective: June 26, 2007 - **History:** Amended 2007 Ky. Acts ch. 50, sec. 2, effective June 26, 2007. – Amended 2000 Ky. Acts ch. 99, sec. 3, effective July 14, 2000. -- Amended 1984 Ky. Acts ch. 117, sec. 3, effective July 13, 1984. -- Amended 1976 Ky. Acts ch. 116, sec. 2. --Amended 1968 Ky. Acts ch. 143, sec. 3. -- Created 1946 Ky. Acts ch. 210, sec. 2, (2).

325.250 Revolving fund for board.

All fees and other moneys received by the board pursuant to the provisions of this chapter shall be deposited in the State Treasury to the credit of a revolving fund for the use of the board in carrying out the provisions of this chapter. No part of this revolving fund shall revert to the general funds of this state. The compensation provided by this chapter and all expenses incurred under this chapter shall be paid from this revolving fund. No such compensation or expense shall be a charge against the general funds of this state.

Effective: June 26, 2007 - **History:** Amended 2007 Ky. Acts ch. 50, sec. 3, effective June 26, 2007. – Amended 1984 Ky. Acts ch. 117, sec. 4, effective July 13, 1984. -- Created 1946 Ky. Acts ch. 210, sec. 2(4).

325.261 Qualifications for licensure as certified public accountant.

The license of "certified public accountant" shall be granted by the board to any person who satisfies the following requirements:

(1) Is no less than eighteen (18) years of age;

(2) Is of good moral character;

(3) Has a baccalaureate degree or master's degree conferred by a college or university recognized by the board with a major or concentration program in accounting or its equivalent, as defined in administrative regulations promulgated by the board;

(4) Passes a board-approved examination in accounting, auditing, and other related subjects as the board deems appropriate. To be eligible to apply for the examination, a person shall first satisfy the requirement of subsections (1) to (3) of this section;

(5) Completes one hundred fifty (150) college semester hours that include a baccalaureate or masters degree conferred by a college or university recognized by the board with a major or concentration in accounting or its equivalent, as defined in administrative regulations promulgated by the board;

(6) Obtains one (1) year of accounting or attest experience while employed in an accounting or auditing position in public practice, academia, industry, or government that shall be verified by a certified public

accountant who, during the time being verified, held an active license to practice from any state. The one (1) year of experience required under this subsection shall be obtained after the completion of the education requirements established in subsection (3) of this section;

(7) At the time of applying for a license is a United States citizen, a citizen of a foreign country who is legally residing in the United States, or is an employee of a public accounting firm, company, or an institution of postsecondary education located outside the United States, but which has an office or campus located in the United States; and

(8) Submits a complete application for a license to practice as a certified public accountant in accordance with KRS 325.330.

Effective: July 12, 2006 - **History:** Amended 2006 Ky. Acts ch. 33, sec. 1, effective July 12, 2006. – Amended 2002 Ky. Acts ch. 62, sec. 1, effective July 15, 2002. -- Amended 2000 Ky. Acts ch. 99, sec. 4, effective July 14, 2000. -- Amended 1996 Ky. Acts ch. 24, sec. 1, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 248, sec. 4, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 285, sec. 2, effective July 13, 1990. – Amended 1984 Ky. Acts ch. 117, sec. 5, effective July 13, 1984. -- Amended 1978 Ky. Acts ch. 155, sec. 156, effective June 17, 1978. -- Amended 1976 Ky. Acts ch. 116, sec. 3. -- Amended 1970 Ky. Acts ch. 120, sec. 15. -- Created 1968 Ky. Acts ch. 143, sec. 4.

325.263 Submission of proof of educational requirements on and after April 1, 2007, by previously approved candidates.

Effective April 1, 2007, any candidate who was approved to sit for the examination prior to January 1, 2000, and has not yet passed the examination shall be required to submit to the board prior to his or her being licensed, proof that he or she meets the requirements of KRS 325.261(5).

Effective: July 12, 2006 - **History:** Created 2006 Ky. Acts ch. 33, sec. 2, effective July 12, 2006.

325.270 Examination for certified public accountant -- Fees -- Reevaluation -- Reciprocity.

(1) Examinations provided for in this chapter shall be authorized by the board.

(2) The board may by administrative regulation adopt standards and fees governing the application and all examination policies and procedures.

(3) The board may accept examination results from other states if:

(a) It is established that the examination is the same or substantially similar to the one adopted by the board; and

(b) The candidate has met the prerequisite examination requirements of this chapter.

Effective: July 15, 2002 - **History:** Amended 2002 Ky. Acts. Ch. 62, sec. 2, effective July 15, 2002 - Amended 1990 Ky. Acts ch. 285, sec. 3, effective July 13, 1990. – Amended 1984 Ky. Acts ch. 117, sec. 7, effective July 13, 1984. -- Amended 1976 Ky. Acts ch. 116, sec. 5. -- Amended 1968 Ky. Acts ch. 143, sec. 6. -- Amended 1960 Ky. Acts ch. 224, sec. 1. -- Created 1946 Ky. Acts ch. 210, sec. 3(5).

325.280 Qualifications for licensure as certified public accountant by reciprocity and for foreign accountants.

(1) The board may issue a license to practice by reciprocity, if the applicant submits an application for a license to practice any regulated activity, upon forms approved by the board, that includes all required fees, in the amounts as determined by administrative regulation promulgated by the board, and meets the following requirements:

(a) The applicant received a grade on the Uniform Certified Public Accountants Examination in another

state that was equivalent to a passing grade at the time in this Commonwealth;

(b) The applicant holds a valid active license, and is in good standing as a certified public accountant, issued under the laws of any other state; and

(c) 1. The applicant meets all current experience requirements in this Commonwealth at the time application is made; or

2. Within the ten (10) years immediately preceding the application, had four (4) years of experience in the practice of the regulated activities acceptable to the board upon which the license was based.

(2) The board may issue a license to practice the regulated activities without examination to an applicant who holds a valid license to engage in the practice of the regulated activities in good standing from a foreign country if:

(a) The applicant's foreign country makes similar provisions to allow a person who holds a valid license to practice the regulated activities issued by this Commonwealth to obtain that foreign country's comparable designation;

(b) The authority of the foreign country that issued the designation regulates the practice of the regulated activities, including the issuance of reports upon financial statements;

(c) The foreign designation was granted upon education and examination requirements which were established by the foreign authority or law and were substantially equivalent to those in effect in this Commonwealth at the time the foreign designation was granted;

(d) The applicant satisfies the applicable experience requirement contained in paragraph (c) of subsection (1) of this section;

(e) The applicant has successfully passed a uniform qualifying examination on United States national standards approved by the board; and

(f) The applicant submits an application for a license to practice the regulated activities, upon forms approved by the board, that includes all required fees, in the amounts as determined by administrative regulation promulgated by the board.

Effective: July 15, 2008 **History**: Amended 2008 Ky. Acts ch. 101, sec. 2, effective July 15, 2008. -- Amended 2004 Ky. Acts ch. 34, sec. 1, effective July 13, 2004. -- Amended 2000 Ky. Acts ch. 99, sec. 5, effective July 14, 2000. -- Amended 1994 Ky. Acts ch. 248, sec. 5, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 285, sec. 4, effective July 13, Page 2 of 2
1990. -- Amended 1984 Ky. Acts ch. 117, sec. 8, effective July 13, 1984. -- Amended 1968 Ky. Acts ch. 143, sec. 7. -- Created 1946 Ky. Acts ch. 210, secs. 3 (7), (8) and 4.

325.282 Privilege to practice granted to out-of-state licensee meeting substantially equivalent licensure requirements -- Qualifications -- Conditions agreed to -- When coordination with in-state firm required.

(1) A person who:

(a) Does not have an office located in this state;

(b) Holds a valid and active license to practice as a certified public accountant from any state that the board has determined to have licensure requirements substantially equivalent to those found in this chapter and the accompanying administrative regulations promulgated thereunder; and

(c) Offers to perform or performs a regulated activity in person or by mail, telephone, or other electronic means in this state; shall have all the privileges granted to the holder of a license issued under this chapter without having to obtain a license from the board.

(2) Notwithstanding any other provision of this chapter, a person who satisfies the requirements of subsection (1) of this section:

(a) Is not required to provide notice of offering or providing such services to the board; and

(b) Is subject to the requirements listed in subsection (3) of this section.

(3) A person who offers to perform or performs a regulated activity in person or by mail, telephone, or other electronic means in this state pursuant to this section agrees to:

(a) Submit to the personal and subject matter jurisdiction and disciplinary authority of the board;

(b) Comply with the provisions of this chapter and the administrative regulations of the board;

(c) Cease exercising the privilege if the license issued by the board or agency located in the state of the person's principal place of business expires or is no longer valid;

(d) The appointment of the state board or agency where the person's principal place of business is located and which issued the person's license as the agent upon whom process may be served in any action or proceeding by the Kentucky State Board of Accountancy against that person;

(e) Notify the board prior to opening any office in this state and immediately apply for a license under KRS 325.280; and

(f) Notify the board immediately if the person's license in the state where his or her principal place of business is located becomes inactive, lapses, or is subjected to any disciplinary action.

(4) The board may take disciplinary action against a person granted a privilege under this section for an act committed by the person in another state if the act at the time of its commission is a violation of that state's law or regulations and this chapter or administrative regulations promulgated pursuant to this chapter.

(5) A person who qualifies for the practice privilege under this section and offers to perform or performs one (1) or more of the following services for a client with its home office located in this state or for a person who is a resident of this state shall perform the service or services through a firm which has obtained a license issued under KRS 325.301:

(a) Any financial statement audit or other engagement to be performed in accordance with the Statements on Auditing Standards;

(b) Any examination of prospective financial statements to be performed in accordance with the Statements on Standards for Attestation Engagements; or

(c) Any engagement to be performed in accordance with the Public Company Accounting Oversight Board Auditing Standards.

Effective: July 15, 2008 **History:** Created 2008 Ky. Acts ch. 101, sec. 3, effective July 15, 2008.

325.285 Consent to jurisdiction of the board by unlicensed persons and firms.

(1) A person or firm that enters this state in person or by mail, telephone, or other electronic means; represents himself, herself, or itself as a "certified public accountant," "CPA," or CPA firm; and performs or offers to perform a regulated activity for a client whose home office is located in this state or a person who is a resident of this state without first:

(a) Obtaining a license under this chapter;

(b) Complying with the practice privilege requirement in KRS 325.282; or

(c) Qualifying for the exemption from licensure under KRS 325.301; consents to the personal, subject matter, and disciplinary jurisdiction of the board.

(2) The board may conduct investigations and hearings and impose sanctions against the person or firm as if the person or firm held a license under this chapter.

Effective: July 15, 2008 **History:** Amended 2008 Ky. Acts ch. 101, sec. 4, effective July 15, 2008. -- Created 2007 Ky. Acts ch. 50, sec. 1, effective June 26, 2007.

325.290 Use of title "certified public accountant."

(1) Only an individual who has received a license to practice or qualifies for a practice privilege shall be styled and known as a "certified public accountant." A certified public accountant may also use the abbreviation "CPA" or "public accountant."

(2) Licensees granted a waiver from continuing professional education based on retirement may use "certified public accountant," "public accountant," or "CPA," but shall not engage in regulated activities.

Effective: July 15, 2008 **History:** Amended 2008 Ky. Acts ch. 101, sec. 5, effective July 15, 2008. -- Amended 2000 Ky. Acts ch. 99, sec. 6, effective July 14, 2000. -- Amended 1994 Ky. Acts ch. 248, sec. 6, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 285, sec. 5, effective July 13, 1990. -- Created 1946 Ky. Acts ch. 210, sec. 3(6).

325.301 Firms required to obtain license to practice in Kentucky -- Firms exempted from licensure requirement -- Criteria for license.

(1) The following firms shall obtain a license to practice in this state:

(a) Any firm with an office located in this state performing attest services or compilations, as defined in KRS 325.220;

(b) Any firm with an office in this state that uses the title "CPA" or other phrase or abbreviation in any manner described in KRS 325.410 to suggest it is a certified public accounting firm; and

(c) Any firm that does not have an office located in this state but performs any attest service described in KRS 325.220(4)(a), (c), or (d) for a client with his or her home office in this state or a client who is a resident of this state.

(2) The following firms shall not be required to obtain a license to practice in this state and may use the title "CPA" in the name of the firm:

(a) A firm which does not have an office in this state that performs services described in KRS 325.220(4)(b) or (5) for a client having its home office in this state or a client who is a resident of this state if:

1. The firm complies with the requirements contained in subsections (3)(a) and (8) of this section; and
2. All services provided by the firm are performed by an individual with a practice privilege granted under KRS 325.282; and

(b) A firm which does not have an office in this state and does not provide the services described in KRS 325.220(4) or (5) to a client having his or her home office located in this state or a client who is a resident of this state may provide other services that are regulated activities, as described in KRS 325.220(6), if:

1. The services are provided through an individual granted a practice privilege as described in KRS 325.282; and
2. The firm can legally provide the services in the state where the individual with a practice privilege has his or her principal place of business.

(3) All firms seeking to obtain a license to practice in this Commonwealth shall meet the following requirements:

(a) Certified public accountants shall hold fifty-one percent (51%) or more of the ownership of the firm in terms of financial interests and voting rights of all partners, officers, shareholders, members, or managers of the firm;

(b) All owners of the firm who are not certified public accountants shall be natural persons actively engaged in the firm's operations and shall satisfy additional requirements as promulgated by the board in administrative regulations;

(c) The name of the firm shall comply with the requirements of KRS 325.380;

(d) All certified public accountants who are partners, shareholders, members, officers, directors, or employees of a firm with an office located in this state, who regularly practice in this Commonwealth, shall maintain current licenses to practice issued by the board;

(e) Any individual licensee and any individual qualifying for a practice privilege under this chapter who is responsible for supervising attest services and signs or authorizes someone to sign the report on the financial statements on behalf of the firm shall meet the competency requirements as promulgated by the board in administrative regulation; and

(f) The firm shall comply with the provisions of this chapter, the administrative regulations promulgated by the board, and all other laws of this Commonwealth applicable to the firm's particular form of business organization.

(4) Before a firm may practice in this Commonwealth, it shall:

(a) Submit an initial application to the board for a firm license to practice in this Commonwealth. This application shall be made upon forms approved by the board and signed by the firm manager, who shall also be the certified public accountant in charge of the administrative matters of the firm. The application for a firm license to practice shall include the name of the firm manager, the name of each certified public accountant and nonlicensee with an ownership interest in the firm, the name of each certified public accountant employee of the firm, the location of each office, and any other information as the board, by duly promulgated administrative regulation, may require; and

(b) With the exception of a sole proprietorship, pay a fee not to exceed two hundred dollars ($200) set by an administrative regulation promulgated by the board.

(5) The firm license to practice shall be renewed every two (2) years by the firm. The application for renewal shall be submitted by the manager of the firm on forms established in administrative regulations promulgated by the board. The renewal fee, not to exceed two hundred dollars ($200), shall be established by administrative regulation promulgated by the board.

(6) The firm license to practice shall be effective for a two (2) year period following the date of its issuance and shall expire on the first day of July in the year of expiration.

(7) The manager of the firm shall notify the board, on a form established in administrative regulations promulgated by the board, of any change in its licensing information within thirty (30) days. Any change in the name of a firm shall require the filing of an initial application.

(8) All firms that perform audits, reviews, or compilations shall enroll in and complete on a regular basis an approved peer review program with standards that are equivalent to or better than the peer review program administered by the American Institute of Certified Public Accountants as determined by administrative regulations promulgated by the board. Every firm shall comply with any requirements or restrictions placed on its license as prescribed by the board in response to the results of peer reviews.

(9) Nothing contained in this chapter shall require a certified public accountant or firm of certified public accountants licensed by another state or foreign country to obtain a license to practice in this Commonwealth if the certified public accountant or firm of certified public accountants enter this Commonwealth solely to:

(a) Conduct a peer review of a firm; or

(b) Perform attestation work, incidental to an engagement which was initiated with a client located outside of the Commonwealth and has extended into the Commonwealth due to common ownership or existence of a subsidiary, assets, or other operations located within the Commonwealth.

Effective: July 15, 2008 **History:** Amended 2008 Ky. Acts ch. 101, sec. 6, effective July 15, 2008. -- Amended 2000 Ky. Acts ch. 99, sec. 7, effective July 14, 2000. -- Amended 1996 Ky. Acts ch. 24, sec. 2, effective July 15, 1996. -- Created 1994 Ky. Acts ch. 248, sec. 1, effective July 15, 1994.

325.312 Designation as public accountant emeritus.

Persons registered with the board as "public accountants" by July 1, 1946, shall receive the designation of "Public Accountant Emeritus" and shall be exempt from the payment of licensing fees and the reporting of continuing education hours. No persons shall assume or use the title or designation "Public Accountant Emeritus" unless designated by the board under this section.

Effective: July 14, 2000 - **History:** Created 2000 Ky. Acts ch. 99, sec. 15, effective July 14, 2000.

325.330 Application and issuance of license to practice -- Renewal -- Reinstatement.

(1) An applicant for initial issuance of a license to practice shall:

(a) Satisfy all the requirements of KRS 325.261 and the administrative regulations promulgated by the board;

(b) Pay a fee not to exceed two hundred dollars ($200); and

(c) Complete the application process established in an administrative regulation promulgated by the board.

(2) Licenses shall be initially issued and renewed for a period of two (2) years, and shall expire on the first day of July in the year of expiration.

(3) When an initial license to practice is granted, the board shall issue a nonrenewable document that indicates that the licensee has satisfied all requirements to receive an initial license as a certified public accountant.

(4) An applicant for renewal of a license to practice who is in good standing shall complete the renewal procedure established in administrative regulations promulgated by the board that show that the applicant has:

(a) Fulfilled the requirement of continuing professional education for professional enhancement as defined by the board by administrative regulation, but not to exceed eighty (80) hours during a two (2) year calendar period ending December 31 preceding the July 1 renewal date. Certified public

accountants not employed by a firm licensed by the board shall be required to achieve continuing professional education not to exceed sixty (60) hours during the two (2) year calendar period ending December 31 preceding the July 1 renewal date. The board shall provide for lesser, prorated requirements for applicants whose initial permit was issued substantially less than two (2) years prior to the renewal date;

(b) Paid a fee not to exceed two hundred dollars ($200) biennially;

(c) Listed a permanent mailing address; and

(d) Designated as part of the renewal process whether the applicant is employed by a firm licensed by the board.

(5) Any license not renewed by the expiration date shall automatically expire and the holder of the expired license shall be prohibited from practicing public accounting or holding himself out as a certified public accountant.

(6) (a) The holder of a license that from the date of renewal has been expired for a period shorter than six (6) months, and who has not violated any other provision of this chapter, may renew the license by meeting all of the requirements of this section and paying a late penalty fee not to exceed one hundred dollars ($100).

(b) If the license has expired for a period longer than six (6) months, the applicant shall apply to the board for reinstatement. The board shall determine the eligibility for license reissuance, including a late penalty fee not to exceed two hundred dollars ($200) and additional continuing professional education hours.

(c) Failure to receive a renewal notice shall not constitute an adequate reason for failing to renew the license to practice in a timely manner.

(7) The board may reduce or waive the license to practice renewal requirements upon written request of the licensee showing illness, extreme hardship, or age and complete retirement from practice as prescribed by the board by administrative regulation.

(8) A licensee shall notify the board in writing of a change in his or her mailing address within twenty (20) days following the effective date of the change in address.

Effective: June 26, 2007 - **History:** Amended 2007 Ky. Acts ch. 50, sec. 4, effective June 26, 2007. – Amended 2000 Ky. Acts ch. 99, sec. 8, effective July 14, 2000. -- Amended 1990 Ky. Acts ch. 285, sec. 8, effective July 13, 1990. -- Amended 1984 Ky. Acts ch. 117, sec. 10, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 132, sec. 1, effective July 15, 1982. -- Amended 1976 Ky. Acts ch. 116, sec. 9. -- Amended 1960 Ky. Acts ch. 224, sec. 2, effective July 1, 1960. -- Amended 1950 Ky. Acts ch. 152, sec. 1. – Created 1946 Ky. Acts ch. 210, sec. 8.
Legislative Research Commission Note (6/26/2007). Under the authority of KRS 7.136(1), the Reviser of Statutes in codification has changed the internal numbering system of subsection (6) of this statute. No words in the text were changed in the process.

325.340 Revocation, suspension, or refusal to renew or issue license.

(1) After notice and hearing as provided in KRS Chapter 13B, the board may revoke, suspend, impose a fine not to exceed one thousand dollars ($1,000) for each violation of a provision of this chapter or administrative regulations promulgated by the board under this chapter, refuse to issue or renew any license, censure, or place on probation any person or firm, all with or without terms, for any one (1) or any combination of the following causes:

(a) Fraud or deceit in obtaining a license issued under this chapter;

(b) Dishonesty, fraud, or negligence while performing any regulated activity, including fiscal dishonesty or an intentional breach of fiduciary responsibility of any kind, and also including but not limited to the following:

1. Knowing preparation, publication, or dissemination of false, fraudulent, or materially

misleading financial statements, reports, or information; and

2. Embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses;

(c) Violation of any of the provisions of this chapter or administrative regulations promulgated by the board under this chapter or violation of any order of the board;

(d) Violation of a rule of professional conduct promulgated by the board;

(e) Conviction of any felony, or of any crime in which dishonesty or fraud is an element, under the laws of any state or of the United States. Conviction includes, but is not limited to, pleading no contest, entering an Alford plea, or entry of a court order suspending the imposition of a criminal penalty to a crime;

(f) Cancellation, revocation, suspension, or refusal to renew the authority to practice as a certified public accountant or a public accountant in any state;

(g) Suspension or revocation of the right to practice before any state or federal agency or the Public Company Accounting Oversight Board or its successor;

(h) Conduct discreditable to the accounting profession; or

(i) Failure to respond to a board inquiry regarding any licensing or complaint matter.

(2) In any proceeding in which a remedy provided by subsection (1) of this section is imposed, the board may also require the respondent to pay the costs of the investigation and all proceedings.

Effective: June 26, 2007 - **History:** Amended 2007 Ky. Acts ch. 50, sec. 5, effective June 26, 2007. – Amended 2000 Ky. Acts ch. 99, sec. 9, effective July 14, 2000. -- Amended 1996 Ky. Acts ch. 318, sec. 294, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 248, sec. 7, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 285, sec. 9, effective July 13, 1990. -- Amended 1984 Ky. Acts ch. 117, sec. 11, effective July 13, 1984. --Amended 1976 Ky. Acts ch. 116, sec. 10. -- Amended 1968 Ky. Acts ch. 143, sec. 8. Page 1 of 2 -- Amended 1960 Ky. Acts ch. 233, sec. 1. -- Amended 1950 Ky. Acts ch. 152,sec. 2. -- Created 1946 Ky. Acts ch. 210, sec. 9.

325.350 Revocation or suspension of, or refusal to renew license of firm.

(1) After notice and hearing as provided in KRS Chapter 13B, the board shall revoke the license to practice of a firm if at any time it does not have all the qualifications prescribed by this chapter under which it qualified for licensing.

(2) After notice and hearing as provided in KRS Chapter 13B, the board may revoke, suspend, or refuse to renew the license to practice of a firm or may censure the licensee for any of the causes enumerated in KRS 325.340, and for the following additional causes:

(a) The revocation, suspension, or refusal to renew the license to practice of any partner or shareholder, or any other person with an ownership interest; or

(b) The cancellation, revocation, suspension, or refusal to renew the authority of the firm or any partner or shareholder, or any other person with an ownership interest thereof to practice public accounting in any other state.

Effective: July 14, 2000 - **History:** Amended 2000 Ky. Acts ch. 99, sec. 10, effective July 14, 2000. – Amended 1996 Ky. Acts ch. 318, sec. 295, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 248, sec. 8, effective July 15, 1994. -- Amended 1984 Ky. Acts ch. 117, sec. 12, effective July 13, 1984. -- Amended 1978 Ky. Acts ch. 384, sec. 107, effective June 17, 1978. -- Amended 1976 Ky. Acts ch. 116, sec. 11. -- Created 1946 Ky. Acts ch. 210, sec. 10.

325.360 Proceedings for violations of this chapter.

(1) The board may conduct investigations of suspected violations of this chapter or the administrative regulations promulgated by the board to determine whether there is probable cause to institute

proceedings against any person or firm for any violation under this chapter, but an investigation under this section shall not be a prerequisite to proceedings. In aid of these investigations, the board or its designee may issue subpoenas to compel witnesses to testify and to produce evidence. Subpoenas may be served in person or by certified mail, return receipt requested.

(2) The board may designate a member, or any other person of appropriate competence, to serve as investigating officer to conduct an investigation. Upon completion of an investigation, the investigating officer shall report to the board. The board shall then find probable cause or lack of probable cause, or it shall request that the investigating officer investigate further. Until there has been a determination of probable cause, the findings of the investigating officer, the testimony and documents gathered in the investigation, and the fact of pendency of the investigation shall be treated as confidential information and shall not be disclosed to any person except law enforcement authorities and, to the extent deemed necessary in order to conduct the investigation, the subject of the investigation, persons whose complaints are being investigated, and witnesses questioned in the course of the investigation.

(3) Upon a finding of probable cause, the board shall direct that a complaint be issued pursuant to this section setting forth appropriate charges and a date for a hearing that shall be conducted in accordance with KRS Chapter 13B. Upon a finding of a lack of probable cause, the board shall dismiss the matter either with or without prejudice.

(4) In any case where probable cause has been determined pursuant to this section, the board may request the affected party to informally resolve the matter through mediation or otherwise.

(5) A person or firm, after having been served with the notice of hearing and complaint as provided for in subsection (3) of this section, shall file a written response within twenty (20) days from the date of service. If the respondent licensee fails to file a timely response or fails to appear at the hearing, the board may hear evidence against the respondent and may enter a final order as shall be justified by the evidence.

(6) In a hearing under this section, the respondent may appear in person or, in the case of a firm, through a partner, shareholder, or other person with an ownership interest.

(7) The evidence supporting the complaint shall be presented by the investigating officer, by a board member designated for that purpose, or by counsel. A board member who presents the evidence, or who has conducted the investigation of the matter under this section, shall not participate in the board's decision of the matter.

(8) In a hearing under this section before the board or in acting upon the recommended order of a hearing officer, a vote of a majority of all members of the board then in office, other than a member disqualified by reason of subsection (7) of this section, shall be required to sustain any charge and to impose any penalty with respect thereto.

(9) Any person adversely affected by any order of the board may obtain a review thereof by filing a written petition for review with the Franklin Circuit Court in accordance with KRS Chapter 13B.

(10) On rendering a final order, the board shall examine its records to determine whether the respondent is authorized or licensed to practice as a certified public accountant in any other state. If the board determines that the respondent is authorized or licensed to practice in any other state, the board shall notify the board of accountancy of the other state of its action by mail within thirty (30) days of rendering the final order.

(11) The board may exchange information relating to proceedings resulting in disciplinary action against licensees with the boards of accountancy of other states and with other public authorities or private organizations having an interest in the information.

Effective: June 26, 2007 - **History:** Amended 2007 Ky. Acts ch. 50, sec. 6, effective June 26, 2007. – Amended 2000 Ky. Acts ch. 99, sec. 11, effective July 14, 2000. -- Amended 1996 Ky. Acts ch. 318, sec. 296, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 248, sec. 9, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 285, sec. 10, effective July 13, 1990. -- Amended 1984 Ky. Acts ch. 117, sec. 13, effective July 13, 1984. -- Amended 1980 Ky. Acts ch. 114, sec. 85, effective July 15, 1980. -- Amended 1976 Ky. Acts ch. 116, sec. 12. -- Amended 1974 Ky. Acts ch. 315, sec. 65. – Created 1946 Ky. Acts ch. 210, sec. 11.

325.370 Modification, suspension, or reissuance of license.

(1) In any case where the board has suspended, revoked, or refused to renew a license, the board may, upon application in writing by the person or firm affected and for good cause shown, modify the suspension or reissue the license.

(2) The board shall by administrative regulation, specify the manner in which:

(a) Applications shall be made;

(b) The times within which the applications shall be made, and the circumstances in which hearings, to be conducted in accordance with KRS Chapter 13B, shall be held thereon; and

(c) Any corrective or remedial education, training, or review requirement for reinstatement.

Effective: July 14, 2000 - **History:** Amended 2000 Ky. Acts ch. 99, sec. 12, effective July 14, 2000. – Amended 1996 Ky. Acts ch. 318, sec. 297, effective July 15, 1996. -- Amended 1990 Ky. Acts ch. 285, sec. 11, effective July 13, 1990. -- Amended 1984 Ky. Acts ch. 117, sec. 14, effective July 13, 1984. -- Created 1946 Ky. Acts ch. 210, sec. 12.

325.380 Restrictions on use of title.

(1) No person shall assume or use the title or designation "certified public accountant," "public accountant," or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant, unless the person holds a license issued under this chapter or qualifies for a practice privilege under KRS 325.282.

(2) No firm shall assume or use the title or designation "certified public accountants," "public accountants," or the abbreviation "CPA's" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants, unless the firm:

(a) Holds a license issued under this chapter which has not been revoked or suspended, and all offices of the firm in this state are maintained as required under this chapter; or

(b) Is authorized to do so as provided for in KRS 325.301.

(3) No individuals or firm shall assume or use the title or designation "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "accredited auditor," "accounting practitioner," "accredited accountant," "expert accountant," "expert auditor," "certified auditor," or any other title or designation likely to be confused with "certified public accountant" and "public accountant" or any of the abbreviations "CA," "AP," "PA," "RA," "LA," or "AA" or similar abbreviations likely to be confused with "CPA."

(4) No person or firm shall sign or affix his name or a firm name to any document or prepare or issue any document which indicates that the person or firm performed attest services or a compilation or that includes any language which indicates that the person or the firm has expert knowledge in performing attest services or a compilation, unless the person or firm holds a license to practice issued under this chapter or is exempt from having to obtain a license pursuant to KRS 325.301. This prohibition shall be applicable to issuance by any unlicensed person or firm of a report using any form of language conventionally used by licensees with respect to a compilation of financial statements. The board shall issue safe harbor language, to be defined by the promulgation of administrative regulations, that nonlicensees may use in connection with a compilation of financial information. The provisions of this subsection shall not prohibit any officer, employee, partner, or principal of any organization from affixing his signature to any statement or report in reference to the financial affairs of the organization with any wording designating the position, title, or office which he holds in the organization, nor shall the provisions of this subsection prohibit any act of a public official or public employee in the performance of his duties.

(5) No person shall assume or use the title or designation "certified public accountant" or "public accountant" in conjunction with names indicating or implying that there is a firm, or in conjunction with the designation "and Company" or "and Associates" or a similar designation if there is in fact no bona fide

firm licensed under this chapter or exempted from licensure under KRS 325.301.

(6) No person or firm holding a license under this chapter shall use a professional or firm name or designation which contains the names of any nonlicensees, is misleading as to the legal form of the firm, or as to the persons who are partners, officers, shareholders, or any other owners of the firm, or as to any other matters. If more than one (1) certified public accountant has an ownership interest in the firm, the names of one (1) or more deceased, retired, or withdrawn partners, shareholders, or other certified public accountants with an ownership interest may be included in the name of a firm or its successor.

(7) If the death or retirement of a certified public accountant results in a firm having only one (1) certified public accountant with an ownership interest, the board may permit the firm to continue to use the firm name for no more than two (2) years from the certified public accountant's respective death or retirement.

Effective: July 15, 2008 **History:** Amended 2008 Ky. Acts ch. 101, sec. 7, effective July 15, 2008. -- Amended 2002 Ky. Acts ch. 62, sec. 3, effective July 15, 2002. -- Amended 2000 Ky. Acts ch. 99, sec. 13, effective July 14, 2000. -- Amended 1996 Ky. Acts ch. 24, sec. 3, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 248, sec. 10, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 285, sec. 12, effective July 13, 1990. --Amended 1984 Ky. Acts ch. 117, sec. 15, effective July 13, 1984. -- Amended 1976 Ky. Acts ch. 116, sec. 13. -- Amended 1968 Ky. Acts ch. 143, sec. 9. -- Created 1946 Ky. Acts ch. 210, sec. 13.

325.400 Injunction against violations of KRS Chapter 325.

Whenever in the judgment of the board any person or firm has engaged, or is about to engage, in any acts or practices which constitute, or will constitute, a violation of this chapter, the board may make application to the Franklin Circuit Court for an order enjoining such acts or practices, and upon a showing by the board that such person or firm has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or such other order as may be appropriate shall be granted by such court. The same shall be enforceable and shall be valid anywhere in this state and shall be reviewable as provided in the Rules of Civil Procedure in the case of other injunctions and restraining orders.

Effective: July 13, 1984 - **History:** Amended 1984 Ky. Acts ch. 117, sec. 17, effective July 13, 1984. – Amended 1976 Ky. Acts ch. 116, sec. 15. -- Created 1946 Ky. Acts ch. 210, sec. 15.

325.410 Evidence of unlawful holding out as licensed to practice.

The display or uttering by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof, or "public accountant" shall be prima facie evidence in any action brought under KRS 325.400 or 325.990 that the person whose name is so displayed, caused or procured the display or uttering of such card, sign, advertisement, or other printed, engraved, or written instrument or device, and that such person is holding himself or itself out to be a certified public accountant licensed to practice under KRS 325.330. In any such action evidence of the commission of a single act prohibited by this chapter shall be sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

Effective: July 14, 2000 - **History:** Amended 2000 Ky. Acts ch. 99, sec. 14, effective July 14, 2000. – Amended 1984 Ky. Acts ch. 117, sec. 18, effective July 13, 1984. -- Created 1946 Ky. Acts ch. 210, sec. 17.

325.420 Materials required to be furnished to client -- Ownership of accountant's working papers.

(1) Upon request and reasonable notice, the licensee shall furnish to his client or former client any accounting or other records belonging to the client that were provided to the licensee by or on behalf of the client.

(2) Upon request, reasonable notice, and payment for services previously provided, a licensee shall furnish to his client or former client a copy of a tax return, report, or other document, any of which was previously issued to or for the client or a copy of the licensee's working papers if the working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client. These working papers shall include, but are not limited to, adjusting, closing, combining, or consolidating journal entries and information normally contained in books of original entry and general ledgers.

(3) Except as provided in subsection (1) of this section or pursuant to an agreement entered into between a licensee and his client, all statements, records, schedules, working papers, and memoranda prepared by a licensee to or in the course of providing services to a client shall be the property of the licensee.

Effective: July 15, 1994 - **History:** Amended 1994 Ky. Acts ch. 248, sec. 11, effective July 15, 1994. – Created 1946 Ky. Acts ch. 210, sec. 18.

325.431 Evidentiary privilege for quality review committee materials – Testimonial privilege -- Exceptions.

(1) The proceedings, records, and work papers of the review committee shall be privileged and not subject to discovery, subpoena, or other means of legal process, or introduction into evidence in any civil action, arbitration, administrative proceeding, or state accountancy board proceeding. No member of the review committee or person involved in the quality review process shall testify in any civil action, arbitration, administrative proceeding, or state accountancy board proceeding as to any matter produced, presented, disclosed, or discussed during or in connection with the quality review process, or as to any finding, recommendation, evaluation, opinion, or other action of the committee.

(2) Information, documents, or records that are publicly available shall not be immune from discovery or use in any civil action, arbitration, administrative proceeding, or state accountancy board proceeding merely because they were presented or considered in connection with the quality review process.

(3) The privilege created in subsection (1) of this section shall not apply to:

(a) Materials prepared in connection with a particular engagement merely because they happen to subsequently be presented or considered as part of the quality of review process.

(b) Disputes between review committees and persons or firms subject to a quality review arising from the performance of the quality review.

(c) Correspondence and reports of the peer review program obtained by the board from a licensee seeking renewal or an individual or firm seeking to become licensed.

(d) A statement obtained by the board from a review committee to determine if a licensee seeking renewal or an individual or firm seeking to become licensed is enrolled in or is not enrolled in a peer review program.

Effective: July 13, 2004 - **History:** Amended 2004 Ky. Acts ch. 34, sec. 2, effective July 13, 2004. – Created 1992 Ky. Acts ch. 18, sec. 1, effective July 14, 1992.

325.440 Confidentiality of information obtained in practice.

(1) A licensee shall not, without the consent of his client, disclose any confidential information pertaining to his client obtained in the course of performing professional services.

(2) This section does not:

(a) Relieve a licensee of any obligations under the rules of professional conduct;

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

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

(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.

(3) Members of the board and professional practice reviewers shall not disclose any confidential client information which comes to their attention from licensees in disciplinary proceedings or otherwise in

carrying out their responsibilities, except that they may furnish such information to an investigative or disciplinary body of the kind referred to above.

Effective: July 13, 1984 - **History:** Amended 1984 Ky. Acts ch. 117, sec. 19, effective July 13, 1984. – Created 1946 Ky. Acts ch. 210, sec. 20.

325.445 Accountant or attorney may act as agent of client for specified activities.

A certified public accountant licensed in the Commonwealth under the provisions of this chapter, or an attorney licensed to practice law in the Commonwealth of Kentucky, with express authorization of a client may act as an agent of that client to:

(1) Complete, sign, and file an application for a seller's permit to do business as provided in KRS 139.240;

(2) Complete, sign, and file an application for a seller's permit for any out-of-state retailer who is not required to file for the collection of use tax under KRS 139.340 but is seeking to do so on a voluntary basis as provided by KRS 139.700;

(3) Complete, sign, and file an application for a certificate of registration to sever or process coal in this state as required by KRS 143.030; and

(4) Complete, sign, and file an application for an employer's withholding, corporation income, and corporation license tax registration numbers as may be required by KRS 131.130.

Effective: July 1, 2004 - **History:** Amended 2003 Ky. Acts ch. 124, sec. 33, effective July 1, 2004. – Created 2002 Ky. Acts ch. 44, sec. 1, effective July 15, 2002.

325.990 Penalty -- Prosecution by Attorney General.

Any person who violates any provision of KRS 325.380, shall be guilty of a misdemeanor, and upon conviction thereof, shall be subject to a fine of not more than five hundred dollars ($500) or to imprisonment for not more than one (1) year, or both such fine and imprisonment. Whenever the board has reason to believe that any person is liable to punishment under this section it may certify the facts to the Attorney General of this state, who may, in his discretion, cause appropriate proceedings to be brought.

History: Created 1946 Ky. Acts ch. 210, sec. 16. - **History for former KRS 325.990:** Repealed 1946 Ky. Acts ch. 210, sec. 23. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 3941e-13.

201 KAR 1:015. Per diem compensation.

RELATES TO: 2006 Ky. Acts ch. 59, KRS 325.230, 325.240

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.230(2) requires the board to establish the amount of per diem compensation to be paid to board members. 2005 Ky Acts Ch. 95 establishes the maximum amount of per diem compensation that may be set by administrative regulation at $200. This administrative regulation establishes the per diem amount to be received by board members.
Section 1. Each member of the board shall receive $150 for each day spent in the discharge of his or her official duties.

(SBA-1-C; 1 Ky.R. 1009; eff. 6-11-75; Am. 3 Ky.R. 438; eff. 1-5-77; 18 Ky.R. 2972; eff. 6-7-92; 32 Ky.R. 2061; 33 Ky.R. 380; eff. 9-1-2--6.)

201 KAR 1:020. Members of board.

RELATES TO: KRS 325.230, 325.240

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: To elect officers of the State Board of Accountancy of Kentucky.

Section 1. The annual election of officers of the board shall be held at the meeting immediately preceding July 1st of each year. All officers shall continue in office until new officers have been elected.

History - (SBA-1-E; 1 Ky.R. 1009; eff. 6-11-75; Am. 18 Ky.R. 2972; eff. 6-7-92.)

201 KAR 1:050. License application.

RELATES TO: 2006 Ky. Acts ch. 33, KRS 325.261, 325.280, 325.330

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.261 establishes the standards for licensure as a certified public accountant. KRS 325.280 establishes the standards for licensure as a certified public accountant by reciprocity. KRS 325.330 establishes the process for issuing a license. This administrative regulation describes the procedure to obtain a license as a certified public accountant.

Section 1. (1) A person who has met the qualifications contained in KRS 325.261 shall submit the "Application for Initial License as a Kentucky Certified Public Accountant".

(2) With his or her application, the person shall include:

(a) A check or money order, which is nonrefundable, made payable to the "Kentucky State Board of Accountancy" for $100;

(b) The certificate of experience as described in 201 KAR 1:063;

(c) One (1) photograph taken within ninety (90) days preceding the application, the back of which shall contain the signature in ink of the applicant;

(d) A list of colleges and universities with graduation dates, degrees awarded, and the official transcript described in 201 KAR 1:190, unless it is already in possession of the board;

(e) An official transcript as described in 201 KAR 1:190 from an accredited college or university as described in 201 KAR 1:190 which verifies the candidate has satisfied the 150-hour requirement of KRS 325.261

(f) Proof of successful completion of the Uniform Certified Public Accountants Examination. If the applicant successfully completed the examination in Kentucky, no documentation is required. If the examination was successfully completed in another jurisdiction, the applicant shall have an "Authorization of Interstate Exchange of Information" submitted to the board on his or her behalf; and

(g) If the applicant is not a citizen of the United States:

1. Documentation from the United States Citizenship and Immigration Services, or its successor, to verify the person is legally residing in the United States; or

2. Documentation from the employer that verifies the person is an employee of a public accounting firm, company, or institution of postsecondary education located outside the United States, but also has an office or campus located in the United States.

Section 2. License by Reciprocity. (1) An applicant for a license by reciprocity shall submit or cause to have submitted:

(a) An "Application for License as a Kentucky Certified Public Accountant by Reciprocity";

(b) Payment of the fee and other documents required by Section 1(2) of this administrative regulation, except for an official transcript; and

(c) An "Authorization for Interstate Exchange of Information", form completed by the licensing jurisdiction where the applicant holds a valid and active license to practice.

(2) If the applicant cannot provide the certificate of experience as required in Section 1 of this administrative regulation; and:

(a) Is applying under the provisions of KRS 325.280(1)(c)1, the applicant shall have the licensing jurisdiction where he or she holds a valid and active license send certified copies of experience requirement documents from his or her license file; or

(b) Is applying under the provisions of KRS 325.280(1)(c)2, he or she shall submit or cause to have submitted one (1) of the following documents which clearly reflects that the applicant has practiced public accounting as a full-time profession for four (4) of the last ten (10) years:

1. Proof of public accounting errors and omissions insurance;

2. A letter from an attorney, client, or certified public accountant that has knowledge of the applicant's practice;

3. Copies of firm license applications; or

4. Copies of personal tax returns.

Section 3. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) "Application for Initial License as a Kentucky Certified Public Accountant (2006)";

(b) "Application for Licenses as a Kentucky Certified Public Accountant by Reciprocity (2005)"; and

(c) "Authorization for Interstate Exchange of Information, (2005)".

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, 8:30 a.m. to 4:30 p.m.

History - (SBA-2-E; 1 Ky.R. 1010; eff. 6-11-75; Am. 3 Ky.R. 441; eff. 1-5-75; 9 Ky.R. 594; eff. 12-1-82; 11 Ky.R. 1433; eff. 5-14-85; 18 Ky.R. 2975; eff. 6-7-92; 20 Ky.R. 3210; eff. 8-4-94; 27 Ky.R. 585; eff. 10-26-2000; 31 Ky.R. 1526; eff. 5-26-05; 32 Ky.R. 2062; 33 Ky.R. 380; eff. 9-1-06.)

201 KAR 1:063. Certificate of experience.

RELATES TO: KRS 325.261(4)

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.261 establishes the standards for licensure as a certified public accountant. This administrative regulation describes the experience to be documented when one applies to become a certified public accountant.

Section 1. Definitions. (1) "One (1) year" means the completion of 2000 hours of employment obtained after the award of a baccalaureate degree during an employment period of not less than twelve (12) months, excluding any leave or holiday time.

(2) "Verification" means a certified public accountant as described in KRS 325.261(6) confirming the truth or accuracy of the applicant's accounting or attest experience.

Section 2. (1) An applicant for licensure shall have submitted by the certified public accountant verifying the experience a "Certificate of Experience".

(2) If the applicant has been employed by more than one (1) employer to meet the experience requirement described in KRS 325.261 and this administrative regulation, a certificate shall be submitted for each employment situation.

Section 3. Experience Verification. The certificate of experience shall include the following information verified by a certified public accountant as described in KRS 325.261(6):

(1) The name and address of the employing firm, company, agency, or institution of higher education;

(2) The month, day and year the employment began, and the month, day and year the employment as terminated or the experience was completed;

(3) Total number of hours worked during the employment period excluding holiday or leave time;

(4) A brief description of the applicant's job duties;

(5) The applicant's working titles during employment; and

(6) The signature of the verifying certified public accountant which attests to the truth and accuracy of the statements made regarding the applicant's experience.

Section 4. Documentation and Verification of Applicant Experience. A false or misleading statement made by a certified public accountant on a certificate of experience shall constitute a violation of KRS 325.340(1)(h).

Section 5. Incorporation by Reference. (1) "Certificate of Experience (2005)" is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, between 8 a.m. to 4:30 p.m.

History - (19 Ky.R. 1692; Am. 2025; eff. 2-19-1993; 20 Ky.R. 3212; eff. 8-4-1994; 27 Ky.R. 586; eff. 10-16-2000; 31 Ky.R. 1527;

1782; eff. 5-26-2005; TAm 10-27-2009.)

201 KAR 1:064. Verification of experience for teaching accounting courses.

RELATES TO: KRS 325.261(6)

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.261 establishes the standards for licensure as a certified public accountant. This administrative regulation describes the experience to be documented when one applies to become a certified public accountant on the basis of college teaching.

Section 1. Definitions. (1) "Accounting course" means a course that contains in the course prefix, or title, the word accounting or some variation.

(2) "One (1) year of teaching accounting" means being employed by an institution of higher education to teach twenty-four (24) semester hours of accounting courses in which the course participants shall receive credit on an official transcript as described in 201 KAR 1:190, Section 1(7).

(3) "Quarter hour" means 66/100ths of a semester hour.

(4) "Verification" means an actively-licensed certified public accountant of this or any state confirming the truth or accuracy of the applicant's accounting or attest teaching experience.

Section 2. Experience Verification. The verifying certified public accountant shall submit a letter indicating the following information:

(1) The name and address of the employing institution of higher education;

(2) A list of courses taught by the applicant that includes the course title, semester hours awarded to class participants, semester, and year; and

(3) The signature of the verifying certified public accountant who attests to the truth and accuracy of the statements made regarding the applicant's experience.

History - (21 Ky.R. 3088; eff. 8-10-95; Am. 27 Ky.R. 587; eff. 10-16-2000; TAm eff. 10-10-2008; TAm eff. 10-27-2009.)

201 KAR 1:065. Individual license renewal and fee.

RELATES TO: KRS 325.330

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.330 establishes the standards for license renewal fees for certified public accountants. This administrative regulation describes the procedures and fees for a certified public accountant to renew a license.

Section 1. A person seeking to renew his or her license shall submit:

(1) The computer-generated renewal form sent by the board;

(2) A check or money order made payable to the "Kentucky State Board of Accountancy" in the amount of $100; and

(3) A continuing professional education report as required by 201 KAR 1:100:

Section 2. A license shall expire on July 1 of the second year following the date it was issued and shall be subject to renewal as follows:

(1) Even-numbered licenses shall be renewed in even-numbered years; and

(2) Odd-numbered licenses shall be renewed in odd-numbered years.

Section 3. (1) In May of the licensee's renewal year, the board shall send a computer-generated license renewal notice to the licensee at the address on file with the board.

(2) The licensee shall return the renewal form as indicated in Section 1 of this administrative regulation correcting, deleting or adding to the information on file.

Section 4. Incorporation by Reference. (1) Permit Renewal Application (2000) is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright laws, at the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, between 8:30 a.m. to 4:30 p.m.

History - (SBA-3-A; 1 Ky.R. 1011; eff. 6-11-75; Am. 3 Ky.R. 443; eff. 1-5-77; 4 Ky.R. 254; eff. 3-3-78; 7 Ky.R. 779; eff. 5-6-81; 9 Ky.R. 1026; eff. 4-6-83; 11 Ky.R. 1434; eff. 5-14-85; 18 Ky.R. 1976; 3326; eff. 6-7-92; 20 Ky.R. 3213; eff. 8-4-94; 27 Ky.R. 588; eff. 10-16-2000.)

201 KAR 1:081. Firm license.

RELATES TO: KRS 325.220, 325.301, 325.380

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.220 defines peer review. KRS 325.301 establishes the standards for licensure of a certified public accounting firm. KRS 325.380 establishes the standards for certified public accounting firm names and usage. This administrative regulation establishes the procedures for firms to obtain a license to practice as required by KRS 325.301.

Section 1. Definitions. (1) A "certified public accountant owner" means a certified public accountant with a current license to practice issued by a state board of accountancy and is a shareholder in a professional service corporation or corporation; a partner in a partnership or registered limited liability partnership; or a member of a limited liability company.

(2) A "nonlicensed owner of the firm" means a person referred to in KRS 325.301(1)(b).

Section 2. In order to obtain a license to practice, a firm except a firm operating as a sole proprietorship, shall submit:

(1) A completed "Initial Firm Registration"; and

(2) A check made payable to the "Kentucky State Board of Accountancy" in the amount of $100 for the initial firm registration fee.

Section 3. A certified public accountant shall:

(1) Have ultimate responsibility for all services provided by the firm;

(2) Have ultimate authority over any unit, division, or branch of the firm that performs attest services; and

(3) Comply with the "Statement on Quality Control Standards", June 2000, issued by the American Institute of Certified Public Accountants Auditing Standards Board, as incorporated by reference.

Section 4. A nonlicensed owner of the firm shall not sell or otherwise transfer any ownership interest in the firm to any person who fails to satisfy the requirements of KRS 325.301(1).

Section 5. (1) A certified public accountant seeking to engage in a regulated activity as a sole proprietor shall register the firm by writing a letter to the board stating the firm office address, phone number, and indicating whether he is engaging in a regulated activity on a full-time or part-time basis; or

(2) If he is establishing the firm within thirty (30) days of his individual permit renewal date, he may submit this information when he renews his individual permit to practice.

(3) A fee shall not be assessed for this registration.

Section 6. In May of the firm's renewal year, the board shall send the firm a computer generated notice containing current firm registration information. The firm CPA manager shall renew the firm license to practice by submitting:

(1) The notice with corrections, deletions, or additions as appropriate; and

(2) A check made payable to the "Kentucky State Board of Accountancy" in the amount of $100 for the firm license.

(3) A sole proprietor shall renew his license by providing the information required in Section 3(1) of this administrative regulation when he renews his individual license. A fee shall not be charged for this firm license renewal.

(4) Failure to receive a notice to renew shall not constitute an adequate excuse for failing to renew the firm license.

Section 7. If any of the information on the firm registration form submitted by the firm's certified public accountant manager changes, he shall indicate the changes on the "Firm Registration Changes" form.

Section 8. (1) Upon the death or retirement of a firm member which is composed of only two (2) certified public accountant owners, the board shall authorize the continuation of the use of the firm name by the surviving certified public accountant owner for a period of time not to exceed two (2) years from the date of the certified public accountant owner's death or retirement.

(2) The remaining certified public accountant owner shall advise the board in writing of this change within thirty (30) days of its occurrence.

Section 9. The firm name registered with the board shall be the firm name used in all circumstances.

Section 10. (1) The following material is incorporated by reference:

(a) "Initial Firm Registration (2000)";

(b) "Firm Registration Changes (2000)"; and

(c) "Statement on Quality Control Standards, January (2000)".

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, between 8:30 a.m. and 4:30 p.m.

History - (20 Ky.R. 3343; Am. 21 Ky.R. 307; eff. 8-4-94; 27 Ky.R. 589; eff. 10-16-2000.)

201 KAR 1:100. Continuing professional education requirements.

RELATES TO KRS 325.330

STATUTORY AUTHORITY: KRS 325.240, 325.330(4)(a), (7)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.330(4) requires the board to promulgate administrative regulations established continuing professional education requirements for certified public accountants. This administrative regulation establishes the continuing professional education requirements a certified public accountant shall satisfy to renew a license.

Section 1. Definition. "Continuing professional education hour or CPE hour" means a fifty (50) minute period excluding meals, breaks and business sessions. Each unit of credit for a university or college course shall equal the following continuing professional education hours:

(1) One (1) semester hour equals fifteen (15) CPE hours; and

(2) One (1) quarter hour equals ten (10) CPE hours.

Section 2. Requirements for Continuing Professional Education Credit. (1) Each licensee who worked 3,000 hours or more in a public accounting firm registered with the board during the two (2) calendar years prior to the renewal date of his or her license shall report to the board successful completion of eighty (80) hours of continuing professional education. The eighty (80) hours shall be earned during the preceding two (2) calendar years. All other licensees shall obtain sixty (60) hours.

(2) Effective with license renewal for July 1, 2010 and subsequent years, each licensee shall report to the board successful completion of two (2) hours of continuing professional education in professional ethics. These two (2) hours shall be included as part of the eighty (80) or sixty (60) hours a licensee is required to complete to renew his or her license.

(3)(a) A certified public accountant who for the majority of the two (2) calendar years prior to renewal of his or her license did not operate or work in an office in this state shall satisfy the requirements of this section by complying with the continuing professional education requirements for renewal of his or her license:

1. In the state in which the licensee's principal office is located; or

2. In the state in which the office is located where the licensee worked a majority of the time.

(b) If the state designated by paragraph (a) of this subsection does not have continuing professional education requirements for renewal of a license, the licensee shall comply with all continuing professional education requirements for renewal of a license in this state.

Section 3. Each licensee who held a license for less than a full two (2) calendar year period shall obtain two (2) hours of continuing professional education for each full month a license was held not to exceed the total number of required hours for the reporting period. The two (2) hours in professional ethics shall not be required to be part of the hours completed in this time period.

Section 4. Waivers From Continuing Professional Education. (1) The request for a reduction in or waiver of the continuing professional education requirements shall be submitted on a form prepared by the board.

(2) A reduction or waiver may be granted by the board if the licensee:

(a) Establishes that he or she is physically or psychologically unable to complete the continuing professional education requirements. The licensee shall submit with each request a statement from a licensed physician or other appropriate licensed health care provider that substantiates the physical or psychological claim of the licensee;

(b) Has encountered a severe personal hardship which made it extremely difficult or impossible to meet the continuing professional education requirements. The hardship shall be described in writing on the waiver form. The board may request the licensee to substantiate with documentation the hardship described on the waiver form; or

(c) Is completely retired from practice and is fifty-five (55) years of age or older. To be considered completely retired, the licensee shall not perform accounting services in the practice of public accounting, education, government or industry except for management of personal assets or investments.

(3) The board shall advise a licensee in writing whether the request is approved or denied.

(4) A licensee granted a waiver shall reaffirm the basis of the waiver when the license is next renewed.

(5) If the circumstances which form the basis of the waiver change, the licensee shall notify the board within thirty (30) days from the date of the change and resume compliance with the continuing professional education requirements from the date of the change.

Section 5. Exemption from Continuing Professional Education. (1) A licensee who at the time of renewal is sixty-five (65) years of age or older and has been licensed continuously for twenty-five (25) years or more shall be exempt from the continuing education requirements.

(2) This exemption shall end after the renewal of licenses in 2009.

Section 6. Programs which Qualify. (1) The overriding consideration in determining whether a specific program qualifies as acceptable continuing professional education shall be whether it is a formal program of learning which contributes directly to the professional competence of an individual licensed to practice as a certified public accountant in this state.

(2) Continuing professional education programs may qualify only if:

(a) An outline of the program is prepared in advance and preserved;

(b) The program is at least one (1) continuing professional education hour in length;

(c) The program is conducted by a qualified instructor. A qualified instructor or discussion leader shall be anyone whose background training, education or experience makes it appropriate for him or her to lead a discussion on the subject matter of the particular program;

(d) A record of registration or attendance is maintained; and

(e) A course completion document is given to each attendee.

(3) Acceptable subject matter.

(a) The following general subject matters shall be considered acceptable if the programs satisfy all of the criteria established by this administrative regulation:

1. Accounting and auditing;

2. Taxation;

3. Management services;

4. Information technology;

5. Communication arts;

6. Mathematics;

7. Statistics;

8. Ethics;

9. Economics;

10. Business law;

11. Finance;

12. Marketing;

13. Specialized areas of industry; and

14. Administrative procedures associated with the offering and performance of attest services.

(b) Areas other than those listed in paragraph (a) of this subsection may be acceptable if the licensee can demonstrate that they contribute directly to his or her professional competence as a certified public accountant. The responsibility for substantiating that a particular program is acceptable and meets the requirements of this administrative regulation shall be the obligation of the licensee.

(4) Acceptable group programs. The following group programs qualify for credit if they meet the standards specified in this administrative regulation:

(a) Professional education and development programs of national, state and local accounting organizations;

(b) University or college courses (both credit and noncredit courses); and

(c) Formal in-firm education programs. Portions of a program devoted to firm administrative, financial, and operating matters shall not qualify.

(5) Formal individual study courses, Web casts, and online learning courses.

(a) The amount of credit allowed for any individual study course shall be recommended by the course sponsor.

(b) A licensee claiming credit for an individual study course shall obtain evidence of satisfactory completion of the course from the course sponsor.

(c) Credit shall be assigned to the reporting period in which the provider indicates the course was completed.

(6) Service as lecturer, discussion leader, or speaker.

(a) Instructors, discussion leaders and speakers may claim continuing professional education credit for both preparation and presentation time.

(b) Credit may be claimed for actual preparation time up to two (2) times the class contact hours.

(c) Credit as an instructor, discussion leader or speaker may be claimed if the presentation is one which would meet the requirements of Section 6 of this administrative regulation.

(d) Credit shall not be granted for repetitious presentations of group programs unless it can be demonstrated that the program content was substantially changed and the change required significant additional study or research.

(e) Maximum credit for preparation and teachings shall not exceed sixty (60) percent of the renewal period requirement.

(7) Published articles and books.

(a) Credit may be awarded for published articles or books if they contribute directly to the professional competence of the licensee.

(b) Credit for preparation of the publications may be given on a self-declaration basis up to twenty-five (25) percent of the total education hours required.

(c) In exceptional circumstances, a licensee may request additional credit by submitting the article or book to the board with an explanation of the circumstances which he or she believes justifies a greater amount of credit.

(d) The board shall determine the amount of credit to be granted.

Section 7. Reporting and Controls. (1) Each licensee shall obtain the appropriate documentation to establish that he or she completed the continuing professional education requirements.

(2) This documentation shall be retained by each licensee for a period of five (5) years.

(3) The board shall conduct annually a random audit to verify a certain percentage of licensees completed the amount of continuing professional education hours required to renew his or her license.

(4) Course completion evidence shall consist of a document prepared by the course sponsor indicating the licensee completed a formal program of learning. A document shall include the:

(a) Name of the program sponsor;

(b) Title and description of course content;

(c) Dates attended; and

(d) Number of continuing professional education hours awarded.

(5) A licensee who completed continuing professional education courses that complied with the requirements of this administrative regulation and were presented by or on behalf of his or her employer may submit to the board a list of the courses completed if the list contains the:

(a) Information described in subsection (4) of this section; and

(b) Signature of the person at the licensee's place of employment who verifies the accuracy of the information for a third party.

Section 8. Continuing Professional Education Sponsors. (1) Sponsors shall not be required to register with the board.

(2) Detailed records of each program shall be kept by the sponsor which shall include:

(a) The date of the program presentation;

(b) The name of each instructor or discussion leader;

(c) A listing of licensees attending each program presentation; and

(d) A written outline of the program presentation.

(3) Records shall be kept by the sponsor for a period of five (5) years following the date each program is presented.

Section 9. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) "Initial Request for Waiver of CPE Requirements", 2009;

(b) "License Renewal-CPE Waiver Due to Medical of Personal Hardship", 2009; and

(c) "License Renewal-CPE Retirement Waiver", 2009.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, 8 a.m. to 4:30 p.m.

History - (10 Ky.R. 502; Am. 877; eff. 12-2-83; 17 Ky.R. 1528; eff. 11-29-90; 18 Ky.R. 2872; 3188; eff. 5-1-92; 28 Ky.R. 1669; 2187; eff. 4-15-2002; 35 Ky.R. 2782: 36 Ky.R. 319; eff. 9-4-2009.)

201 KAR 1:140. Procedures for the reinstatement and reissuance of a license.

RELATES TO: KRS 325.330(6), 325.370

STATUTORY AUTHORITY: KRS 325.240, 325.330(6), (7), 325. 370

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.330(6) and (7) and 325.370 authorize the board to reinstate and reissue licenses that have expired, been suspended, revoked or denied renewal. This administrative regulation establishes the procedures for reinstating and reissuing a license.

Section 1. Definition. "Accounting and auditing course" means a field of study dealing with pronouncements of authoritative accounting principles issued by the standard setting bodies and other related subjects generally classified with the accounting discipline and shall include auditing subjects related to the examination of financial statements, operations, systems and programs; the review of internal and management controls; the reporting on the results of audit findings; compilations; and reviews but shall not include courses in tax and computer software training classes shall not meet this definition.

Section 2. A licensee who failed to renew his license by the July 1 deadline shall be allowed to renew his license by complying with the requirements of KRS 325.330(4)(a), (b), (c) and (d), 201 KAR 1:100, 201 KAR 1:065, and paying the following late fee based on the date license renewal materials are received at the board office:

(1) Twenty-five (25) dollars between July 2 and August 31;

(2) Fifty (50) dollars between September 1 and October 31;

(3) $100 dollars between November 1 and December 31.

Section 3. (1) A license expired for a period of more than six (6) months or voluntarily surrendered for any reason except when a complaint is pending before the board may be reinstated if the applicant submits a completed "License Reinstatement Application" that includes the following information:

(a) Documentation of successful completion of eighty (80) hours of continuing professional education, of which one-half (1/2) are accounting and auditing courses;

(b) The hours shall:

1. Have been completed within two (2) years of the reinstatement request; and

2. Not have been previously used to satisfy Kentucky license renewal requirements.

(c) A money order or check in the amount of $200 made payable to the Kentucky State Board of Accountancy.

(2) An individual who at the time of submitting an application is actively licensed in another state that maintains a continuing education requirement shall satisfy all of the requirements of this section except for the continuing education hours described in subsection (1)(a) and (b) of this section.

Section 4. (1) If a license was revoked for reasons other than failure to satisfy the continuing professional education requirements, it may be considered for reinstatement if the applicant for reinstatement submits to the board fifteen (15) days prior to the next scheduled meeting:

(a) A letter:

1. Requesting reinstatement;

2. Specifying the manner in which the applicant for reinstatement has complied with the terms of a disciplinary order of board; and

3. A statement of the reasons the board should reinstate him.

(2)(a) Except as provided in paragraph (b) of this subsection, the board:

1. Shall review the request for reinstatement; the findings of fact, conclusions of law, and board order; and

2. May affirm or deny the request; or

3. State in writing the corrective or remedial education, training or review required before reinstatement shall be granted.

(b) The board may decline to consider a request for reinstatement submitted to the board prior to the date for resubmission that is specified in the disciplinary order of the board.

(3)(a) If an applicant for reinstatement disagrees with the board's determination under this section, he may file a written request for a hearing before the board.

(b) A hearing held pursuant to the provisions of this subsection shall be conducted in accordance with KRS 325.360 and 201 KAR 1:150.

Section 5. Incorporation by Reference. (1) "Reinstatement License Application (2001)" is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, between 8:30 a.m. to 4:30 p.m.

History - (18 Ky.R. 3069; eff. 6-7-92; Am. 20 Ky.R. 2043; 2775; eff. 3-8-94; 28 Ky.R. 1671; 2189; eff. 4-15-2002.)

201 KAR 1:150. Procedures for the dissemination of information relative to hearings held before the Kentucky State Board of Accountancy.

RELATES TO: KRS 325.360

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.360(11) authorizes the board to exchange information regarding disciplinary actions with public authorities or private organizations. This administrative regulation facilitates the dissemination of information.

Section 1. Following the board's adoption of a final order which concludes a disciplinary action, the name of the licensee and summary of the findings shall be published in the next edition of the board's newsletter.

History - (18 Ky.R. 3070; eff. 6-7-92; Am. 28 Ky.R. 1673; 2328; eff. 5-16-2002.)

201 KAR 1:160. Peer reviews

RELATES TO: KRS 325.301(8)

STATUTORY AUTHORITY: KRS 325.240(2), 325.301(8)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.301(8) requires a firm that performs an audit, review, or compilation to enroll in and complete an approved peer review program. This administrative regulation establishes the standards and procedures that a CPA firm must follow to comply with the requirements of KRS 325.301(8).

Section 1. Definition. "Sponsoring organization" means an entity administering a peer review program whose standards of review are equivalent to or better than the "Standards for Performing and Reporting on Peer Reviews" of the American Institute of Certified Public Accountants.

Section 2. (1)(a) If a firm applies to receive an initial license it shall advise the board if it performs audits, reviews, or compilations. A firm that indicates it is going to perform one of these services shall submit with its license application:

1. Proof from a sponsoring organization that it is currently enrolled in a peer review program; and

2. A copy of the firm’s most recent peer review report that was received by the firm within three (3) years prior to submitting the application. If the firm has not received a peer review report within the three (3) year time period it shall notify the board of that fact.

(b) Failure to submit proof of enrollment and, if applicable, a copy of the peer review report shall result in the:

1. Application being ineligible for consideration until proof of enrollment and, if applicable, the peer review report is received by the board; and

2. The firm being prohibited from providing any audit, review or compilation services.

(c)1. A firm that is applying for an initial license that received an adverse, fail, second successive modified or second successive pass with deficiencies report within three (3) years prior to submitting the application shall also submit with its license application a copy of:

a. The firm’s written response to any of the reports listed in (c)1 that was sent to the sponsoring organization; and

b. A letter from the firm that describes the current status of deficiencies that comprised the basis for any

of the reports listed in (c)1.

2. The board shall review and consider any of the reports listed in (c)1 the firm's response, and the letter submitted by the firm to determine if the firm shall be issued a license.

3. If the board decides to issue a license it may impose restrictions on the firm after taking into consideration the reported deficiencies and any remedial action since the issuance of any of the reports listed in (c)1.

Section 3. (1)(a) On or after the effective date of this administrative regulation staff of the board shall review the board records and determine if a firm with a current license is required to be enrolled in a peer review program. If staff determines the firm shall be or is currently enrolled in a peer review program a letter shall be sent to the firm manager advising him or her to submit to the board a copy of its most recent peer review report and letter of acceptance within thirty (30) days from receipt of the letter. Failure to submit a copy of its most recent peer review report and letter of acceptance shall result in the board initiating disciplinary action against the firm's license.

(b) Staff of the board shall review every peer review report and acceptance letter when they are received in the board office. A report characterized as unmodified, pass, or as modified or pass with deficiencies neither of which is the second successive report shall be discarded according to the board's record retention schedule. An adverse, fail, or a second successive modified or pass with deficiencies peer review report and the firm's responses to the report shall be presented to the board for review and determination of any action to be taken against the firm after taking into consideration:

1. The deficiencies described in the report;

2. The firm's written response to the report that was sent to the sponsoring organization;

3. A letter from the firm that describes the current status of deficiencies that comprised the basis for the report; and

4. Any remedial action instituted by the firm since the issuance of the report.

Section 4. (1) Upon completion of the process prescribed in Section 3 of this administrative regulation, when in the future a firm receives a peer review report, the firm shall provide the board with a copy of the report within fifteen (15) business days of receiving the report.

(2) If the report is classified as pass, unmodified, or either pass with deficiencies or modified but neither is a second successive report no further action on the part of the firm or the board is required. Board staff shall dispose of the documents according to its retention schedule.

(3) If the report is classified as adverse, fail, or is a second successive report classified as pass with deficiencies or modified the firm shall submit the acceptance letter for any of the reports from the sponsoring organization to the board for review and determination of any action to be taken against the firm after taking into consideration:

(a) The deficiencies described in the report;

(b) The firm's written response to the report that was sent to the sponsoring organization;

(c) A letter from the firm that describes the current status of deficiencies that comprised the basis for the report; and

(d) Any remedial action instituted by the firm since the issuance of the report.

Section 5. If a firm is granted an extension of time to complete the peer review process, the firm shall immediately submit to the board a copy of a letter from the sponsoring organization that granted the extension.

Section 6. (1) A sponsoring organization shall report to the board on a quarterly basis the name of every firm enrolled in the peer review program and the name of every firm dropped or terminated from the program since the last quarterly report was provided by the sponsoring organization.
(2) A sponsoring organization shall bear the costs of verifying that it is operating the program in compliance with the standards for performing peer reviews.

Section 7. If a firm is not enrolled in an approved peer review program when it enters into an agreement to engage in performing an audit, review or compilation, it shall not continue to work on the engagement until it has:

(1) Enrolled in an approved peer review program; and

(2) Submitted to the board a letter of enrollment in an approved peer review program from a sponsoring organization.

Section 8. (1) Documents Available on Web Site. In lieu of submitting a copy of a peer review report and all accompanying documents, a firm manager may notify the board staff that the documents requested are available for viewing and downloading at a specific website.

(2) Board staff may then attempt to obtain a copy of the required documents from the referenced website.

(3) If staff is not able to download a copy of the requested documents the firm manager shall submit the required copy to the board staff.

Section 9. Exclusion from Peer Review. The following report or procedure shall be excluded from the peer review process:

(1) A proposal or other communication that describes the work proposed by a firm or its employees that is a prerequisite to deciding whether to perform an audit, review or compilation of financial statements; or

(2) A letter of engagement or other information prepared by a firm in accordance with the Statements on Standards for Accounting and Review Services (SSARS) No.8 which solely involves preparing compiled financial statements for management use only as described in SSARS 8.

Section 10. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) "Standards for Performing and Reporting on Peer Reviews," January 1, 2005; and

(b) "Statements on Standards for Accounting and Review Services No.8", December 31, 2000.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright laws, at the office of the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, 8:30 a.m. to 4:30 p.m. These standards are also located on a website maintained by the American Institute of Certified Public Accountants at www.aicpa.org.

History - (22 Ky.R. 2192; Am. 23 Ky.R. 122; eff. 7-5-96; 27 Ky.R. 590; eff. 10-16-2000; 35 Ky.R. 616; 1151; eff. 12-5-2008.)

201 KAR 1:180. Safe harbor language for nonlicensees to use in connection with a compilation of financial information.

RELATES TO: KRS 325.380(4)

STATUTORY AUTHORITY: KRS 325.240, 325.380(4)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.380(4) requires Kentucky State Board of Accountancy to issue an administrative regulation that contains language that a nonlicensee may use in preparing a compilation of financial information.

Section 1. Definitions. "Compilation of financial information" means a presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources and obligations at a point in time or the changes therein for a period of time and does not contain any reference to or language found in generally-accepted accounting standards and generally-accepted accounting principles.

Section 2. Pursuant to KRS 320.380(4), nonlicensees may use the following language in connection with a compilation of financial information and not be in violation of the provisions of KRS Chapter 325 and the accompanying administrative regulations: "The accompanying balance sheet (or _____) of XYZ Company as of 20__ and the related statements of income, (or retained earnings, or cash flows) for the year then ended have been prepared by me (us). The information presented in these financial statements is the representation of management (owners)."

History - (28 Ky.R. 1724; eff. 4-15-2002.)

201 KAR 1:190. Computer-based examination sections, applications, and procedures.

RELATES TO: KRS 325.270, 325.261(4)

STATUTORY AUTHORITY: KRS 325.240, 325.270

NECESSITY, FUNCTION, AND CONFORMITY: KRS 325.270 requires the board to conduct examinations for individuals seeking to become certified public accountants. 325.261(4) requires passage of an examination prior to a person becoming licensed as a certified public accountant and for the board to determine the subjects to be included on the examination. This administrative regulation establishes the subjects, also referred to as sections, to be included on the examination, the procedures, and fees associated with the administration of the examination.

Section 1. Definitions. (1) "Accounting course" means a course that contains in the course prefix, or title, the word accounting or a substantially-equivalent word.

(2) "AICPA" means the American Institute of Certified Public Accountants, the entity that prepared and graded the paper and pencil based Uniform CPA Examination and now prepares and grades the computer-based certified public accountant examination.

(3) "Business-related subjects" means courses that contain in the course prefix or title an indication that the course subject matter is one (1) of the following: business, finance, marketing, management, economics, computers, statistics, or accounting.

(4) "Conditional credit" means the procedure utilized by the board for the paper and pencil based licensure examination that allowed an exam candidate who received a passing score of seventy-five (75) or higher on two (2) or more of the sections of the examination and a grade of fifty (50) or higher on each section taken but not passed during the same examination to retain the passing scores earned only for the next six (6) examinations regardless of whether the candidate sat for the future examinations.

(5) "Major or concentration in accounting" means a minimum of thirty-nine (39) semester hours in business-related subjects of which twenty-seven (27) semester hours shall consist of accounting subjects.

(6) "NASBA" means the National Association of State Boards of Accountancy, which operates a nationwide computer data bank for candidates applying to sit for the computer-based certified public accountants examination.

(7) "Official transcript" means an official record from a college or university that specifies the college course work completed, degrees awarded, the date the degree was awarded, and contains an authorizing signature or seal.

(8) "Prometric or its successor" means the testing service in charge of administering the computer-based certified public accountants examination.

(9) "Quarter hour" means 66/100ths of a semester hour.

(10) "Testing window" means the two (2) months out of each three (3) month period during a calendar

year when an exam candidate may sit for the computer-based certified public accountants examination.

(11) "Uniform CPA Examination" means the paper and pencil based version of the licensure examination administered by the board prior to January 1, 2004.

Section 2. Examination Sections. The board has adopted the computer-based certified public accountants examination prepared by the AICPA as the examination every candidate seeking to receive a license shall sit for and obtain a passing grade. The sections to be included on this examination shall be:

(1) Auditing and attestation. This section replaces the auditing section on the paper and pencil-based examination;

(2) Financial accounting and reporting;

(3) Regulation. This section replaces the accounting and reporting section on the paper and pencil-based examination; and

(4) Business environment and concepts. This section replaces the business law and professional responsibilities section on the paper and pencil-based examination.

Section 3. Grading Procedures and Acquiring Credit for Obtaining a Passing Score. (1) An exam candidate shall receive a passing score on all sections of the examination to be eligible to receive a license.

(2) The passing score shall be seventy-five (75) on each section. An exam candidate may retain a passing score on any section even though the candidate may have sat for and failed other sections of the examination at the same sitting.

(3) Subject to the exception contained in subsection (4) of this section, an exam candidate may sit for one (1) or any number of the four (4) sections of the examination at a time during a testing window.

(4) An exam candidate shall not sit more than once for the same section of the examination during a testing window.

(5) Conditional credit received under the paper and pencil examination shall be transferred to the four (4) sections of the computer-based examination as follows:

(a) Accounting and Reporting to Regulation;

(b) Financial Accounting and Reporting remains the same;

(c) Auditing to Auditing and Attestation; and

(d) Business Law and Professional Responsibilities to Business Environment and Concepts.

(6) Transition period for conditional credit.

(a) An exam candidate awarded conditional credit on the paper and pencil examination shall be allowed a transition period to complete the remaining sections of the computer-based certified public accountants examination.

(b) The transition period shall begin to run January 1, 2004 and last until the candidate utilizes the

opportunities to sit for the examination remaining to him or her if the paper and pencil examination was still in effect.

(c) This shall be six (6) testing windows or less, or the number of opportunities remaining under the paper and pencil examination multiplied by six (6) months, whichever occurs first.

(d) This time period shall control even when a passing score on a section of the computer-based examination is received.

(e) Failure to receive a passing score on the remaining sections of the examination at the conclusion of this transition period shall result in the conditional credit expiring.

(7)(a) When an exam candidate without conditional credit initially receives a passing score on a section of the computer-based certified public accountants examination the candidate shall have a minimum of eighteen (18) months following the last day of the month of the administration of that examination section to obtain a passing score on the remaining sections of the computer-based examination.
(b) Failure to receive a passing score on the remaining sections of the computer examination within the eighteen (18) months shall result in the expiration of the initial passing score but not other sections passed during that eighteen (18) month period.
(c) All sections of the computer-based examination shall be passed during an eighteen (18) month time period for the candidate to be considered to have passed the examination.

(8) An additional number of opportunities to sit for the examination and maintain any earned conditional credit or passing scores beyond the restrictions contained in this section may be granted at the discretion of the board for good cause.

Section 4. Initial Examination Applicants. An applicant shall submit an application to sit for the examination. The applicant shall submit:

(1) A completed "Application for the Certified Public Accountant Examination" that includes the following information:

(a) The applicant's name, address, primary and secondary telephone numbers, date of birth, mother's maiden name, and Social Security number. If the applicant does not have a Social Security number then the candidate shall submit an identification number issued by a federal agency that has authorized the candidate to enter the United States;

(b) The state of which the applicant is a legal resident;

(c) An e-mail address;

(d) Whether the applicant has:

1. Ever changed his or her name; and if so, a list of the prior names;

2. Taken the Uniform CPA Examination or the computer-based certified public accountant examination before; and if so, the date and state where it was taken;

3. Been convicted, plead guilty or no contest to a felony or misdemeanor, other than a minor traffic violation; and if so, a copy of the judgment, sentence of conviction, and a letter of explanation shall be attached to the application;

4. Been denied admission to the Uniform CPA Examination or the computer-based certified public accountant examination; and if so, a letter explaining the reason, date, and jurisdiction of denial shall be attached to the application; and

5. Had disciplinary action taken against any professional license; and if so, a letter indicating the jurisdiction, date of action, and an explanation of the circumstances shall be attached to the application;

(e) The specific section or sections of the examination the applicant is applying to take;

(f) If the applicant requests accommodations to the exam administration because of a disability that limits one (1) or more of his or her major life activities (e.g., walking, hearing, speaking, seeing, reading, or writing), a description of the disability and requested accommodations from the applicant and written documentation from an appropriately-licensed health care professional supporting the requested accommodation:

1. The documentation shall include a diagnosis of the disability and a specific recommendation and justification for the requested accommodation.

2. The board shall not be responsible for the costs of obtaining the diagnosis and recommendation, but shall be responsible for the costs of reasonable accommodations that are provided to the applicant;

(g) The names of the colleges from which a transcript shall be attached to the application;

(h) The signature of the applicant certifying that:

1. The information in the application is true;

2. The applicant:

a. Is applying for admission to the computer-based certified public accountants examination in conformity with Kentucky law;

b. Has submitted the required application, attachments, and fees;

c. Has read and agrees to abide by the applicable laws and administrative regulations; and

d. A certification by a notary public that the application was subscribed and sworn to before the notary.

(2) An official transcript which evidences completion of the educational requirements specified in KRS 325.261 which includes a major or concentration in accounting as defined in this administrative regulation.

(a) The educational requirements shall have been completed at:

1. A college or university within the United States that was accredited by one (1) of the following accrediting associations at the time the degree was granted:

a. Middle States Association of Colleges and Schools;

b. North Central Association of Colleges and Schools;

c. New England Association of Schools and Colleges;

d. Northwest Association of Schools, Colleges and Universities;

e. Southern Association of Colleges and Schools; or

f. Western Association of Schools and Colleges;

2. The board may consult with a Kentucky state-funded four (4) year institution of higher education for assistance in evaluating the hours purportedly earned and the accreditation of an educational institution; or

3. A postsecondary educational institution outside the United States whose course credits are certified by the Foreign Academics Credentialing Service (FACS) or another credentialing agency that is a member of the National Association of Credential Evaluation Services, Inc.

(b) The certification required by subparagraph (a)3 of this subsection shall state that the:

1. Foreign degree is equivalent to a baccalaureate or master's degree earned in an accredited United States college or university as described in KRS 325.261 and this administrative regulation; and

2. Applicant had a major or concentration in accounting as defined in this administrative regulation.

(c) A copy of the "Request for Advisory Evaluation of Foreign Credentials" form that FACS requires an applicant to use to request certification from its service.

(3) A fee in the amount of:

(a) Thirty (30) dollars for the application; and

(b) Thirty (30) dollars for each section of the examination the candidate intends to take.

(4) The fees shall be nonrefundable and payment shall be in the form of a check or money order made payable to the "Kentucky State Board of Accountancy". If the institution the check or money order is drawn on does not honor the check or money order the application shall be deemed incomplete and returned.

Section 5. (1)(a) The executive director of the board shall review all applications.

(b) If the executive director determines the application satisfies the requirements of this administrative regulation, the application shall be approved.

(c) If the executive director refuses to approve the application, it shall be submitted to the board for its review and consideration at its next regularly scheduled meeting.

(2) Applications approved by the executive director or the board shall be forwarded to NASBA for entry into the data bank operated by that association. NASBA shall then advise the board that the candidate is eligible to schedule a date and time to sit for the examination with Prometric or its successor.

(3) The executive director shall notify a candidate that he or she is eligible to contact Prometric or its successor to schedule a date and time to sit for the examination. This notification shall be known as a notice to schedule.

(4)(a) A candidate shall have six (6) months from the date of issuance by the board of a notice to schedule to sit for the sections of the examination approved by the executive director or the board.

(b) The notice to schedule shall expire when the candidate has sat for the sections approved by the executive director or the board or at the conclusion of the six (6) month period whichever comes first.

(c) A notice to schedule may be extended for good cause.

(d) To obtain approval to sit for additional sections of the examination a candidate shall submit a reexamination application as described in Section 9 of this administrative regulation.

(5)(a) The exam candidate shall pay all costs associated with sitting for the computer-based certified public accountants examination charged by NASBA, Prometric or its successor, and the AICPA.

(b) The costs shall be paid no later than ninety (90) days following the date of issuance of an invoice from NASBA.

(c) Failure to pay these fees prior to the end of the ninety (90) day time period shall result in the cancellation of the notice to schedule and require the candidate to submit a reexamination application accompanied by the appropriate fees.

Section 6. Examination Rules of Conduct. (1) An examination candidate shall present two (2) forms of

current and valid identification at the Prometric or its successor examination center. One (1) of these forms of identification shall be a state driver's license, a picture identification card issued by a state motor vehicle licensing agency, or a passport.

(2) The license or picture identification card shall be currently in effect and shall contain a photograph and signature.

(3) Failure to bring this identification to the examination center shall result in the candidate being prohibited from sitting for the examination.

(4) An examination candidate shall comply with all directives of the staff at the Prometric or its successor testing center and the rules of conduct in effect at the testing center.

(5) An examination candidate shall not:

(a) Use written materials or mechanical aids inside or outside the examination room during the course of the examination;

(b) Communicate with any person, other than the testing center staff, inside or outside the examination room, during the course of the examination;

(c) Copy answers or allows his or her answers to be copied;

(d) Substitute an individual in his or her place;

(e) Disclose in any manner any information concerning the examination questions or content;

(f) Falsify or misrepresent educational credentials or other information required for admission to the examination; or

(g) Fail to follow written or announced examination administration procedures.

Section 7. Examination Misconduct Penalties. An examination candidate who violates any of the provisions of this administrative regulation may be prohibited from:

(1) Further participation in that particular examination section;

(2) Receiving grades after sitting for any examination; or

(3) Sitting for subsequent examinations.

Section 8. An exam applicant shall immediately notify the board of a change in his or her mailing address.

Section 9. Reexamination Applicants. (1) Upon request the board shall mail a reexamination application to every candidate who fails to pass the computer-based examination.

(2) The reexamination application shall be mailed to the most recent address provided by the candidate.

(3) The board shall not be responsible if the reexamination application is not delivered by the United States Postal Service.

(4)(a) To obtain approval to sit as a reexam candidate, the individual shall return the reexamination application to the board. The reexamination application shall contain the following information:

1. The applicant's name, daytime telephone number, date of birth, mother’s maiden name and Social Security number. If the applicant does not have a Social Security number then the candidate shall submit an identification number issued by a federal agency that has authorized the candidate to enter the United States;

2. The specific sections of the examination the applicant is requesting to sit for;

3. A statement that the required fee is attached;

4. If the applicant requests accommodations to the exam administration because of a disability, whether the required information is on file or is attached to the reexamination application; and

5. The applicant's signature.

(b) The reexamination application shall be received in the board's office prior to the reexamination candidate being considered eligible to sit for any section of the exam.

(5)(a) The candidate shall return the completed reexamination application with the reexamination fee.

(b) The reexamination fee shall be thirty (30) dollars per section. The reexamination fee shall be nonrefundable and paid by check or money order made payable to the Kentucky State Board of Accountancy. If the institution the check or money order is drawn on does not honor the check or money order the application shall be deemed incomplete and returned.

(6) A reexamination candidate who fails to comply with the requirements of this section shall not be permitted to sit for reexamination.

(7) The procedures and policies in Section 5 of this administrative regulation shall be applicable to a reexamination application.

(8) The reexamination candidate shall comply with the requirements of Sections 6, 7, and 8 of this administrative regulation.

Section 10. The executive director shall review examination grades received from NASBA before they are released to a candidate. Upon approval of the executive director, a copy of an examination candidate's grades shall be mailed to him or her at the last known address provided by the candidate.

Section 11. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) "Application for the Certified Public Accountant Examination", 2006, Kentucky State Board of Accountancy;

(b) "Reexamination Application for the Certified Public Accountant Examination", 2006, Kentucky State Board of Accountancy; and

(c) "Request for Advisory Evaluation of Foreign Credentials", 2003.

(2) These documents may be inspected, copied, or obtained, subject to applicable copyright law, at the State Board of Accountancy, 332 W. Broadway, Suite 310, Louisville, Kentucky 40202, Monday through Friday, 8 a.m. to 4:30 p.m.

History - (30 Ky.R. 507; Am. 844; eff. 10-15-2003; 31 Ky.R. 1529; 1782; eff. 5-26-2005; 32 Ky.R. 2063; eff. 9-1-2006; TAm. 10-27-2009.)

201 KAR 1:300. Rules of professional conduct.

RELATES TO: KRS 325.240, 325.340

STATUTORY AUTHORITY: KRS 325.240

NECESSITY, FUNCTION, AND CONFORMITY: Pursuant to KRS 325.240, the Kentucky State Board of Accountancy may promulgate rules of professional conduct. This administrative regulation is necessary to

establish the Kentucky State Board of Accountancy Rules of Professional Conduct that are patterned after the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants (AICPA). The function of this administrative regulation is to adopt appropriate rules of professional conduct to establish and maintain a high standard of integrity and dignity in the public accounting profession. The Kentucky State Board of Accountancy may review the AICPA's interpretations of its code of professional conduct for guidance when applying the provisions of this administrative regulation.

Section 1. Definitions. (1) "AICPA" means the American Institute of Certified Public Accountants.

(2) "Audit" means an examination of financial statements of an entity in accordance with standards promulgated by the American Institute of Certified Public Accountants (AICPA), including generally accepted auditing standards (GAAS) and upon which an opinion is expressed or disclaimed regarding whether the financial statements conform to generally accepted accounting principles (GAAP) or other comprehensive basis of accounting.

(3) "Board" is defined in KRS 325.220(1).

(4) "Client" means a person or entity which retains a licensee to provide public accounting services.

(5) "Commission" means any item of value given or received by a licensee to or from any third party in return for suggesting the purchase of any product or service.

(6) "Compilation" means presenting in the form of financial statements information that is the representation of management or owners without undertaking to express any assurance on the statements.

(7) "Contingent fee" means a fee established for the performance of any public accounting service pursuant to a written or oral agreement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of the service.

(8) "Financial statement" means a presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources and obligations at a point in time, or the changes therein for a period of time, in accordance with generally accepted accounting principles (GAAP) or a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

(a) General use financial statements, financial forecasts, projections and similar presentations are considered financial statements.

(b) Financial presentations included in tax returns are not financial statements.

(9) "Generally accepted accounting principles (GAAP)" means the conventions, rules, and procedures which describe accepted accounting practices at a particular time and include broad guidelines of general applications and detailed practices and procedures that provide a standard by which to measure financial presentations.

(10) "Review" means performing inquiry and analytical procedures that provide the licensee with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with generally accepted accounting principles (GAAP) or, if applicable, with another comprehensive basis of accounting.

Section 2. Independence. (1) A licensee or a firm shall not express an opinion on financial statements of an entity unless he and the firm are independent with respect to the entity.

(2) Prior to expressing an opinion on financial statements, the licensee shall assess his relationship with the entity to determine whether his opinion will be considered independent, objective and unbiased by a third party having knowledge of all facts referring to the relationship between the licensee and the entity.

(3) A licensee shall not be considered to be independent if during the period:

(a) Of the engagement or at the time of expressing his opinion, the licensee or his firm:

1. Had or was committed to acquire any direct or material indirect financial interest in the entity;

2. 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 entity;

3. Had any joint, closely held business investment with the entity or any officer, director or principal stockholder which was material in relation to the licensee's or his firm's net worth;

4. Had any loan to or from the entity or to or from any officer, director or principal stockholder of the entity.

(b) Covered by the financial statements, the period of the professional engagement or at the time of expressing an opinion, the licensee or his firm served as a:

1. Promoter, underwriter, voting trustee, director, officer or in any capacity equivalent to that of a member of management or an employee of the entity; or

2. Trustee for a pension or profit sharing trust of the entity.

(4) The restriction found in subsection (3)(a)4 of this section shall not apply to the following loans obtained from a financial institution prior to January 1, 1992, which are current as to all terms of the loan, were made under normal lending procedures, terms and requirements, and have not been renegotiated:

(a) Loans obtained by a licensee or his firm which are not material in relation to the net worth of the borrower;

(b) Home mortgages; and

(c) Other secured loans, except loans guaranteed by a licensee's firm which are otherwise unsecured.

Section 3. Integrity and Objectivity. A licensee engaged in the practice of public accounting shall maintain objectivity, integrity, and be free of conflicts of interest. The licensee shall not subordinate his judgment to others.

Section 4. Competence. A licensee or a firm engaged in the practice of public accounting shall:

(1) Perform, or offer to perform, only those professional services that he or his firm may reasonably expect to complete with professional competence;

(2) Exercise due professional care in the performance of professional services;

(3) Adequately plan and supervise the performance of professional services; and

(4) Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

Section 5. Standards of Practice. When performing an audit, review, compilation, or any other professional service within the practice of public accounting, the licensee and his firm shall comply with

the following appropriate practice standards and all revisions promulgated after these dates:

(1) Generally accepted auditing standards (GAAS) as reflected in the following documents:

(a) "AICPA Professional Standards", Volume 1, U.S. Auditing Standards, Section AU, as of June 1, 2001;

(b) Government Auditing Standards, "Yellow Book", General Accounting Office, 1994 revision;

(c) "Interpretation of Continuing Education and Training Requirements", Government Auditing Standards, General Accounting Office, April, 1991; and

(2) Other applicable standards:

(a) "AICPA Professional Standards", Volume 1, Attestation Engagements, Section AT, as of June 1, 2001;

(b) "AICPA Professional Standards", Volume 2, Accounting and Review Services, Section AR, as of June 1, 2001;

(c) "AICPA Professional Standards", Volume 2, Consulting Services, Section CS, as of June 1, 2001;

(d) "AICPA Professional Standards", Volume 2, Tax Practice, Section TX, as of June 1, 2001;

(e) "AICPA Professional Standards", Volume 2, Quality Control, Section QC, as of June 1, 2001; or

(f) "AICPA Professional Standards", Volume 2, Personal Financial Planning, Section PFP, as of June 1, 2001.

Section 6. Accounting Principles. (1) A licensee who is aware that the financial statement or financial data of any entity contains a departure from GAAP that has a material effect on the financial statement or financial data taken as a whole shall not:

(a) Express an opinion or state affirmatively that the financial statement or financial data are presented in conformity with GAAP or another comprehensive basis of accounting; or

(b) State that he is unaware of any material modifications that should be made to the statements in order for them to be in conformity with GAAP.

(2) Notwithstanding subsection (1) of this section, financial statements may depart from GAAP, if the licensee:

(a) Demonstrates that due to unusual circumstances the financial statements or data would otherwise have been misleading;

(b) Describes the departure;

(c) States the approximate effects, if practicable; and

(d) Explains the reasons why compliance with GAAP would result in a misleading statement.

(3) GAAP is established by principles, practices, or guidance provided in statements, interpretations, bulletins, guides, and other documents identified in "AICPA Professional Standards", Volume 1, U.S. Auditing Standards, Section AU 411, as of June 1, 2001.

Section 7. Confidential Client Information. A licensee shall comply with the requirements of KRS 325.440 relating to the disclosure of confidential client information.

Section 8. Client Records. (1) A licensee shall comply with the requirements of KRS 325.420 relating to the ownership of accountant's working papers - client records.

(2) The licensee shall not have a lien on these accounting or other records.

Section 9. Advertising and Other Forms of Solicitation. A licensee shall not seek to obtain clients by:

(1) Advertising or other forms of solicitation that are false, misleading, or deceptive; or

(2) The use of coercion, overreaching or harassing conduct.

Section 10. Commissions. (1) A licensee shall not recommend or refer to a client any product or service in exchange for a commission, recommend any product or service to be supplied by his client to a third party, or receive a commission when the licensee or the licensee's firm 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 report does not disclose a lack of independence; or

(c) An examination of prospective financial information.

(2) The prohibition of subsection (1) of this section applies during the period in which the licensee is engaged to perform any of the services listed in subsection (1)(a), (b), and (c) of this section and the period covered by any historical financial statements involved in the listed services.

(3) A licensee who is not prohibited from receiving a commission and who is paid or expects to be paid a commission shall disclose that fact in writing to any person or entity to whom the licensee recommends or refers a product or service to which the commission relates.

(4) A licensee who accepts a fee for recommending or referring any service of another licensee to any person or entity or who pays a fee to obtain a client shall disclose the receipt or payment of the fee to the client.

(5) This rule shall not prohibit:

(a) Payments for the purchase of an accounting practice; or

(b) Retirement payments to individuals, and their heirs or estates, who were formerly engaged in the practice of public accounting.

Section 11. Contingent Fees. (1) A licensee shall not accept or perform any public accounting services for a contingent fee or receive a contingent fee from a client for whom the licensee or the licensee's firm performs:

(a) An audit;

(b) A review;

(c) 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 report does not disclose a lack of independence; or

(d) An examination of prospective financial information.

(2) The prohibition of subsection (1) of this section applies during the period of time in which the licensee is engaged to perform those services and the period covered by any historical financial statements involved in those services.

(3) A licensee in public practice shall not prepare for a contingent fee:

(a) An original or amended tax return or claim for a tax refund. Preparation of an original or amended tax return or claim for tax refund includes giving advice on events which have occurred at the time the advice is given if that advice is directly relevant to determining the existence, character, or amount of a schedule, entry, or other portion of a return or claim for refund; or

(b) An amended federal or state income tax return for a client claiming a refund of taxes because a deduction was inadvertently omitted from the return originally filed when there is no question as to the propriety of the deduction, rather the claim is filed to correct an omission.

(4) The following are examples of circumstances where a contingent fee would be permitted regardless of whether the licensee or licensee's firm is performing the services specified in subsection (1) of this section:

(a) Representing a client in an examination by a revenue agent of the client's federal or state income tax return;

(b) Filing an amended federal or state income tax return claiming a tax refund based on a tax issue that is either the subject of a test case by a different taxpayer or with respect to which the taxing authority is developing a position;

(c) Filing an amended federal or state income tax return or refund claim which claims a tax refund in an amount greater than the threshold for review by the Joint Committee on Internal Revenue Taxation ($1,000,000 at March, 1991) or state taxing authority;

(d) Requesting a refund of either overpayments of interest or penalties charged to a client's account or deposits of taxes improperly accounted for by the federal or state taxing authority in circumstances where the taxing authority has established procedures for the substantive review of such refund requests;

(e) Requesting, by means of protest or similar document, consideration by the state or local taxing authority of a reduction in the assessed value of property under an established taxing authority review process for hearing all taxpayer arguments relating to assessed value; or

(f) Representing a client to obtain a private letter ruling or influencing the drafting of an administrative regulation or statute.

(5) Fees shall not be considered as contingent:

(a) If fixed by courts or other public authorities; or

(b) In tax matters if determined based on the results of judicial proceedings or the findings of governmental agencies. A fee is considered determined based on the findings of governmental agencies, if the licensee can demonstrate a reasonable expectation at the time of the fee arrangement, of substantive consideration by an agency with respect to the licensee's client. The expectation is deemed

not reasonable in the case of preparation of original tax returns.

(6) Fees may vary depending on the complexity of services rendered.

Section 12. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) "AICPA Professional Standards", Volume 1, U.S. Auditing Standards, Section AU, as of June 1, 2001;

(b) Government Auditing Standards, "Yellow Book", General Accounting Office, 1994 revision;

(c) "Interpretation of Continuing Education and Training Requirements", Government Auditing Standards, General Accounting Office, April, 1991;

(d) "AICPA Professional Standards", Volume 1, Attestation Engagements, Section AT, as of June 1, 2001;

(e) "AICPA Professional Standards", Volume 2, Accounting and Review Services, Section AR, as of June 1, 2001;

(f) "AICPA Professional Standards", Volume 2, Consulting Services, Section CS, as of June 1, 2001;

(g) "AICPA Professional Standards", Volume 2, Tax Practice, Section TX, as of June 1, 2001;

(h) "AICPA Professional Standards", Volume 2, Quality Control, Section QC, as of June 1, 2001;

(i) "AICPA Professional Standards", Volume 2, Personal Financial Planning, Section PFP, as of June 1, 2001; and

(j) "GAAP" as established in "AICPA Professional Standards", Volume 1, U.S. Auditing Standards, Section AU 411, as of June 1, 2001.

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History - (20 Ky.R. 668; eff. 10-8-93; Am. 21 Ky.R. 3061; 22 Ky.R. 275; eff. 8-10-95; 24 Ky.R. 2406; eff. 7-13-98; 28 Ky.R. 1674; 2190; eff. 4-15-2002.)