

REPORT OF THE VIRGINIA STATE BOARD OF ACCOUNTANCY

ON

THE REQUIREMENTS FOR CERTIFICATION

AS A CERTIFIED PUBLIC ACCOUNTANT

TO

THE GOVERNOR

AND

THE GENERAL ASSEMBLY OF VIRGINIA



SENATE DOCUMENT NO. 9

**COMMONWEALTH OF VIRGINIA
RICHMOND
1982**



COMMONWEALTH of VIRGINIA

DEPARTMENT OF COMMERCE

VIRGINIA STATE BOARD OF ACCOUNTANCY
2 South Ninth Street, Richmond, Virginia 23219

RUTH J. HERRINK
Director

JENNIFER S. WESTER
Executive Director

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JOHN W. KERR, JR., CPA
GERALD G. THOMPSON, CPA

M E M O R A N D U M

TO: Ruth J. Herrink, Director, Department of Commerce

FROM: Fletcher D. Harris, Chairman, State Board of Accountancy

DATE: November 5, 1981

SUBJECT: Senate Joint Resolution 170

As required by Senate Joint Resolution 170 enacted during the 1981 session of the General Assembly, the Virginia State Board of Accountancy is reporting on its progress in amending the work experience requirements for certification as a Virginia Certified Public Accountant.

As you may know, the Board was engaged in a comprehensive revision of its rules and regulations at the time that SJR 170 was passed. The members had, for some time, been aware that individuals who undoubtedly would have made excellent CPAs were unable to meet the experience requirements under the regulations then in effect. Therefore, the Board undertook a revision process that encompassed two years and which resulted in the new rules which were adopted May 26, 1981 and made effective June 30, 1981. The entire text is enclosed for your reference, with the appropriate section, 5.01.04.02, page 21, highlighted for your convenience.

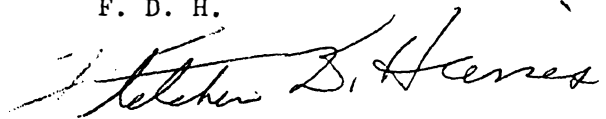
Also enclosed is a copy of the pertinent segment of the public hearing conducted on April 20, 1981, at which time Judge Preston Shannon of the State Corporation Commission was present and endorsed the Board's proposal. Judge Shannon was consulted and was instrumental in aiding the Board in the revision process.

Briefly stated, the aim of the Board in adopting the new regulations has been to deregulate, if you will, the entrance requirement to the profession. Individuals who fall under Section 5.01.04.02 b have already been granted certification at Board meetings on July 27 and 28 and October 12 and 13. It is anticipated that more such qualified persons will be certified in the future, including employees of the State Corporation Commission.

Ruth J. Herrink
November 5, 1981
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It is the hope of the Board that the Committee will find the new rules and regulations acceptable in response to SJR 170 and that either you or members of the Committee will contact me or the Board office if there are other concerns related to this issue that need to be discussed.

F. D. H.

A handwritten signature in cursive script, appearing to read "Fletcher D. Herrick".

FDH:kms

Enclosures

cc: Mrs. Jennifer S. Wester
. Members of the Board of Accountancy

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7.

1 you might present may change our thinking or
2 several of our thinking. So please be comforted
3 that this is a hearing to get additional input from
4 those of you who wish to give it. Thank you.

5 MR. KERR: I'm John Kerr. I'm the
6 freshman member of the Board and trying to run to
7 catch up. I have learned an awful lot this past
8 year and I believe if you listen to the various
9 arguments, you also will learn many of the pros and
10 cons of what we are trying to do. Thank you.

11 MR. OKSMAN: The first comment that we
12 will receive will be from Judge Preston Shannon
13 of the State Corporation Commission. Judge?

14 JUDGE SHANNON: Thank you, Mr. Hearing
15 Officer.

16 Lady and gentlemen of the Board, I want
17 to express my appreciation for taking me out of
18 turn. I have got a case we are holding up and I
19 will be very brief.

20 For some time the State Corporation
21 Commission has had a problem in competing with the
22 private sector in getting our accountants certified.
23 I want to say that I appreciate the cooperation
24 we have received from the Board. We have been
25 working closely with you.

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8.

1 I last appeared at your informal hearing
2 on March 16th. We commended the Board for the
3 high standards that you set. I think that if we
4 are going to discharge our responsibility as public
5 servants, we have got to get the very best qualified
6 people. At the Commission, we seek only the best,
7 and for that reason I seek to have them treated as
8 other worthy applicants are treated by the Board
9 in reviewing experience for certification.

10 The General Assembly last January passed
11 Senate Joint Resolution 170 in which it was resolved
12 that the State Board of Accountancy is urged to
13 reconsider its practices that interfere with the
14 State Corporation Commission's ability to compete
15 with the private segment in acquisition and
16 retention of accountants and directed the Board
17 submit a report to the General Assembly at its
18 1982 session on its actions taken to address the
19 matter. I don't see that we have any problem.

20 I have been working closely with the
21 Board. I addressed a letter to you following my
22 March 16th appearance. The letter was dated
23 April 2nd, and I commented in that letter on the
24 proposed rules and regulations that were in draft
25 form that were handed to me by the Board.

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9.

1 There is just one suggestion that I would
2 make and that is in connection with your draft,
3 Rule 5.01422 which relates to the experience
4 qualifications for certification and licensure of
5 Virginia Certified Public Accountants. We can live
6 with the three-year rule and I know you have got
7 the rule that requires two years and attest function
8 and I understand fully what that is, and I think
9 probably some of our accountants could qualify
10 for that. However, I think that with the three
11 years of experience in accounting that you propose
12 in the rule, that would be entirely satisfactory
13 to the Commission.

14 There is just one little suggestion or
15 two little suggestions that I have made. I know
16 accounting is a broad term and I would suggest
17 that that rule read as follows: Three years of
18 experience in accounting in its broadest sense.
19 And then the last sentence of 5.01422 now reads,
20 it refers back, I'm sure, to the hiatus or to the
21 lapse of time between completion of the C.P.A.
22 examination and submission of the experience
23 application and now reads, this may include.
24 I think that may could be ambiguous and I think
25 if you change this and insert in lieu thereof,

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10.

1 such education may include auditing, accounting,
2 taxes, and attest function, and I think this would
3 satisfy us. I think we could compete. I think
4 it wouldn't in any way jeopardize the high standards
5 you have set to which we subscribe, and if this
6 could be attempted and our people could be assured
7 of certification after three years experience, we
8 could live with it and I don't think that it, in
9 any way, it would jeopardize anything the Board
10 has endeavored to do throughout its rules.

11 I have a couple extra copies of my letter
12 together with the suggested amendment that I have
13 just elaborated on. I would like to pass those,
14 if I may, to the Hearing Officer and I will give
15 one to the Reporter, if I may.

16 MR. OKSMAN: Yes, sir.

17 JUDGE SHANNON: With that, that concludes
18 my remarks. I will be happy to answer any questions
19 that might be asked. Again, let me express my
20 appreciation to the Board for the fine cooperation
21 we have received. I see no problem if we have
22 this particular amendment. We can live with it
23 and get good people who will be a credit to the
24 C.P.A. profession.

25 MR. FORAN: I ask the Hearing Officer,

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11.

1 without objection, to include the materials
2 submitted to us as part of the record today.

3 I have two questions, if I may, Judge.
4 Do you have any data for us, if you have any
5 available, two things: First of all, those you
6 may have attempted to recruit to serve as
7 accountants with the State Corporation Commission,
8 how many or what percentage you might have had to
9 give up because of present rules and regulations,
10 and what your retention experience has been with
11 those who do have the C.P.A.

12 JUDGE SHANNON: I don't have that data
13 right in hand but I do know, can think of two
14 instances, two young ladies that came to work for
15 us and they both passed the examination and they
16 left the Commission not because of economic reasons.
17 In fact, we offered them more salary than they
18 could get in the private sector with a private firm,
19 but one told me when she left it was certification
20 requirements. It was the two years she could serve
21 in the private firms as opposed to four years
22 she would have to serve in government, and she said
23 really no amount of money could change her mind.
24 So it's not a matter of just paying them more and
25 keeping them for the extra year. They wanted to be

1 treated just as anyone else.

2 Now I can think of two instances like
3 that. Two young ladies highly qualified, we wanted
4 to keep in the worst sort of way. Offhand I can't
5 give you offhand the answer to your questions.

6 MR. FORAN: How many? You talk about
7 two cases. How many non-certified accountants do
8 you have in your --

9 JUDGE SHANNON: I'm sure we have about
10 16 to 20 accountants, and right now I think we only
11 have two C.P.A.'s in our Accounting Division, but
12 I might add, C.P.A.'s will be put in a supervisory
13 capacity over any youngsters that come in. They
14 will be under the supervision of the persons that
15 now serve on our staff as C.P.A.'s.

16 MR. OKSMAN: Any other questions from
17 the Board members?

18 Thank you, very much, Judge.

19 JUDGE SHANNON: Thank you, very much.
20 Thank you for taking me. Thank you.

21 MR. JONES: Mr. Chairman, for the purpose
22 of the record, I think you might want to change
23 that reference to 5.01.04.02. He was using an
24 older version of the regulations, and if anybody
25 wants to collate it, they are going to have a

Virginia State Board of Accountancy

Rules and Regulations

Adopted May 26, 1981

Published May 29, 1981

Effective June 30, 1981

VIRGINIA STATE BOARD OF ACCOUNTANCY
RULES AND REGULATIONS

1.00 PURPOSE OF RULES

1.01. Policy and Public Interest Served.

1.01.01. Board Policy - It is the policy of this Board and the purpose of these rules to enhance the reliability of information which is used for guidance in financial transactions or for accounting for or assessing the financial status or performance of commercial, noncommercial and governmental enterprises. The public interest requires that persons making representations as experts in accountancy to the reliability or fairness of presentation of such information have demonstrated their qualifications to do so, and that no persons who have not demonstrated such qualifications be permitted to hold themselves out as such experts; that the performance and professional conduct of persons licensed as experts in accountancy be regulated in all aspects of the practice of public accountancy; and that the use of titles which are likely to mislead the public as to the status or competence of the persons using such titles be prohibited. It is not the policy of this Board to prohibit non-regulants from offering to the public other services involving the keeping of books of account and related accounting records, the preparation of financial statements without the expression of opinions or assurances thereon or the performance of tax services.

1.01.02. Public Interest - The public interest warrants the licensing and regulation of persons who practice public accounting. A distinguishing mark of a certified public accountant (CPA) is his acceptance of responsibility to the public. The reliance of the public, the government and the business community on sound financial reporting and advice on business affairs and the importance of these matters to the economic and social aspects of life impose particular obligations on certified public accountants. A person who practices public accounting as a CPA is presumed to have accepted an obligation to uphold its principles, to seek increased knowledge and to abide by the rules promulgated by the Board. The purpose of these rules is to promote and protect the public interest, to provide guidance to certified public accountants, those persons who rely upon the services of certified public accountants, and applicants for licensure as certified public accountants.

1.02. Organization.

1.02.01. Names - Throughout these rules the State Board of Accountancy may be referred to as "the Board" and the Department of Commerce as "the Department".

1.02.02. Principal Office - The Principal office of the Board is located at Richmond, Virginia, as part of the Department of

Commerce of the State of Virginia. The Executive Director of the Board, at the Board's address, is the Board's agent for service of process for all matters relating to the Board.

1.02.03. Public Information and Inspection of Records - All public records of the Board are open for inspection and examination under the supervision of an employee of the Department of Commerce during normal business hours. Copies of such records shall be provided to any person at cost. All records shall be public except those listed in §54-1.41 of the Code of Virginia, 1950, as amended.

1.02.04. Exercise of Delegated Authority - The exercise of authority delegated by the Board to a designee shall be pursuant to law and shall have the same force and effect and shall be enforced in the same manner as actions of the Board. The Executive Director shall have authority to sign all orders on behalf of the Board.

2.00. DEFINITIONS

When used in these rules, the following terms have the meanings indicated:

2.01. Biennial.

The biennial periods applicable to permits to practice, registration or licensing requirements shall commence on October 1 of every even-numbered year and expire on September 30 of the following even-numbered year. The biennial period ending June 30, 1982 shall be from July 1, 1980 through September 30, 1982. Persons applying for licenses, permits, or registration during the period of July 1, 1982 and September 30, 1982 will be granted a license, permit or registration through the end of the September 30, 1984 biennial period.

2.02. "Certify", "Opinion", and "Review".

"Certify", "opinion", and "review" when used with reference to financial information or the practice of certified public accountancy, mean to issue, or the issuance of, opinions, reports or other forms of language which state or imply assurance as to the reliability of any financial information when such opinions, reports or other forms of language are accompanied by or include any name, title, or wording that indicates that the person or firm issuing them has expert knowledge in accounting or auditing. The terms extend, but are not limited to, any assurances relating to conformity with generally accepted accounting principles and auditing standards. The terms include forms of language which disclaim an opinion when such forms of language are conventionally understood to imply any positive assurance as to the reliability of the financial information referred to and expertise on the part of the person uttering such language and any other form of language which is conventionally understood to imply such assurance and such expertise.

2.03 Board.

"Board" means the Virginia State Board of Accountancy established under Section 54-84 of Chapter 5 of the Code of Virginia.

2.04 Certificate.

The term "certificate", as used herein means a certificate as "certified public accountant" issued by this Board, or a "certificate by endorsement" issued by this Board, as evidence that the regulant has met the qualifications set forth in Section 5 of these Rules and Regulations. Any person holding a certificate issued by this Board must either obtain a license to practice public accounting, or file biennially as a certificate holder not engaged in the practice of public accountancy and pay the required maintenance fee. This definition does not apply when the word "certificate" clearly refers to a certificate issued by another state, territory, the District of Columbia, or Puerto Rico.

2.05. Certificate Holder.

The term "certificate holder" as used herein refers to a certified public accountant holding a certificate who is not engaged in the practice of public accounting in Virginia and who pays the maintenance fee set forth in Section 4.10 of these Rules and Regulations.

2.06 Chief Executive Officer(s).

The term "chief executive officer(s)" as used herein means any officer(s) vested with management control or authority of a firm.

2.07. Client.

The person or entity which retains a firm holding a permit for the performance of public accounting services.

2.08. Enterprise.

Any person or entity, whether or not organized for profit, for which a firm holding a permit provides public accounting services.

2.09. Financial Statements.

A presentation of financial data, including but not limited to accompanying notes, derived from accounting records that purport to show financial position at a point in time or changes therein for a period of time, including statements which use a cash or other incomplete basis of accounting. The term includes balance sheets, statements of income, statements of retained earnings, statements of changes in financial position, and statements of changes in owners' equity, but does not include incidental financial data included in management advisory services reports to support recommendations to a client, nor does it include tax returns and supporting schedules.

2.10. Firm.

"Firm" means a sole proprietorship, a corporation, partnership, professional association, or any combination thereof practicing public accountancy in Virginia.

2.11. Individual Firm Name.

"Individual firm name", as used herein, means a name different from the name in which the individual's license is issued.

2.12. License.

The term "license", as used herein, refers to the periodic permission to practice as a certified public accountant as part of a firm of Certified Public Accountant(s) in this State. Licenses are issued to individuals who have been certified by this Board and who have met the requirements of these Rules and Regulations. (Note: No licensee may practice without a firm permit.)

2.13. Permit.

The term "permit" as used herein refers to the issuance of a periodic license to practice as a firm of CPA(s) based on the filing by the firm of required information and the timely payment of the required fee. A valid Permit is a prerequisite to lawful practice as a public accountant in this State and is required of all domestic practicing units and foreign regulants. (Note: In addition to a permit for a firm, each firm member practicing in Virginia must hold an individual license.)

2.14. Practice of (or Practicing) Public Accountancy.

"Practice of (or Practicing) public accountancy" means the offering to perform or the performance by a firm (principals), for a client or potential client, of one or more types of services involving the use of accounting or auditing skills, or one or more types of management advisory or consulting services, or the performance of tax services.

2.15. Practitioner or Principal

The term "practitioner" or "principal," as used herein, shall refer to a certified public accountant who is the sole proprietor of, or a partner or shareholder in, a firm which offers accounting and related services to the public.

2.16. Professional Association.

The term "professional association" refers to an unincorporated association, as distinguished from a partnership or a corporation, organized under Chapter 25, Title 54, Code of Virginia, 1950, as amended.

2.17. Professional Services and Engagements.

The association between a client and the firm relative to the performance, or offering of performance, of public accounting services by the firm for the client.

2.18. Professional Staff.

The term "professional staff" as used herein refers to those of a

practice unit's employees who are involved in auditing, accounting, tax services, management advisory services or other professional services offered by Certified Public Accountants, and who are allowed to make decisions relating thereto. This definition is not to be interpreted so as to include employees performing routine bookkeeping services.

2.19. Public Communication.

A communication made in identical form to multiple persons or to the world at large, as by television, radio, motion picture, newspaper, pamphlet, mass mailing, letterhead, business card or directory.

2.20. Regulant.

The term "regulant" as used herein shall refer to any CPA and/or firm of CPA(s) regulated by this Board pursuant to its authority under the laws of the Commonwealth of Virginia.

2.21. State.

"State" means any state, territory or insular possession of the United States, or the District of Columbia; except that "this State" means the Commonwealth of Virginia.

3.00. UNLAWFUL ACTS

3.01. Form of Practice and Name.

3.01.01. Form of Practice - A certified public accountant may practice public accounting only in the form of a proprietorship, a partnership, a professional corporation, a professional association, or any combination thereof organized in accordance with these rules.

3.01.02. Title - The term "certified public accountant(s)", or the abbreviation "CPAs" must appear with the name of a certified public accountant when used in connection with an expression of opinion.

3.01.03. Share Office - A certified public accountant shall not share office facilities with any person who is not a partner or shareholder with him or in his employ unless the office's practices and procedures are such that would enable a reasonable person clearly to distinguish the practice of the licensee and to determine that such practice is not associated with the other profession or occupation.

3.01.04. Resident Managers in Charge of Branch Offices - A certified public accountant licensed in this State shall be the personal manager of each branch office in Virginia. Such manager shall not be in charge of more than one office. Each branch office in this State shall be subject to all of the rules and regulations of this Board.

3.02. Valid Permit.

Any firm not holding a currently valid permit issued pursuant to Sections 6, 7 or 8 of these Rules shall not make representations on the

reliability or fairness of financial information of any client. Any one of the following activities shall be construed to be practicing or holding oneself out to practice as a certified public accountant or public accountant:

- a. Signing or affixing one's name to, or with any writing indicating or implying that one has expert knowledge in, accounting or auditing.
- b. Use of words of art under circumstances which imply expert knowledge, such as, but not limited to, "audit", "examination", "review", "in conformity with generally accepted accounting principles" and "in accordance with generally accepted auditing standards".
- c. Certifying or expressing an opinion that financial data comply with conditions established by law or contract, including but not limited to statutes, ordinances, regulations, grants, loans, and appropriations.
- d. The foregoing shall not be construed to prohibit any officer, employee, partner or principal of any organization from affixing his signature to any statement or report for internal or management use with any wording designating the position, title or office of such person, nor to prohibit the act of any public official or public employee in the performance of his duties; nor to prohibit the performance by persons other than regulants of other services involving the use of accounting skills, including the performance of tax services, the keeping of books of account and related accounting records, and the preparation of financial statements without the expression of opinions or assurances thereon.

3.03. Use of term Certified Public Accountant.

No person not holding a currently valid certificate in this state or other U.S. jurisdiction shall use or assume the title or designation "certified public accountant", or the abbreviation "CPA", or any other title, designation, word, card, or device tending to indicate that such person is a certified public accountant.

3.04. Use of Professional Designations.

A person or firm not holding a practice permit shall not hold himself or itself out as engaged in or as qualified to engage in the practice of public accounting, nor shall such regulant assume or use the titles or designations "certified public accountant", "public accountant", or "CPA" or any other title, designation, phrase, acronym, abbreviation, sign, card or device tending to indicate permission to practice public accounting.

3.05. Title.

No person not holding a valid license or firm not holding a currently valid permit issued pursuant to Sections 6, 7 or 8 of these Rules shall assume or use the title or designation "Certified Public Accountant", "Certified Accountant", "Chartered Accountant", "Public Accountant", or any other title or designation likely to be confused with the title

"certified public accountant", or use any of the abbreviations "CPA", "CA", "PA", or similar abbreviation likely to be confused with the abbreviation "CPA"; provided, however, that a holder of a certificate issued pursuant to Section 5 of these rules who does not also hold a permit may use the titles pertaining to such certificate in any manner not prohibited by these rules.

3.06. Use of Words Implying Expertise as an Accountant.

No person or firm not holding a currently valid permit issued pursuant to Sections 6, 7 or 8 of these Rules shall assume or use any title or designation in connection with other language (including the language of any opinion, report or disclaimer of opinion) which implies that such person or firm holds a permit or has special accounting or auditing expertise; provided, however, that this subsection does not prohibit any officer, partner or employee of any firm or organization from affixing his signature to any statement or report in reference to the financial affairs of such firm or organization with any wording designating the position, title or office that he holds therein, nor prohibit any act of a public official or employee in the performance of his duties.

3.07. Engaging in Practice of Public Accountancy.

A person holding a certificate shall not engage in the practice of public accountancy unless he also holds a currently valid license and is a principal of a firm holding a permit issued pursuant to Sections 6, 7 or 8 of these Rules. A person regularly employed by a CPA firm is not engaged in the practice of public accountancy.

3.08. Misleading Firm Name.

No person or firm shall engage in the practice of public accountancy using a professional or firm name which is misleading as to the legal form of the firm, or as to the persons who are partners, directors, officers or shareholders of the firm, or as to any other matter; provided, however, that names of one or more past partners or shareholders may be included in the name of a firm or its successor. The letterhead shall contain only the names of current, retired or deceased proprietors, partners, directors, or shareholders, except that licensees who are full-time employees may be listed with proper disclosures.

3.09. Representation of Specialty

No person or firm shall engage in the practice of public accountancy while representing himself or itself as having a specialty.

3.10. Services of Accountants or Bookkeepers.

Nothing herein contained shall prohibit persons other than regulants of the State Board of Accountancy from offering services to the public as accountants or bookkeepers. Such services may include:

- a. The keeping of books of account and related accounting

records.

b. The performance of tax services.

c. The preparation of financial statements, and the signing of such statements as accountants or bookkeepers, provided that such statements, reports thereon, or letters of engagement therefor, do not include the following:

1. An expression or disclaimer of opinion as to the representation shown therein.

2. Any mention of accounting or auditing procedures; provided, however, that financial statements or reports may be accompanied by a letter stating that they were prepared from the books, records and other information received from the organization or entity for whom they were prepared.

Note: The following represents an example of permissible language: *The accompanying balance sheet of X Company, as of Dec. 31, 19--, and the other related financial statements for the year, were prepared from the books and records of the company and information received from officers (owners) thereof. These statements are the representations of management.*

3. Signing or affixing one's name to, or with any writing indicating or implying that, one has expert knowledge in accounting or auditing.

3.11. Rules of Professional Conduct.

3.11.01. General-Acceptance of licensure and registration to engage in the practice of public accountancy, or to use titles which imply a particular competence so to engage, involves acceptance by the licensee and firm of such obligations, and accordingly of a duty to abide by the Rules of Conduct.

The Rules of Conduct are intended to have application to all kinds of professional services performed in the practice of public accountancy, including tax and management advisory services, and to apply as well to all licensees and firms, whether or not engaged in the practice of public accountancy, except where the wording of a Rule clearly indicates that the applicability is more limited. A regulant or firm engaged in the practice of public accountancy outside the United States will not be subject to discipline by the Board for departing from any of the Rules, with respect to such foreign practice, so long as his conduct is in accordance with the standards of professional conduct applicable to the practice of public accountancy in the country in which he is practicing; however, even in such a case, if a licensee's or firm's name is associated with financial statements in such manner as to imply that he is acting as an independent public accountant, and under circumstances that would entitle the reader to assume that United States practices are followed, he will be expected to comply with Sections 3.11.03.02 and 3.11.03.03.

In the interpretation and enforcement of the Rules of Conduct, the Board will give consideration, but not necessarily dispositive weight, to relevant interpretations, rulings and

opinions issued by the Boards of other jurisdictions, and by appropriately authorized committees on ethics of professional organizations.

3.11.02. Independence, Integrity and Objectivity.

3.11.02.01. Independence. A regulant shall not express an opinion on financial statements of an enterprise in such a manner as to imply that its licensees are acting as independent public accountants with respect thereto unless they are independent with respect to such enterprise. Independence will be considered to be impaired if, for example:

a. During the period of his professional engagement, or at the time of expressing his opinion, the regulant:

1. Had or was committed to acquire any direct or material indirect financial interest in the enterprise; or
2. Was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise; or
3. Had any joint closely-held business investment with the enterprise or any officer, director or principal stockholder thereof which was material in relation to the net worth of either the regulant or the enterprise; or
4. Had any loan to or from the enterprise or any officer, director or principal stockholder thereof other than loans of the following kinds made by a financial institution under normal lending procedures, terms and requirements:

- (a) Loans obtained by the licensee or firm which are not material in relation to the net worth of the borrower; and
- (b) Home mortgages; and
- (c) Other secured loans, except those secured solely by a guarantee of the regulant.

b. During the period covered by the financial statements, during the period of the professional engagement, or at the time of expressing an opinion, the regulant:

1. Was connected with the enterprise as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee; or
2. Was a trustee for any pension or profit sharing trust of the enterprise.

The foregoing examples are not intended to be inclusive.

3.11.02.02. Integrity and Objectivity. A licensee shall not in the performance of professional services knowingly misrepresent facts, or subordinate his judgment to others. In tax practice, however, a licensee may resolve doubt in favor of his client as long as there is reasonable support for his position.

3.11.02.03. Commissions. A firm shall not pay a commission to obtain a client, nor accept a commission for a referral to a

client of products or services of another. This rule does not prohibit payments for the purchase of all, or a material part, of an accounting practice, or retirement payments to persons formerly engaged in the practice of public accountancy, or payments to the heirs or estates of such persons.

3.11.02.04. Contingent Fees. A firm shall not offer or perform professional services for a fee which is contingent upon the findings or results of such services; provided, however, that this Rule does not apply to professional services involving federal, state, or other taxes in which the findings are those of the tax authorities and not those of the firm, nor does it apply to professional services for which the fees are to be fixed by courts or other public authorities, and which are therefore indeterminate in amount at the time the professional services are undertaken.

3.11.02.05. Incompatible Occupations. A firm shall not concurrently engage in the practice of public accountancy and in any other business or occupation which impairs its independence or objectivity in rendering professional services.

3.11.03. Competence and Technical Standards.

3.11.03.01. Competence. A firm shall not undertake any engagement for the performance of professional services which it cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with Section 3.11.03.02 and 3.11.03.03.

3.11.03.02. Auditing Standards. A firm shall not permit its name to be associated with financial statements in such a manner as to imply that it is acting as an independent public accountant with respect to such financial statements unless it has complied with applicable generally accepted auditing standards presently in use in Virginia.

Statements on Auditing Standards issued by the American Institute of Certified Public Accountants, and other pronouncements having similar generally recognized authority, are on file in the Board's office and are in use in Virginia. Departures from compliance with generally accepted auditing standards must be justified by those who do so.

3.11.03.03. Accounting Principles. A firm shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such financial statements contain any departure from generally accepted accounting principles presently in use in Virginia, and such departure has a material effect on the financial statements taken as a whole. Such departure is permissible only if the firm can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. In such a case, the firm report must describe the departure, the approximate effects thereof, if practicable, and the reasons that compliance with the principle would result in a misleading statement. Generally accepted accounting principles, as defined by pronouncements issued by the Financial Accounting Standards Board and its predecessor entities, and similar pronouncements issued by this and other entities having similar generally recognized authority, are on file in the Board's office and are in use in Virginia.

3.11.03.04. Other Technical Standards. A regulant shall comply with other technical standards regarding tax services and management advisory services that are current practices in Virginia. "Statements on Responsibilities in Tax Practice", and "Management Advisory Services Practice Standards" as promulgated by the American Institute of CPAs, are on file in the Board's office and are in use in Virginia.

3.11.03.05. Forecasts. A regulant shall not in the performance of professional services permit his name to be used in conjunction with any forecast of future transactions in a manner which may reasonably lead to the belief that the licensee vouches for the achievability of the forecast.

3.11.04. Responsibilities to Clients.

3.11.04.01. Confidential Client Information. A regulant shall not without the consent of his client disclose any confidential information pertaining to his client obtained in the course of performing professional services.

This rule does not: (a) relieve a regulant of any obligations under Sections 3.11.03.02 and 3.11.03.03, or (b) affect in any way a regulant's obligation to comply with a validly issued subpoena or summons enforceable by order of a court, or (c) prohibit disclosures in the course of a quality review of a firm's professional practice, or (d) preclude a regulant from responding to any inquiry made by the Board or any investigative or disciplinary body established by law or formally recognized by the Board.

Members of the Board and professional practice reviewers shall not disclose any confidential client information which comes to their attention from a regulant 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.

3.11.04.02. Records. A firm shall furnish to its client or former client, upon request made within a reasonable time after original issuance of the document in question:

- a. A copy of a tax return of the client in the possession of the regulant; and
- b. A copy of any report, or other document, issued by the firm to or for such client and not formally withdrawn or disavowed by the firm prior to the request; and
- c. Any accounting or other records belonging to, or obtained from or on behalf of, the client which the regulant removed from the client's premises or received for the client's account, but the regulant may make and retain copies of such documents when they form the basis for work done by him; and
- d. A copy of the firm'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.

3.11.04.03. Other Responsibilities and Practices.

3.11.04.03.01. Discreditable Acts. A regulant shall not commit any act that creates doubt in the eyes of the Public of his fitness to engage in the practice of public accountancy.

3.11.04.03.02. Acting Through Others. A regulant shall not permit others to carry out on his behalf, either with or without compensation, acts which, if carried out by the licensee, would place him in violation of the Rules of Conduct. A firm shall not perform services for a client who is, in turn, performing the same or similar services for another, if the firm could not perform those services under these rules.

3.11.04.03.03. Advertising. A regulant shall not use or participate in the use of any form of public communication having reference to his 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. Contains a misrepresentation of fact; or
- b. Is likely to mislead or deceive because it fails to make full disclosure of relevant facts; and
- c. Contains any testimonial or other statement or implication that the regulant's professional services are of exceptional quality which is not supported by verifiable facts; or
- d. Is intended or likely to create false or unjustified expectations of higher level of performance or of favorable results; or
- e. Implies educational or professional attainments or licensing recognition not supported in fact; or
- f. States or implies that the regulant has received formal recognition as a specialist in any aspect of the practice of public accountancy; or
- g. Represents that professional services can or will be competently performed for a stated fee when this is not the case, or makes representations with respect to fees for professional services that do not disclose all variables affecting the fees that will in fact be charged; or
- h. Contains other representations or implications that in reasonable probability would cause an ordinarily prudent person to misunderstand or be deceived.

3.11.04.03.04. Solicitation. A regulant shall not by any direct personal communication solicit an engagement to perform professional services if: (a) the communication would violate Section 3.11.04.03.03 if it were a public communication; or (b) the communication contains direct or indirect use of coercion, duress, compulsion, intimidation, threats, overreaching, or vexatious or harassing conduct; or (c) the solicitation communication contains proposals which would be in violation of Sections 3.11.02 through 3.11.04.03.02.

3.11.04.03.05. Form of practice. A regulant may practice public accountancy only in a proprietorship, a partnership, a professional corporation or a professional association organized in accordance with the laws of Virginia, or any combination thereof.

3.11.04.03.06. Firm names. A firm shall not practice public accountancy under a firm name which is misleading in any way, as to the legal form of the firm, or as to the persons who are partners, officers or shareholders of the firm, or as to any matter with respect to which public communications are restricted by Section 3.11.04.03.03. Names of one or more past partners or shareholders may be included in the firm name of a partnership or corporation or its successor, and a partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two years after becoming a sole practitioner and may continue the firm name provided it again becomes a partnership within the two-year period.

3.11.04.03.07. Communications. A regulant shall, when requested, respond to communications from the Board within thirty days of the mailing of such communications by registered or certified mail, unless otherwise specified.

4.00. THE STATE BOARD OF ACCOUNTANCY.

4.01. Title of Board.

The State Board of Accountancy, as created under authority of an act passed by the General Assembly of Virginia, shall be known as the "Virginia State Board of Accountancy" and shall be referred to hereinafter in its Rules and Regulations and the "Board".

4.02. Organization of Board.

The officers of the Board shall consist of a Chairman, Vice-Chairman, and a Secretary-Treasurer. At each annual meeting, the Board shall elect from its membership a Chairman and a Vice-Chairman who shall serve for the term of one year from July 1 of said year of election or until their successors have been elected and qualified. The Director of the Department of Commerce is the Secretary-Treasurer of the Board and may appoint an executive director who may perform duties enumerated in §54-1.33 of the Code of Virginia, 1950, as amended. If no such appointment is made then the Director shall also be the executive director.

4.03. Annual Meeting of Board.

An annual meeting of the Board for the election of officers and for the transaction of such other business as may properly come before it shall be held in the city of Richmond, Virginia, within forty-five days from the first day of July of each year, upon the call of the Chairman.

4.04. Special Meetings of the Board.

Special meetings of the Board may be held upon the call of the Chairman, or any three members of the Board, on ten days notice. When, upon information submitted by the Secretary-Treasurer or any member of the Board, it appears that there are matters of significant volume or urgency to warrant a meeting of the Board, such meeting shall be called by the chairman upon ten days notice; or, in lieu of notice, upon waiver thereof by all members, whether or not such members be in attendance.

4.05. Quorum.

Four members of the Board present shall constitute a quorum for the transaction of business.

4.06. Duties of Chairman and Vice-Chairman.

The duties of the Chairman shall be:

- a. To call meetings of the Board as specified herein;
- b. To preside at all meetings;
- c. To have prepared and published such notices and reports as may be required; and
- d. To discharge such other duties as the Board may direct.

If the Chairman for any reason is unable to perform the foregoing duties, the Vice-Chairman shall serve as Chairman and be responsible for the Chairman's duties as prescribed in this section.

The Chairman may vote on all matters that come before the Board.

4.07. Duties of Secretary-Treasurer.

The duties of the Secretary-Treasurer shall be performed as provided in § 54-1.33 of the Code of Virginia, 1950, as amended.

4.08. Office of the Board.

The office of the Board shall be that of the Secretary-Treasurer.

4.09. Records of the Board.

The Board shall designate and cause to have prepared such forms as it shall deem necessary or expedient to the discharge of its duties, the convenience of applicants or registrants, and the compilation of proper records.

4.10. Fees.

The fees established by the Board are as follows:

Examination applications: Original Application	\$85.00;
Reexamination:	\$75.00.
Application for Certificate by Endorsement:	\$85.00.
Biennial License:	\$30.00.
Biennial Certificate Maintenance Fee:	\$10.00.
Biennial firm permit to Practice:	.
Individual Practitioner	\$ 50.00
2 - 10 Practitioners	\$100.00
11 - 25 Practitioners	\$200.00
26 - 50 Practitioners	\$300.00
51 - 100 Practitioners	\$500.00
101 - 500 Practitioners	\$1,000.00
501 - 1,000 Practitioners	\$2,000.00

over 1,000 Practitioners \$2,500.00
Each additional Virginia office (branch office): \$50.00.
(All proprietors, partners, shareholders or those involved in firms that are combinations thereof whether located in or without the Commonwealth of Virginia are counted in determining the number of practitioners.)
Provisional permit: \$50.00
Temporary Permits: Sole Proprietor: \$50.00
Each partner or shareholder engaged in the practice of accountancy in the State under a temporary permit: \$50.00
Delinquent Renewal: \$10.00 plus regular fee.
Quality reviews where applicable (rehabilitative): Such cost incurred by Board to pay for quality review services.
Copies of Records: Current rate charged by Department of Commerce.

4.11. Notification of Change of Address.

It shall be mandatory for every regulant to file with the Board on or before the payment of his renewal fee his business address and practice status, and notify the Board within thirty days of any change thereof occurring during the renewal period.

4.12. Appeals.

4.12.01. Right to Appeal. Any person applying for a permit to practice public accountancy, who is aggrieved by an action taken by the Board with respect to his qualifications, may appeal to the Board from such action. Such appeal should be filed without undue delay following the receipt of the letter of the Board officially advising the applicant of the action taken by the Board. The appeal should contain the following information:

- a. The name, business address and residence address of the applicant making the appeal.
- b. The date of the letter of the Board advising the applicant of the action of the Board with respect to which the appeal is made.
- c. A summary of the qualifications to which the applicant believes the Board failed to give due consideration.

4.12.02. Board Procedure. Upon receipt of an appeal duly signed by the applicant and timely filed, the Board will carefully consider the qualifications of the applicant and, if necessary or desirable in the opinion of the Board, it may give the applicant an oral or written examination as an aid in determining whether he is qualified under the terms of these rules.

4.12.03. Timeliness of Appeal. Unless extenuating circumstances can be demonstrated, no appeal will be considered timely filed unless received by the Board within sixty days following the date of the letter of the Board officially advising the applicant of the action taken by the Board.

5.00. CERTIFIED PUBLIC ACCOUNTANTS.

5.01. Original Certificate.

The Board shall grant the certificate of "certified public accountant" to any person who meets the requirements of good character, education, passage of the examination and experience requirements described below, and who pays the fees specified in Section 4.10.

5.01.01. Good Character. Good character for purposes of this Section means fiscal integrity, and a lack of any history of acts involving dishonesty or acts which would constitute a violation of these Rules. The Board may refuse to certify an applicant for failure to satisfy this requirement only if there is a substantial connection between the lack of good character of the applicant and the professional responsibilities of a regulant, and the finding by the Board of lack of good character is supported by clear and convincing evidence. When an applicant is found to be unqualified for a certificate because of a lack of good character, the Board shall furnish the applicant a statement containing the findings of the Board, a complete record of the evidence upon which the determination was based, and a notice of the rights of the applicant to a rehearing and appeal.

5.01.02. Educational Qualifications

5.01.02.01. Baccalaureate Degree. After December 31, 1981, every applicant must have earned a baccalaureate or higher degree from a college or university accredited by the State Board of Education or the State Council of Higher Education for Virginia or by a regional accrediting association listed in Section 5.01.02.04.

Until December 31, 1981, the Board will accept in lieu of the baccalaureate degree one hundred twenty semester hours of earned credit from a college or university accredited by one of such accrediting bodies indicated above provided that, in the judgment of the Board, the aggregate credit hours are essentially equivalent to a baccalaureate degree.

5.01.02.02. Accounting and Commercial Law Subject Credits. After July 1, 1977, every applicant must have completed, at an accredited institution as defined in Section 5.01.02.04, a minimum of twenty-seven semester hours of credit in accounting subjects, which subjects shall include, but are not limited to, courses in accounting, auditing, cost accounting, and commercial law (provided that no more than six semester hours shall be in commercial law for the purposes of meeting the twenty-seven hour requirement). Semester hour credit for these courses may be included in the total requirement of Section 5.01.02.01.

5.01.02.03. Approval of Certain Course Credits from Non-Accredited Schools. Until December 31, 1981, the Board may, at its discretion, approve certain course credits from schools, including business schools and correspondence schools not accredited by the accrediting bodies indicated in Section 5.01.02.04., provided such schools submit to the Board sufficient information to show that the subject matter and instruction offered is substantially equivalent to courses offered by accredited colleges and universities. Such information shall include, but not be limited to:

- a. A course evaluation for each course for which credit is requested which information shall be submitted on forms provided by the Board.
- b. A description of the program offered at the institution. This requirement may be satisfied by the submission of the institution's current catalog, provided such catalog includes program information in sufficient detail.
- c. Continued acceptance of credits until December 31, 1981 for courses under this section is conditioned upon receipt prior to August 1 of each year of revised program descriptions. This requirement may be satisfied by submission of the institution's current catalog provided program changes are adequately disclosed.

5.01.02.04. College or University Recognized by the Board. An accredited college or university within the meaning of Section 5.01.02.01. of these rules is a four-year, degree-granting college or university accredited by one of the following accrediting agencies at the time the applicant's degree was received:

Middle States Association of Colleges and Secondary Schools;
New England Association of Schools and Colleges;
North Central Association of Colleges and Secondary Schools;
Northwest Association of Schools and Colleges;
Southern Association of Colleges and Schools;
Western Association of Schools and Colleges;
State Council of Higher Education for Virginia.

5.01.02.05. Continued Acceptance of Certain Course Credits from Non-Accredited Schools. After December 31, 1981 the Board may, at its discretion, continue to accept course credits intended to satisfy the accounting course requirements of Section 5.01.02.02. from schools such as those described in Section 5.01.02.03. which have followed the procedures prescribed therein.

5.01.02.06. Written Examination in Lieu of Baccalaureate Degree. Any person who has not met the baccalaureate degree requirement in Section 5.01.02.01. may meet the requirement of that subsection by demonstrating that he has acquired a substantially equivalent education through training, experience, and self-education. A candidate may demonstrate this by successfully completing a written examination approved by the Board.

5.01.02.07. Required Evidence of Satisfaction of Educational Requirements. Each applicant must present evidence satisfactory to the Board of having met the educational requirements of this section. Satisfactory evidence as to educational qualifications will usually take the form of official transcripts of the applicant's college record which should be sent directly to the Board by the college or university. In unusual circumstances, the Board will accept such other evidence as it deems equivalent and reasonably conclusive.

5.01.02.08. Educational Requirements - Prior Examinees. Any applicant who has taken the examination in Virginia after July 1, 1970, and prior to the effective date of these Rules and Regulations, shall be recognized as having met the educational requirements to take future examinations upon application and

payment of the then specified fee.

5.01.02.09. Conditional approval to take CPA Examination. The Board in its discretion may permit an applicant who has met the requirements as to domicile and character to be examined if, at the time of examination, the applicant gives satisfactory evidence to the Board of being enrolled and in good standing in courses which will fulfill the requirements of these Rules and Regulations, and that such courses will be completed not later than the last calendar day of the month following the month in which the examination is given.

Failure to successfully complete such courses within the above stipulated time shall automatically void the results of the examination, and no refund shall be made with respect to the examination fee paid by the candidate.

5.01.03. Examination of Applicant

5.01.03.01. General. The examination which must be passed prerequisite to the granting of a certificate shall be in writing, and be held at least twice a year.

The time for holding such examination shall be fixed by the Board and may be changed from time to time, but no such change shall be made unless at least thirty days' notice of such change has been given to all persons who have applications pending to sit for the examination. The Board shall prescribe the methods of applying for and conducting the examination, including methods for grading papers and determining a passing grade. The Board may make such use of all or any part of the Uniform Certified Public Accountant Examination and Advisory Grading Service of the American Institute of Certified Public Accountants as it deems appropriate to assist it in performing its duties hereunder.

5.01.03.02. Examination Time and Place. The examination shall be held each year in the months of May and November, or such other times as the Board may direct, and will be scheduled simultaneously in cities designated by the Board. Notice of the time and place of the examination shall be mailed at least ten days prior to the scheduled date to each candidate whose application to sit for the examination has been approved by the Board. The time of the examination may be postponed for valid reason.

5.01.03.03. Examination Applications.

5.01.03.03.01. Application Form Required. Application to sit for the Certified Public Accountant Examination must be made on a form provided by the Board and filed with the Board by the first Friday in March for the May examination and by the first Friday in September for the November examination.

5.01.03.03.02. Supporting Documents Required. An application will not be considered filed until the required supporting documents have been received, including the application fee required by Section 4.10, the completed application form and photographs, except that official transcripts and enrollment certificates must be filed no later than 30 days prior to the first session of the examination.

5.01.03.03.03. Timely Delivery. It is the responsibility of each applicant to make timely delivery of the required fee and

forms. In no instance shall applications be accepted by the Board if the deadlines contained in the two preceding paragraphs have not been met.

5.01.03.03.04. Failure to Appear. An applicant who fails to appear for examination or re-examination shall forfeit the fees charged for such examination or re-examination, unless the Board defers the application under Section 5.01.03.03.05. below.

5.01.03.03.05. Deferral of Examination. The Board in individual instances may defer an applicant's sitting for an examination until the next examination if the applicant is unable to sit for the examination for good cause. Such good cause shall include but not be limited to military service, which shall be documented by the applicant providing orders or a letter from his commanding officer; serious injury, illness or other physical impairment which makes it impossible for the applicant to sit for the examination, which shall be documented by the applicant submitting a statement from the treating physician describing the injury, illness or physical impairment, giving dates of treatment and/or confinement, and attesting that such illness, injury or physical impairment make it impossible for the applicant to sit for the examination. Any requests for deferment under this section shall be submitted in writing to the Board no later than sixty days following the last day of the applicable examination.

5.01.03.04. Examination Subjects. The examination required by Section 5.01.03.01 of these rules shall be the examination approved by this Board and shall include the following subjects: (1) Auditing; (2) Business Law; (3) Theory of Accounts; (4) Accounting Practice. In addition, candidates shall be required to pass an examination acceptable to the Board in professional ethics.

5.01.03.05. Passing Requirements of Examination. In order to pass an examination, a candidate must either (a) pass all subjects offered as part of the examination, or (b) pass all subjects taken at the examination and, for each subject not taken, have an unexpired credit as defined in the following paragraph. All examinations shall be written, and a grade of at least seventy-five shall be necessary for passing.

5.01.03.06. Unexpired Credits. The candidate will receive credit for each subject passed as part of an examination provided:

- a. The candidate passes two subjects or Accounting Practice, and
- b. The candidate receives a minimum grade of fifty in each of the remaining required subjects, except if three subjects are passed at a single examination the grade in the fourth subject is not germane.

Credit for additional subjects passed on subsequent examinations will be allowed provided:

1. The candidate sits for all parts for which credit has not been granted,
2. The candidate receives a minimum grade of fifty in the remaining subject(s), and
3. The candidate receives a passing grade on all remaining parts through the fifth successive, scheduled examination following the first examination on which

conditional credit was granted.

5.01.03.07. No Limit to Sittings for Examination. There is no limit to the number of times an applicant may sit for the examination, but all parts of the examination must be passed within six successive scheduled examinations.

A candidate who has been granted conditional credit, regardless of his grades on subsequent re-examinations, shall not lose credit until after the fifth successive, scheduled examination following the first examination on which conditional credit was granted.

When the initial conditional credits are lost, any additional conditional credits obtained shall also be lost and the candidate must again take all parts of the examination.

5.01.03.08. Extension of Unexpired Credits. Any candidate who is on extended active duty in the Armed Forces of the United States or of the Commonwealth of Virginia (excluding short tours with Reserve or National Guard units) during any part of a period consisting of the month of an examination and the preceding six months, and who does not take such examination, may upon written request be granted an extension of six months on all credits unexpired at the time of such examination. The candidate must request extension of credits within six months after completion of a tour of active duty.

5.01.03.09. Conduct of Examinations. In the conduct of examinations, the following rules and regulations will be observed:

- a. Each applicant shall, prior to commencing the examination, be provided with an identity card indicating the applicant's assigned identification number.
- b. The identification number shall be placed on every examination paper in lieu of name, initials or other means of identification. Any identification placed on any examination paper other than said number as assigned shall be sufficient cause for rejecting such examination paper.
- c. No applicant shall bring to the examination table any books, or printed or written matter of any character whatever tending to assist the applicant in the examination, nor shall any applicant be a party to an exchange of assistance between applicants. The only aids candidates are permitted to have are pens, pencils and erasers. No calculators, slide rules, templates or similar aids will be allowed. Violation of this rule shall be sufficient cause for rejection of papers and such other action as the Board may deem appropriate.
- d. Answers in all examinations must be written on stationery furnished by the Board and completed within the period of time allotted for each of the several subjects included in the examination. Completed papers shall become and remain the property of the Board.
- e. Unless otherwise specified, all writing may be submitted in pencil or ink. The Board will not be responsible for misconstruing any writing which may be unclear or ambiguous.

f. The examination questions as submitted by the Board do not become the property of the applicants, but must be turned in to the Board at the end of each examination, unless otherwise permitted by the Board.

g. The Board and/or its designees may inspect any article brought to the examination area (which shall include snack area and rest rooms). Failure to submit to such inspection shall be sufficient cause for rejection of the applicant's papers, as well as for such other actions as the Board may deem appropriate.

5.01.04. Experience Qualifications of Applicant

5.01.04.01. General. Every applicant shall present evidence satisfactory to the Board of having obtained acceptable work experience of a type, quality and duration sufficient to demonstrate competence to practice as a certified public accountant and for the granting of a certificate. In order to assure knowledge of and compliance with the type and quality of qualifying experience, the applicant's work during the period of experience should be conducted under conditions involving competent supervision. The applicant's experience shall have been recently obtained.

5.01.04.02. Type of Work Experience Required. Subject to the foregoing, an individual will be eligible for both certification and licensure if he possesses one of the following:

- a. Two years of experience in accounting with the attest function constituting not less than twenty-five percent of that experience; or
- b. Three years of experience in accounting in its broadest sense. For those with more than a four-year lapse between completion of the CPA Examination and submission of the experience application, continuing professional education will be required. Such education may include courses in auditing, accounting and tax; or
- c. Four years of diversified teaching experience in accounting subjects at an institution recognized by the Board under Section 5.01.02.04 of these rules in conjunction with not less than five months experience with a public accounting firm with at least seventy-five percent of the work in audit and preparation of financial statements.

Diversified teaching experience as used above means upper level courses in accounting, auditing and taxation.

5.01.04.03. Masters Degree - Applicants may substitute for one year of the experience required by 5.01.04.02 a and b a Masters degree with fifteen credit hours in graduate level accounting subjects awarded at a college or university accredited by the agencies noted in Section 5.01.02.04.

5.01.05. Granting of Certificates of Certified Public Accountant.

5.01.05.01. Application Required. Applicants who have passed the examination as provided in Section 5.01.03.01, or any prior Rules and Regulations, may, upon belief that the experience requirement has been met, file application with the Board for a certificate. If the Board is satisfied that the experience requirement has been met, said certificate of "certified public accountant" shall be granted.

5.01.05.02. Procedure for Reapplication. Where applications under the subsection above are rejected by the Board due to failure to meet experience requirements, the applicant may subsequently file a new application when, in his opinion, sufficient additional experience has been obtained.

5.02. Certificate by Endorsement.

The Board shall, upon payment of the specified fee, grant a certificate to a holder of a certificate issued by another state, provided that the applicant holds a valid and unrevoked certificate as a certified public accountant issued under the law of any State or territory of the United States, or the District of Columbia, (hereinafter called "state") showing that the holder thereof has complied with the laws of such State, is in good standing in the jurisdiction and meets one of the following:

- A. The applicant meets all current requirements in this State at the time application is made, or
- B. At the time of the issuance of the applicant's certificate in the other state, the applicant met all requirements then applicable in this State, or
- C. The applicant meets all such requirements except the education requirement, or passed the examination under different credit provisions than applicable in this State, and either
 1. The applicant has five years of experience in the practice of public accountancy within the ten years prior to his application, or
 2. The applicant has five years of such experience over a longer or earlier period, plus completion of 15 current semester hours of accounting, auditing and such other related subjects as the Board may require, in an accredited institution, with one year of current experience in the practice of public accountancy.

5.03. Biennial Requirements.

After meeting the requirements of the previous subsections of this Section, the individual must immediately and biennially thereafter elect to be a licensed practitioner or register as a non-practicing CPA.

5.03.01. License. If the holder of the certificate is in the practice of public accounting, he must make application to the Board for a biennial license, advise the Board of his firm affiliation and pay the required license fee as provided in Section 4.10. A person holding a certificate under Section 5.03.02 below who, after a period of four or more years from the successful completion of the CPA Examination makes application for a license, must provide evidence of having completed at least forty hours of continuing professional education credit within a period of twelve months prior to the date of application. Such continuing professional education shall include courses in auditing and accounting.

5.03.02. Registration of Non-Practicing CPA. A certificate holder who does not obtain a license must provide an affidavit to the Board

that the individual is not engaging in (and will not without first obtaining a license as provided in Section 5.03.01) the practice of public accounting in Virginia and pay the prescribed maintenance fee as set by the Board in Section 4.10.

6.00. PERMITS TO PRACTICE - FIRMS.

6.01. General

6.01.01. Application for Permit. The Board shall grant or renew, as the case may be, permits to practice to firms that make application and demonstrate their qualifications thereof in accordance with the following subsections of this Section. All practice units (sole proprietorships, partnerships, professional corporations, professional associations or combinations thereof) must obtain a practice permit prior to engaging in the practice of public accounting in Virginia, and shall renew such permit to practice biennially by making application to the Executive Director of the Board and paying the permit fee.

6.01.02. Permit Period. Permits shall be initially issued and renewed for periods of two years or as close to that period as possible, and shall expire on September 30 of even numbered years following issuance or renewal. Applications for permits shall be made in such form, and in the case of applications for renewal, by such date as the Board may specify. The Board shall grant or deny any such application no later than ninety days after the application is filed in proper form. In any case where the applicant seeks the opportunity to show that issuance or renewal of a permit was mistakenly denied, or where the Board is not able to determine whether it should be granted or denied, the Board may issue to the applicant a provisional permit, which shall expire sixty days after its issuance or when the Board determines whether or not to issue or renew the permit, whichever shall first occur.

6.01.03. Requirements for Corporate Practitioners. An applicant for initial issuance or renewal of a permit to practice under this Section shall, if it is a corporation, be required to show that it is in compliance with the requirements for corporate practitioners set out in the Board's rules promulgated under §54-91.1 of Chapter 5 of the Code of Virginia and Title 13.1 Chapter 7 of the Code of Virginia governing professional corporations and pay the registration fee established in Section 4.10.

6.01.04. Valid License Required of Certain Members. An applicant for initial issuance or biennial renewal of a permit to practice under this Section, shall, if it is a sole proprietorship, partnership, professional corporation or professional association, be required to show that each partner, director, officer, associate or shareholder who is resident and is working in this State, holds a currently valid individual license to practice issued pursuant to Section 5.03.01 of these rules, and that each other partner, officer or shareholder holds equivalent entitlement to practice as a certified public accountant in some other state.

6.01.05. Office Registration Required. An applicant for initial issuance or renewal of a permit to practice under this section shall be required to register each office of the firm within this State with the Board, and to show that each such office is under the

charge of a person holding a currently valid license to practice issued pursuant to Section 5 of these Rules.

6.01.06. Required Fee. The Board shall charge a fee for each application for initial issuance or renewal of a permit under this Section in an amount prescribed by the Board in Section 4.10 of these Rules.

6.01.07. Quality Review Self-Assessment. Each firm registering to practice for the first time may be subject to a quality review on its first year of operation within eighteen months of its formation unless such unit was formed from a practice unit which was previously reviewed. A self-assessment questionnaire provided by the Board will be completed by each office of all practice units as part of the biennial registration of a firm. Such questionnaire will be evaluated and the information utilized to determine some of the firms to undergo quality review. After May 1, 1983 firms may be chosen for a quality review to be conducted between May 1 and November 30 on a random basis or for any reason brought to the Board's attention at any time.

The Board will exempt the regulant from a quality review if the regulant selected in the random sample submits, with his questionnaire, a copy of a quality control review report dated within five years of the date of submission to the Board and such report indicates compliance with professional standards, provided the standards, practices and procedures utilized by the reviewer are acceptable to the Board and the reviewer is independent and acceptable to the Board. Newly organized firms will also be exempt from review by the Board if they provide a quality control review report on their first year of operations within thirteen months of organization of the firm and all of the other requirements for exemption set forth in the preceding sentence are met.

Quality reviews instituted by the Board will be made without cost to the subject firm except when they are used as a rehabilitative measure, in which case the cost will be borne by the subject firm. The standards, practices and procedures for conducting quality reviews will be established by the Board based on consultation with a committee designated by the professional organization representing a majority of practicing CPAs in Virginia or a committee of practicing CPAs appointed by the Board.

6.01.08. Other Information Required. Applicants for initial issuance or renewal of permits under this Section shall in their application list all States in which they are practicing public accountancy and the names of all partners or shareholders (including related ownership).

Each holder of a permit under this Section shall notify the Board in writing of any change of partners, officers or shareholders resident within this State, any change in the number or location of offices within this State, any change in the identity of the persons in charge of such offices, and any revocation of a permit held in any other state, within thirty days of the occurrence of such change or revocation.

6.02. Practice by an Individual Virginia Resident.

6.02.01. Eligibility. A resident individual may practice as a certified public accountant in this State as a sole proprietor, provided that he shall have obtained a license and a permit to practice from the Board and has complied with all pertinent sections of these Rules and Regulations.

6.02.02. Firm Name. No certified public accountant or public accountant shall practice in this State as an unincorporated sole proprietor using an individual firm name as defined in Section 2.11; except that a partner or shareholder surviving the death or withdrawal of all other partners or shareholders may continue to practice under the partnership or corporate name for up to two years after becoming a sole proprietor or sole shareholder provided that the partnership or corporate registration is maintained on a current basis.

6.02.03. Biennial Registration. A regulant practicing as a sole proprietor shall register the proprietorship biennially, using a form provided by the Board. Applications will not be considered completed until the required supporting documents and the fee prescribed by the Board are received. Applications shall include the firm name, addresses and telephone numbers of the main office and any branch offices, and the name of the manager of each branch office.

6.02.04. Biennial Fee. Regulants under Section 6.02 shall pay a permit fee as determined by the Board under Section 4.10. This permit fee is required in addition to the individual licensing fee required by Section 5.03.01.

6.03. Practice by a Domestic Partnership.

6.03.01. Eligibility to Practice. A domestic partnership may engage in practice as a firm of certified public accountants provided that all members of such partnership are holders of current licenses granted by this Board and have complied with all other pertinent provisions of these Rules and Regulations.

6.03.02. Firm Name. No firm name shall include any fictitious name, indicate specialization, or include the terms "company" or "associates" or any similar term unless used to designate at least one unnamed, currently licensed partner; provided, however, that the name of one or more past partners may be included in the firm name of a successor partnership, and a partner surviving the death or withdrawal of all other partners may continue to practice under the partnership name for up to two years after becoming a sole proprietor provided the partnership registration is maintained on a current basis.

6.03.03. Biennial Registration. A regulant practicing as a partnership shall obtain a practice permit biennially using a form provided by the Board as required in the subsections below:

a. Application. Two or more certified public accountants or professional corporation(s) may apply to the Board for a permit to practice as a partnership. They shall file an application on a form provided by the Board. Applications will not be considered completed until the required supporting

documents and the fee prescribed by the Board are received.

b. Information Required. Applications shall include the firm name, addresses and telephone numbers of the main office and any branch offices, the names of the partners with license numbers and State of license of each, and the name of the manager of each branch office.

c. Biennial Fee. Each such domestic partnership shall pay a permit fee as determined by the Board under Section 4.10 of these rules. This partnership permit fee is in addition to the individual licensing fees required by Section 5.

6.04. Practice by a Domestic Professional Corporation or Professional Association.

6.04.01. Eligibility to Practice. A domestic professional corporation organized under the provisions of Chapter 7 of Title 13.1 or Chapter 25, Title 54 of the Code of Virginia may practice as a firm of certified public accountants provided that all the shareholders, associates, directors and chief executive officers are licensed to practice as certified public accountants in this State, and provided further that the corporation has complied with all other pertinent sections of these Rules and Regulations.

6.04.02. Firm Name. The name of such a corporation shall not indicate fields of specialization, nor include the terms "company" or "associates" or similar terms or derivatives thereof, unless used to designate at least one unnamed, currently licensed shareholder, nor shall the corporate name include any fictitious name; provided, however, that names of one or more past shareholders may be included in the corporate name of a successor corporation and a shareholder surviving the death or withdrawal of all other shareholders may continue to practice under the corporate name for up to two years after becoming the sole shareholder if the corporate registration is maintained on a current basis. The use of the terms "Limited," "Ltd.," "Incorporated", "Inc.", "P.A.", or "P.C." is permitted. The corporate name must always be followed by the designation "a professional corporation".

6.04.03. Biennial Registration. A regulant practicing as a professional corporation shall obtain a practice permit biennially as required in the subsections below:

6.04.03.01. Application. An applicant for an initial permit to practice as a corporation or professional association under Section 6.04 of these rules shall file an application on a form provided by the Board.

Applications will not be considered complete until the required supporting documents and the fee prescribed by the Board in Section 4.10 are received.

6.04.03.02. Information Requirements. Applications shall include the firm name, addresses and telephone numbers of the main office and any branch offices, the names of shareholders, directors and officers with license numbers and State of license of each, the name of the manager of each branch office, a certified copy of the articles of incorporation and the bylaws.

6.04.04. Shares: Ownership and Transfer.

6.04.04.01. Issuance of Shares. The shares of an accountancy corporation may be issued only to a licensed person and may be

transferred only to a licensed person or to the issuing accountancy corporation.

6.04.04.02. Death or Disqualification of Shareholders. Where there are two or more shareholders in an accountancy corporation and one of the shareholders dies or, for a period exceeding ninety days, becomes disqualified as defined in Virginia Code §13.1-551, his share shall be sold and transferred to a licensed person or to the issuing accountancy corporation on such terms as are agreed upon. Such sale or transfer shall be not later than six months after any such death, or not later than ninety days after the date the shareholder becomes disqualified.

6.04.05. Biennial Fees. Each such corporation shall pay a permit fee as well as the registration fee as determined by the Board under Section 4.10. These fees are in addition to the individual licensing fees required for each principal.

6.05. Notification of Changes by Firms.

6.05.01. Written Notification Required. A firm registered pursuant to any of the previous sub-sections of this Section shall file a written notification with the Board within thirty days after occurrence of any of the following:

- a. The formation of a new partnership or professional corporation;
- b. The admission of a co-partner or shareholder;
- c. The retirement or death of a co-partner or shareholder;
- d. A change in the name of the partnership or professional corporation;
- e. The termination of the partnership or professional corporation;
- f. The change in the supervisor of any branch office; or
- g. The occurrence of any event or events which would cause such partnership or professional corporation not to be in conformity with the provisions of these rules and regulations.

6.06. New Partnership or Professional Corporation.

In the event of the formation of a new partnership or professional corporation, such partnership or professional corporation shall, within thirty days of the event, register with the Board in accordance with the applicable subsections of these rules and pay the fee(s) required by Section 4.10.

7.00. PRACTICE BY OUT-OF-STATE FIRMS.

7.01 Practice by Out-of-State Firms with No Office in Virginia.

7.01.01. Eligibility. (General). An out-of-state firm of certified public accountants with no office in Virginia but practicing as a sole proprietorship or partnership in another jurisdiction may undertake accountancy engagements in this state as a firm of nonresident public accountants provided each proprietor or partner of such firm holds a valid certified public accountant

certificate in good standing granted under the laws of any other state, territory, the District of Columbia or Puerto Rico, and the firm complies with the pertinent sections of these Rules and Regulations.

7.01.02. Permit Required. Such out-of-state firm shall apply biennially for a permit as a firm of nonresident public accountants using forms available from the Executive Director of the Board. Each application form shall be accompanied by an alphabetic list of active partners, which list shall be updated as changes occur and shall include the certificate number of each holder of a Virginia certificate.

7.01.03. Permit Fee. Such firms shall pay a permit fee based on the total number of its partners and shareholders in the several states, territories or the District of Columbia as determined by the Board under Section 4.10. Payment of this fee shall entitle the firm to receive a firm permit. Partners not performing public accounting services in Virginia are not required to obtain a biennial license.

7.02. Establishment of Offices in this State by Out-of-State Firms.

7.02.01. Eligibility. An out-of-state firm practicing in another jurisdiction, each of whose partners holds a valid certified public accountant certificate from another state, territory or the District of Columbia, may establish an office in this State provided that each partner or supervisor assigned to such office or offices in this State holds a license issued by this Board, and that the firm complies with all pertinent sections of these Rules and Regulations including obtaining a permit to practice.

7.02.02. Registration Request. Such a firm shall apply for a permit as a firm of nonresident certified public accountants using forms available from the Executive Director of the Board. Such firm shall meet all of the requirements of domestic firms as set forth in Section 6.04 and 6.05.

7.02.03. Fee Required. The firm shall pay a permit fee based on the total number of partners as determined by the Board under Section 4.10.

7.02.04. Licenses Required. Each partner or office supervisor who is assigned to an office in Virginia shall pay a licensing fee.

8.00 Temporary Permits.

8.01. General.

The Board shall grant temporary permits to practice, for the purpose of enabling persons or firms licensed in other states to perform specific professional engagements involving the practice of public accountancy in this State, to persons or firms who make application and demonstrate their qualifications in accordance with the following subsections of this Section.

8.02. License in Another Jurisdiction Required.

An applicant for a temporary permit under this section shall show that he is duly licensed and authorized to practice as a certified public accountant or firm of certified public accountants in another state, and shall give the name of each principal who will be engaged in the practice of public accountancy in this State in the performance of the professional engagement and each employee assisting in the performance of the professional engagement which is the subject of the application.

8.03. Required Fee.

A fee shall be charged as provided in Section 4.10 for each application for issuance or renewal of a temporary permit under this section. Such fee shall be charged for each partner, shareholder or sole proprietor who is to engage in the practice of public accountancy in this State under the permit.

8.04. Limit to Single Engagement.

A temporary permit issued under this section shall be limited to the single specific professional engagement which is the occasion for the application for a permit; it shall name each person who is to engage in the practice of public accountancy in this State pursuant to such engagement; and it shall be valid for no more than ninety days after its issuance.

8.05. Applicant's Agent.

An application for a temporary permit under this Section shall constitute the appointment of the Secretary of the Commonwealth or other appropriate official as the applicant's agent upon whom process may be served in any action or proceeding against the applicant arising out of any transaction or operation connected with or incidental to the performance of the professional engagement for which the temporary permit was issued.

8.06. Residents of Virginia Ineligible.

No temporary permit shall be issued to any person who is a resident of this State.

8.07. When Required.

Temporary permits will be required of out-of-state certified public accountants or firms in each instance in which such out-of-state certified public accountants or firms send out-of-state personnel into the state to perform a specific engagement.

8.08. Form Required.

Applications for temporary permit to fulfill specific engagements shall be in writing directed to the Board on forms devised by the Board.

8.09. Statement Required.

Each application will be accompanied by a statement of the applicant, or if it is a partnership or professional corporation, by a partner or shareholder of the applicant, as follows:

- a. The specific professional engagement to be performed;
- b. That the applicant is not maintaining a full-time office and staff in the state for the full-time public accounting practice in the state through the use of a temporary license.

8.10. Names of Licensees Required.

Within seven work days, exclusive of legal holidays, of the filing of the application for temporary license, the out-of-state certified public accountant shall furnish the Board, on forms prescribed by the Board, the names of all out-of-state certified public accountants coming into the state to fulfill the specific engagement indicating which ones are proprietors, shareholders or partners. If the out-of-state certified public accountant desires to substitute certified public accountants or bring additional certified public accountants into the state to fulfill the specific engagement, he shall notify the Board of the names of such substituted personnel or additional certified public accountants as soon as practicable after the substitution or addition.

9.00. ENFORCEMENT AGAINST HOLDERS OF CERTIFICATES AND PERMITS.

9.01. Revocation, Suspension, Censure, Fines, and Probation.

After notice and hearing pursuant to Section 11 of these rules, the Board may revoke any certificate or permit issued under Sections 5 through 8 of these rules, suspend any such certificate, license or permit for a period of not more than five years, refuse to renew any such license or permit, censure any regulant, impose an administrative fine, or place any certificate holder, licensee or firm on probation, all with or without terms, for any one or more of the following causes:

- a. Fraud or deceit in obtaining a certificate or permit;
- b. Cancellation, revocation, suspension or refusal to renew authority to engage in the practice of public accountancy in any other state for any cause.
- c. Failure, on the part of a holder of a permit under Sections 6, 7 or 8, to maintain compliance with the requirements for issuance of such permit or to report changes to the Board in accordance with Sections 6, 7 or 8;
- d. Suspension or revocation of the right to practice before any state or federal agency;
- e. Dishonesty, fraud or gross negligence in the practice of public accountancy;
- f. Violation of or noncompliance with any of the provisions of rules promulgated by the Board;
- g. Conviction of a felony or of any crime an element of which is dishonesty or fraud, under the laws of any state or of the United States;
- h. Performance of any fraudulent act while holding a certificate, license or permit issued under these Rules;
- i. Any conduct reflecting adversely upon the licensee's fitness to engage in the practice of public accountancy;
- j. Violation of any of the provisions of Chapter 1.1 or Chapter 5 of Title 54 of the Code of Virginia, 1950, as amended.

9.02. Practice Review and Continuing Professional Education.

In lieu of or in addition to any remedy specifically provided in Section 9.01 of these Rules, the Board may require of a regulant:

- a. A practice review conducted in such fashion as the Board may specify; and/or
- b. Satisfactory completion of such continuing professional education programs as the Board may specify.

9.03 Exchange of Information.

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 such information.

10.00. ENFORCEMENT PROCEDURES - INVESTIGATIONS.

10.01. Investigation.

The Board may cause investigations to be conducted of suspected violations of these rules to determine whether there is probable cause to institute proceedings against any person or firm for such violation under Sections 9 or 14 of these rules; but an investigation under this Section shall not be a prerequisite to such proceedings. In aid of such investigations, subpoenas may be issued in accordance with §54-1.40 of the Code of Virginia, 1950 as amended.

10.02. Investigating Officer.

The Board shall find probable cause or lack of probable cause upon the basis of a report made by the Department of Commerce, or shall return the report for further investigation. Until there has been a determination of probable cause, 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 (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.

10.03. Issuance of Complaint.

Upon finding of probable cause, if the subject of the investigation is a licensee, certificate holder or firm, the Board shall direct that charges be made in accordance with Section 11 of these rules; and if the subject of the investigation is not a licensee, certificate holder or firm, the Board shall cause appropriate action to be taken.

11.00. PROCEDURE FOR HEARINGS BEFORE BOARD.

11.01. Initiation of Proceedings.

The board may initiate proceedings either on its own motion or on the complaint of any person.

11.02. Administrative Process Act.

All contested hearings will be held in accordance with the provisions of the Administrative Process Act, Virginia Code §9-6.14:1 through §9-6.14:20, and the Rules and Regulations for Hearing Officers as promulgated by the Department of Commerce.

11.03. Majority Vote Required.

All decisions of the Board shall be by majority vote of the members present and voting.

12.00. REINSTATEMENT.

12.01. General.

In any case where the Board has suspended or revoked a certificate, license or a permit, the Board may, upon application in writing by the person or firm affected and for good cause shown, modify the suspension or reissue the certificate, license or permit.

12.02. Application.

A person whose certificate has been revoked or suspended or who has been placed on probation may petition the Board for reinstatement or modification of penalty, including modification or termination of probation, after a period of not less than one year has lapsed from the effective date of the decision ordering such disciplinary action. The petition shall state such facts as may be required by the Board. The petition shall be accompanied by at least two verified recommendations from accountants licensed by the Board who have personal knowledge of the activities of the petitioner since the disciplinary penalty was imposed.

12.03. Hearing.

The petition may be heard by the Board under the procedures of Section 11. The Board may consider all activities of the petitioner since the disciplinary action was taken, the offense for which the petitioner was disciplined, the petitioner's activities during the time the certificate was in good standing, the petitioner's rehabilitative efforts and restitution to damaged parties in the matter for which disciplinary action was taken by the Board, and the petitioner's general reputation for truth and professional ability. The hearing may be continued from time to time as the Board finds necessary.

The Board in reinstating a certificate, license or permit, or modifying a penalty, may impose such terms and conditions as it deems necessary. No petition shall be considered while the petitioner is under sentence for a criminal offense related to the practice of public accountancy, including any period during which the petitioner is on court imposed probation or parole for such offense. The Board may deny without a hearing or argument any petition filed pursuant to this section where the petitioner has been afforded a previous hearing filed pursuant to this section within a period of one year from the effective date of the prior decision.

12.04. Continuing Professional Education or Practice Review.

Before reissuing or terminating the suspension of a certificate or permit under this Section, and as a condition thereto, the Board may require the applicant to show successful completion of specified continuing professional education, and/or to undergo a practice review conducted in such fashion as the Board may specify.

13.00 RESERVED.

14.00. CRIMINAL PENALTIES.

14.01. Knowing Violations of Section 3.

Whenever, by reason of an investigation pursuant to Section 10 of these rules or otherwise, the Board has reason to believe that any person has knowingly engaged in acts or practices which constitute a violation of Section 3 of these regulations, the Board may bring its information to the attention of the Commonwealth Attorney in the jurisdiction where the violations have occurred, who may, in his discretion, bring appropriate criminal proceedings.

14.02. Misdemeanor.

Any person or firm who knowingly violates any provision of Section 3 of these Rules shall be guilty of a misdemeanor as prescribed by §54-1.20 of the Code of Virginia, 1950 as amended.

15.00. SINGLE ACT EVIDENCE OF PRACTICE.

15.01. General.

In any action brought under Sections 11, or 14 of these rules, evidence of the commission of a single act prohibited by these rules shall be sufficient to justify a penalty, injunction or conviction, respectively, without evidence of a general course of conduct.

16.00. PRIVILEGED COMMUNICATIONS.

16.01. General.

Except by permission of the client engaging a firm under these rules, or the heirs, successors or personal representatives of such client, a firm and any partner, officer, shareholder or employee of a firm shall not be required to disclose, and shall not voluntarily disclose, information communicated to him by the client relating to and in connection with services rendered to the client by the firm in the practice of public accountancy. Such information shall be deemed confidential and privileged; provided, however, that nothing herein shall be construed to prohibit the disclosure of information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements, or to prohibit disclosures in court proceedings or in investigations or proceedings under Sections 10 or 11 of these Rules when the services of the firm are at issue in such investigations or proceedings and the firm is a party thereto, or to prohibit disclosure in the course of a practice review.

16.02. Construction of Section 16.01.

Section 16.01 shall not be construed:

- a. To relieve a regulant of the obligations contained in Section 3.11.03.02 and 3.11.03.03; or
- b. To affect in any way compliance with a validly issued subpoena or summons enforceable by order of a court; or
- c. To prohibit review of a regulant's professional practices as a part of a voluntary or required quality review; or
- d. To preclude a regulant from responding to any inquiry made by recognized national, state or local organizations of certified public accountants, or by federal, state or local authorities acting under valid statutory authority.

A regulant shall not disclose any confidential client information which comes to his attention in disciplinary proceedings, or in carrying out his or her official responsibilities; provided, however, that this prohibition shall not restrict the exchange of information with a duly constituted investigative or disciplinary body.

17.00. FIRM WORKING PAPERS: CLIENTS' RECORDS.

17.01. General.

All statements, records, schedules, working papers, and memoranda made by a firm or a partner, shareholder, officer, director, or employee of a firm, incident to, or in the course of, rendering services to a client in the practice of public accountancy, except the reports submitted by the firm to the client and except for records which are part of the client's records, shall be and remain the property of the firm in the absence of an express agreement between the firm and the client to the contrary. No such statement, record, schedule, working paper, or memorandum shall be sold, transferred, or bequeathed, without the consent of the client or his personal representative or assignee, to anyone other than one or more surviving partners or stockholders or new partners or stockholders of the licensee.

17.02. Submission of Materials to Client.

A firm shall furnish to his client or former client, upon request made within a reasonable time after original preparation of the document in question:

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

firm may make and retain copies of such documents of the client when they form the basis for work done by him.

17.03. Retention of Records.

A firm, after demand by or on behalf of a client for books, records or other data that are the client's records, shall not retain such records. The firm does not have a lien on these records, regardless of the fact that the fee of the firm remains unpaid.

18.00. CONSTRUCTION: SEVERABILITY.

18.01. General.

If any provisions of any one of these Sections or the application thereof to any person or entity or in any circumstances be held invalid, the remainder of the Sections and the application of such provision to other circumstances shall not be affected thereby.

19.00. CHANGES IN REFERENCES IN THESE REGULATIONS.

Any changes after July 1, 1981 in the numbering of code sections in the Code of Virginia or the official names of organizations referred to in these Regulations shall not render those references invalid if such changes in numbering of code sections or official names of organizations are the only changes made.

20.00. EFFECTIVE DATE.

These Rules and Regulations shall take effect on June 30, 1981.

