

BEFORE THE BOARD OF PUBLIC ACCOUNTANTS
DEPARTMENT OF LABOR AND INDUSTRY
STATE OF MONTANA

In the matter of the amendment of)
ARM 24.201.301 definitions,)
24.201.410 fee schedule, 24.201.415)
use of cpa/lpa designation,)
24.201.501, 24.201.502, 24.201.503,)
24.201.504, 24.201.510, 24.201.517,)
24.201.528, 24.201.529, 24.201.535,)
and 24.201.537 licensing and)
examinations, 24.201.704 through)
24.201.710, 24.201.718, 24.201.720,)
24.201.723, and 24.201.726)
professional conduct rules,)
24.201.1103, 24.201.1105, and)
24.201.1108 mandatory peer review,)
24.201.2101, 24.201.2106,)
24.201.2120, 24.201.2124,)
24.201.2137, 24.201.2145,)
24.201.2148, and 24.201.2154)
renewal and continuing education,)
24.201.2402 and 24.201.2410)
complaint procedures, the adoption of)
NEW RULES I firms – registration,)
and II approved peer review)
programs and standards, and the)
repeal of 24.201.412 fee abatement,)
24.201.701 definitions, and)
24.201.2114 out-of-state applicants)
continuing education requirement)

NOTICE OF PUBLIC HEARING ON
PROPOSED AMENDMENT,
ADOPTION, AND REPEAL

TO: All Concerned Persons

1. On February 23, 2016, at 9:00 a.m., a public hearing will be held in the Large Conference Room, 301 South Park Avenue, 4th Floor, Helena, Montana, to consider the proposed amendment, adoption, and repeal of the above-stated rules.

2. The Department of Labor and Industry (department) will make reasonable accommodations for persons with disabilities who wish to participate in this public hearing or need an alternative accessible format of this notice. If you require an accommodation, contact the Board of Public Accountants (board) no later than 5:00 p.m., on February 12, 2016, to advise us of the nature of the accommodation that you need. Please contact Grace Berger, Board of Public Accountants, 301 South Park Avenue, P.O. Box 200513, Helena, Montana 59620-0513; telephone (406)

841-2244; Montana Relay 1 (800) 253-4091; TDD (406) 444-2978; facsimile (406) 841-2305; or dlibsdpac@mt.gov (board's e-mail).

3. GENERAL REASONABLE NECESSITY STATEMENT: The 2015 legislature enacted Chapter 169, Laws of 2015 (House Bill 44), creating a single license type for public accountants and eliminating the issuance of certificates, permits, and licenses for licensed public accountants (LPA). The bill was signed by the Governor on April 2, 2015 and became effective in July and October, 2015. As a result of the legislation, the board is no longer authorized to issue certificate only and LPA levels of licensing. The board is therefore amending certain rules and adopting new rules to further implement provisions of this 2015 legislation, including striking references to "permits" and "certificates" throughout the rules.

The board formed a task force to review the rules to implement the provisions of House Bill 44. While reviewing the rules, the task force determined other amendments, additions, and deletions to the rules were appropriate and recommended such rule changes to the board. In the interest of saving money, the board concluded it is reasonably necessary to amend and repeal certain existing rules, and adopt new rules at this time, in addition to those implementing House Bill 44. Where additional specific bases for a proposed action exist, the board will identify those reasons immediately following the rule.

4. The rules proposed to be amended provide as follows, stricken matter interlined, new matter underlined:

24.201.301 DEFINITIONS (1) through (14) remain the same.

(15) "MRA" means Mutual Recognition Agreement.

(15) through (22) remain the same, but are renumbered (16) through (23).

~~(23) "Permit holder" means a person who meets the educational and the experience requirement and holds an active permit to practice public accounting issued by the board pursuant to 37-50-314, MCA.~~

(24) through (34) remain the same.

AUTH: 37-50-203, MCA

IMP: 37-50-203, MCA

REASON: The board is amending this rule to add a definition for a Mutual Recognition Agreement, as used by the board to determine which foreign licensees are qualified to obtain a Montana CPA license in an expedited process, and who may attest to experience for a CPA license applicant. The board currently uses these agreements, but is now clarifying the process with the amendments to this rule and ARM 24.201.529. The board office receives questions on the process for foreign licensees to obtain a Montana license and the board is attempting to seek clarification.

24.201.410 FEE SCHEDULE (1) remains the same.

(a) Permit License by credentialing application
(transfer of grades and licensure)

~~\$300~~ 200

(b) <u>Permit License</u> by examination application	150
(c) <u>Permit License</u> by international reciprocity application	300 <u>200</u>
(d) Certificate by credentialing application	
(transfer of grades and licensure)	<u>225</u>
(e) Certificate by examination application	<u>75</u>
(f) Certificate by international reciprocity application	<u>225</u>
(g) (d) Renewal fee for certificate holder, license holder,	
and inactive permit holder <u>licensee</u>	<u>75</u>
(h) (e) Renewal fee for permit to practice licensee	150 <u>125</u>
(f) Renewal fee for retired licensee	<u>25</u>
(i) and (j) remain the same, but are renumbered (g) and (h).	
(k) (i) Permit holder License restored to active status	150
(l) (i) Upgrade certificate/license certificate to license to permit holder	150
(2) and (3) remain the same.	

AUTH: 37-1-134, ~~37-50-203~~, 37-50-204, MCA

IMP: 37-1-134, 37-1-141, 37-50-204, 37-50-209, ~~37-50-314~~, MCA

REASON: After assessing the time and cost of evaluating and approving a license applicant by various application methods, the board determined that all applications require the same amount of staff preparation and board scrutiny. The board notes that it is no longer more complicated, and therefore more costly, for transfers of grades or license applications for credentialing and reciprocity applicants. The board is therefore reducing these application fees at (1)(a) and (c) to ensure that fees are maintained to comply with 37-1-134, MCA, by providing the amount of money usually needed for the operation of board services.

The board is eliminating certificate only application fees at (1)(d)-(f) to implement HB 44. The board is reducing the active license renewal fee at new (1)(e) to address the board's cash reserves and comply with 37-1-134, MCA, to provide the amount of money usually needed for the operation of board services.

The board acknowledges the national discussion about how states are going to address the current wave of retirement age CPAs and the movement to allow some limited, uncompensated activity for retired CPAs. Montana currently has a retired CPA status, but it terminates after two years. The board is now establishing a renewable retired status and fee to allow retired practitioners to identify as CPAs retired beyond the two years currently allowed by statute. The new renewal fee at (1)(f) is a minimal fee and will allow retired licensees to maintain the status as long as renewal fees are paid.

The board estimates that the proposed fee changes will affect approximately 2,052 credentialing, reciprocity, and renewal applicants, and decrease annual revenue by approximately \$53,225.

Authority and implementation citations are being amended to accurately reflect all statutes implemented through the rule and provide the complete sources of the board's rulemaking authority.

24.201.415 USE OF CPA/LPA DESIGNATION (1) An individual whose principal place of business is in Montana, who is not otherwise in the practice of

public accounting, but providing financial or consulting services to the public, must have a ~~permit to practice~~ an active license if they hold themselves out to the public in any manner as a CPA or LPA.

(2) ~~Montana certificate or license holders~~ licensees working for nonpublic accounting employers shall not use their CPA or LPA designations when presenting reports to outside parties, unless they maintain a ~~permit to practice~~ an active license.

(3) remains the same.

(4) A person holding a certificate only does not have an active license and may not hold themselves out to the public as a CPA/LPA or use the CPA/LPA designation.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-301, 37-50-325, 37-50-335, MCA

REASON: With the elimination of certificate only licenses, the board determined it is reasonably necessary to add (4) and specify that a certificate only level of license does not equal a license to practice public accounting in Montana.

24.201.501 EDUCATION REQUIREMENTS TO SIT FOR EXAM ~~(1) An applicant who has examination scores for an examination administered prior to or in May 1996 have:~~

~~(a) graduated from a college or university accredited at the time of the applicant's graduation with:~~

~~(i) a baccalaureate degree, with a concentration in accounting, including 24 semester hours (36 quarter hours) of accounting, auditing, and tax courses, and 18 semester hours (27 quarter hours) in other areas of business such as business law, management, marketing, economics, and finance. The other areas of business shall include no more than six semester hours (nine quarter hours) in one area; or~~

~~(ii) a baccalaureate degree, with a concentration other than accounting and five years of employment experience at a public accounting firm, or in industry or government in a responsible financial position; or~~

~~(iii) a baccalaureate degree, with a concentration other than accounting and related courses in other areas of business administration which the board considers to be an equivalent education, including 12 semester hours (18 quarter hours) of accounting, auditing, and tax courses, and nine semester hours (14 quarter hours) in other areas of business such as business law, management, marketing, economics, and finance. The nine semester hours (14 quarter hours) shall include no more than three semester hours (five quarter hours) in one area.~~

~~(2) An applicant who has examination scores for an examination administered in November 1996 or May 1997 must have:~~

~~(a) completed 24 semester hours (36 quarter hours) of accounting, auditing, and tax courses, and 18 semester hours (27 quarter hours) in other areas of business such as business law, management, marketing, economics, and finance. The 18 semester hours (27 quarter hours) shall include no more than six semester hours (nine quarter hours) in one area; and~~

~~(b) graduated from a college or university then accredited to offer a baccalaureate degree subsequent to passing the exam.~~

~~(3) An applicant who has examination scores for an examination administered in November 1997 or thereafter:~~

(1) To qualify to sit for the Uniform CPA Exam as a Montana candidate the candidate must have:

(a) ~~must have~~ completed the following education from an accredited four-year institution at the time of applying to sit for the exam:

(i) remains the same.

(ii) at least 24 semester hours (36 quarter hours) in nonaccounting, general business courses. Examples of business courses include information systems, business law, finance, economics, marketing, ethics, organizational behavior, quantitative applications in business, and communication skills; ~~and.~~

(b) 120 semester hours of education from a college or university.

~~(iii) (2) Accreditation examinations or practical experience may not be used to fulfill any part of the academic requirement.~~

~~(4) (3) An accredited school is one that is accredited by the American Assembly of Association to Advance Collegiate Schools of Business - International, or one of the following regional accrediting agencies:~~

(a) through (f) remain the same.

(5) remains the same, but is renumbered (4).

~~(6) Applicants who did not sit for the exam as a Montana candidate must submit official transcripts for all domestic education to CPAES for evaluation in reference to Montana's education requirements.~~

(7) remains the same, but is renumbered (5).

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-302, ~~37-50-303~~, 37-50-305, MCA

REASON: The board is amending the title and content of this rule to add clarity. This rule specifies what the education requirements are to sit for the Uniform CPA Exam, but the caption and content was confusing for exam candidates. This amendment will clearly set forth the current requirements to qualify to sit for the exam and eliminate confusing language that set education requirements for prior exam administrations.

Implementation citations are being amended to delete reference to a repealed statute.

24.201.502 ACCOUNTING AND AUDITING EXPERIENCE

REQUIREMENTS (1) ~~To be issued an initial permit to practice a license,~~ an applicant must provide evidence of acceptable accounting and auditing experience.

(2) remains the same.

(a) is attested to by a holder of a permit to practice that was current at the time of attestation, under the supervision or direction of a fully licensed individual from a professional accounting body with a MRA with NASBA and the AICPA, or for military experience evaluated by the board based on information provided by the applicant's commanding officer; and

(b) and (c) remain the same.

AUTH: 37-1-131, 37-50-203, MCA
IMP: 37-1-131, 37-50-203, 37-50-325, MCA

REASON: The board recognizes that CPA applicants may obtain experience under different circumstances. The board recognizes foreign licensees from jurisdictions with a MRA to obtain a license in Montana, and is amending (2)(a) to enable these foreign licensees to attest to experience for a license applicant to qualify for a CPA license. The board has recently had a number of foreign applicants express difficulty in getting attestation on experience from a U.S. CPA.

24.201.503 APPLICANT BY EXAM FOR LICENSE (1) All applicants for a ~~certificate or permit to practice a license~~ must:

(a) and (b) remain the same.

(c) meet the education requirements of ARM 24.201.501; 37-50-305, MCA,

and:

(i) meet the education requirements of ARM 24.201.501;

(ii) meet the education waiver requirements of ARM 24.201.528; or

(iii) for applicants with exam dates prior to November 1997, meet the

following education requirements:

(A) An applicant who has examination scores for an examination administered prior to or in May 1996 must have graduated from a college or university accredited at the time of the applicant's graduation with:

(I) a baccalaureate degree, with a concentration in accounting, including 24 semester hours (36 quarter hours) of accounting, auditing, and tax courses, and 18 semester hours (27 quarter hours) in other areas of business such as business law, management, marketing, economics, and finance. The other areas of business shall include no more than six semester hours (nine quarter hours) in one area; or

(II) a baccalaureate degree, with a concentration other than accounting and five years of employment experience at a public accounting firm, or in industry or government in a responsible financial position; or

(III) a baccalaureate degree, with a concentration other than accounting and related courses in other areas of business administration which the board considers to be an equivalent education, including 12 semester hours (18 quarter hours) of accounting, auditing, and tax courses, and nine semester hours (14 quarter hours) in other areas of business such as business law, management, marketing, economics, and finance. The nine semester hours (14 quarter hours) shall include no more than three semester hours (five quarter hours) in one area.

(B) An applicant who has examination scores for an examination administered in November 1996 or May 1997 must have graduated from a college or university then accredited to offer a baccalaureate degree subsequent to passing the exam, and completed 24 semester hours (36 quarter hours) of accounting, auditing, and tax courses, and 18 semester hours (27 quarter hours) in other areas of business such as business law, management, marketing, economics, and finance. The 18 semester hours (27 quarter hours) shall include no more than six semester hours (nine quarter hours) in one area.

(d) pass the Uniform Certified Public Accountant exam in accordance with ARM 24.201.516 or 24.201.517; and

(e) pass the comprehensive professional ethics for CPAs course developed by the AICPA;

(f) meet the experience requirement of ARM 24.201.502; and

(g) provide a license verification if currently holding or have ever held a professional license in another state.

(2) Applicants for initial license who did not sit for the exam as a Montana candidate must submit official transcripts for all domestic education to CPAES for evaluation in reference to Montana education requirements.

~~(2)~~ (3) ~~Incomplete applications for licensure or certification that are older than 12 months will be considered invalid and void. The applicant will be required to reapply and pay another fee.~~

AUTH: 37-1-131, 37-50-201, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-302, 37-50-305, MCA

REASON: The board determined it is reasonably necessary to clearly set forth the requirements for obtaining a Montana CPA license by consolidating all requirements in this single rule. The board is also amending the title, as license applicants found it confusing. All requirements for licensing are currently in rule or statute. These amendments will provide a clear roadmap for applicants to obtain licensure by addressing the varying education requirements in the past and describing those requirements based on examination dates.

Authority and implementation citations are being amended to accurately reflect all statutes implemented through the rule and provide the complete sources of the board's rulemaking authority.

24.201.504 MILITARY TRAINING OR EXPERIENCE (1) Pursuant to 37-1-145, MCA, the board shall accept relevant military training, service, or education toward the requirements for licensure ~~as a certificate holder or a permit holder.~~

(2) remains the same.

(3) An applicant must submit satisfactory evidence of receiving military training, service, or education that is equivalent to relevant licensure requirements ~~as a certificate holder or permit holder.~~ Satisfactory evidence may include:

(a) through (4) remain the same.

AUTH: 37-1-145, MCA

IMP: 37-1-145, MCA

24.201.510 CERTIFIED PUBLIC ACCOUNTANT EXAMINATION

(1) through (3) remain the same.

(4) In addition to all other supporting documents, all foreign ~~credentials~~ education must be accompanied by an evaluation by NASBA International Evaluation Services.

(5) through (8) remain the same.

AUTH: 37-1-131, 37-50-204, MCA

IMP: 37-1-131, 37-50-204, 37-50-302, ~~37-50-303~~, MCA

REASON: The board is amending (4) to clarify that foreign education must be evaluated. Use of the term "credentials" is confusing because foreign licensees have various designations, which do not count toward meeting the education requirements. Many foreign applicants try to have designation credentials evaluated to meet this requirement and the board is now clarifying that this is not allowed.

Implementation citations are being amended to delete reference to a repealed statute.

24.201.517 ACCEPTANCE OF EXAMINATION CREDITS (1) An applicant who has never held a ~~certificate~~ license as a certified public accountant in any jurisdiction must have passed the examination under circumstances comparable to those applicable to Montana applicants at the time of examination.

AUTH: 37-1-131, 37-50-203, ~~37-50-309~~, MCA
IMP: 37-50-302, ~~37-50-303~~, 37-50-309, MCA

REASON: Authority and implementation citations are being amended to provide the complete sources of the board's rulemaking authority and delete reference to a repealed statute.

24.201.528 OUT-OF-STATE APPLICANTS LICENSEES SEEKING A MONTANA CERTIFICATE, LICENSE, OR PERMIT (1) The board may issue a ~~certificate, license, or permit to practice~~ to a ~~certificate holder, license holder, or permit holder~~ of a an active, current, and unencumbered unrestricted license, certificate, or permit to practice from another jurisdiction who meets the requirements established in ~~37-50-302 or 37-50-303, and 37-50-314, MCA, and~~ ARM 24.201.501 and 24.201.503.

(2) The board may waive the education requirements and issue a ~~certificate, license, or permit to practice~~ to a holder of a ~~certificate, current, unrestricted license, or permit~~ issued by another jurisdiction. The applicant must show they:

(a) passed the examination required for issuance of the ~~certificate, license, or permit~~ with grades that would have been passing grades at the time in this state;

(b) had four ~~years'~~ years of experience in the practice of public accountancy after passing the examination upon which the ~~certificate, license, or permit~~ was based, within the ten years immediately preceding the application;

(c) maintained a ~~certificate, license, or permit~~ for more than four years prior to the application for issuance of ~~an initial certificate, a license, or permit~~ in this state;

(d) and (e) remain the same.

(3) Incomplete applications for licensure ~~or certification~~ that are older than 12 months will be considered invalid and void. The applicant will be required to re-apply and pay another fee.

AUTH: 37-50-203, ~~37-50-309~~, MCA
IMP: 37-1-304, ~~37-1-306~~, 37-50-203, 37-50-302, 37-50-309, ~~37-50-311, 37-50-312, 37-50-313, 37-50-314, 37-50-325~~, MCA

REASON: The board is amending this rule to implement HB 44 and clarify who is eligible to apply for a Montana license by out of state application. The board requires out of state applicants to hold active licenses in their original jurisdiction. The term "unencumbered" was not clear to out of state applicants, so the board is amending (1) to clarify that the out of state licenses must not have any restrictions in place due to disciplinary or administrative actions.

It is reasonably necessary to add the reference to ARM 24.201.503 to clarify that an applicant who holds a license in another state must meet the experience requirement. Although currently in place, the board notes that this requirement has been confusing for out of state applicants to determine.

Authority and implementation citations are being amended to provide the complete sources of the board's rulemaking authority, accurately reflect all statutes implemented through the rule, and delete references to repealed statutes.

24.201.529 FOREIGN-TRAINED APPLICANTS LICENSEES SEEKING A MONTANA CERTIFICATE, LICENSE, OR PERMIT (1) A foreign-trained licensed applicant must meet the requirements established under ARM 24.201.528 or the following requirements:

- (a) remains the same.
- (b) provide evidence that the foreign ~~and/or domestic~~ credentials are valid and in good standing at the time of application;
- (c) and (d) remain the same.
- (e) provide evidence of having met an equivalent experience requirement obtained under the supervision or direction of a chartered accountant, Instituto Mexicano de Contradores Publicos, Hong Kong Institute of Certified Public Accountants, or certified public accountant, ~~or licensed public accountant~~ permitted to practice in the original jurisdiction in order to be issued an initial ~~permit to practice license~~; and
- (f) meet the continuing professional education requirements established under ~~37-1-306, MCA~~ ARM 24.201.2106, in order to be issued an initial ~~permit to practice license~~.

AUTH: 37-1-131, 37-50-203, MCA

IMP: ~~37-1-306, 37-50-203, 37-50-311, 37-50-312, 37-50-314, MCA~~

REASON: The board is amending (1)(f) to reflect the amendment of 37-1-306, MCA, and reference the continuing education requirements in rule.

Implementation citations are being amended to accurately reflect all statutes implemented through the rule and delete references to repealed statutes.

24.201.535 INACTIVE TO ACTIVE PERMIT LICENSE - RESTORATION

(1) A ~~permit holder~~ licensee may place the ~~permit to practice license~~ on inactive status by informing the board office, in writing, that an inactive status is desired. It is the sole responsibility of the inactive ~~permit holder~~ licensee to keep the board informed of current contact information during the period of time the ~~permit to practice license~~ remains on inactive status.

(2) A ~~permit holder~~ licensee may not use the title CPA, CPA (inactive), or practice public accounting in the state of Montana while the permit to practice license is on inactive status.

(3) An inactive ~~permit holder~~ licensee is required to renew on an annual basis.

(4) An inactive ~~permit~~ license may be restored to active status by applying for active status, paying the restoration fee, and providing documentation verifying compliance with the continuing education rules of the board under ARM 24.201.2106, within the three years immediately preceding the application for restoration to active status.

(5) Montana ~~permit holders~~ licensees who use their Montana ~~permit~~ license to avail themselves of practice privileges in other jurisdictions, may not place the Montana ~~permit to practice~~ license on inactive status while using the practice privilege.

AUTH: 37-1-319, 37-50-203, MCA

IMP: 37-1-319, 37-50-325, MCA

REASON: The board is amending (2) to clarify that inactive licensees cannot represent themselves to the public as holding a CPA license. This limitation is currently in force, but the board is amending the rule in response to many inquiries from inactive licensees.

24.201.537 RETIRED STATUS (1) A ~~certificate holder, license holder, or permit holder~~ licensee who is fully retired from active employment in the practice of public accounting may submit a retired status request to the board. Upon approval of the request, the individual will be ~~exempt from paying~~ required to pay an annual renewal fees and fee, but is exempt from CPE requirements. They may use the designation "CPA (Retired)" or "LPA (Retired)."

(2) An individual on retired status may apply for their ~~certificate, license, or permit to practice~~ to be restored to active status ~~within two years of the last time the certificate, license, or permit to practice was renewed~~ by complying with all current year renewal requirements, paying the restoration fee, and providing documentation of compliance with continuing education rules of the board under ARM 24.201.2106, within the three years immediately preceding the application for restoration to active status. A retired certificate, license, or permit to practice that is not restored to active status ~~within two years of the most recent renewal date automatically terminates.~~ Once a certificate, license, or permit to practice status has terminated, it may not be restored to active status and a new original license must be obtained through application, and all current licensing requirements must be met.

(3) Montana ~~permit holders~~ licensees who use their Montana ~~permit to practice~~ license to avail themselves of practice privileges in other jurisdictions may not place their Montana ~~permit to practice~~ license on retired status.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-1-141, 37-50-101, 37-50-325, MCA

REASON: The board acknowledges the national discussion about how states are going to address the current wave of retirement age CPAs and the movement to allow some limited, uncompensated activity for retired CPAs. Montana currently has a retired CPA status, but it terminates after two years. The board is now amending (1) to establish a renewable retired status and allow retired practitioners to identify as CPAs retired beyond the two years currently allowed by statute. The board is also setting a nominal renewal fee in ARM 24.201.410 for this extended status.

Currently, there is no road map in rule to restore a retired license to active status. The board is amending (2) to clearly set forth the requirements to restore a retired license to active status.

24.201.704 INDEPENDENCE (1) Independence, where required by professional standards, is essential to establishing and maintaining the public's faith and confidence in, and reliance on, the information reported on by the ~~permit holder~~ licensee or practice privilege holder. A ~~permit holder~~ licensee or practice privilege holder in the practice of public accounting shall be independent in fact and appearance when engaged to provide services where independence is required by professional standards.

(a) Independence in fact is the state of mind that permits a ~~permit holder~~ licensee or practice privilege holder to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing the ~~permit holder~~ licensee or practice privilege holder to act with integrity and exercise objectivity and professional skepticism.

(b) Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third-party, having knowledge of all relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of the ~~permit holder~~ licensee or practice privilege holder had been compromised.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.705 INTEGRITY AND OBJECTIVITY (1) Integrity is a character trait demonstrated by acting honestly, candidly, and not knowingly misrepresenting facts, accommodating deceit, or subordinating ethical principles. Acting with integrity is essential to maintaining credibility and public trust. It incorporates both the spirit and substance in the application of the ethical and technical standards that govern the profession, or in the absence thereof, what is just and right. A ~~permit holder~~ licensee or practice privilege holder shall act with integrity in the performance of all professional activities in whatever capacity performed.

(2) Objectivity is a distinguishing feature of the accounting profession and is critical to maintaining the public's trust and confidence. It is a state of mind that imposes the obligation to be impartial and free of bias that may result from conflicts of interest or subordination of judgment. Objectivity requires a ~~permit holder~~ licensee or practice privilege holder to exercise an appropriate level of professional skepticism in carrying out all professional activities. Although a ~~permit holder~~ licensee or practice privilege holder may serve multiple interests in many different

capacities, objectivity must be maintained. A ~~permit holder~~ licensee or practice privilege holder shall make a careful assessment of the effects on objectivity of all professional relationships and activities. A ~~permit holder~~ licensee or practice privilege holder shall maintain objectivity in the performance of all professional activities in whatever capacity performed.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.706 COMPETENCE (1) A firm, ~~permit holder~~ licensee, or practice privilege holder shall not undertake any engagement for the performance of professional services, unless the following general standards are met:

(a) a firm, ~~permit holder~~ licensee, or practice privilege holder shall undertake only those engagements which the firm, ~~permit holder~~, or practice privilege holder can reasonably expect to complete with professional competence, including compliance where applicable, with ARM 24.201.718;

(b) a firm, ~~permit holder~~ licensee, or practice privilege holder shall adequately plan and supervise an engagement; and

(c) a firm, ~~permit holder~~ licensee, or practice privilege holder shall obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.707 DISCREDITABLE ACTS (1) A firm, ~~permit holder~~ licensee, or practice privilege holder shall not commit any act discreditable to the profession. A discreditable act will be considered to have occurred if, for example a firm, licensee, or practice privilege holder:

(a) ~~a firm, permit holder, or practice privilege holder~~ retains any records rightfully belonging to the client in order to enforce payment of fees; ~~or~~

~~(b) a practice unit fails to comply with conditions imposed by the peer review program as a result of a "pass with deficiencies" or "failed" peer review classification.~~

(b) has a final determination made by a court or administrative agency of competent jurisdiction and is no longer subject to appeal, that a violation of any antidiscrimination laws of the U.S., a state or municipality, including those related to sexual and other forms of harassment;

(c) solicits or knowingly discloses the Uniform CPA Examination questions or answers without AICPA's written authorization;

(d) fails to comply with applicable federal, state, or local laws or regulations regarding the timely filing of a personal tax return or tax return of the firm that the licensee has the authority to timely file;

(e) fails to timely remit all payroll and other taxes collected on behalf of others;

(f) makes, or permits or directs another to make materially false and misleading entries in financial statements or records;

(g) fails to correct an entity's financial statements that are materially false and misleading when the licensee has the authority to record an entry;

(h) signs, or permits or directs another to sign a document containing false and misleading information;

(i) departs from acceptable standards, unless disclosure in the financial statement or report, as applicable, that such standards were not followed and the applicable reasons;

(j) enters into or directs or knowingly permits another to enter into a contract for performance of attest services that are subject to the requirements of regulatory entities that includes indemnification or limitation of liability provisions that would cause the regulated entity to be in violation of such requirements or disqualify a licensee from providing such services to the regulated entity;

(k) whose employment relationship is terminated, retains originals or copies from the firm's clients, or proprietary information, without the firm's permission, unless a contractual arrangement with the firm allows such action; or

(l) discloses confidential information obtained from a prospective client or nonclient without consent.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

REASON: The board determined it is reasonably necessary to amend the list of discreditable acts to more closely reflect the Uniform Accountancy Act (UAA) and the AICPA Code of Conduct. Discreditable acts are those that a licensee might perform as a professional that would dishonor the profession. This more complete list informs licensees of what the board has determined to be unacceptable, discreditable acts.

The board is relocating (1)(b) to ARM 24.201.2410 as a more appropriate location.

24.201.708 DUE PROFESSIONAL CARE (1) Due care imposes upon the ~~permit holder licensee~~ or practice privilege holder the obligation to perform professional activities with concern for the best interest of those for whom the activities are performed and consistent with the profession's responsibility to the public. It is essential to preserving the public's trust and confidence. Due care requires the ~~permit holder licensee~~ or practice privilege holder to discharge professional responsibilities with reasonable care and diligence and to adequately plan and supervise all professional activities for which the ~~permit holder licensee~~ or practice privilege holder is responsible. A ~~permit holder licensee~~ or practice privilege holder shall act with due care in the performance of all professional activities in whatever capacity performed.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.709 COMMISSIONS (1) A firm, ~~permit holder licensee~~, or practice privilege holder shall not pay a commission to obtain a client, nor accept a

commission for referring the products or services of others to a client. This prohibition applies during the period in which the firm, ~~permit holder~~ licensee, or practice privilege holder is engaged to perform any services requiring independence and the period covered by those services.

(2) A firm, ~~permit holder~~ licensee, or practice privilege holder who is not prohibited by this rule from performing services for or 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 firm, ~~permit holder~~ licensee, or practice privilege holder recommends or refers a product or service to which the commission relates. Written acknowledgment of such disclosure shall be obtained.

(3) Any firm, ~~permit holder~~ licensee, or practice privilege holder who accepts a referral fee for recommending or referring any service of a firm or ~~permit holder~~ licensee to any person or entity or who pays a referral fee to obtain a client shall disclose such acceptance or payment in writing to the client and obtain written acknowledgment of such disclosure.

(4) remains the same.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.710 CONTINGENT FEES (1) A firm, ~~permit holder~~ licensee, or practice privilege holder shall not offer or perform professional services for a fee which is contingent upon the findings or results of such services, when the firm, ~~permit holder~~ licensee, or practice privilege holder also performs for that client any services for which professional standards require independence. This prohibition applies during the period in which the firm, ~~permit holder~~ licensee, or practice privilege holder is engaged to perform any services for which professional standards require independence and the period covered by those services.

(2) A firm, ~~permit holder~~ licensee, or practice privilege holder who is not prohibited by this rule from performing professional services for a contingent fee shall disclose that fact in writing to any person or entity to whom services are to be provided. Written acknowledgment of such disclosure shall be obtained.

(3) A firm, ~~permit holder~~ licensee, or practice privilege holder shall not offer to prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.718 APPLICABLE STANDARDS (1) A ~~permit holder~~ licensee or practice privilege holder shall comply with the standards set forth in this rule as applicable under the circumstances and at the time of service when providing professional services. In addition to the applicable standards set forth below, a ~~permit holder~~ licensee or practice privilege holder shall comply with the standards issued by other professional or governmental bodies, including international standards setting bodies with which a ~~permit holder~~ licensee or practice privilege holder is required by law, regulation, or the terms of engagement to comply.

(2) The board incorporates by reference the following standards, as they exist as of July 1, 2014 ~~2015~~:

(a) through (3) remain the same.

AUTH: 37-50-203, MCA

IMP: 2-4-307, 37-50-203, 37-50-325, MCA

REASON: The board determined it is reasonably necessary to update to the current versions of the standards that the board has adopted and incorporated by reference. Amending the standards date will require licensees to comply with the current version of the standards. This will eliminate the need for Montana licensees to follow antiquated standards and risk violating professional standards in other jurisdictions

24.201.720 CONFIDENTIALITY (1) A ~~permit holder~~ licensee or practice privilege holder has an obligation to maintain the confidentiality of information obtained in the performance of all professional activities. Maintaining such confidentiality is vital to the proper performance of the ~~permit holder's~~ licensee's or practice privilege holder's professional activities. A ~~permit holder~~ licensee or practice privilege holder shall not use or disclose, or permit others within the ~~permit holder's~~ licensee's or practice privilege holder's control to use or disclose any confidential client or employer information without the consent of the client or employer. This obligation of confidentiality continues after the termination of the relationship between the ~~permit holder~~ licensee or practice privilege holder and the client or employer and extends to information obtained by the ~~permit holder~~ licensee or practice privilege holder in professional relationships with prospective clients and employers.

(a) This rule must not be construed to prohibit a ~~permit holder~~ licensee or practice privilege holder from disclosing information as required to meet professional, regulatory, or other legal obligations.

(2) Members of the board and professional practice reviewers shall not disclose any confidential client information which comes to their attention from firms, ~~permit holders~~ licensees, or practice privilege holders in disciplinary proceedings or otherwise in carrying out their responsibilities, except that they may furnish such information to an investigative or disciplinary body requiring compliance with state law.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.723 RECORDS (1) A firm, ~~permit holder~~ licensee, or practice privilege holder shall furnish to the client or former client, upon request made within a reasonable time after original issuance of the document in question:

(a) remains the same.

(b) a copy of any report or other document issued by the firm, ~~permit holder~~ licensee, or practice privilege holder to or for such client;

(c) any accounting or other records which the firm, ~~permit holder~~ licensee, or practice privilege holder obtained from or on behalf of the client which the firm, ~~permit holder~~ licensee, or practice privilege holder removed from the client's premises or received for the client's account, but the firm, ~~permit holder~~ licensee, or practice privilege holder may make and retain copies of such documents when they form the basis for work done by the firm, ~~permit holder~~ licensee, or practice privilege holder; and

(d) a copy of the firm's, ~~permit holder's~~ licensee's, or practice privilege holder's working papers, to the extent that such working papers include records which would ordinarily constitute part of the client's books and records and are not otherwise available to the client.

(2) remains the same.

(3) Retention by a firm, ~~permit holder~~ licensee, or practice privilege holder of client records after a demand is made for them is an act discreditable to the profession in violation of ARM 24.201.707.

(4) A firm's, ~~permit holder's~~ licensee's, or practice privilege holder's working papers are the firm's, ~~permit holder's~~ licensee's, or practice privilege holder's property and need not be surrendered to the client. Any working papers developed by the firm, ~~permit holder~~ licensee, or practice privilege holder incident to the performance of the engagement which do not result in changes in the client's records or are not in themselves part of the records ordinarily maintained by such clients, are considered to be solely "accountant's working papers" and are not the property of the client. If the firm, ~~permit holder~~ licensee, or practice privilege holder has retained file copies of a client's records already in possession of the client, the firm, ~~permit holder~~ licensee, or practice privilege holder is not required to return such copies to the client.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.726 ADVERTISING (1) A firm, ~~permit holder~~ licensee, or practice privilege holder shall not use or participate in the use of any form of public communication referencing professional services which contains a false, fraudulent, misleading, deceptive, or unfair statement or claim including, but not limited to, a statement or claim which:

(a) through (e) remain the same.

(f) states or implies that the firm, ~~permit holder~~ licensee, or practice privilege holder has received formal recognition as a specialist in any aspect of the practice of public accountancy, if this is not the case;

(g) through (i) remain the same.

AUTH: 37-1-131, 37-50-203, MCA

IMP: 37-1-131, 37-50-203, 37-50-325, MCA

24.201.1103 PEER REVIEW ENROLLMENT (1) ~~Firms~~ All registered firms shall enroll in an a board-approved peer review program and pay the required fees

associated with the administration of the peer review, if they perform any of the following services:

(a) and (b) remain the same.

(c) a compilation; ~~or~~

(d) any examination, review, or agreed upon procedures engagements to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE); or

(e) an engagement of a non-issuer performed in accordance with PCAOB standards and is not subject to PCAOB inspection.

(2) ~~The~~ All firms registered in Montana and required to enroll in a board-approved peer review program must authorize board access for the following peer review documents shall be made available to the board by the sponsoring organization via a secure web site.

(a) through (5) remain the same.

(6) ~~The permit holder~~ licensee shall not be required to become a member of any organization administering a board-approved peer review program.

AUTH: 37-50-203, MCA

IMP: 37-50-203, MCA

REASON: Following a comment received in a prior rules project, the board is amending (1) to clarify that even firms performing engagements according to PCAOB standards, and therefore not required to have PCAOB inspection or review, are still subject to mandatory peer review. The board notes that this has been an understood requirement, but was not previously outlined in rule.

The board is also amending (2) to clarify that firms must authorize board access to peer review results through a secure web site to allow board monitoring of firm compliance. Although not a new process, the board determined it should be clearly delineated in rule.

24.201.1105 PARTICIPATION IN PEER REVIEW (1) Any firm that is dropped from or terminated by a board-approved peer review program for any reason shall have 21 days to provide written notice to the board of such termination or drop and to request authorization from the board to enroll in another board-approved peer review program.

(2) In the event a firm is merged, otherwise combined, dissolved, or separated, the peer review program shall determine which firm is considered to be the succeeding firm. The succeeding firm shall retain its peer review status and the review due date. A separated firm that is not the succeeding firm may not use the peer review results of the original firm.

(3) remains the same.

AUTH: 37-50-203, MCA

IMP: 37-50-203, MCA

REASON: The board is amending (2) to address question by firms regarding who retains the results of a firm peer review when some licensees from the reviewed firm leave to form another firm.

24.201.1108 ALTERNATIVES AND EXEMPTIONS (1) Exemption of the Montana peer review requirement will apply to:

(a) and (b) remain the same.

(2) Alternative programs to the board-approved peer review program of the AICPA, administered by the ~~Montana Society of Certified Public Accountants (MSCPA)~~, shall include other non-AICPA programs recognized and approved by the board.

AUTH: 37-50-203, MCA

IMP: 37-50-203, MCA

REASON: Because MSCPA is defined in the definition rule, the board determined that it does not need to be spelled out in this rule.

24.201.2101 RENEWALS (1) ~~Renewal licenses, certificates, and permits to practice~~ will be issued by the board to all certified public accountants, and licensed public accountants, and permit holders eligible for renewal upon completion of applicable CPE, submitting the renewal form, and payment of the established renewal fees, pursuant to ARM 24.201.410.

~~(2) Every firm must submit a statement to the board on their original application and at each renewal, which describes the firm's level of association with financial statements.~~

(2) All firms must annually register with the board by December 31. Annual registration must include all of the items of a new firm registration found in [NEW RULE I] and the level and type of public accounting services provided since the last firm registration.

AUTH: 37-1-131, 37-50-201, 37-50-203, MCA

IMP: 37-1-141, 37-50-203, 37-50-314, MCA

REASON: The board is amending this rule to clearly delineate all renewal requirements found throughout statutes and rules and align with firm registration provisions being established in NEW RULE I.

24.201.2106 BASIC CONTINUING EDUCATION REQUIREMENT

(1) ~~Permit holders~~ Active licensees are required to have 120 hours of continuing professional education (CPE) with a subset of two hours in ethics ~~in any rolling for the previous~~ three-year period, ending December 31 of each year, except as otherwise provided under ARM 24.201.2154.

~~(a) Beginning with the 2012 period, the rolling three-year period will be based on the calendar year. To make the change from fiscal year to calendar year, permit holders will be able to count CPE obtained between July 1, 2011 and December 31, 2012, toward the 2012 year.~~

(2) ~~Holders of a permit to practice~~ Active licensees will be required to affirm their compliance with the basic requirement upon annual renewal. This affirmation will be for the three calendar years immediately preceding the renewal year.

(3) Applicants for a permit to practice must meet the basic requirement of CPE by December 31 of the third year following the year of the initial issuance of the Montana permit (example: If an individual received their ~~permit to practice license in 2010~~ 2015, they must meet the basic CPE requirement by December 31, ~~2013~~ 2018).

(4) remains the same.

AUTH: 37-1-319, 37-50-201, 37-50-203, MCA

IMP: 37-1-306, 37-50-203, MCA

REASON: The board is amending this rule to remove an unnecessary provision from (1)(a) following the transition from a fiscal year to calendar year continuing education requirement. Additionally, the board is updating the example for CPE compliance in (3) with current dates.

24.201.2120 STANDARDS FOR FORMAL CONTINUING EDUCATION PROGRAMS, PROGRAMS WHICH QUALIFY, AND ACCEPTABLE SUBJECT MATTER AND PROGRAMS

(1) A program qualifies as acceptable continuing education if it is a formal group or self-study program of learning, which contributes directly to the professional competence of an individual ~~permitted~~ licensed to practice public accounting.

(2) through (2)(n) remain the same.

(o) areas other than those listed above may be acceptable if the ~~individual licensee~~ individual licensee can demonstrate that they contribute to their professional competence. The responsibility for substantiating that a particular program is acceptable and meets the requirements rests solely upon the ~~individual licensee~~ individual licensee.

(3) remains the same.

AUTH: 37-1-319, 37-50-201, 37-50-203, MCA

IMP: 37-1-306, 37-50-203, 37-50-314, MCA

24.201.2124 STANDARDS FOR CPE REPORTING (1) through (1)(f) remain the same.

(g) NASBA National Registry of CPE Sponsors ID ~~or NASBA QAS Sponsor ID~~ (if applicable, applies to self-study).

(2) through (4) remain the same.

AUTH: 37-1-319, 37-50-201, 37-50-203, MCA

IMP: 37-1-306, 37-50-203, 37-50-314, MCA

REASON: The board is amending this rule and ARM 24.201.2137 because NASBA has combined their two CPE certification programs into one and changed the name.

24.201.2137 CREDIT FOR FORMAL SELF-STUDY PROGRAMS

(1) Formal self-study programs shall receive continuing education credit equal to the amount granted by the sponsor, if the sponsor is a NASBA National Registry of CPE Sponsors or ~~NASBA QAS sponsor~~. These programs are calculated on a 50-minute hour.

(a) and (2) remain the same.

AUTH: 37-1-319, 37-50-201, 37-50-203, MCA

IMP: 37-1-306, 37-50-203, MCA

24.201.2145 REPORTING REQUIREMENTS (1) Reporting of actual courses/credits is not required, unless the individual is selected for a random CPE audit as outlined in ARM 24.201.2148, or the individual must otherwise prove compliance for licensure purposes (i.e., ~~renewing an expired license, reactivating~~ restoring a license to active status, transfer of license applicant).

AUTH: 37-1-319, 37-50-201, 37-50-203, MCA

IMP: 37-1-306, 37-50-203, 37-50-314, MCA

REASON: The provisions of Senate Bill 76 eliminate the requirement to provide CPE when renewing an expired license. The board is amending this list to accurately reflect who must report CPE.

24.201.2148 VERIFICATION (1) ~~Permit holders~~ Licensees notified that they have been randomly selected for an audit of their basic CPE requirement must submit all courses and appropriate documentation using the NASBA CPE tracking system and comply with the deadline for submitting documentation.

(2) Only documentation as outlined in ARM 24.201.2124, in support of the basic CPE requirement, shall be submitted. ~~Individuals may submit documentation of up to 150 hours if they so choose, to make sure the basic requirement is substantiated in the audit.~~

AUTH: 37-1-319, 37-50-201, 37-50-203, MCA

IMP: 37-1-131, 37-1-306, 37-50-203, 37-50-314, MCA

REASON: As an administrative requirement, the board is amending (1) to require all licensees selected for CPE audit to report CPE and provide documentation using the NASBA CPE tracking system. As a result of utilizing the NASBA CPE system, the board is amending this rule to no longer require duplicate submission of CPE documentation.

24.201.2154 EXTENSION OR HARDSHIP EXCEPTION (1) remains the same.

(a) To request an extension or exception, an individual must submit the appropriate form and fees prior to the CPE requirement deadline of December 31. The board will grant a hardship exception on a case-by-case basis.

AUTH: 37-1-319, 37-50-201, 37-50-203, MCA

IMP: 37-1-306, 37-50-203, 37-50-314, MCA

REASON: Currently, licensees seeking an extension or exception to the CPE requirement must file the request prior to the CPE deadline. The board is amending this rule to further clarify the mandatory timeframe for the board to consider such a request.

24.201.2402 EXERCISE OF PRACTICE PRIVILEGE IN OTHER JURISDICTIONS (1) Any ~~permit holder~~ licensee of this board offering or rendering services in or to another jurisdiction pursuant to practice privilege, based upon their license from this board, is deemed to have consented to the administrative jurisdiction of the other board of accountancy.

AUTH: 37-50-201, 37-50-203, MCA
IMP: ~~37-1-307, 37-1-308~~, 37-50-325, MCA

REASON: Implementation citations are being amended to accurately reflect the statutes implemented through the rule.

24.201.2410 ENFORCEMENT AGAINST CERTIFICATE HOLDER, LICENSE HOLDERS, PERMIT TO PRACTICE HOLDERS, AND PRACTICE PRIVILEGE HOLDERS (1) The following terms ~~shall~~ may be cause for imposition of disciplinary action:

- (a) through (c) remain the same.
- (d) performance of any fraudulent act while holding a ~~certificate~~, license, ~~permit~~, or practice privilege issued or extended under Title 37, chapter 50, MCA;
- (e) failure of a Montana ~~permit holder~~ active licensee or practice privilege holder to meet the continuing education requirements established by the board;
- (f) remains the same.
- (g) receiving a "fail" peer review report, or second or subsequent "pass with deficiency" peer review report;
- (h) failure of a firm to comply with conditions imposed by the peer review program as a result of a "pass with deficiencies" or "failed" peer review classification;
- (i) failure of a firm, licensee, or practice privilege holder to comply with professional conduct rules established in ARM Title 24, chapter 201, subchapter 7;
- (g) and (h) remain the same, but are renumbered (j) and (k).
- (~~l~~) (l) failure of a Montana ~~permit holder~~ licensee who is using the practice privilege in another jurisdiction to cooperate with another jurisdiction's board of accountancy's investigation into acts of the ~~permit holder~~ licensee in that other jurisdiction.

AUTH: 37-1-131, 37-1-136, 37-1-319, 37-50-203, MCA
IMP: 37-1-136, 37-1-316, 37-1-319, 37-50-325, MCA

REASON: The board is consolidating actions from other rules that could result in disciplinary action by the board against a licensee, including inadequate work discovered through peer review or failure to comply with professional conduct.

5. The proposed new rules provide as follows:

NEW RULE I FIRMS - REGISTRATION (1) New firms, firms that have a name change, or firms that are merged or otherwise combined or separated must immediately file a new firm registration application with the board.

(2) New firm registrations must include:

(a) a completed firm registration application;

(b) a list of all satellite offices in this state;

(c) the designated accountant who is responsible for the proper registration of the firm;

(d) an attestation that the firm meets the firm ownership requirements of 37-50-330, MCA; and

(e) an attestation that all persons with an ownership interest in the firm are actively participating in the business of the firm.

AUTH: 37-50-203, MCA

IMP: 37-50-335, MCA

REASON: The board determined it is reasonably necessary to adopt NEW RULE I and consolidate all requirements for firm registration into one location. While all are current requirements, they must be sought throughout board statute and rules.

NEW RULE II APPROVED PEER REVIEW SPONSORING ORGANIZATIONS, PROGRAMS, AND PEER REVIEW STANDARDS (1) The board shall approve peer review sponsoring organizations, programs, and standards.

(2) The board adopts the AICPA, the MSCPA, and other peer review programs administered by entities fully involved in the administration of the AICPA peer review programs, as approved sponsoring organizations, without further requirements.

(3) Any board-approved peer review program and any peer reviewer performing a peer review under this subchapter shall utilize the AICPA Standards for Performing and Reporting on Peer Reviews or equivalent as determined by the board.

(4) A sponsoring organization, other than those who administer the AICPA peer review program, must provide evidence that the overall program and standards, including procedures, guidelines, oversight process, training materials, and related documents are equivalent to those of the AICPA Peer Review Program.

(5) For firms required to be registered with and inspected by the PCAOB, the board approves the PCAOB's inspection process for reviewing practices subject to its authority, and those firm's practice areas that are subject to PCAOB's inspection process are not included in the scope of the board's peer review programs. Firms receiving inspections under the PCAOB are also required to meet the peer review requirements of the board that covers the portion of the firm's practice not subject to the PCAOB inspection process if the firm performs those services.

AUTH: 37-50-203, MCA

IMP: 37-50-203, MCA

REASON: The board received several suggestions during the last rule review for a mechanism allowing board approval of peer review programs that do not administer the AICPA peer review program. The board is adopting NEW RULE II to outline the requirements and benchmarks that a non-AICPA-administered peer review program must meet to be considered for board approval.

6. The rules proposed to be repealed are as follows:

24.201.412 FEE ABATEMENT found at ARM page 24-22537

AUTH: 37-1-131, 37-17-202, MCA

IMP: 17-2-302, 17-2-303, 37-1-134, MCA

REASON: House Bill 560 moved the board from a state special revenue fund to a statutorily appropriated fund. As a result, the board is no longer appropriated on an annual basis and this rule adopting the department fee abatement rule is no longer necessary.

24.201.701 DEFINITIONS found at ARM page 24-22605

AUTH: 37-50-203, MCA

IMP: 37-50-203, MCA

REASON: The board combined all definitions into ARM 24.201.301 during the last rule project. This rule was inadvertently omitted from the consolidation and is being repealed as it contains definitions already included in the combined rule.

24.201.2114 OUT-OF-STATE APPLICANTS SEEKING A MONTANA PERMIT TO PRACTICE - CONTINUING EDUCATION REQUIREMENT found at ARM page 24-22875

AUTH: 37-50-201, 37-50-203, MCA

IMP: 37-1-306, 37-50-203, MCA

REASON: The board is repealing this rule as it is confusing to applicants and unnecessary. All CPE requirements are contained in other board rules.

7. Concerned persons may present their data, views, or arguments either orally or in writing at the hearing. Written data, views, or arguments may also be submitted to the Board of Public Accountants, 301 South Park Avenue, P.O. Box 200513, Helena, Montana 59620-0513, by facsimile to (406) 841-2305, or e-mail to dlibsdpac@mt.gov, and must be received no later than 5:00 p.m., February 23, 2016.

8. An electronic copy of this notice of public hearing is available at www.publicaccountant.mt.gov (department and board's web site). The department strives to make the electronic copy of this notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered. In addition, although the department strives to keep its web site accessible at all times, concerned persons should be aware that the web site may be unavailable during some periods, due to system maintenance or technical problems, and that technical difficulties in accessing or posting to the e-mail address do not excuse late submission of comments.

9. The board maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this board. Persons who wish to have their name added to the list shall make a written request that includes the name, e-mail, and mailing address of the person to receive notices and specifies that the person wishes to receive notices regarding all board administrative rulemaking proceedings or other administrative proceedings. The request must indicate whether e-mail or standard mail is preferred. Such written request may be sent or delivered to the Board of Public Accountants, 301 South Park Avenue, P.O. Box 200513, Helena, Montana 59620-0513; faxed to the office at (406) 841-2305; e-mailed to dlibsdpac@mt.gov; or made by completing a request form at any rules hearing held by the agency.

10. The bill sponsors contact requirements of 2-4-302, MCA, apply and have been fulfilled. The primary bill sponsors were contacted on April 23, 2015, by regular mail, and on June 12, 2015, by electronic mail.

11. With regard to the requirements of 2-4-111, MCA, the board has determined that the amendment of ARM 24.201.301, 24.201.415, 24.201.501, 24.201.502, 24.201.503, 24.201.504, 24.201.510, 24.201.517, 24.201.528, 24.201.529, 24.201.535, 24.201.537, 24.201.704, 24.201.705, 24.201.706, 24.201.707, 24.201.708, 24.201.709, 24.201.710, 24.201.718, 24.201.720, 24.201.723, 24.201.726, 24.201.1103, 24.201.1105, 24.201.1108, 24.201.2101, 24.201.2106, 24.201.2120, 24.201.2124, 24.201.2137, 24.201.2145, 24.201.2148, 24.201.2154, 24.201.2402, and 24.201.2410 will not significantly and directly impact small businesses.

With regard to the requirements of 2-4-111, MCA, the board has determined that the amendment of ARM 24.201.410 will significantly and directly impact small businesses and prepared a small business impact analysis regarding these amendments. A reduction in active license renewal fees will have a negative fiscal impact on the board but will benefit individual licensees and the approximately 500 registered CPA firms employing those licensees, many of whom pay the annual individual licensee renewal fee for their licensed professional employees and owners. The reduction of renewal fees will affect approximately 2000 active licensees, resulting in a loss of board revenue of \$50,000 annually. The decrease in

individual renewal fees will result in lower overall fees paid by the registered firms to the board. The alternative was to leave the individual active renewal fee the same.

With regard to the requirements of 2-4-111, MCA, the board has determined that the adoption of NEW RULES I and II will not significantly and directly impact small businesses.

With regard to the requirements of 2-4-111, MCA, the board has determined that the repeal of ARM 24.201.412, 24.201.701, and 24.201.2114 will not significantly and directly impact small businesses.

Documentation of the board's above-stated determinations is available upon request to the Board of Public Accountants, 301 South Park Avenue, P.O. Box 200513, Helena, Montana 59620-0513, by facsimile to (406) 841-2305, or e-mail to dlibsdpac@mt.gov.

12. Grace Berger, executive officer, has been designated to preside over and conduct this hearing.

BOARD OF PUBLIC ACCOUNTANTS
LINDA HARRIS, CPA,
PRESIDING OFFICER

/s/ DARCEE L. MOE
Darcee L. Moe
Rule Reviewer

/s/ PAM BUCY
Pam Bucy, Commissioner
DEPARTMENT OF LABOR AND INDUSTRY

Certified to the Secretary of State January 11, 2016